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The World Bank

Report No: 49140

IMPLEMENTATION COMPLETION AND RESULTS REPORT
(IBRD-73060)

FOR A
PROGRAMMATIC LOAN FOR SUSTAINABLE AND EQUITABLE GROWTH:
HOUSING SECTOR REFORM

IN THE AMOUNT OF US\$ 502.50 MILLION

TO THE
FEDERATIVE REPUBLIC OF BRAZIL

June 29, 2009

Sustainable Development Department
Brazil Country Management Unit
Latin America and the Caribbean Region

CURRENCY EQUIVALENTS
(Exchange Rate Effective June 24, 2009)

Currency Unit = Real
1.00 = US\$ 0.50
US\$ 1.00 = 1.99 Reais
FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

| | |
|---------|---|
| BACEN | Banco Central do Brasil (Central Bank of Brazil) |
| CEF | Caixa Econômica Federal (Federal Loan and Savings Bank) |
| CNM | Conselho Monetário Nacional (National Monetary Council) |
| CVM | Comissão de Valores Mobiliários (Security and Exchange Commission) |
| DPL | Development Policy Loan |
| FAT | Fundo de Amparo ao Trabalhador (Worker Support Fund) |
| FNHIS | Fundo Nacional de Habitação de Interesse Social (National Social Interest Housing Fund) |
| FGTS | Fundo de Garantia do Tempo de Serviço (Workers Severance Fund) |
| IHPH | Inter-ministerial Housing Policy Group |
| MCMV | Minha Casa, Minha Vida (stimulus package) |
| MOC | Ministério das Cidades (Ministry of Cities) |
| MP | Medida Provisória (Project Law Issued by the Executive) |
| MW | Minimum wage (Currently 1MW=R\$465) |
| NHP | National Housing Policy |
| PAC | Programa de Aceleração do Crescimento (Growth Acceleration Program) |
| PAR | Programa de Arrendamento Residencial (Social Rental Program) |
| PlanHab | National Housing Plan |
| PSH | Programa de Subsídio à Habitação de Interesse Social (Social Housing Subsidy Program) |
| SBPE | Sistema Brasileiro de Poupança e Empréstimo (Savings and Loan System) |
| SFH | Sistema Financeiro de Habitação (Housing Finance System) |
| SFI | Sistema Financeiro Imobiliário (Real Estate Financial System) |
| STN | Secretaria do Tesouro Nacional (Treasury) |
| SWAp | Sector Wide Approach |
| TAL | Technical Assistance Loan |
| TR | Taxa Referencial (Reference Interest Rate) |

| |
|---|
| <p style="text-align: center;">Vice President: Pamela Cox Country Director: Makhtar Diop Sector Manager: Guang Zhe Chen Task Team Leader: Ming Zhang ICR Team Leader: Sameh Wahba</p> |
|---|

GLOSSARY OF KEY TERMS AND INSTITUTIONS

CEF Caixa Econômica Federal 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 housing credit system (SBPE) lending; uses most of the FGTS funds that are on-lent for housing; manages the accounts of the FGTS members; and distributes the bulk of the public housing subsidy resources.

Estatuto da Cidade (the City Statute) is a law related to urban development which decentralized to municipalities a number of housing and land responsibilities and required cities to develop their institutional capacity, as well as participatory urban plans.

FGTS Fundo de Garantia do Tempo de Serviço is the cornerstone of both the directed credit system as well as the housing subsidy system. It is funded by the monthly compulsory contributions of salaried employees into accounts linked to the workers managed by CEF.

FNHIS (Fundo Nacional de Habitação de Interesse Social). National Social Interest Housing Fund that was established as one of the Prior Actions to the DPL. It was established to coordinate transfers, subsidies, financial resources and funding to support the national housing policy.

Law 6.766/79. National legislation that regulates the subdivision of land for urban purposes, which has been under revision since the DPL.

Minha Casa, Minha Vida is an economic stimulus package launched in April 2009 that aims to construct 1 million new homes by 2012.

MOC (Ministry of Cities). Created in 2003, the ministry filled an important vacuum in terms of urban and housing policy. It has made important advances to coordinate and define low-income housing policies, sharing with STN the management of the new social housing program.

MP (Medida Provisória), a legal instrument issued by the President with the force of law but that has not been approved by the Parliament.

NHP (National Housing Policy) was prepared by the Ministry of Cities in wide consultation with partners and civil society. The Bank was very active in the review of early drafts and in sharing methodology and conceptual framework.

PAC (Programa de Aceleração do Crescimento). The government introduced the PAC in January 2007 with a goal of encouraging R\$ 504 billion in public and private investment over the subsequent four years. The measures are divided into five groups: infrastructure (transport, sanitation and housing), credit stimulation, institutional development, tax exemption, and long-term fiscal measures.

PlanHab (National Housing Plan), completed in 2008, is the road map for the National Housing Policy determining specific targets up to 2023 and the responsibilities of each public agency, as well as the financial needs and sources of finance.

Papel Passado Program aims to assist states, municipalities, public administration entities and nonprofit civic associations in promoting land regularization in informal settlements in urban areas.

SFH (Housing Finance System). Created in 1964, the SFH is a classic closed-circuit housing finance system offering below-market rates on a limited pool of funds. It includes the SBPE, the savings and loans arm of the system, FGTS, FCVS, and CEF.

PSH (Social Housing Subsidy Program) *Parcelamento* is the component of the PSH that provides upfront subsidies to the beneficiaries and pays financial institutions to supervise the actual construction or purchase of the house. Municipalities contribute with the land and enforce the contracts. *Financiamento* is the component of the PSH that subsidizes both the final beneficiary as well as the bank to finance low-income households. In most cases, municipalities are the guarantors of the loan advanced to the households.

SBPE (Sistema Brasileiro de Poupança e Empréstimo) is a system that offers liquid and tax free saving accounts (*cadernetas de poupança*), at a relatively low interest rate. Part of the deposits is compulsorily dedicated to finance housing loans.

SFI (Sistema Financeiro Imobiliário) is the new market-based housing finance system that the government aimed to strengthen under the DPL.

BRAZIL

Programmatic Loan for Sustainable and Equitable Growth: Housing Sector Reform

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| A. Basic Information | | | |
|---|------------|------------------|---|
| Country | Brazil | Program Name | Programmatic Loan for Sustainable and Equitable Growth: Housing Sector Reform |
| Program ID | P078716 | L/C/TF Number(s) | IBRD-73060 |
| ICR Date | 06/29/2009 | ICR Type | Core ICR |
| Lending Instrument | DPL | Borrower | FEDERATIVE REPUBLIC OF BRAZIL |
| Original Total Commitment | USD 502.5M | Disbursed Amount | USD 502.5M |
| Implementing Agencies | | | |
| Ministry of Finance | | | |
| Cofinanciers and Other External Partners | | | |

| B. Key Dates | | | | |
|---------------------|------------|-------------------|---------------|--------------------------|
| Process | Date | Process | Original Date | Revised / Actual Date(s) |
| Concept Review: | 01/13/2005 | Effectiveness: | | 05/09/2006 |
| Appraisal: | 03/28/2005 | Restructuring(s): | | |
| Approval: | 06/14/2005 | Mid-term Review: | | |
| | | Closing: | 06/30/2006 | 06/30/2006 |

| C. Ratings Summary | |
|--------------------------------------|--------------|
| C.1 Performance Rating by ICR | |
| Outcomes | Satisfactory |
| Risk to Development Outcome | Low |
| Bank Performance | Satisfactory |
| Borrower Performance | Satisfactory |

| C.2 Detailed Ratings of Bank and Borrower Performance (by ICR) | | | |
|---|--------------|-------------------------------|--------------|
| Bank | Ratings | Borrower | Ratings |
| Quality at Entry | Satisfactory | Government: | Satisfactory |
| Quality of Supervision: | Satisfactory | Implementing Agency/Agencies: | Satisfactory |
| Overall Bank Performance | Satisfactory | Overall Borrower Performance | Satisfactory |

| C.3 Quality at Entry and Implementation Performance Indicators | | | |
|---|-------------------|---------------------------------|----------------|
| Implementation Performance | Indicators | QAG Assessments (if any) | Rating: |
| Potential Problem Program at any time (Yes/No): | No | Quality at Entry (QEA) | N/A |
| Problem Program at any time (Yes/No): | No | Quality of Supervision (QSA) | N/A |
| DO rating before Closing/Inactive status | S | | |

| D. Sector and Theme Codes | | |
|---|-----------------|---------------|
| | Original | Actual |
| Sector Code (as % of total Bank financing) | | |
| Gen pub admin sector | 15% | 15% |
| Housing finance and realty | 47% | 47% |
| Other social service | 23% | 23% |
| Housing construction | 15% | 15% |
| | | |
| Theme Code (Primary/Secondary) | | |
| Legal institutions for a market economy | 17% | 17% |
| Other financial and private sector development | 17% | 17% |
| Social safety nets | 17% | 17% |
| Access to urban services and housing | 33% | 33% |
| Land administration and management | 16% | 16% |

| E. Bank Staff | | |
|----------------------|--------------------|---------------------|
| Positions | At ICR | At Approval |
| Vice President: | Pamela Cox | Pamela Cox |
| Country Director: | Makhtar Diop | Vinod Thomas |
| Sector Manager: | Guang Zhe Chen | John Henry Stein |
| Task Team Leader: | Ming Zhang | Maria Emilia Freire |
| ICR Team Leader: | Sameh Naguib Wahba | |
| ICR Primary Authors: | Sameh Naguib Wahba | |
| | Catherine Lynch | |

F. Results Framework Analysis

Program Development Objectives (from Program Document)

The objective of the program was to support the Government's efforts to improve access of the poor to improved housing and serviced land, while maintaining fiscal discipline.

Revised Program Development Objectives (as approved by original approving authority) **(a) PDO Indicator(s)**

| Indicator | Baseline Value | Original Target Values (from approval documents) | Formally Revised Target Values | Actual Value Achieved at Completion or Target Years |
|----------------------|---|--|--------------------------------|---|
| Indicator 1 : | The DPL did not include PDO indicators. | | | |

(b) Intermediate Outcome Indicator(s)

| Indicator | Baseline Value | Original Target Values (from approval documents) | Formally Revised Target Values | Actual Value Achieved at Completion or Target Years |
|--|--|--|--------------------------------|---|
| Policy Area #1 Strengthening the Housing Policy and Government Institutional Framework for the Housing Sector | | | | |
| Indicator 1 : | Completion and dissemination of the National Housing Plan | | | |
| Value (quantitative or Qualitative) | No national housing plan existed | Completion and dissemination of the National Housing Plan | No | National Housing Plan completed; dissemination delayed |
| Date achieved | 2005 | | | November 2008 |
| Indicator 2: | Group for managing the FNHIS established upon the general approval of the law | | | |
| Value (quantitative or Qualitative) | No management group for the FNHIS existing | FNHIS management council established | No | FNHIS management council established |
| Date achieved | 2005 | | | August 2006 |
| Indicator 3: | OGU resources for housing included in FNHIS in the medium term as determined in the legislation | | | |
| Value (quantitative or Qualitative) | No OGU resources for housing included in the FNHIS | OGU resources for housing included in the FNHIS in the medium term | No | OGU resources for slum upgrading and social housing channeled through FNHIS |
| Date achieved | 2005 | | | 2006 |
| Indicator 4: | Number of municipalities with Housing Plans prepared and approved | | | |
| Value (quantitative or Qualitative) | No federally approved municipal housing plans existing | Undefined | No | Unknown; requires survey |
| Date achieved | 2005 | | | 2009 |
| Indicator 5: | Number of public workers trained by means of the tool kits | | | |
| Value (quantitative or Qualitative) | No tool kits existing | Undefined | No | Approximately 1,500 persons trained |
| Date achieved | 2005 | | | 2007 – 2009 |
| Indicator 6: | Number of municipalities in the metropolitan regions which received training and institutional development actions | | | |
| Value (quantitative or Qualitative) | N/A | N/A | N/A | N/A |
| Date achieved | | | | |
| | | | | |
| Policy Area #2 Reforms to Increase the Stability and Scale of Housing Finance Market | | | | |
| Indicator 7: | Number and value of mortgages issued for existing and new housing (relative to data of houses built in the formal housing market) | | | |
| Value | R\$3.0 billion SBPE + | Undefined | No | R\$29.9 billion SBPE + |

| | | | | |
|--|---|---|----|---|
| (quantitative or Qualitative) | R\$2.4 billion FGTS = R\$5.4 billion total 54,500 units SBPE + 155,275 units FGTS = 209,775 units total | | | R\$ 9.2 billion FGTS = R\$ 39.1 billion total 298,513 units SBPE + 243,703 units FGTS = 542,216 units total |
| Date achieved | 2004 | | | 2008 |
| Indicator 8: | Record of court cases on housing finance | | | |
| Value (quantitative or Qualitative) | CEF contracts: Trust deed: 483 Mortgage: 7,979 | Undefined | No | CEF contracts: Trust deed: 973 Mortgage: 3,024 |
| Date achieved | 2006 | | | 2008 |
| Indicator 9: | Number and value of mortgage-backed securities issued and traded (CRIs) accredited by CVM | | | |
| Value (quantitative or Qualitative) | R\$ 2.1 billion 34 transactions | Undefined | No | R\$ 4.9 billion 72 transactions |
| Date achieved | 2005 | | | 2008 |
| Indicator 10: | Number of alternative lending agencies (micro-lenders and cooperatives) included in the database on housing finance | | | |
| Value (quantitative or Qualitative) | 0 alternative lenders included in the database | Undefined | No | 0 alternative lenders included in the database |
| Date achieved | 2000 | | | As of 2009 |
| Indicator 11: | Improve database on performance of alternative agents | | | |
| Value (quantitative or Qualitative) | Weak system to collect information on micro-lenders and cooperatives | Improve database on performance of alternative agents | No | No improvement to database of performance of alternative agents |
| Date achieved | 2004 | | | 2009 |
| Indicator 12: | Increase in aggregate value and number of SBPE mortgages | | | |
| Value (quantitative or Qualitative) | R\$3.0 billion 54,500 units | Undefined | No | R\$29.9 billion 298,513 units |
| Date achieved | 2004 | | | 2008 |
| Indicator 13: | Deposits retained in BACEN due to lack of adherence to the measures included in Resolution 3259/2005 (now 3347) determining the allocation of SBPE funds | | | |
| Value (quantitative or Qualitative) | R\$1.7 billion above required consolidated housing loans | Undefined | No | R\$6.25 billion above required consolidated housing loans |
| Date achieved | 2005 | | | 2008 |
| Indicator 14: | Structure of FGTS and SBPE housing lending by income brackets | | | |
| Value (quantitative or Qualitative) | FGTS: < 5MW = 85.6% of units and 59.3% of the value for the budget year SBPE: Low value lending = 3.2% | FGTS and SBPE move down- market in the intermediate term | No | FGTS: < 5MW = 71.4% of units and 54.1% of value for the budget year SBPE: Low value lending = 8.6% |

| | | | | |
|---|--|---|----|---|
| | of outstanding loan portfolio | | | of outstanding loan portfolio |
| Date achieved | 2006 | | | 2008 |
| Indicator 15: | Financial institutions with access to FGTS funding for housing finance purposes | | | |
| Value (quantitative or Qualitative) | 2 financial institutions (both public) with access to FGTS funding | Expand the number of institutions with access to FGTS funding | No | 10 financial institutions with access to FGTS funding; 5 effectively using the funds |
| Date achieved | 2003 | | | 2008 |
| Indicator 16: | Total amount made available for FGTS interest rate subsidies – <i>equilibrio</i> (for both mortgage loans and construction materials) | | | |
| Value (quantitative or Qualitative) | R\$ 528 million | Undefined | No | R\$979 million |
| Date achieved | FY 2005 | | | FY 2008 |
| Indicator 17: | Distribution of FGTS housing subsidies (upfront and interest rate) by income brackets | | | |
| Value (quantitative or Qualitative) | < 1 MW = 28.9% 1 – 2 MW = 10.3% 2 – 3 MW = 19.6% 3 – 4 MW = 21.2% 4 – 5 MW = 18.0% 5 – 6 MW = 2.0% | Improved targeting of FGTS subsidies | No | < 1 MW = 24.7% 1 – 2 MW = 6.3% 2 – 3 MW = 18.1% 3 – 4 MW = 28.4% 4 – 5 MW = 22.5% |
| Date achieved | 2005 | | | 2008 |
| Policy Area #3 Improve Effectiveness and Harmonize Federal Housing Subsidies | | | | |
| Indicator 18: | Preparation and publication of a comprehensive housing subsidy policy as a core component of the National Housing Plan | | | |
| Value (quantitative or Qualitative) | No existing comprehensive housing subsidy policy | Preparation and publication of a comprehensive housing subsidy policy | No | Comprehensive housing subsidy policy completed as part of the National Housing Plan |
| Date achieved | 2005 | | | 2008 |
| Indicator 19: | Amount of PSH subsidies in terms of aggregate volume and number of households benefiting | | | |
| Value (quantitative or Qualitative) | R\$0.5 billion 59,038 households | Undefined | No | R\$0.4 billion 65,471 households |
| Date achieved | 2004 | | | 2008 |
| Indicator 20: | % of PSH subsidies which reach the very poor (under 2 MW) under new verification regime | | | |
| Value (quantitative or Qualitative) | 100% | Undefined | No | 100% |

| | | | | |
|--|---|---|----|---|
| Date achieved | 2004 | | | 2008 |
| Indicator 21: | Number of financial institutions participating in the <i>financiamento</i> program | | | |
| Value (quantitative or Qualitative) | 2 commercial banks | Increase in the number of financial institutions participating in the program | No | 21; primarily small financial agents |
| Date achieved | 2004 | | | 2008 |
| Indicator 22: | Number of <i>parcelamento</i> agents prequalified/ application of sanctions for banks which do not comply with the terms of bids | | | |
| Value (quantitative or Qualitative) | N/A | Increase in agents prequalified | No | All <i>parcelamento</i> agents are prequalified |
| Date achieved | 2004 | | | 2008 |
| Indicator 23: | Number of municipalities trained in <i>parcelamento</i> procedures | | | |
| Value (quantitative or Qualitative) | 0 | Undefined | No | 0 |
| Date achieved | 2004 | | | 2008 |
| Indicator 24: | Number of households which receive upfront grants and aggregate volume of subsidies (FGTS) | | | |
| Value (quantitative or Qualitative) | R\$ 474 million 196,000 households | Undefined | No | R\$ 380 million 70,000 households |
| Date achieved | 2005 | | | 2008 |
| Indicator 25: | % of FGTS upfront grants which go to households with < 4MW | | | |
| Value (quantitative or Qualitative) | 80.5% | Undefined | No | 79.3% |
| Date achieved | 2005 | | | 2008 |
| Indicator 26: | Number of financial institutions participating in FGTS upfront grant system | | | |
| Value (quantitative or Qualitative) | 2 financial institutions | Undefined | No | 2 financial institutions |
| Date achieved | 2005 | | | 2008 |
| Indicator 27: | M&E system is designed and in place | | | |
| Value (quantitative or Qualitative) | No M&E system existing | Establishment of an M&E system | No | Comprehensive M&E system for the housing sector not established; program-specific systems established |

| | | | | |
|--|---|---|-----|---|
| Date achieved | 2005 | | | 2009 |
| Indicator 28: | Execute regular audits consistent with Brazilian law | | | |
| Value (quantitative or Qualitative) | Undefined | Regular audits would be performed | No | Regular audits by the TCU (national internal accounting agency) are performed |
| Date achieved | 2004 | | | 2009 |
| Indicator 29: | Periodic and long-term monitoring and evaluation | | | |
| Value (quantitative or Qualitative) | Monitoring and evaluation not conducted on a regular basis | Periodic and long-term monitoring and evaluation | No | Periodic and long-term monitoring and evaluation has improved |
| Date achieved | 2004 | | | 2009 |
| Indicator 30: | Completion of an evaluation of the PAR (Social Rental Program) program and the first round of PSH subsidies | | | |
| Value (quantitative or Qualitative) | No evaluation completed | Completion of an evaluation of the PAR program and the first round of PSH subsidies | No | Evaluations completed |
| Date achieved | 2004 | | | 2007 |
| Policy Area #4 Land and Urban Development | | | | |
| Indicator 31: | % of municipalities that have developed master plans, relative to the goal of 1700 cities targeted by the Statute of the City | | | |
| Value (quantitative or Qualitative) | 1.2% | Undefined | No | 36.2% |
| Date achieved | As of 1996 | | | As of March 2007 |
| Indicator 32: | % of families assisted by the national program for precarious settlements, relative to the demand defined by official data available | | | |
| Value (quantitative or Qualitative) | R\$ 1.1 billion 170,000 families | Undefined | No | R\$ 8.5 billion 730,000 families |
| Date achieved | 2003 - 2005 | | | 2006 – 2008 |
| Indicator 33: | % of municipalities that have developed local housing plans | | | |
| Value (quantitative or Qualitative) | No federally approved municipal housing plans. | Undefined | No | Unknown; requires survey |
| Date achieved | 2005 | | | 2009 |
| Indicator 34: | % of municipalities that implemented municipal policies of land regularization | | | |
| Value (quantitative or Qualitative) | N/A | N/A | N/A | N/A |

| | | | | |
|--|--|-----------|----|---|
| Date achieved | | | | |
| Indicator 35: | % of municipalities that implemented municipal regularization programs in relation to the number of municipalities with problems of irregular settlements | | | |
| Value (quantitative or Qualitative) | 65 municipalities 382 settlements | Undefined | No | 387 municipalities 2,578 settlements |
| Date achieved | As of 2005 | | | As of 2009 |

G. Ratings of Program Performance in ISRs

| No. | Date ISR Archived | DO | IP | Actual Disbursements (USD millions) |
|-----|-------------------|----|----|-------------------------------------|
| 1 | 05/03/06 | S | S | \$502.5M disbursed on May 9, 2006. |

H. Restructuring (if any)

N/A

1. Program Context, Development Objectives and Design

1.1 Context at Appraisal

The loan was appraised in early 2005 during the first Lula Administration. During that period, the Government was working on several fronts to demonstrate its commitment to fiscal and macroeconomic stability. For the first time since the 1970s, the Brazilian economy was experiencing a healthy combination of brisk growth, single-digit inflation, and a current account surplus.

Since 2003, the Government had established an agenda of microeconomic and institutional reforms to foster capital accumulation and productivity gains and thereby favor sustainable and equitable growth. Decline in investment levels in infrastructure had been large. Productivity performance had been relatively better, but a poor “investment climate” was still a major obstacle to further productivity gains. The reforms were structured around four pillars: (a) reducing logistics costs to raise productivity and ease trade; (b) improving the business environment to enable better market functioning; (c) enhancing financial efficiency and depth; and (d) transforming knowledge into productivity through innovation.

The improvements in the housing sector fit within the Government’s microeconomic agenda of reforms, and would require increased mortgage credit, effective property rights, and the removal of obstacles to commercial lending for housing. These matched the broader initiatives of supporting private sector development, improving the business environment, and increasing financial depth. Better regulation for land use was also an ingredient of the larger task of improving infrastructure regulation and simplifying business entry and operation, other elements of the agenda. And the emphasis on targeted subsidies and auctioning was part of a broader effort to increase the efficiency of social expenditure. A new housing policy was thus envisioned to galvanize the government’s microeconomic agenda, reduce social distress and improve fiscal management.

In February 2000, Brazil’s Congress passed a constitutional amendment that guarantees the right to adequate housing for all Brazilians. Accomplishing this goal, while maintaining fiscal discipline, presented a major challenge. While the issue of housing and the attendant social, economic, environmental, and health issues was a priority in the electoral campaign of President Lula in 2002, progress in housing outcomes had proven limited by 2005. This was in large part due to the fact that the new Government had to develop an institutional and policy framework for the sector from the ground up. Fiscal restrictions, self-imposed by the Government, further limited their ability to launch new housing investment programs.

1.2 Original Program Development Objectives (PDO) and Key Indicators *(as approved)*

On June 14, 2005, the Bank Board approved the Programmatic Loan for Sustainable and Equitable Growth: Housing Sector Reform (Loan 7306-BR), which became effective on

May 9, 2006. The operation was part of a set of four loans to support the Government of Brazil in its agenda for sustainable and equitable growth. An accompanying Technical Assistance Loan was approved by the Board on November 10, 2005 to assist the Government in pursuing its new housing policy and design the necessary policy reforms which would be supported by further Bank lending.

Program Development Objectives. The objective of the program was to support the Government's efforts to improve access of the poor to improved housing and serviced serviceable land, while maintaining fiscal discipline. Specifically, the operation aimed to support the Government in its efforts to: (a) develop a sound national policy and institutional framework for housing and urban development; (b) strengthen the housing credit and savings systems, and provide incentives for the housing finance market to expand as well as move “down-market”; (c) design and implement a unified federal housing subsidy system to address the affordability of housing solutions for the poor; and (d) reduce the costs of formal urban land development by strengthening land legislation and regulations and real property registries.

Key Indicators. The operation was designed to provide timely, appropriate support to a policy reform program that was, by its very nature, medium-term in scope. The DPL supported initiatives already completed. A list of the policy developments required by the Loan Agreement in this first phase of the program is provided in Annex 7. The results framework identifies eight key actions as “triggers” for the preparation of a subsequent DPL – completion of these actions would serve as a clear signal of the Government’s intention to maintain the policy trajectory of the program – and thirty-five Performance/Outcome Indicators. These performance indicators were selected as a means of measuring the Government’s progress in addressing specific policy needs.

1.3 Revised PDO

N/A

1.4 Original Policy Areas Supported by the Program

The DLP supported the Government’s efforts in four areas of housing sector and urban development policy reform, including: (i) Strengthening the Housing Policy and Government Institutional Framework; (ii) Reforms to Increase the Stability and Scale of the Housing Finance Market; (iii) Improving the Effectiveness of Federal Housing Subsidies; and (iv) Land and Urban Development.

Strengthening the Housing Policy and Government Institutional Framework. Until the creation of the Ministry of Cities in 2002, the housing system in Brazil was driven by a set of federative entities without a clear articulation of policies or a plan to address the housing and urban development problems of the country. At the time of the DPL approval, the Government had made significant progress in strengthening housing policy institutions, consolidating financial resources for Federal housing programs so as to increase their impact and homogenize their allocation criteria, and taken steps to strengthen subnational entities to implement housing policy.

Reforms to Increase the Stability and Scale of the Housing Finance Market. Since the mid-90s, Brazilian authorities have attempted to restructure the country's housing finance sector and have embarked on the gradual transition from a system of directed credit in a highly segmented market towards an integrated and capital market-driven housing finance system, with an increased role of private universal banks in the immediate-term and a functioning secondary mortgage market in the medium-term. While major progress had been made in the improvement of the regulatory and legal frameworks for the primary and secondary housing finance market, there were still serious constraints preventing private banks from entering the market. The result was that, in general, private lenders limited their mortgage lending to relatively large loans to upper-income customers.

Improving the Effectiveness of Federal Housing Subsidies. Housing subsidies in Brazil had traditionally been embedded in below-market interest rates inherent in the FGTS system and to a lesser degree by the SBPE system. At the time of the DPL approval, the FGTS had initiated improvements in its systems, approved by the FGTS Conselho Curador in 2004. In particular, it moved to greater effectiveness of its subsidy system, and had improved its targeting to lower-income borrowers.

Land and Urban Development. In addition to actions geared to stimulate demand for housing and to enable the subsidies to help the lowest income brackets, efforts were required to complement demand-side adjustments with supply-side reforms. There was a consensus that land supply in Brazil is constrained by excessive regulation, conservative zoning, and over restrictive devices, albeit their purpose of protecting the poor against speculation and to guaranteeing a minimal level of human dignity. Specifically, the revision of law 6.766/79 (which sets general norms of urban law concerning land subdivision for urban purposes) had been a priority since the mid 1990s, and the Ministry of Cities had since its creation in 2003 played a critical role in facilitating public debate on the law and its reform. It was the goal of the Ministry of Cities that any revision of the law be consistent with the main principles underlying the Government's policies on land and housing. By the time of approval of the DPL, the Government had begun a process to improve the legal and institutional framework as regards urban development and formal settlement creation to address both the backlog of needed investment and to create an enabling environment for the orderly incorporation of new land subdivisions.

1.5 Revised Policy Areas

N/A

1.6 Other significant changes

N/A

2. Key Factors Affecting Implementation and Outcomes

2.1 Program Performance

Program performance for the DPL is rated **satisfactory** because the Government has made significant progress regarding most of the identified policy needs, in addition to demonstrating through the *Programa de Aceleração do Crescimento* (PAC) and the new *Minha Casa, Minha Vida* stimulus package the prominence of the housing sector and its importance to the growth and equity agenda. In effect, under the DPL, important advances were made in (a) strengthening the housing policy and Government's institutional framework, (b) expanding the scale of the housing finance market, (c) increasing the transparency of housing subsidies, and (d) enhancing land tenure regularization.

Improvement in some other areas has lagged slightly behind target, including: (a) limited expansion of private lenders' down-market penetration using FGTS funds; (b) a comprehensive M&E system for the housing sector is still under development and (c) slow progress in the harmonization and consolidation of housing subsidies under the *Fundo Nacional de Habitação de Interesse Social* (FNHIS) and in the expansion of upfront housing subsidies through the *Programa de Subsídio à Habitação de Interesse Social* (PSH). In spite of the latter issues, the significance of the achievements in several other areas and the fact that the two most important Government investment programs in the past four years have focused on the housing sector, including the improved clarity and targeting of subsidies under the *Minha Casa, Minha Vida* program, warrants that the overall program performance be rated as satisfactory.

One of the factors affecting the assessment of program performance and outcomes is the timing of this implementation completion report (ICR). The initial plan was to prepare only one ICR for the entire DPL program (consisting of four loans – two related to housing and two related to employment and poverty), to be completed six months after the closing date of the last DPL in the series, which would have been the second housing related DPL. However, the second housing DPL did not move forward as Government did not require a fast-disbursing loan at this time due to its improved fiscal stance. Therefore, the second employment and poverty DPL, which closed June 30, 2008, became the last DPL in the series and their respective ICRs were prepared separately. The fact that this ICR is prepared more than two years after the date of completion of the housing DPL, made it possible to assess over a longer timeframe the impact of the implemented reforms and thus offer a more comprehensive overview of the housing sector. In particular, the timing of the ICR has allowed it to take into account the Government's interventions through the PAC and the MCMV program, which are testament to the Government's strong commitment to the housing sector and its importance to the growth and equity agenda.

2.2 Major Factors Affecting Implementation

The Government was, and has remained, committed to the housing reform program. This commitment was evidenced by the broad set of policy reforms that took place prior to the DPL and the continued financial and institutional focus that housing issues have had during the last four years. In particular, two of the largest public investment programs launched in the past four years tackled housing problems in Brazil, which demonstrates

the importance attached by the Federal Government to the housing sector. These are the PAC, launched in 2007 and in which R\$13.5 billion in urban upgrading and housing investments have been contracted, and the R\$34 billion MCMV stimulus package, recently launched in April 2009.

The background analysis supporting the reform program was sound, and based on extensive analytical work done by the Bank and the Borrower. During the two-year preparation of the DPL, the Bank Team, with support from international and Brazilian housing experts, worked closely with the Borrower to fully understand the challenges facing the housing and land sectors and identify the specific reforms necessary to reach the development objective of improving access to housing for the poor. After access to shelter services was identified as a priority area for Bank intervention during the pre-CAS consultation process towards the end of 2000, the Bank launched fieldwork that led to a comprehensive piece of ESW (Brazil Progressive Low-Income Housing: Alternatives for the Poor, Report 22032-BR). In 2001, the Brazilian authorities explicitly requested Bank assistance in preparing a National Housing Policy for Brazil taking into account the new macroeconomic stability of Brazil, the much wanted deregulation of the credit system, and the increased potential for capital market development.

Difficulties faced in the implementation of the companion Technical Assistance Loan prevented the timely achievement of some outcomes envisaged under the DPL. The DPL was designed to provide continued support to the Ministry of Cities in the implementation of the reform agenda through the approval of an accompanying housing sector Technical Assistance Loan (TAL). Among the items that were identified to be funded by the TAL were capacity building for the National Housing Secretariat, operationalization of the FNHIS, a strategic study of the FGTS, support for subsidy harmonization and rationalization, establishment of a comprehensive Monitoring and Evaluation (M&E) system, strengthening of sub-national planning and housing entities, and development of a national urban upgrading program. Difficulties in the procurement process of the different studies to be financed under the TAL, unavailability of consultants in Brazil with the necessary housing sector expertise, and the availability of alternative funding sources within the Ministry to conduct some of the work led to significant implementation and disbursement delays of the TAL. As a result, the implementation of the M&E system was significantly delayed.

An overall favorable macro-economic environment led to lower interest rates and as such increased lending for housing. The annual flow of housing mortgage loans grew from R\$5.4 billion in 2004 to R\$39.1 billion in 2008. This rapid expansion of housing finance owes in large part to positive macroeconomic conditions, as well as to improved legal and regulatory framework. In effect, the economy grew at an average of 4.8 percent between 2004 and 2008, while inflation dropped from 12.5 percent in 2002 to 5.9 percent in 2008. This led the Central Bank to reduce the headline interest rate (SELIC) from 26.5 percent in 2003 to 9.25 percent in June 2009.

The expansion of the housing finance market in general and further down-market penetration by private lenders was affected by the recent global economic crisis. The

DPL design correctly identified that there are inherent macroeconomic risks associated with any policy-based program of support and that this is particularly true in the case of housing finance. The recent global economic crisis, which began to show effects in Brazil in October 2008, has slowed growth in the housing finance market, especially for private financial institutions. Indeed, while the flow of SBPE mortgages issued by private lenders had peaked in August 2008, October 2008 marked the first month-on-month decline in mortgage flow relative to the previous year, and by February 2009, mortgage loans issued by private lenders had fallen 46 percent lower than the same period in 2008. Only CEF's sustained increase of SBPE lending prevented the decline of mortgage loans. The crisis and its effect on the contraction of credit by private lenders are thus expected to delay the expansion of the private housing finance market and its extension to lower income households.

2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization:

The DPL defined a results framework in which triggers for a subsequent DPL, performance indicators and medium-term anticipated results were defined for each policy reform area. However, an institutional arrangement for the collection of data and its monitoring was not designed. Moreover, many of the numerous performance indicators lacked baseline data and did not indicate specific targets. The PAD does not provide a clear division of responsibilities for M&E among institutions/agencies, especially since the different policy areas fall under the purview of different entities. As the designated implementing agency, the Ministry of Finance could be assumed to be responsible for overall M&E of the DPL outcomes. Yet, in the main reference to M&E in the PAD, it is indicated that the TAL would ensure that performance monitoring and evaluation is mainstreamed in the Government's housing policy. As such, it could be inferred that the Ministry of Cities would be the responsible agency for M&E of the DPL.

Given that no specific organization was clearly designated as responsible for monitoring and evaluation of the performance indicators for the DPL, no coordinated effort was made to consolidate the necessary information from the different agencies or to use these indicators to inform decision-making and resource allocation.

2.4 Expected Next Phase/Follow-up Operation (if any):

It was envisioned that Bank support to the Government's reform and investment program would be structured over the four years following the DPL and would comprise (a) loans aligned with the Government's budget cycle and linked to federal policy reform efforts, including the establishment of a sector-wide housing subsidy program; (b) a Technical Assistance Loan (TAL) which was approved in 2005 and has been extended to close in December 2010; and (c) a possible investment-linked operation, to be prepared under the Sector Wide Approach (SWAp) modality. The DPL was designed to support the establishment of the institutional and policy environment for sustainable housing sector development consistent with the emerging national priorities and to set the stage for a follow-on DPL, the focus of which would be to enhance the effectiveness of the housing finance system and the targeting and transparency of subsidy programs. While several of the identified triggers have been met, the Government has not moved forward with the

second housing related DPL. The improvement in economic conditions and the rapid build-up of foreign reserves meant that in 2007 the Federal Government did not need to borrow for budget support, and as such has not pursued the second housing DPL.

3. Assessment of Outcomes

3.1 Relevance of Objectives, Design, and Implementation

(to current country and global priorities, and Bank assistance strategy)

The objectives of the DPL remain highly relevant to current country priorities. While Brazil's macroeconomic conditions have improved considerably since the DPL and poverty rate dropped from 32.9 percent in 2003 to 24.2 percent in 2007, the country still faces a large housing shortage, especially among the lowest income groups. Indeed the National Housing Plan estimated the Brazilian housing deficit as 7.9 million units across the country, corresponding to 14.9 percent of total households in Brazil. Most of the demand for housing is in the lower income ranges. In fact, 90.3 percent of the urban housing deficit of the country is concentrated in families with monthly incomes of less than three minimum wages and 96.3 percent in families with monthly incomes of less than five minimum wages. This strong concentration of the deficit among the low-income occurs in all regions of the country, including metropolitan areas where the cost of housing is substantially higher than other areas.

The focus of the DPL on the housing sector and the reforms that it underpinned remain very relevant for Brazil's growth agenda, as well as the equitable sharing of such growth. Reforms to remove constraints to housing demand and to housing supply should result in both increased investment in housing construction, thus contributing to higher demand for labor, and increased capital accumulation. Improved access to affordable housing and shelter conditions in informal settlements would also be expected to contribute to crime reduction and enhanced labor productivity. This explains why, in the aftermath of the global economic crisis, the Government has identified the housing sector as the focus of its new stimulus package to generate employment, attract investment and contribute to growth, while addressing the housing challenge. As such, the DPL's objective and design remain very relevant to both the growth and equity agendas, which are the main Government priorities and key pillars in the Country Partnership Strategy.

In terms of design, the DPL's four areas of focus are particularly valid and provide a comprehensive response that addresses both demand- and supply-side challenges preventing low-income households' access to affordable, adequate housing. The PAD acknowledged that the DPL's scope was ambitious, and noted that in particular the land component was expected to produce results over a longer timeframe, and likely by the time of the follow up housing sector DPL that was then envisaged. As such, one could argue that the first DPL ought to have focused only on the first three policy areas—housing policy, finance and subsidy, leaving aside land issues to the second DPL. However, the inclusion of a land policy component under the DPL was warranted to initiate the policy dialogue and because separating demand and supply-side issues would

have risked compromising the intended development outcomes, as housing sector reform requires a comprehensive solution.

The DPL's implementation arrangement was well designed, particularly through the set up of the inter-ministerial working group bringing together key stakeholders (Ministry of Finance, Ministry of Cities, and BACEN). Even though the group's regular meetings somewhat waned following the completion of the DPL, the institutional cooperation that was initiated under the DPL served as the foundation for the design and implementation support of the PAC's urban upgrading component and the design of the MCMV stimulus program. The DPL could thus be credited for initiating institutional cooperation in housing policy and program formulation, mainly between the Ministries of Finance and Cities, as well as with Casa Civil, BACEN, and CEF.

3.2 Achievement of Program Development Objectives

(including brief discussion of causal linkages between policy actions supported by operations and outcomes)

Policy Area #1

The outcome of Policy Area #1: Strengthening the Housing Policy and Government Institutional Framework is rated satisfactory because of (i) the completion of the National Housing Plan; (ii) the activation of the managing council for the FNNIS and consolidation of housing related funding to lower federative levels, albeit not in the largest national investment programs; and (iii) the centrality of housing policy within the two most important national development programs during the last four years. Of minor concern is the slow progress on the completion of municipal level housing plans.

The strengthening of the government's housing policy making institutions was evidenced by the completion of the National Housing Plan (PlanHab) in 2008. The National Housing Secretariat elaborated the PlanHab in close collaboration with related ministries, local governments, the private sector, and social movement groups. The PlanHab has a planning horizon until 2023, and will guide the planning of public and private actions aimed at better targeting existing and future resources to confront the housing needs of the country.

During the last four years, housing has become an important issue in the national development agenda – both the PAC and the recent economic stimulus package, the two most important national development programs during the last four years, place an emphasis on the housing sector. Within the PAC, housing was allocated R\$ 10.7 billion for 268 urban upgrading initiatives, not including R\$ 2.2 from the FNNIS. The PlanHab, the primary product of Policy Area #1, was used as the foundation for the development of the international economic crisis stimulus package – *Minha Casa, Minha Vida*. The R\$ 34 billion stimulus package focuses on the housing sector, and specifically on the provision of housing for low-income families. The package includes upfront subsidies combined with housing loans, infrastructure financing, and housing production chain financing. It is important to note that the inter-ministerial working group (Prior Action #2) has evolved over time to become more action oriented. The design and

implementation of the stimulus package highlights the strengthened working relationship between the Ministry of Finance and the Ministry of Cities.

The establishment of the FNHIS in 2005, the activation of its managing council in 2006, and the channeling of funds for upgrading and social housing through it, demonstrate a significant first step towards the consolidation of financial resources for federal housing subsidies. Indeed, R\$1 billion per year was allocated to the FNHIS in the PPA 2008-11 to pass through to states and municipalities. However, there is a large discrepancy between the amount of funds passing through the FNHIS and the overall federal resources for low-income housing. Specifically, resources for housing from the PAC (R\$10.7 billion for 2007-10) and the MCMV stimulus package (R\$20.5 billion for 2009-12) were not channeled through the FNHIS.¹ This is primarily due to flaws in the design of the Fund, which are in the process of being addressed by the Government, as well as the limited duration nature of these two programs. If FNHIS is meant to be the cornerstone of a new system of relationship between the federal and local governments, developing direct federal funding channels outside the FNHIS may make the whole new system weaker. That said, it is important to note that while the funds for the PAC and MCMV are not channeled through the FNHIS, the Ministry of Cities is responsible for providing the main guidelines and criteria for monitoring the expenditures.

As part of the establishment of the FNHIS, states, the Federal District, and municipalities were required to create local housing plans (PLHIS) by 2009 in order to access federal resources. However, as of March 2009, only 26 municipalities had completed and received approval of their PLHIS by CEF, and the National Secretariat of Housing officially postponed the deadline to December 2010. The 26 municipalities that received approval, however, only represent those that had requested financial support from the Ministry of Cities to develop their plans. Several other cities, such as Sao Paulo, do have housing plans but are not included in this list. According to the Ministry of Cities, a survey would need to be conducted to determine the number of municipalities with housing plans at this time.

Policy Area #2

The outcome of Policy Area #2: Reforms to Increase the Stability and Scale of Housing Finance Market is rated satisfactory because of (i) the extremely large relative increase in housing finance lending; (ii) well focused targeting of FGTS subsidies; and (iii) the improved foreclosure process due to the introduction of the trust deed instrument. A persisting challenge, however, is the limited expansion of the private housing finance market to lower income groups.

¹ Many of the upgrading projects in the PAC involved significant sanitation works. As such, it was determined that it would be easier to route the housing funds through the sanitation budget. The direct end users of the MCMV funds are not other federative bodies, as it was feared that state and municipal capacity would be overburdened given that they are already responsible for implementing the PAC. This made it not possible to use the FNHIS under its current design. To have used the FNHIS, states and municipalities would need to execute lengthy procurement processes (at least 8 months for a bidding process). For the 0 to 3 minimum wage portion of the MCMV program, the intention was to remove part of this lengthy process and make it easier for the municipalities in terms of management. However, they remain key players due to the fact that they are responsible for identifying the land, the developer, and the beneficiaries. In addition, FNHIS was designed as an “accounting” fund, which is a limiting factor as it cannot, for instance, carry over funds from one year to the other.

Between 2004 and 2008, the value of mortgages issued for existing and new housing septupled (increasing from R\$ 5.4 billion in 2004 to R\$ 39.1 billion in 2008) and the number and value of mortgage-backed securities issued and traded doubled (R\$ 2.1 billion through 34 transactions in 2005 and R\$ 4.9 billion through 72 transactions in 2008). It is important to note that while lending growth has been impressive, it is both due to reforms prior to and as part of the project, as well as the improvement of macro-economic conditions.

Another reason for the large increase in residential lending was reforms of the SBPE, which mandates that a fixed percentage of savings held by a financial institution be used for housing finance (Prior Action #5). Indeed, SBPE mortgages increased from R\$ 3.0 billion in 2004 to R\$ 29.9 billion in 2008. Instruments put in place to bring SBPE lending down-market, specifically the multiplier system, have also shown success. Lending for “low-value” properties increased from 3.2 percent of the outstanding portfolio in 2006 to 8.6 percent by 2008.

The issue of Law No. 10.931/2004 (Prior Action #4), which strengthened the Borrower’s housing credit regulatory framework, has also played a significant role in broadening the housing finance system. Specifically, financial institutions interviewed stated that the new collateral instrument introduced by Law No. 9.514/1997 and enhanced by Law No. 10.931/2004, the trust deed (*alienação fiduciária*), has proven much more effective than mortgages in the case of foreclosure, which significantly reduces the time and transaction cost.² ABECIP (Brazilian Association of Real Estate Lending and Savings Institutions) reports that the process of foreclosure in case of non-repayment can be completed in as little as three months. As for the *patrimônio de afetação* or developer escrow account, it has not been used as widely as expected due to high transaction costs. Instead, developers have used special purpose vehicles to achieve the same objective with respect to purchaser advance payments, and have also resorted to other means of financing their projects than through purchaser advance payments.

In regard to improving the targeting and transparency of the FGTS subsidy program and extending access to FGTS funds to additional financial institutions (other than CEF), the results have been mixed. FGTS lending to households earning less than 5 minimum wages per month decreased from 85.6 percent of contracts in 2006 to 71.4 percent in 2008. However, the targeting of FGTS subsidies remains well focused on the lowest income groups, with 78 percent of the subsidies going to households earning less than 4 minimum wages in 2008. The on-lending of FGTS funds by private financial institutions remains very limited despite that fact that R\$ 3 billion of FGTS funds were earmarked for private lenders’ use under the *Pró-Cotista* program. Currently, five public and private financial institutions effectively use FGTS funds for housing loans, out of ten that are authorized to do so. Private lenders’ interest remains limited due the low return relative to high perceived risk and the large upfront costs required to develop new underwriting systems for a different client group. In addition, lenders find the requirements for asset-

² The trust deed instrument was introduced by Law No. 9.514/1997 and enhanced by Law No. 10.931/2004.

liability matching imposed by CEF's FGTS operating arm as onerous and requiring them to develop new separate accounting systems, which also represents another important upfront cost. It is important to note that, with the rapid increase in recent years of SBPE deposits, private banks have not been in a rush to use FGTS funds, as they are mandated to lend a minimum percentage of SBPE deposits for housing finance.

The objective of expanding access to housing finance showed progress during the last 4 years, despite the fact that no alternative lenders (the type of lender that usually caters to underserved income categories) came to the market. Indeed, as described above, down-market lending for both the SBPE and FGTS increased during the period. While the average size of the housing loans increased (approximately R\$ 26,000 in 2004 to R\$ 72,000 in 2008 or 175%), so did average per capita income in metropolitan areas (approximately R\$ 467 in 2004 to R\$ 605 in 2008 or 30%), albeit at a lower rate.

Policy Area #3

The outcome of Policy Area # 3: Improving the Effectiveness of Federal Housing Subsidies is rated moderately satisfactory because although a comprehensive housing subsidy policy was developed and transparent subsidies included in the MCMV package, very limited advances have been made in establishing a monitoring and evaluation system. Of minor concern is the fact that the pilot PSH program did not become the credit-linked upfront subsidy program envisioned in the DPL, since it served as a transitional first step in realizing this type of program under the MCMV on a much larger scale.

The main anticipated outcome for this policy area was that the Government would develop a strategy for the allocation of all subsidies and programs across priority groups, in line with overall housing policy goals. A second anticipated outcome was that a comprehensive monitoring and evaluation system for the housing sector would be in place. This first portion of this goal was accomplished in 2008 with the preparation and publication of a comprehensive housing subsidy policy as a core component of the National Housing Plan.

The development of a comprehensive monitoring and evaluation (M&E) system, however, is significantly behind schedule. A conceptual design of an M&E database system was proposed as part of the PlanHab. While there is enthusiasm for establishing the database system, as well as an internal capacity to perform program impact analyses, the initiative has not moved forward since the DPL.

Although a comprehensive monitoring and evaluation system for housing has not been established, periodic and long-term monitoring and evaluation do occur. First, the development of the PlanHab involved an in depth evaluation of the housing sector. Second, a committee closely monitors the PAC investments in urban upgrading with representatives from the Ministry of Cities, CEF, and the Casa Civil who meet on a bi-weekly basis. An Excel-based monitoring system was established and is updated every week. This information is then presented for evaluation during the bi-weekly meetings. In addition, as highlighted in the results framework, two evaluations of the housing rental

support program PAR were carried out by CEF and the Ministry of Cities completed an evaluation of the *Programa de Subsidio à Habitação de Interesse Social* (PSH) in 2007, during which field visits and interviews were conducted.

The design of the MCMV stimulus package also demonstrates a consolidation of the upfront subsidy policy initiated by the federal government under the PSH program and used in the FGTS system.³ The stimulus package builds on the subsidy policy framework of the PlanHab, and includes programs in which low-income housing will be financed by a combination of savings, subsidies, and credit with predictable resources allocated over the next 3 years (this includes R\$20.5 billion from the OGU and R\$7.5 billion from the FGTS). This represents a great step forward in Brazilian low-income housing policy and reflects the prominence that housing issues have under the current government. In 2001/2002, the Government launched an innovative upfront subsidy program - the PSH - with funds coming from the Federal Government's budget and allocation done by competitive auctions to financial institutions. This pilot, transitional program served as an important first step in creating a "budget-financed upfront housing subsidy system for very low income groups," which is now being realized under the MCMV stimulus package on a large scale.⁴

Policy Area #4

The outcome of Policy Area # 4: Land and Urban Development is rated satisfactory due to (i) the significant increase in the regularization of informal settlements through the *Programa Papel Passado*; (ii) the significant increase in upgrading activities, primarily through the PAC; and (iii) recent advances in reforming urban land development legislation. Of minor concern is the slow progress in elaborating updated municipal master plans.

The creation of the *Programa Papel Passado*, coordinated by the National Secretariat of Urban Programs (Prior Action #9), aims to assist states, municipalities, public administration entities and nonprofit civic associations in promoting land regularization in informal settlements in urban areas. In the years 2004 and 2005 R \$ 15.5 billion from the federal budget were allocated to municipalities, states and civil society organizations for land regularization activities in 382 settlements (65 cities in 20 states). By 2009, 2,578 settlements in 387 municipalities had initiated land regularization with direct and indirect support from the Program. In addition to settlement-specific regularization processes, it was anticipated by the DPL that municipalities would develop citywide

³ In the model used by FGTS - and present in MCMV - there are two subsidies: an upfront grant to reduce to purchase price of the home and a reduced interest rate loan to augment the size of the credit available to the household.

⁴ The PSH has faced multiple challenges. First, the program was designed to help bring private banks into the low-income housing finance market. Since inception, five private commercial banks have been successful in the auctions for the right to the upfront subsidies, the largest being Bradesco. Bradesco, as well as some other private banks, determined that the program was too complicated for them, especially the income progressive nature of the upfront subsidy. Nowadays, there is strong competition from small financial agents who made aggressive bids. These small financial agents lack capital to provide the program's loan component, and instead serve as middlemen for the upfront grants. In some cases, especially for the 1MW target group, the state or municipality complemented the subsidy with a further subsidy, thereby providing a fully subsidized unit to the beneficiary. As such the program has been operating mostly a non-credit-linked subsidy program.

regularization plans. According to the National Secretariat of Urban Programs, no information has been collected regarding this indicator.

In the past 4 years, there has been a significant shift in urban development focus towards urban upgrading. Indeed, funds allocated for urban upgrading increased from an estimated R\$1.1 billion (170,000 families) during 2003-2005 to R\$8.5 billion (730,000 families) during 2006-2008. The large increase in families benefiting from urban upgrading is due to OGU investments in the national program for precarious settlements (starting in 2006) as well as the PAC (starting in 2007).

Finally, the draft Urban Land Subdivision Law, which was prepared as early as 1999 to replace Law 6.766/79, is still under discussion in the House. The Council of Cities has undertaken a large number of activities and seminars across the country to promote the revised law, and a special commission is still supporting the finalization of a draft Law. In the immediate term, to address urban land regulation bottlenecks, the Government's MP No. 459 of March 25, 2009, for the MCMV program included important advances in the area of land tenure regularization related to takings, 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.

Progress in elaborating and updating municipal master plans (*Planos Diretores*) has been only moderate. While the Statute of the City established that 1,682 municipalities needed to develop and approve Participatory Master Plans by October 2006, currently only about 36 percent of them have realized this goal, and an additional 49.8 percent have started the process.⁵

3.3 Justification of Overall Outcome Rating

(combining relevance, achievement of PDOs)

Overall Outcome Rating: **Satisfactory**

The overall impact of the broad set of housing sector reforms implemented by the Government of Brazil since 2005 have made a significant impact in improving access of the poor to improved housing and serviced land. Moreover, while it is perhaps impossible to directly attribute causality, the urban upgrading component of the PAC and the housing sector focus within the new economic stimulus package are clearly related to the strengthening of the national housing policy and institutional framework that resulted from the DPL measures, in particular the improvements in housing subsidy policy and land sector reforms initiated under the DPL.

⁵ To promote the development of updated master plans, between 2003 and 2006, the National Secretariat of Urban Programs implemented 388 awareness workshops that gathered 21,298 participants and reached professionals and social representative from 1,349 municipalities in every Brazilian state.

In regard to the second part of the PDO - improving access of the poor to improved housing and serviced land, “while maintaining fiscal discipline” – the Government of Brazil has also performed in a satisfactory manner. Since the DPL, fiscal vulnerability was decisively reduced due to tight fiscal policy. From 2003 to 2007, the public sector primary surplus averaged 4 percent of GDP. For 2008, the public sector primary balance should reach 4.5 percent. As a result, the public debt fell to 36 percent of GDP in 2008, from 50.5 percent of GDP in 2002. Strong primary balances and declining interest rates and debt led to the reduction of the public sector overall deficit from 4 percent in 2002 to 1.3 percent in 2008.

In the areas where progress was slower, such as the development of a housing sector monitoring and evaluation system and the expansion of private lenders’ down-market penetration, continued work is ongoing.

3.4 Overarching Themes, Other Outcomes and Impacts

(if any, where not previously covered or to amplify discussion above)

(a) Poverty Impacts, Gender Aspects, and Social Development

It was anticipated that most of the specific policy measures supported by the DPL on housing finance, housing subsidy and land tenure regularization issues would have significant positive poverty impacts. Performance outcomes of the program, such as the down-market movements of the FGTS and SBPE, significant increase in housing subsidy funds for low-income households, and the sharp increase in families benefiting from urban upgrading investments, appear to confirm this supposition.

Similarly, the subsequent launch by the Government of the PAC, which focuses, among other activities, on infrastructure delivery and upgrading of low-income settlements, is credited with significant improvement in living conditions of low-income groups. Most recently, the MCMV program also promises to have significant pro-poor impacts. The direct impact of such programs of enabling low-income households to access new housing units and/or improve their existing shelter conditions in squatter/informal settlements and the expected impacts of homeownership and tenure regularization on vulnerability reduction and serving as a foundation to improve living conditions are likely to have significant poverty alleviation effects.

(b) Institutional Change/Strengthening

(particularly with reference to impacts on longer-term capacity and institutional development)

The DPL and its accompanying TAL, have had positive impacts on the institutional strengthening of the Ministry of Cities, and especially the National Secretariat of Housing. Specific institutional strengthening actions within the DPL include the establishment of the inter-ministerial working group between the Ministry of Cities and the Ministry of Finance and the establishment and operationalization of the FNHIS Management Council. The inter-ministerial working group has proven sustainable, and the model continues to be used for the implementation of the PAC and the preparation of the MCMV program, in cooperation with Casa Civil. In addition, the process of developing the PlanHab, and especially the regional and inter-ministerial workshops, strengthened the Secretariat’s

capacity to lead the housing policy dialogue at multiple federative levels. Finally, this evolution within the Secretariat, and the Ministry of Cities more broadly, is evidenced by the leading role that they are playing in the implementation of the PAC and the design and launch of the MCMV stimulus package.

(c) Other Unintended Outcomes and Impacts *(positive or negative)*

One of the outcomes of the DPL was to establish a strong foundation for sector dialogue and consultation between the Government and the private sector, including private housing lenders and the development and construction industry. While consultations between Government and private sector occur frequently, the strengthening of public-private consultations in the housing sector was also due to the Bank's convening power and to the joint attendance by many Brazilian public officials from the Ministries of Finance and Cities as well as from private lenders and developers of the low-income housing finance executive course held annually at the Wharton School, University of Pennsylvania (to which the Bank facilitated attendance). Such links have allowed several affordable housing developers to prepare a joint presentation to Casa Civil and the Ministries of Finance and Cities on the challenges facing the industry's down-market penetration, as part of the consultations around the MCMV program.

3.5 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops

(optional for Core ICR, required for ILI, details in annexes)

4. Assessment of Risk to Development Outcome

Rating: **Low**

The risk that the reform actions taken under the DPL will not be maintained is low. The reforms to the housing sector have strong legitimacy and political support, and are not likely to be reversed. Moreover, in many cases, the Government has already mainstreamed policy changes, such as land regularization, upfront subsidy programs, integration of housing policy formulation, and sub-national strengthening, and launched new programs upon this foundation (e.g. the PAC and MCMV).

However, there are some internal and external risks that could delay some of the development outcomes that are expected in the medium to long-term. One internal risk is that the subsidies for low-income housing will contract in the future. This has the potential of being an opportunity to push for further sector reforms to enhance subsidy efficiency, targeting and leveraging private lenders to expand down-market to cater to low-income groups.

Another risk is that CEF's expanded mandate under the MCMV program could delay the reform efforts aiming to stimulate private lenders to further expand down-market, especially in the 5-10 minimum wage segment. CEF, as a public bank, has been called upon to serve as a key implementer of counter-cyclical policies, and in this case the MCMV is one of the key measures. Increasing CEF's role as a large government institution at the center of the housing finance system, tasked with implementing government's housing policy, could be perceived as hampering the opening of the

housing finance market which was one of the development objectives. While it is acknowledged that many government initiatives to fight the economic crisis are based on quick government intervention, there is still some concern that such a move may appear to go against the commitment taken by the Government to expand private lenders' participation. However, as explained in Section 3.2, the low-income segment of the market targeted by the MCMV program, especially in the 0-5 minimum wage range, is still not particularly attractive to private banks at this moment, which makes it necessary for CEF to play this implementation role.

Finally, an external risk is that private banks and housing developers contract business, especially among middle and lower-income markets, due to the international economic crisis. The launch of the MCMV program was specifically intended as a mitigation measure against such risk.

5. Assessment of Bank and Borrower Performance

(relating to design, implementation and outcome issues)

5.1 Bank Performance

(a) Bank Performance in Ensuring Quality at Entry

(i.e., performance through lending phase)

Ratings: **Satisfactory**

The program of reforms agreed with the Government was based on extensive analytical work done by the Bank during preparation of the DPL and strong dialogue with the Borrower. Indeed, the Bank identified, facilitated preparation of, and appraised the operation such that it was most likely to achieve planned development outcomes. The Bank team was effective at drawing upon international and domestic expertise regarding the multiple sector issues. Importantly, there was close cooperation between the Government and the Bank team and the full integration of the Bank support in a policy making process that commenced well before the project was launched. Comprehensive and detailed Aide Memoires of Bank missions during preparation and supervision attest to an in-depth understanding of sector issues, which in turn owes to the extent and quality of earlier sector work and composition of the Bank's team. The Bank took further steps to ensure quality and tried to minimize the risk of a reform reversal by preparing an accompanying technical assistance loan, which was envisioned as a tool to provide continued support to the Government and the reform agenda.

The one area where improvement could have occurred was the results framework and M&E indicators. A large number of indicators were selected, including some which do not appear very relevant for measuring the intended outcomes of the policy reforms. Often, the indicators selected lacked targets and some lacked baseline values, making it difficult to measure improved performance. Moreover, a responsible agency for the monitoring of the indicators was not identified.

(b) Quality of Supervision *(including M&E arrangements)*

Ratings: **Satisfactory**

DPLs inherently put more emphasis on preparation than supervision, especially in a case of a single tranche loan based on meeting prior actions such as this one. The Bank's involvement with the Borrower regarding the DPL continued after the DPL was approved. Two supervision missions were conducted in January 2006 and December 2006, and the resulting Aide Memoires remained of high quality. The technical assistance loan was also put in place as a tool for continuing support for the housing reform agenda, which has allowed for another supervisory platform for the DPL's outcomes. That said, once the DPL closed and when it became clear that the second DPL may not take place, the engagement between the Bank and the Government on the housing sector waned. Despite the fact that the TAL remained under implementation, this instrument did not prove to be appropriate to maintain a solid follow-up on issues such as performance indicators.

(c) Justification of Rating for Overall Bank Performance

Rating: **Satisfactory**

The overall Bank performance rating reflects primarily the solid analytical foundation and the quality of sector dialogue established with the Government during the preparation of the DPL. The quality of supervision was also satisfactory. The results framework and the M&E indicators represented the one area where some improvement was warranted.

5.2 Borrower Performance

(a) Government Performance

Ratings: **Satisfactory**

Government performance is rated satisfactory because it displayed strong ownership of the program by instituting major policy changes as prior actions to the program. Moreover, the Government has continued implementing policy actions within the framework of the agreed reform agenda and integrating housing sector growth into key national development programs. That the two largest Government investment programs over the past four years focused on the housing sector is proof of the importance that the Government places on the housing sector. Finally, the government has had a successful record in maintaining fiscal balance in recent years, including during and following the DPL.

(b) Implementing Agency or Agencies Performance

Ratings: **Satisfactory**

Multiple ministries and public agencies were involved in the preparation and implementation of the DPL through the commitment of staff and involvement in the policy formulation dialogue. The most relevant include the Ministry of Finance, Ministry of Cities, and the Caixa Econômica Federal. The participation of the ministries and agencies ensured the quality of the program design and achievement of development outcomes. Their close collaboration, jointly, with Casa Civil and with the private sector, was also an important foundation to the implementation of the sector reforms, during the preparation of the DPL and subsequently under the PAC and MCMV programs.

(c) Justification of Rating for Overall Borrower Performance

Ratings: **Satisfactory**

Strong ownership by the Government and the active participation of highly qualified staff from ministries and public agencies ensured the quality of preparation and implementation of the DPL.

6. Lessons Learned

(both operation-specific and of wide general application)

The lessons learned from the DPL include:

- (i) Government participation in the analytical preparation and formulation of the policy reform agenda is key to ensuring long-term commitment. While some specific activities within the results framework did not evolve as planned, the Government has shown a clear commitment, through several large scale programs, to developing the housing sector based on the conceptual policy guidelines espoused in the DPL.
- (ii) Linking housing construction to economic stimulus plans is an effective and politically palatable means of spurring housing construction for specific income groups as well as generating employment. The launch of the *Minha Casa, Minha Vida* stimulus package has gained broad support within Brazil and will catalyze housing programs identified in the National Housing Plan.
- (iii) The use of the trust deed in housing finance instead of the traditional mortgage has proven to function extremely well in a context like Brazil because it provides a stronger incentive to pay since title is only transferred when the loan is paid in full. Indeed, loans based on trust deed in Brazil have had a lower foreclosure rate than loans based on other forms of security like a mortgage lien.
- (iv) The inherent focus in DPLs on preparation relative to supervision and the use of single tranche DPLs based on prior actions makes it difficult for the Bank to support the achievement of medium and long-term sector goals and reforms and curtails the ability to measure outcomes. As such, the design of a series of DPL with an accompanying technical assistance loan is conceptually strong because it facilitates a continuity of support for the sectoral reform agenda. However, such design requires careful sequencing to ensure that the TAL is concurrent with the DPL series.
- (v) DPLs with reform agendas that require specific actions from the private sector, require the identification of tools to ensure an open dialogue between the public and private sectors during implementation.

7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners

(a) Borrower/Implementing agencies

The Bank incorporated all of the data corrections provided by the involved government agencies, as well as the majority of comments made during the ICR review meeting and those received in writing. A description of the main issues discussed is provided in Annex 4.

(b) Cofinanciers

N/A

(c) Other partners and stakeholders

N/A

Annex 1 Bank Lending and Implementation Support/Supervision Processes

(a) Task Team members

P078716 - Programmatic Loan for Sustainable & Equitable Growth: Supporting Housing Sector Policy

| Names | Title | Unit | Responsibility/ Specialty |
|---------------------|------------------------|-------|------------------------------|
| Lending | | | |
| Supervision | | | |
| Maria Emilia Freire | Regional Adviser | LCR | |
| Loic Chiquier | Lead Financial Officer | GCMNB | |
| Dean A. Cira | Sr Urban Spec. | EASVS | |
| Ivo G.P. Imparato | Sr Urban Spec. | LCSUW | |
| Pedro Olinto | Senior Economist | DECVP | |
| David N. Sislen | Sector Leader | LCSSD | |

(b) Staff Time and Cost

P078716 - Programmatic Loan for Sustainable & Equitable Growth: Supporting Housing Sector Policy

| Stage | Staff Time and Cost (Bank Budget Only) | |
|--------------------|--|---|
| | No. of staff weeks | USD Thousands (including travel and consultant costs) |
| Lending | | |
| FY03 | 5 | 104.73 |
| FY04 | | 0.24 |
| FY05 | 26 | 252.41 |
| FY06 | | -2.99 |
| FY07 | | 0.00 |
| Total: | 31 | 354.39 |
| Supervision | | |
| FY03 | | 0.00 |
| FY04 | | 0.00 |
| FY05 | | 0.00 |
| FY06 | 13 | 140.49 |
| FY07 | 1 | 41.44 |
| Total: | 14 | 181.93 |

Annex 2. Beneficiary Survey Results
(if any)

N/A

Annex 3. Stakeholder Workshop Report and Results
(if any)

N/A

Annex 4. Summary of Borrower's ICR and/or Comments on Draft ICR

The Secretariat of International Affairs within the Ministry of Finance received the draft Implementation Completion and Results Report (ICR) for the Housing Sector DPL on May 22, 2009. This draft was disseminated to involved Government agencies for review and comment. On June 10, 2009, a meeting was held at the Ministry of Finance to discuss feedback from the various agencies. Subsequently, on June 23, 2009 a meeting was held between the Government and the World Bank team responsible for the ICR to discuss the comments and agree upon revisions to the text. This Annex summarizes and consolidates the main content observations made by the Secretariat of Housing (Ministry of Cities); the Secretariat of the Treasury, the Secretariat of Economic Policy, and the Secretariat of International Affairs (Ministry of Finance); the Securities and Exchange Commission; the Central Bank; and the Caixa Econômica Federal.

In addition to the correction of some specific data points, the following issues and clarifications were raised with the World Bank team:

Housing Sector Monitoring and Evaluation

Many advances have been made in establishing monitoring and evaluation systems within the housing sector in Brazil during the last four years, especially related to specific programs.

For example, all housing and urban upgrading related investments in the PAC are closely monitored by representatives from the Ministry of Cities, CEF, and the Casa Civil who meet on a bi-weekly basis. A monitoring system, including status of the projects within municipalities, was established and is updated every week. This information is then presented for evaluation during the bi-weekly meetings. CEF's monitoring of its housing related loan programs has also improved. This led to changing terms of its construction material loans and reducing non-performing loans.

In regard to periodic evaluations of programs, two evaluations the PAR program were carried out by CEF. The Ministry of Cities also completed an evaluation of the PSH in 2007, during which field visits and interviews were conducted. Finally, the development of the PlanHab involved an in depth evaluation of the housing sector, including housing and land markets, demand, supply and subsidy issues.

The establishment of a comprehensive monitoring and evaluation system for the housing sector is currently under development within the Ministry of Cities. As part of the PlanHab, a conceptual design of an M&E database system was proposed. It would build on the infrastructure that is already in place as part of the Cadunico (Cadastro Único, a household cadastre focused on poor neighborhoods and used as the basis for social development programs; it is operated by CEF with inputs from municipalities and is under the oversight of the Ministry for Social Development) and Cadmut (Cadastro Nacional dos Mutuários, the consolidated cadastre of housing subsidy recipients, operated by CEF under the oversight of the Ministry of Cities). It would leverage the

lessons learned from the implementation of the Bolsa Familia program. It is envisioned that the database would be managed by the National Secretariat of Housing, with the logistical support of CEF.

Design of the National Fund for Social Housing (FNHIS)

At the time when the FNHIS was designed, its main purpose was to consolidate federal housing funding as a means of better coordinating housing policy in the country. However, the design of the Fund has limited its use in the implementation of recent programs, specifically the PAC and the MCMV.

The first limitation is that FNHIS was designed as an “accounting” fund, which means that funds cannot be carried over from one fiscal year to the next. As such, if a project is delayed, the funds that have not been disbursed are at risk of being allocated to other uses. For this reason, upgrading resources under the PAC (which has a multi-year implementation period) were channeled through the sanitation budget.

The second limitation is that resources are passed through the FNHIS from the federal government to states and municipalities. These federative bodies are then required to adhere to all public procurement regulations. The execution of lengthy procurement processes, which could last for at least 8 months each, would greatly hamper the quick implementation of an initiative such as the MCMV program.

With these limitations in mind, the fact that housing resources for special programs like the PAC and MCMV have used channels outside FNHIS does not indicate a weakness in the coordination of housing policy, but rather the need to redesign the Fund to make it more flexible in use. The process of redesigning the FNHIS is currently underway and was analyzed as part of the National Housing Plan. Moreover, it is important to note that while the funds for the PAC and MCMV are not channeled through the FNHIS, the Ministry of Cities is responsible for providing the main guidelines and criteria for monitoring their expenditures.

Expansion of FGTS lending to private banks

The issue of limited participation of private banks in the application of financial resources from the FGTS for housing is attributed, in the ICR, to some outstanding operational issues. Since 2005, the World Bank has argued on behalf of the private banks, including to the FGTS Council itself, that excessive regulations of the funds (distribution requirements by geographic location and income bracket, for example) and the lack of flexibility with the funding (the FGTS rules provide the funds after the loan is made, rather than in advance) limit expansion of the FGTS funding to private banks. However, this argument ignores the primary factors that limit private banks’ interest in using FGTS funds, specifically that FGTS has a small spread and is expensive for those banks who already have to worry about meeting their lending mandate under the rules of the SBPE. Moreover, with the introduction of the “low property value” multiplier into the SBPE

system, the SBPE lending started to reach into the same income range as the FGTS, making accessing the FGTS funds even less attractive.

In addition, the recent boom in savings account deposits in 2007 and 2008, served as a further deterrent from seeking out FGTS funds because the private banks were occupied with fulfilling their mandatory lending obligations.

Attempts have been made to induce participation by the private banks in FGTS lending. Since the first discussions regarding the DPL, there had been a group of about a dozen financial institutions approved to access FGTS resources. Some of these agents specialize in sanitation sector lending operations where the spread is greater than in housing finance. In 2008, with the launch of Pró-Cotista Program, which allows the use of FGTS resources to income groups above 10 minimum wages, private financial actors requested resources and created the need to supplement the budget by R\$ 3 billion. This amount was specifically allocated to private banks. Frustratingly, the private banks that had requested these resources have not used them.

Role of CEF in the Minha Casa, Minha Vida stimulus package

With the launch of MCMV, CEF consolidated its role as the operational arm of the Government in the implementation of public policies in the area of housing. As a public financial institution, CEF focuses its effort on assisting the segment of the population that constitutes the overwhelming majority of the housing deficit, that is, families that earn up to 5 minimum wages. This role could be shared with the private banks - at least with regard to funding - but the strict rules for using these resources, including the requirement to target low income groups who are not the traditional clientele of private banks, hampers the ability of the private banks to assume this role in the short term. Therefore, the expansion of the role of the CEF as a major government institution at the center of the housing finance system is a reality that is necessary to drive the counter-cyclical measures of the Government at this moment, specifically in regard to the MCMV program's goals of providing housing to low-income segments of the population.

Evolution of the PSH program

The PSH, as a pioneering program of the Government to link upfront grants with housing loans, was instrumental in the evolution of this type of housing program in the country. Specifically, the lessons learned with the PSH have been essential in designing the housing subsidy component of the MCMV program.

During the duration of the PSH, multiple public and private banks have participated in the actions for the upfront grants. Some of these banks determined that the program was too complicated for them, in addition to having concerns with the very low-income target market, low level of profitability, or the dispersion of projects across the country. As the program evolved, the Government decided to put more emphasis on meeting the needs of the lowest income groups through greater participation of states and municipalities, and

therefore the upfront grant portion (*parcelamento*) of the program took prominence over the housing loan component (*financiamento*).

Clarification regarding Certificados de Recebíveis Imobiliários (CRIs)

The indicators table in the Project Appraisal Document includes two errors related to CRIs. First, the issuance and trading of CRIs are “registered,” and not authorized. Secondly, the government agency with which the CRIs are registered is the Securities and Exchange Commission (CVM), not the Central Bank (BACEN). The sentence should read as “Number and value of mortgage-backed securities issued and traded (CRIs) accredited by CVM”. The Results Framework should be revised to reflect these inaccuracies.

Clarification of Law No. 10.931/2004 (Prior Action #4)

Law No. 10.931 did not introduce the trust deed instrument. This instrument was created by Law No. 9.514 in 1997. Law No. 10.931 did, however, make small adjustments to Law No. 9.514, primarily to allow the use of the trust deed instrument for specific types of leasehold transactions. The enactment of Law No. 10.931 was much more important in regard to the establishment of the *patrimônio de afetação* or developer escrow account

Annex 5. Comments of Cofinanciers and Other Partners/Stakeholders

N/A

Annex 6. List of Supporting Documents

Aide Memoire: May 2003

Aide Memoire: December 2004

Aide Memoire: January 2005

Aide Memoire: February 2005

Aide Memoire: January 2006

Aide Memoire: December 2006

Caixa Econômica Federal. Annual Report, 2005.

Caixa Econômica Federal. Annual Report, 2006.

Caixa Econômica Federal. Annual Report, 2007.

FGTS. Annual Report, 2005.

FGTS. Annual Report, 2006.

Government of Brazil: Housing Sector Letter of Development Policy, May 6, 2005.

World Bank. Brazil: Program Document for a Programmatic Loan for Sustainable & Equitable Growth: Supporting Housing Sector Policy. Report No. 31756-BR. May 11, 2005.

World Bank. Brazil: Project Appraisal Document for a Housing Sector Technical Assistance Loan. Report No. 31691-BR. October 13, 2005.

World Bank. Brazil Progressive Low-Income Housing: Alternatives for the Poor. Report 22032-BR. December 21, 2002.

Annex 7. Summary Policy Matrix

| Issue/ Policy Need | Performance/ Outcome Indicator | Mid-term Outlook |
|---|---|---|
| #1 Strengthening the Housing Policy and Government Institutional Framework for the Housing Sector | | |
| 1. Strengthen government's hierarchy of housing policy making institutions | 1. Completion and dissemination of the National Housing Plan | <ul style="list-style-type: none"> Multi-year development plan with clear targets established at the three levels of government and M&E indicators to evaluate progress |
| 2. Consolidate financial resources for federal housing subsidies | 2. Group for managing the FNHIS (National Fund for Social Housing) established 3. OGU (federal budget) resources for housing included in FNHIS in the medium term | <ul style="list-style-type: none"> Increase the efficiency of the resources available for low income finance and leverage private sector resources Public sector resources available for low income housing managed in an integrated fashion by sector institution in line with the perceived need to address market failures and problems of affordability |
| 3. Strengthen sub-national governments for the implementation of the National Housing Policy. | 4. Number of municipalities with Housing Plans (Planos Diretores) prepared and approved 5. Number of public workers trained by means of the tool kits 6. Number of municipalities in the metropolitan regions which received training and institutional development | <ul style="list-style-type: none"> Local governments are able to identify dynamics of low income housing market, evaluate capacity to address main issues, request assistance from the higher government levels as needed, engage with the community, and anticipate the need for further serviced land. |
| #2 Reforms to Increase the Stability and Scale of Housing Finance Market | | |
| 1. Improve regulatory and legal environment for housing finance. | 7. Number and value of mortgages issued for existing and new housing 8. Record of court cases on housing finance | <ul style="list-style-type: none"> Housing Credit and Housing Finance systems grow to the level of comparable countries Regulatory framework is transparent and credit insurance has been launched allowing better pricing for risky clients Most newly formed households will be able to access formal, market produced housing |
| 2. Strengthen capital market funding systems for housing finance (SFI) | 9. Number and value of mortgage-backed securities issued and traded | <ul style="list-style-type: none"> Substantial increase of housing loans, expansion of secondary markets and securitization. |
| 3. Strengthen and facilitate expansion of alternative lenders for non-collateralized shorter term lending for low and moderate income housing | 10. Number of alternative lending agencies included in the database on housing finance 11. Improve database on performance of alternative agents | <ul style="list-style-type: none"> Expansion of alternative financing system for low income, including micro-credit and others Shared and open information/ monitoring systems help alternative agencies to become more relevant in the sector and to reduce exposure of low income clients to dishonest practices |

| | | |
|---|---|--|
| 4. Reform of SBPE (savings and loan system) to expand its scope and move it down-market in the intermediate term and to promote its gradual integration in the market | 12. Increase in aggregate value and number of SBPE mortgages 13. Deposits retained in BACEN due to lack of adherence to the measures included in Resolution 3529/2005 determining the allocation of SBPE funds 14. Structure of FGTS and SBPE housing lending by income brackets | <ul style="list-style-type: none"> Gradual deregulation of SBPE and integration of its funding into the formal capital market, in line with the consolidation of the macroeconomic stability and the development of the housing finance market system (SFI) |
| 5. Improving the targeting and transparency of the FGTS (Workers Severance Fund) interest rate subsidy program and extended access to FGTS funds | 15. Financial institutions with access to FGTS funding for housing finance purposes 16. Total amount made available for FGTS interest rate subsidies 17. Distribution of housing subsidies by income brackets | <ul style="list-style-type: none"> FGTS is improving its performance as a provident fund without sacrificing its role in the financing of low income housing |
| #3 Improve Effectiveness and Harmonize Federal Housing Subsidies | | |
| 1. Consolidate and rationalize federal housing subsidies in order to leverage private funds and local government actions | 18. Preparation and publication of a comprehensive housing subsidy policy as a core component of the National Housing Plan | <ul style="list-style-type: none"> Rationalization of subsidy programs with clear criteria of targeting and monitoring Subsidy system expands the access of credit to low income families |
| 2. Create a budget financed upfront housing subsidy system for the very low income groups | 19. Amount of PSH (Social Housing Subsidy Program) subsidies in terms of aggregate volume and number of households benefiting 20. % of PSH subsidies which reach the very poor (under 2 MW) under new verification regime 21. Number of financial institutions participating in the financiamento program 22. Number of parcelamento agents prequalified/ application of sanctions for banks which do not comply with the terms of bids 23. Number of municipalities trained in parcelamento procedures | |
| 3. Improve the FGTS upfront grant subsidy and its harmonization with PSH | 24. Number of households which receive upfront grants and aggregate volume of subsidies 25. % of FGTS upfront grants which go to households with < 4MW 26. Number of financial institutions participating in FGTS upfront grant system | |
| 4. Improve subsidy targeting and monitoring and evaluation of subsidy programs across institutions | 27. M&E system is designed and in place 28. Execute regular audits consistent with Brazilian law 29. Periodic and long-term monitoring and evaluation 30. Completion of an evaluation of the PAR (Social Rental Program) program and the first round of PSH | <ul style="list-style-type: none"> M&E system in place and used for accountability purposes for local and central decision makers |

| | | |
|---|--|---|
| | subsidies | |
| #4 Land and Urban Development | | |
| 1. Create a legal framework that would reduce the cost of formality, provide incentive for the regularization of land tenure, and the development of progressive housing and infrastructure | 31. % of municipalities that have developed master plans 32. % of families assisted by the national program for precarious settlements 33. % of municipalities that have developed local housing plans 34. % of municipalities that implemented municipal policies of land regularization 35. % of municipalities that implemented municipal regularization programs | <ul style="list-style-type: none"> • Budgetary resources are available to leverage and implement an integrated strategy between the different levels of public sector and between private and public sectors • Operational plan outlining plan to address the major upgrading problems in an integrated and sustainable way • Municipalities have the capacity and knowledge to understand level of urgent interventions, the need for proactive prevention, and combination of all strategies across government levels and private sector |

Annex 8: List of Prior Actions from the Legal Agreement

| | |
|---|--|
| 1 | A national housing policy (<i>Política Nacional de Habitação</i>) was issued by MOC and approved by the Borrower's Council of Cities (<i>Conselho das Cidades</i>) in November 2004, defining principles, guidelines and general objectives for the housing sector, and presenting proposals for the formulation of a national housing plan, to be discussed within the Borrower's government, which includes goals, investment plans and performance indicators for the housing sector. |
| 2 | The Borrower's Ministers of Finance and of Cities have agreed to create an inter-ministerial working group to monitor the impact of Resolution 3259 and other housing market-based instruments, and to elaborate proposals to rationalize the Borrower's housing subsidy programs. |
| 3 | Bill of Law PLC No. 36/2004, which provides for the creation of the national social interest housing fund (<i>Fundo Nacional de Habitação de Interesse Social</i>) to coordinate transfers, subsidies and funding structures for low income housing beneficiaries, was approved by the Borrower's House of Representatives (<i>Câmara dos Deputados</i>) on June 3, 2004. |
| 4 | The Borrower's Law No. 10.931/2004 was enacted to strengthen the Borrower's housing credit regulatory framework by: (a) regulating real estate credit instruments; (b) establishing that the land and the structures or improvements thereon under any real estate development are assets separate from those of the real estate developer (<i>patrimônio de afetação</i>), introducing more efficient means of inspection of the real estate development, and making feasible the continuity of construction works in case of bankruptcy of the developer; (c) simplifying the tax regime of the assets referred to in (b) above; and (d) establishing a more efficient procedure for judicial resolution of disputes between real estate developers and purchasers of real estate units. |
| 5 | Resolution 3259 revised prior regulations dealing with the mandatory use of savings account funds for housing financing to bring them in line with the capacity of the institutions in the housing and finance sectors, and created incentives for housing financing for the low-income population. |
| 6 | Resolution No. 460, of FGTS <i>Conselho Curador</i> (Managing Council), dated December 14, 2004, was approved to improve the targeting and transparency of the FGTS interest rate subsidy program by: (a) including the creation of an explicit upfront subsidy differentiated by income group; (b) establishing that, by 2008, all FGTS resources will benefit households with a monthly income equivalent to less than 10 minimum wages; and (c) increasing the amount of credit available for households with a monthly income equivalent to less than six minimum wages in 2005. |
| 7 | The Borrower's Law No. 10998, of December 15, 2004, revised the <i>Programa de Subsídio à Habitação de Interesse Social</i> (PSH), a transparent upfront housing subsidy program financed from the Borrower's budget, which now may be implemented through schemes that may or may not include additional credit lines. |
| 8 | A framework was established by MOC for the monitoring and evaluation system of the Borrower's housing program, with particular attention to the subsidies component. |
| 9 | The Borrower issued, in 2003, a national policy for sustainable urban land tenure regularization (<i>política nacional de regularização fundiária sustentável – Programa Papel Passado</i>) to secure land titles to the poor, and has been implementing such policy in a satisfactory manner. |

Annex 9: Detailed Results Framework Analysis

F. Results Framework Analysis

Program Development Objectives (from Program Document)

The objective of the program was to support the Government's efforts to improve access of the poor to improved housing and serviced land, while maintaining fiscal discipline.

Revised Program Development Objectives (as approved by original approving authority) (a) PDO Indicator(s)

| Indicator | Baseline Value | Original Target Values (from approval documents) | Formally Revised Target Values | Actual Value Achieved at Completion or Target Years |
|-------------------------------------|---|--|--------------------------------|---|
| Indicator 1 : | The DPL did not include PDO indicators. | | | |
| Value (quantitative or Qualitative) | | | | |
| Date achieved | | | | |
| Comments (incl. % achievement) | | | | |

(b) Intermediate Outcome Indicator(s)

| Indicator | Baseline Value | Original Target Values (from approval documents) | Formally Revised Target Values | Actual Value Achieved at Completion or Target Years |
|--|--|---|--------------------------------|--|
| Policy Area #1 Strengthening the Housing Policy and Government Institutional Framework for the Housing Sector | | | | |
| Indicator 1 : | Completion and dissemination of the National Housing Plan | | | |
| Value (quantitative or Qualitative) | No national housing plan existed | Completion and dissemination of the National Housing Plan | No | National Housing Plan completed; dissemination delayed |
| Date achieved | 2005 | | | November 2008 |
| Comments (incl. % achievement) | The National Housing Plan (PlanHab) was completed following a highly consultative process and a final consolidated Plan was prepared in November 2008. All studies and reports are available to the public on the Ministry of Cities website. The dissemination of the final plan, initially planned for early 2009, was postponed to allow for the formulation of the Government's new housing stimulus program in response to the financial crisis (called <i>Minha Casa, Minha Vida</i> , which used PlanHab as a foundation), which was launched mid-April 2009. | | | |

| | | | | |
|-------------------------------------|---|--|----|---|
| Indicator 2: | Group for managing the FNHIS established upon the general approval of the law | | | |
| Value (quantitative or Qualitative) | No management group for the FNHIS existing | FNHIS management council established | No | FNHIS management council established |
| Date achieved | 2005 | | | August 2006 |
| Comments (incl. % achievement) | Resolution No. 1 of August 24, 2006 established the operating procedures for the Management Council of the FNHIS. It is a multi-party, deliberative council composed of 24 members, which meets at least 4 times per year. As of 2009, the Council continues to be operational. | | | |
| Indicator 3: | OGU resources for housing included in FNHIS in the medium term as determined in the legislation | | | |
| Value (quantitative or Qualitative) | No OGU resources for housing included in the FNHIS | OGU resources for housing included in the FNHIS in the medium term | No | OGU resources for slum upgrading and social housing channeled through FNHIS |
| Date achieved | 2005 | | | 2006 |
| Comments (incl. % achievement) | By 2006, budget resources for slum upgrading and social housing directed to states and municipalities were channeled through the FNHIS. In the Multiyear Plan (PPA 2008-11), R\$1 billion per year was allocated to the FNHIS. The overall spending on housing, including urban upgrading, is significantly larger, as about R\$10.7 billion (2007-10) in additional resources were allocated in the PAC for housing. | | | |
| Indicator 4: | Number of municipalities with Housing Plans prepared and approved | | | |
| Value (quantitative or Qualitative) | No federally approved municipal housing plans existing | Undefined | No | Unknown; requires survey |
| Date achieved | 2005 | | | 2009 |
| Comments (incl. % achievement) | Source: Ministry of Cities. According to Article 12 of Law no. 11.124/05, states, the Federal District, and municipalities with > 20,000 inhabitants were required to create local housing plans by Dec. 31, 2008 in order to access FNHIS resources. Municipalities with < 20,000 were provided a deadline of Dec. 31, 2009. The deadline has since been extended to Dec. 31, 2010. The number of official municipal housing plans approved by CEF, which had requested funding support for their elaboration, was 26 as of April 2009. As of December 2008, 375 municipalities (including Rio de Janeiro and Belo Horizonte) had requested support. Some cities, such as Sao Paulo, have municipal housing plans in place, but because they did not request support, they were not on the list approved by CEF. A survey would need to be conducted to determine the number of municipalities with housing plans. | | | |
| Indicator 5: | Number of public workers trained by means of the tool kits | | | |
| Value (quantitative or Qualitative) | No tool kits existing | Undefined | No | Approximately 1,500 persons trained |
| Date achieved | 2005 | | | 2007 – 2009 |
| Comments (incl. % achievement) | Data source: Ministry of Cities. This includes public workers who were trained by the National Housing Secretariat. In addition, the Urban Programs Secretariat | | | |

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|---|--|-----------|-----|---|
| | prepared a comprehensive land regularization and urban upgrading manual, which served to train 1,900 public workers. | | | |
| Indicator 6: | Number of municipalities in the metropolitan regions which received training and institutional development actions | | | |
| Value (quantitative or Qualitative) | N/A | N/A | N/A | N/A |
| Date achieved | | | | |
| Comments (incl. % achievement) | | | | |
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| Policy Area #2 Reforms to Increase the Stability and Scale of Housing Finance Market | | | | |
| Indicator 7: | Number and value of mortgages issued for existing and new housing (relative to data of houses built in the formal housing market) | | | |
| Value (quantitative or Qualitative) | R\$3.0 billion SBPE + R\$2.4 billion FGTS = R\$5.4 billion total 54,500 units SBPE + 155,275 units FGTS = 209,775 units total | Undefined | No | R\$29.9 billion SBPE + R\$ 9.2 billion FGTS = R\$ 39.1 billion total 298,513 units SBPE + 243,703 units FGTS = 542,216 units total |
| Date achieved | 2004 | | | 2008 |
| Comments (incl. % achievement) | Data source: World Bank calculation based on data from BACEN, CEF and PAD. | | | |
| Indicator 8: | Record of court cases on housing finance | | | |
| Value (quantitative or Qualitative) | CEF contracts: Trust deed: 483 Mortgage: 7,979 | Undefined | No | CEF contracts: Trust deed: 973 Mortgage: 3,024 |
| Date achieved | 2006 | | | 2008 |
| Comments (incl. % achievement) | ABECIP and private banks report that the introduction of the Alienação Fiduciária (trust deed) as collateral in lieu of the conventional mortgage instrument has dramatically streamlined and accelerated foreclosure in case of default and thus significantly reduced the transaction cost (one lender reported that foreclosure time decreased by 90% from 10 years to 9-12 months, and transaction costs dropped to 15% of property value). Today, 99% of all mortgage loans are issued based on trust deed. | | | |
| Indicator 9: | Number and value of mortgage-backed securities issued and traded (CRIs) accredited by CVM | | | |
| Value (quantitative or Qualitative) | R\$ 2.1 billion 34 transactions | Undefined | No | R\$ 4.9 billion 72 transactions |
| Date achieved | 2005 | | | 2008 |
| Comments (incl. % achievement) | Data source: CVM. These annual figures of mortgage-backed securities issuance encompass both residential and commercial real estate. | | | |

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| Indicator 10: | Number of alternative lending agencies (micro-lenders and cooperatives) included in the database on housing finance | | | |
| Value (quantitative or Qualitative) | 0 alternative lenders included in the database | Undefined | No | 0 alternative lenders included in the database |
| Date achieved | 2000 | | | As of 2009 |
| Comments (incl. % achievement) | As of 2002, there was no housing microfinance industry in Brazil. According to BACEN, micro-lenders and cooperatives (considered non-financial institutions) are still not included in the database on housing finance. The SFH includes 173 total financial institutions, of which 20 are SBPE. | | | |
| Indicator 11: | Improve database on performance of alternative agents | | | |
| Value (quantitative or Qualitative) | Weak system to collect information on micro-lenders and cooperatives | Improve database on performance of alternative agents | No | No improvement to database of performance of alternative agents |
| Date achieved | 2004 | | | 2009 |
| Comments (incl. % achievement) | Source: PAD and interview with BACEN. | | | |
| Indicator 12: | Increase in aggregate value and number of SBPE mortgages | | | |
| Value (quantitative or Qualitative) | R\$3.0 billion 54,500 units | Undefined | No | R\$29.9 billion 298,513 units |
| Date achieved | 2004 | | | 2008 |
| Comments (incl. % achievement) | Data source: BACEN – SFH Dados Estatísticos and PAD. | | | |
| Indicator 13: | Deposits retained in BACEN due to lack of adherence to the measures included in Resolution 3259/2005 (now 3347) determining the allocation of SBPE funds | | | |
| Value (quantitative or Qualitative) | R\$1.7 billion above required consolidated housing loans | Undefined | No | R\$6.25 billion above required consolidated housing loans measures. |
| Date achieved | 2005 | | | 2008 |
| Comments (incl. % achievement) | In 2008, the following Banks did not reach their required SBPE housing finance quotas: Citibank, Lemon, Nossa Caixa, Banese, BB, and BRB. | | | |
| Indicator 14: | Structure of FGTS and SBPE housing lending by income brackets | | | |
| Value (quantitative or Qualitative) | FGTS: < 5MW = 85.6% of units and 59.3% of the value for the budget year SBPE: Low value lending = 3.2% of outstanding loan portfolio | FGTS and SBPE move down-market in the intermediate term | No | FGTS: < 5MW = 71.4% of units and 54.1% of value for the budget year SBPE: Low value lending = 8.6% of outstanding loan portfolio |
| Date achieved | 2006 | | | 2008 |
| Comments (incl. % achievement) | Data source: CEF. The share of all CEF credit (primarily FGTS) to households earning less than 5 MW was only 30% in 2002 (in terms of loan value). | | | |

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| Indicator 15: | Financial institutions with access to FGTS funding for housing finance purposes | | | |
| Value (quantitative or Qualitative) | 2 financial institutions (both public) with access to FGTS funding | Expand the number of institutions with access to FGTS funding | No | 10 financial institutions with access to FGTS funding; 5 effectively using the funds |
| Date achieved | 2003 | | | 2008 |
| Comments (incl. % achievement) | In 2003, Nossa Caixa (public bank) became the first financial institution other than CEF to access FGTS funds. Source: CEF. | | | |
| Indicator 16: | Total amount made available for FGTS interest rate subsidies - <i>equilibrio</i> (for both mortgage loans and construction materials) | | | |
| Value (quantitative or Qualitative) | R\$ 528 million | Undefined | No | R\$979 million |
| Date achieved | FY 2005 | | | FY 2008 |
| Comments (incl. % achievement) | Data source: CEF | | | |
| Indicator 17: | Distribution of FGTS housing subsidies by income brackets | | | |
| Value (quantitative or Qualitative) | < 1 MW = 28.9% 1 – 2 MW = 10.3% 2 – 3 MW = 19.6% 3 – 4 MW = 21.2% 4 – 5 MW = 18.0% 5 – 6 MW = 2.0% | Improved targeting of FGTS subsidies | No | < 1 MW = 24.7% 1 – 2 MW = 6.3% 2 – 3 MW = 18.1% 3 – 4 MW = 28.4% 4 – 5 MW = 22.5% |
| Date achieved | 2005 | | | 2008 |
| Comments (incl. % achievement) | Data source: CEF. Includes upfront grants and interest rate subsidies. | | | |
| Policy Area #3 Improve Effectiveness and Harmonize Federal Housing Subsidies | | | | |
| Indicator 18: | Preparation and publication of a comprehensive housing subsidy policy as a core component of the National Housing Plan | | | |
| Value (quantitative or Qualitative) | No existing comprehensive housing subsidy policy | Preparation and publication of a comprehensive housing subsidy policy | No | Comprehensive housing subsidy policy completed as part of the National Housing Plan |
| Date achieved | 2005 | | | 2008 |
| Comments (incl. % achievement) | Data source: Ministry of Cities | | | |
| Indicator 19: | Amount of PSH subsidies in terms of aggregate volume and number of households benefiting | | | |
| Value (quantitative or Qualitative) | R\$0.5 billion 59,038 households | Undefined | No | R\$0.4 billion 65,471 households |
| Date achieved | 2004 | | | 2008 |
| Comments (incl. % achievement) | Data source: Ministry of Cities | | | |

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| Indicator 20: | % of PSH subsidies which reach the very poor (under 2 MW) under new verification regime | | | |
| Value (quantitative or Qualitative) | 100% | Undefined | No | 100% |
| Date achieved | 2004 | | | 2008 |
| Comments (incl. % achievement) | Data source: Ministry of Cities. Based on self-declared income. | | | |
| Indicator 21: | Number of financial institutions participating in the <i>financiamento</i> program | | | |
| Value (quantitative or Qualitative) | 2 commercial banks | Increase in the number of financial institutions participating in the program | No | 21; primarily small financial agents |
| Date achieved | 2004 | | | 2008 |
| Comments (incl. % achievement) | Data source: Ministry of Cities. Includes financial institutions and local government housing companies (CODHABs). | | | |
| Indicator 22: | Number of <i>parcelamento</i> agents prequalified/ application of sanctions for banks which do not comply with the terms of bids | | | |
| Value (quantitative or Qualitative) | N/A | Increase in agents prequalified | No | All <i>parcelamento</i> agents are prequalified |
| Date achieved | 2004 | | | 2008 |
| Comments (incl. % achievement) | Data source: Ministry of Cities. All financial institutions are approved by BACEN. Participating CODHABs are all prequalified by the Ministry of Cities. There has been only one case of sanctioning, which involved a CODHAB. | | | |
| Indicator 23: | Number of municipalities trained in <i>parcelamento</i> procedures | | | |
| Value (quantitative or Qualitative) | 0 | Undefined | No | 0 |
| Date achieved | 2004 | | | 2008 |
| Comments (incl. % achievement) | Data source: Ministry of Cities. No training has been provided by the Ministry of Cities in the <i>parcelamento</i> procedures. | | | |
| Indicator 24: | Number of households which receive upfront grants and aggregate volume of subsidies (FGTS) | | | |
| Value (quantitative or Qualitative) | R\$ 474 million 196,000 households | Undefined | No | R\$ 380 million 70,000 households |
| Date achieved | 2005 | | | 2008 |
| Comments (incl. % achievement) | Data source: CEF There was a change in the rules regarding the maximum amount of subsidy per family, allowing an increase from R\$6,000 in 2005 to R\$14,000 in 2008. | | | |
| Indicator 25: | % of FGTS upfront grants which go to households with < 4MW | | | |
| Value (quantitative or Qualitative) | 80.5% | Undefined | No | 79.3% |
| Date achieved | 2005 | | | 2008 |
| Comments | Data source: CEF | | | |

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|--|--|--|----|--|
| (incl. % achievement) | | | | |
| Indicator 26: | Number of financial institutions participating in FGTS upfront grant system | | | |
| Value (quantitative or Qualitative) | 2 financial institutions | Undefined | No | 2 financial institutions |
| Date achieved | 2005 | | | 2008 |
| Comments (incl. % achievement) | Source: CEF As of 2008, 5 financial institutions were involved in the FGTS subsidy system – 3 providing the subsidized interest rate loans and 2 providing the upfront grants. | | | |
| Indicator 27: | M&E system is designed and in place | | | |
| Value (quantitative or Qualitative) | No M&E system existing | Establishment of an M&E system | No | Comprehensive M&E system for the housing sector not established; program-specific system established |
| Date achieved | 2005 | | | 2009 |
| Comments (incl. % achievement) | | | | |
| Indicator 28: | Execute regular audits consistent with Brazilian law | | | |
| Value (quantitative or Qualitative) | Undefined | Regular audits would be performed | No | Regular audits by the TCU (national internal accounting agency) are performed |
| Date achieved | 2004 | | | 2009 |
| Comments (incl. % achievement) | Data source: Ministry of Cities. No external audits have been performed. | | | |
| Indicator 29: | Periodic and long-term monitoring and evaluation | | | |
| Value (quantitative or Qualitative) | Monitoring and evaluation not conducted on a regular basis | Periodic and long-term monitoring and evaluation | No | Periodic and long-term monitoring and evaluation has improved |
| Date achieved | 2004 | | | 2009 |
| Comments (incl. % achievement) | Periodic and long-term monitoring and evaluation of housing programs have improved during the past four years. First, the development of the PlanHab involved an in depth evaluation of the housing sector. Second, the PAC investments in urban upgrading are closely monitored by a committee with representatives from the Ministry of Cities, CEF, and the Casa Civil who meet on a bi-weekly basis, and the same arrangement is planned for MCMV program. An Excel-based monitoring system was established for PAC and is updated every week and the information is presented for evaluation during the bi-weekly meetings. CEF monitoring of its loan programs has also improved. This led to changing terms of its construction material loans and reducing non-performing loans (overdue payments from more than 60 days dropped from 16.4% in 2006 to 10.9% in 2008 while overdue payments for more than 90 days dropped to 3%). Evaluations of the PAR and PSH subsidy programs were also completed. | | | |

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|--|---|---|-----|-------------------------------------|
| Indicator 30: | Completion of an evaluation of the PAR (Social Rental Program) program and the first round of PSH subsidies | | | |
| Value (quantitative or Qualitative) | No evaluation completed | Completion of an evaluation of the PAR program and the first round of PSH subsidies | No | Evaluations completed |
| Date achieved | 2004 | | | 2007 |
| Comments (incl. % achievement) | Two evaluations of the PAR have been completed by CEF. An evaluation of the PSH was completed by the Ministry of Cities in 2007, during which field visits and interviews were conducted. | | | |
| | | | | |
| Policy Area #4 Land and Urban Development | | | | |
| Indicator 31: | % of municipalities that have developed master plans, relative to the goal of 1700 cities targeted by the Statute of the City | | | |
| Value (quantitative or Qualitative) | 1.2% | Undefined | No | 36.2% |
| Date achieved | As of 1996 | | | As of March 2007 |
| Comments (incl. % achievement) | The Statute of the City (Lei Federal 10.247/2000) established that 1,682 municipalities needed to develop and approve Participatory Master Plans by October 2006. The percentages above are based on a survey of 1,552 municipalities that was implemented by the Ministry of Cities in 2006. | | | |
| Indicator 32: | % of families assisted by the national program for precarious settlements, relative to the demand defined by official data available | | | |
| Value (quantitative or Qualitative) | R\$ 1.1 billion 170,000 families | Undefined | No | R\$ 8.5 billion 730,000 families |
| Date achieved | 2003 - 2005 | | | 2006 – 2008 |
| Comments (incl. % achievement) | Estimated by Ministry of Cities. The large increase in families benefiting from urban upgrading is due to OGU investments in the national program for precarious settlements (starting 2006) as well as the PAC (starting 2007). | | | |
| Indicator 33: | % of municipalities that have developed local housing plans | | | |
| Value (quantitative or Qualitative) | No federally approved municipal housing plans. | Undefined | No | Unknown; requires survey |
| Date achieved | 2005 | | | 2009 |
| Comments (incl. % achievement) | Source: Ministry of Cities. A survey would need to be conducted to determine the number of municipalities with housing plans. | | | |
| Indicator 34: | % of municipalities that implemented municipal policies of land regularization | | | |
| Value (quantitative or Qualitative) | N/A | N/A | N/A | N/A |
| Date achieved | | | | |
| Comments (incl. % achievement) | Data unavailable according to the National Secretariat of Urban Programs. | | | |

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|--|--|-----------|----|---|
| Indicator 35: | % of municipalities that implemented municipal regularization programs in relation to the number of municipalities with problems of irregular settlements | | | |
| Value (quantitative or Qualitative) | 65 municipalities 382 settlements | Undefined | No | 387 municipalities 2,578 settlements |
| Date achieved | As of 2005 | | | As of 2009 |
| Comments (incl. % achievement) | Data source: National Secretariat of Urban Programs. | | | |

Annex 10: Map

