

**Document of
The World Bank**

Report No: ICR0001201

**IMPLEMENTATION COMPLETION AND RESULTS REPORT
(IBRD-7338-BR)**

ON A

HOUSING SECTOR TECHNICAL ASSISTANCE LOAN

IN THE AMOUNT OF US\$4.0 MILLION

TO THE

FEDERATIVE REPUBLIC OF BRAZIL

June 28, 2011

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

CURRENCY EQUIVALENTS
(Exchange Rate Effective May 2011)

Currency Unit = Real
US\$ 1.00 = 1.575 Reais
FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

BACEN	Banco Central do Brasil (Central Bank of Brazil)
CAS	Country Assistance Strategy
CEF	Caixa Econômica Federal (Federal Loan and Savings Bank)
DPL	Development Policy Loan
ESW	Economic and Sector Work
FNHIS	Fundo Nacional de Habitação de Interesse Social (National Social Interest Housing Fund)
FGTS	Fundo de Garantia do Tempo de Serviço (Workers Severance Fund)
GDP	Gross Domestic Product
GoB	Government of Brazil
HSTAL	Housing Sector Technical Assistance Loan
ICR	Implementation Completion and Results Report
IHPH	Inter-ministerial Housing Policy Group
M&E	Monitoring and Evaluation
MCMV	Minha Casa, Minha Vida (stimulus package)
MOC	Ministério das Cidades (Ministry of Cities)
MW	Minimum wage (Currently 1MW=R\$545 – US\$346)
NHP	National Housing Policy
NLTA	Non-lending Technical Assistance
NHS	National Housing Secretariat (Secretaria Nacional de Habitação)
OGU	Orçamento do Governo Federal (Federal Budget)
PAC	Programa de Aceleração do Crescimento (Growth Acceleration Program)
PAD	Project Appraisal Document
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)
SELIC	Sistema Especial de Liquidação e Custódia (Central Bank's overnight lending rate)
SFH	Sistema Financeiro de Habitação (Housing Finance System)
SIL	Specific Investment Loan
STN	Secretaria do Tesouro Nacional (Treasury)
SWAp	Sector Wide Approach

Vice President:	Pamela Cox
Country Director:	Makhtar Diop
Sector Manager:	Guang Zhe Chen
Project Team Leader:	Sameh Naguib Wahba
ICR Team Leader:	Angélica Nuñez

FEDERATIVE REPUBLIC OF BRAZIL
HOUSING SECTOR TECHNICAL ASSISTANCE LOAN

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A. Basic Information			
Country:	Brazil	Project Name:	BR-Housing Sector TAL
Project ID:	P050761	L/C/TF Number(s):	IBRD-73380
ICR Date:	06/24/2011	ICR Type:	Core ICR
Lending Instrument:	SIL	Borrower:	GOVERNMENT OF BRAZIL
Original Total Commitment:	USD 4.0M	Disbursed Amount:	USD 1.1M
Revised Amount:	USD 1.1M		
Environmental Category: C			
Implementing Agencies: Ministerio das Cidades			
Cofinanciers and Other External Partners:			

B. Key Dates				
Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	01/13/2005	Effectiveness:		12/08/2006
Appraisal:	03/28/2005	Restructuring(s):		05/19/2009 05/19/2010
Approval:	11/10/2005	Mid-term Review:	12/12/2008	12/12/2008
		Closing:	09/30/2009	12/31/2010

C. Ratings Summary	
C.1 Performance Rating by ICR	
Outcomes:	Moderately Satisfactory
Risk to Development Outcome:	Low or Negligible
Bank Performance:	Moderately Unsatisfactory
Borrower Performance:	Moderately Satisfactory

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

C.3 Quality at Entry and Implementation Performance Indicators			
Implementation Performance	Indicators	QAG Assessments (if any)	Rating
Potential Problem Project at any time (Yes/No):	No	Quality at Entry (QEA):	None
Problem Project at any time (Yes/No):	Yes	Quality of Supervision (QSA):	None
DO rating before Closing/Inactive status:	Satisfactory		

D. Sector and Theme Codes		
	Original	Actual
Sector Code (as % of total Bank financing)		
Central government administration	66	66
Sub-national government administration	34	34
Theme Code (as % of total Bank financing)		
Access to urban services and housing	33	33
Land administration and management	16	33
Municipal governance and institution building	17	34
Regulation and competition policy	17	
Social safety nets	17	

E. Bank Staff		
Positions	At ICR	At Approval
Vice President:	Pamela Cox	Pamela Cox
Country Director:	Makhtar Diop	Boris Enrique Utria
Sector Manager:	Guang Zhe Chen	John Henry Stein
Project Team Leader:	Sameh Naguib Wahba	David N. Sislen
ICR Team Leader:	Angelica Nunez del Campo	
ICR Primary Author:	Angelica Nunez del Campo	

F. Results Framework Analysis

Project Development Objectives (from Project Appraisal Document)

The Project Development is to support the implementation, monitoring, and evaluation of the Government reform program supported by the Programmatic Loan for Sustainable and Equitable Growth: Housing Sector Reform.

Revised Project Development Objectives (as approved by original approving authority)

Strengthen the Ministry of Cities' capacity to manage housing and urban development policy and programs at the federal level, and improve capacity for the development of social housing programs at the local level.

(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 :	Subsequent DPL triggers are met (as far as they are supported by the TAL)			
Value quantitative or Qualitative)	Triggers for subsequent DPL not met	Triggers for subsequent DPL met	Improved capacity at the Ministry of Cities to develop housing and urban development policies and at the local level to implement housing programs	Revised PDO achieved
Date achieved	12/08/2006	12/08/2006	05/04/2010	12/30/2010
Comments (incl. % achievement)	The original indicator was revised in the May 2010 restructuring. The revised indicator was met. Also, several of the proposed triggers for the subsequent DPL operation (not materialized) were met. (i.e. analysis of credit insurance, preparation of NHP)			
Indicator 2 :	Program implementation, monitoring, and evaluation based on the results of the analytical and technical work of the TAL			
Value quantitative or Qualitative)	Program not yet implemented	Satisfactory program implementation, monitoring and evaluation	After restructure only one PDO indicator remained	Indicator dropped during restructure
Date achieved	12/08/2006	12/08/2006	05/04/2010	05/04/2010
Comments (incl. % achievement)	ICR of first housing DPL rated program as satisfactory. The 2nd planned DPL did not materialize and the TAL did not contribute to the program as originally expected.			

(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
Indicator 1 :	Workshops to broadly disseminate the NHP and discuss its content with stakeholders held.			

Value (quantitative or Qualitative)	No workshops conducted	Dissemination of NHP conducted through workshops	Dissemination of NHP conducted	Five major public workshops to disseminate NHP held between Oct- Dec 2007. Dissemination continues through meetings, internet, and link to gov. programs
Date achieved	12/08/2006	12/08/2006	05/04/2010	12/30/2010
Comments (incl. % achievement)	Target output achieved. Dissemination is a continued effort from NHS and supported by the MCMV program which is derived from the NHP. A comprehensive publication as well as summary publications have been prepared.			
Indicator 2 :	Preparation of a draft law for the National Housing Policy			
Value (quantitative or Qualitative)	No draft law for National Housing Policy	Draft law prepared	Indicator dropped after restructure.	No draft law prepared
Date achieved	12/08/2006	12/08/2006	05/04/2010	12/30/2010
Comments (incl. % achievement)	Still, the law for the MCMV program was enacted in July 2009; it includes several features from the NHP.			
Indicator 3 :	Finalization of the National Housing Plan			
Value (quantitative or Qualitative)	National Housing Plan not yet prepared	Finalization of the National Housing Plan	Finalization of the National Housing Plan	National Housing Plan completed in December 2008
Date achieved	12/08/2006	12/08/2006	05/04/2010	12/30/2010
Comments (incl. % achievement)	This indicator was kept after restructuring (Revised IO indicator 1)			
Indicator 4 :	Strengthening of the capacity of the SNH (staff hired, systems in place)			
Value (quantitative or Qualitative)	Limited capacity at SNH	Capacity strengthened to implement housing policy	Strengthened capacity at SNH	Strengthened capacity at SNH through expert consultants in informal housing, public finance and subsidies hired to support the preparation of NHP
Date achieved	12/08/2006	12/08/2006	05/04/2010	12/30/2010
Comments (incl. % achievement)	Although this intermediate indicator was dropped, the project restructure captures the need to strengthen MoC within the revised PDO			
Indicator 5 :	Preparation of the comprehensive regulations for operation of the FNHIS			
Value (quantitative or Qualitative)	No regulations in place	Comprehensive regulations in place	n.a.	Regulations for operation of the FNHIS have been completed

Date achieved	12/08/2006	12/08/2006	05/04/2010	12/30/2010
Comments (incl. % achievement)	This indicator was dropped during the restructuring			
Indicator 6 :	Workshops held to discuss housing market credibility with judiciary and legislature			
Value (quantitative or Qualitative)	No workshops held	Workshops held	n.a.	No workshops or related activities to discuss forms to reduce the judiciary risk in the housing finance contracts conducted
Date achieved	12/08/2006	12/08/2006	05/04/2010	12/30/2010
Comments (incl. % achievement)	This indicator was dropped during the restructuring			
Indicator 7 :	Strategic study of the future of FGTS completed			
Value (quantitative or Qualitative)	No study or assessment of the future of FGTS completed	Strategic study of the future of FGTS completed	n.a.	Study not completed
Date achieved	12/08/2006	12/08/2006	05/04/2010	12/30/2010
Comments (incl. % achievement)	The analysis and forecast of FGTS funding needs included within the NHP is a step in the direction of achieving the underlying outcome of this indicator			
Indicator 8 :	The Government has prepared a program for the harmonization of subsidies, including OGU and off-budget resources (including FGTS)			
Value (quantitative or Qualitative)	No existing program or document on harmonization of housing subsidies	Program for the harmonization of subsidies prepared	n.a.	The NHP presents a harmonized susidy framework
Date achieved	12/08/2006	12/08/2006	05/04/2010	12/30/2010
Comments (incl. % achievement)	NHP is a start towards a more rational organization of the existing subsidies, implementation of the actions needed to achieve harmonization remains a challenge			
Indicator 9 :	Establishment of the subsidy monitoring and evaluation system			
Value (quantitative or Qualitative)	No M&E system for subsidies in place	M&E system for subsidies established	n.a.	No M&E system for subsidies in place, although work is underway
Date achieved	12/08/2006	12/08/2008	05/04/2010	12/30/2010
Comments (incl. % achievement)	A system is currently in the early process of being designed. The Bank designed and delivered a tailor-made M&E workshop for SNH in September 09. NHS used remaining HSTAL resources to design the concept and overall outline of an M&E system for the sector.			
Indicator 10 :	Completion of studies on transforming PSH parcelamento into a block grant program, including the use of municipal contributions in bid evaluation			
Value (quantitative or Qualitative)	No studies undertaken	Studies completed	n.a.	Not done as a separate study, but the NHP as part of

				the subsidy framework provides for the harmonization of PSH
Date achieved	12/08/2010	12/08/2010	05/04/2010	12/30/2010
Comments (incl. % achievement)	This indicator was dropped during the restructuring			
Indicator 11 :	Preparation of toolkits and/or studies and other technical activities for urban land management and administration and the design of a policy framework for a National Urban Upgrading Program.			
Value (quantitative or Qualitative)	No toolkits/studies prepared	Toolkits/studies prepared	n.a.	Material for a course on land management and administration prepared and distance learning course on the subject conducted
Date achieved	12/08/2006	12/08/2006	05/04/2010	12/30/2010
Comments (incl. % achievement)	Although this intermediate indicator was dropped, the project restructure captures the need to increase capacity at local level on urban land management and admin within the revised PDO			
Indicator 12 :	(Revised IO Indicator 2) Guidelines for the management of housing subsidies prepared			
Value (quantitative or Qualitative)	No guidelines existed	Guidelines completed	n.a.	Guidelines completed in December 2010
Date achieved	05/04/2010	05/04/2010	05/19/2009	12/30/2010
Comments (incl. % achievement)	Target fully achieved			
Indicator 13 :	(Revised IO Indicator 3) Methodology for the collection of housing market data completed			
Value (quantitative or Qualitative)	No methodology	Methodology completed	n.a.	Methodology completed
Date achieved	05/04/2010	05/04/2010	05/19/2009	12/30/2010
Comments (incl. % achievement)	This study was a key input for the design of the MCMV program			
Indicator 14 :	(Revised IO Indicator 4) Guidelines for social work in social housing projects prepared			
Value (quantitative or Qualitative)	No guidelines existed	Guidelines prepared	n.a.	Guidelines prepared
Date achieved	05/04/2010	05/04/2010	05/19/2009	12/30/2010
Comments (incl. % achievement)	These guidelines were the key input to the Distance learning course on Social Work			
Indicator 15 :	(Revised IO Indicator 5) Participation of 1,400 local government employees in a distance learning course on social work			

Value (quantitative or Qualitative)	0	1,400	n.a.	1,998
Date achieved	05/04/2010	05/04/2010	05/19/2009	12/30/2010
Comments (incl. % achievement)	Target surpassed.			
Indicator 16 :	(Revised IO Indicator 6) Participation of 525 local government employees in a distance learning course on urban upgrading			
Value (quantitative or Qualitative)	0	525	n.a.	1,191
Date achieved	05/04/2010	05/04/2010	05/19/2009	12/30/2010
Comments (incl. % achievement)	Target surpassed.			
Indicator 17 :	(Revised IO Indicator 7) Participation of 3,000 local government employees in a distance learning course on the preparation of local housing plans			
Value (quantitative or Qualitative)	0	3,000	n.a.	4,660
Date achieved	05/04/2010	05/04/2010	05/19/2009	12/30/2010
Comments (incl. % achievement)	Target surpassed.			
Indicator 18 :	(Revised IO Indicator 8) Number of government employees provided with capacity building in national subsidy programs			
Value (quantitative or Qualitative)	No training in subsidy programs available	Capacity building of related ministry staff n.a. completed		Training programs delivered in July - September 2010 for federal and local government staff
Date achieved	05/04/2010	05/04/2010	05/19/2009	12/30/2010
Comments (incl. % achievement)	Target met			
Indicator 19 :	(Revised IO Indicator 7) Participation of 3,000 local government employees in a distance learning course on the preparation of local housing plans			
Value (quantitative or Qualitative)	0	3,000	n.a.	4,660
Date achieved	05/04/2010	05/04/2010	05/19/2009	12/30/2010
Comments (incl. % achievement)	Target surpassed.			
Indicator 20 :	(Revised IO Indicator 8) Number of government employees provided with capacity building in national subsidy programs.			
Value	No training in subsidy	Capacity building of n.a.		Training programs

(quantitative or Qualitative)	programs available	related ministry staff completed	delivered in July - September 2010 for federal and local government staff.
Date achieved	05/04/2010	05/04/2010	05/19/2009 12/30/2010
Comments (incl. % achievement)	Target met		

G. Ratings of Project Performance in ISRs

No.	Date ISR Archived	DO	IP	Actual Disbursements (USD millions)
1	06/01/2006	Satisfactory	Satisfactory	0.00
2	11/20/2006	Satisfactory	Satisfactory	0.00
3	06/04/2007	Moderately Satisfactory	Moderately Satisfactory	0.01
4	12/15/2007	Moderately Satisfactory	Moderately Satisfactory	0.01
5	06/13/2008	Moderately Satisfactory	Moderately Unsatisfactory	0.01
6	12/01/2008	Moderately Satisfactory	Moderately Unsatisfactory	0.03
7	05/28/2009	Satisfactory	Satisfactory	0.03
8	11/20/2009	Moderately Satisfactory	Moderately Satisfactory	0.03
9	05/13/2010	Satisfactory	Satisfactory	0.34
10	01/08/2011	Satisfactory	Moderately Satisfactory	1.12

H. Restructuring (if any)

Restructuring Date(s)	Board Approved PDO Change	ISR Ratings at Restructuring		Amount Disbursed at Restructuring in USD millions	Reason for Restructuring & Key Changes Made
		DO	IP		
05/19/2009	N	MS	MU	0.03	At the request of the Borrower and with approval from the Guarantor, the first Project restructuring was carried out and was approved by the Country Director on May 18, 2009. This included (a) the cancelation of 70 percent of the loan amount, thereby reducing the loan amount from US\$4m to US\$1.3 million; and (b) extending the closing date by 15 months to December 31, 2010. The restructuring came against a background of increased responsibilities of the MoC under PAC and Minha Casa Minha Vida, coupled with difficulties

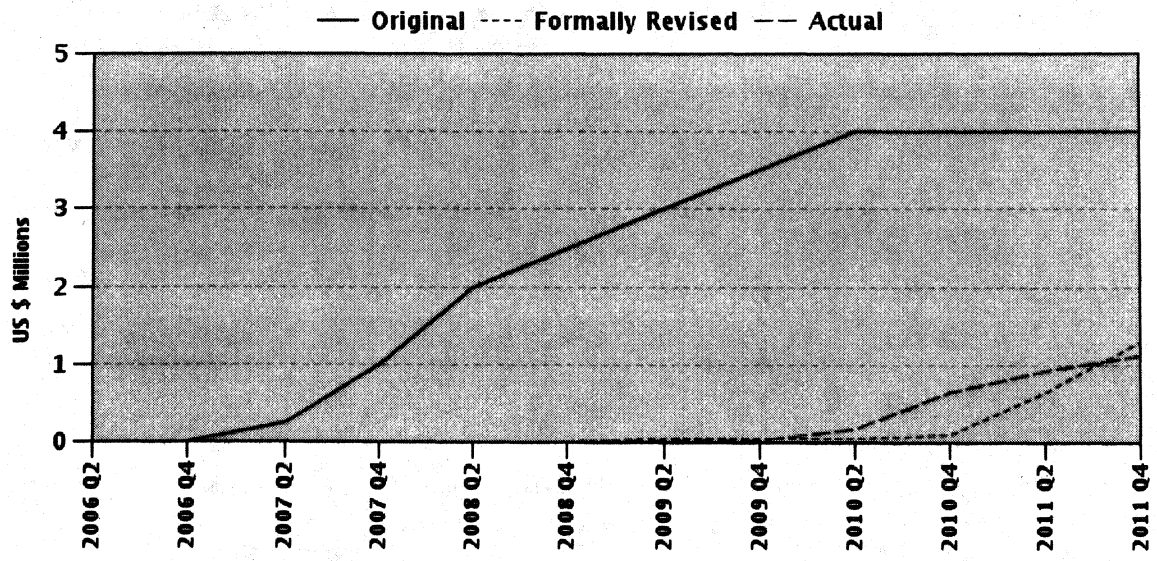
Restructuring Date(s)	Board Approved PDO Change	ISR Ratings at Restructuring		Amount Disbursed at Restructuring in USD millions	Reason for Restructuring & Key Changes Made
		DO	IP		
05/19/2010	Y	S	S	0.34	encountered during implementation, especially on procurement. Thus, the restructuring allowed reflecting the change in Government priorities, while allowing those activities that were underway or in procurement to be carried out satisfactorily.

If PDO and/or Key Outcome Targets were formally revised (approved by the original approving body) enter ratings below:

Against Original PDO/Targets
 Against Formally Revised PDO/Targets
 Overall (weighted) rating

Outcome Ratings
 Unsatisfactory
 Satisfactory
 Moderately Satisfactory

I. Disbursement Profile



1. Project context, Development Objectives and Design

1.1 Context at Appraisal

Access to housing and reliable urban services is essential to poverty reduction and economic growth in Brazil. Brazil is among the most urbanized countries in Latin America, with approximately 80% of the population living in urban areas and 90% of the country's GDP being generated in cities. By 2004 the housing deficit was estimated at 7.1 million units, equivalent to 28 million people without access to adequate shelter. At the same time, urban informal settlements were growing four times faster than average urban growth; and an estimated 65% of new households formed annually could not afford the most basic house produced in the formal market. Overall, the performance of the housing sector in Brazil was deemed as inadequate; with outstanding mortgage loans representing only around 3-4% of GDP (compared with 15% in Chile and 65% in the US).

Some years before project appraisal, in 2001, Brazil's Congress passed a constitutional amendment that guaranteed the right to adequate housing for all Brazilians. This was an important step towards a comprehensive reform process to improve access to housing for Brazilians. At the same time, accomplishing this goal, while maintaining fiscal discipline, presented a major challenge. While the issue of housing was a priority in the electoral campaign of President Lula in 2002, progress in housing sector had been limited by 2005.

Reform in the housing sector acquired relevance in 2005 as a key component to reinforce the growth agenda; given the impact of housing and housing finance in promoting poverty alleviation and expanding the efficiency of the financial sector respectively¹. Housing was recognized as an important component of the economy, contributing to job creation (housing investment has a multiplier effect of 1.8), expansion of the finance system and creation of household wealth.

The Programmatic Loan for Sustainable and Equitable Growth: Housing Sector Reform (DPL) (Loan 7306-BR) was approved in June 2005 to support the first stage of reforms in the Government's reform agenda in housing and urban sectors. The program's PDO 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 to²: (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. This

¹ In 2003 the Government established an agenda for sustainable and equitable growth 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.

² Components in bold

loan was designed to set the stage for further support to the housing sector, including a subsequent DPL and a Sector-Wide Approach (SWAp) operation linked to housing.

The Housing Sector Technical Assistance loan (HSTAL) was approved in October 2005 to support the implementation, monitoring and evaluation of the Government's reform program supported by the DPL. The project was designed in parallel to the DPL (and incorporated the same project components) to channel Bank financial support to the four policy areas and to help the Government of Brazil to establish the necessary conditions under which the Bank could provide further investment-linked support to the housing subsidy programs through a sector investment loan under the SWAp. As such, the HSTAL was meant to facilitate policy dialogue amongst the Bank and the Government of Brazil (GoB) in-between the DPL and subsequent housing-related operations.

The main objective of a subsequent growth DPL supporting the housing sector would have been the deepening of the reforms initiated by the policy changes supported through the first operation. Nine prior actions were (pre)identified as key in the DPL policy matrix (out of 42). For the institutional framework, the focus was on institutionalization of a medium term development plan (through the elaboration and dissemination of National Housing Plan) and improving the regulation for subsidies. In terms of the housing finance system, the main objectives were to reduce the judiciary risk of housing finance contracts, increase private sector utilization of subsidy funds and analyzing the development of new instruments in housing finance such as mortgage insurance. The housing subsidies component was focused on rationalization and harmonization of subsidy programs and on the implementation of a comprehensive monitoring and evaluation system for subsidies. Lastly, the program envisaged the launch of a national urban upgrading program and measures to increase available urban land as the key prior actions for the urban and land component.

1.1 Original Project Development Objectives

The original PDO of the HSTAL was to support the implementation, monitoring, and evaluation of the Government reform program supported by the Programmatic Loan for Sustainable and Equitable Growth: Housing Sector Reform. Key indicators included:

For the Project's Development Objective:	1. Subsequent Housing DPL triggers are met (as far as they are supported by the HSTAL) 2. Program implementation, monitoring, and evaluation based on the results of the analytical and technical work of the HSTAL
By Component:	
Component 1 - Institutional and Legal Framework:	3. Preparation of a draft law for the National Housing Policy 4. Finalization of the National Housing Plan 5. Preparation of the comprehensive regulations for operation of the FNHIS
Component 2 - Housing Finance Market Development	6. Workshops held to discuss housing market credibility with judiciary and legislators

<i>Component 3 -Housing Subsidies for the Poor</i>	7.Strategic study on the future of FGTS completed 8.The Government has prepared a program for the harmonization of subsidies, including federal budget and off-budget resources (including FGTS)
	9.Establishment o f the subsidy monitoring and evaluation system
<i>Component 4 - Land and Urban Development</i>	10.Preparation of toolkits for cadastre and registry development

1.2 Revised PDO

During the mid-term review of the project (November 2008), the Ministry of Cities (MOC) and the World Bank agreed to restructure the project. The project restructure included: (a) cancellation of US\$2.7 million of the loan amount, (b) elimination of Component 2: Housing Finance Market Development, and (c) restructuring the remaining three components (1, 3 and 4) into two components. In practice restructuring occurred in two stages: the cancellation of US\$2.7 million on May 19, 2009 and the restructuring of items (b) and (c) above which was approved a year later on May 19, 2010.

Table 1 below includes a summary of the key changes. The revised PDO became: **to strengthen the Ministry of Cities' capacity to manage housing and urban development policy and programs at the federal level, and improve capacity for the development of social housing programs at the local level.** The key indicators included:

Outcome Indicators	1.Improved capacity at the Ministry of Cities to develop housing and urban development policies and at the local level to implement housing programs
Intermediate Results	2. Improved capacity within the Ministry of Cities to develop housing and urban development policies. 3. Improved capacity at the local level to develop social housing programs and projects.

The reasons for restructuring include low disbursement level, the shift in government priorities and the availability of other sources of funding. These are briefly analyzed below.

a. Low disbursement level. By the end of 2008 the project had disbursed less than 1% of the loan amount. The main reason for the slow implementation pace was the lack of familiarity within the Ministry of Cities (MOC), and specifically the National Housing Secretariat (NHS) – responsible for the day-to-day operation of the program- with the Bank's fiduciary procedures and requirements. Procurement was a major challenge for project implementation until the project was restructured. The NHS was at the time of appraisal a small unit without dedicated procurement staff and with limited procurement responsibilities or experience - as it mostly acted as a policymaking entity. Difficulties had to do with the development of bidding documents for consultancy assignments due to obstacles in reconciling/adapting Bank procurement procedures as stipulated in the loan agreement with Brazilian law (all proposed bid documents and contracts must be reviewed and approved by the Ministry's legal department – *Consultoria Jurídica* -

ahead of being sent for the Bank's no objection). The situation was particularly compounded by the difficulties faced in hiring local consultants (requiring proof that no Ministry staff has the skills to implement the specific task) and international consultants (usually highly questioned by local staff), which proved cumbersome and extremely time-consuming.

b. Shift in Government priorities. Housing remained at the top of the Government's agenda during the period, but the focus of government action was narrowed from the all-encompassing approach supported by the DPL (which included institutional reform, housing finance, subsidies and urban interventions) to targeted interventions in the areas of urban/slum upgrading and housing subsidies, which are the two main areas of housing policy that benefit from Federal financing. These new priorities were derived from the National Housing Plan (PlanHab), which was prepared during 2008. As a result, government focus shifted to operative implementation of two large-scale investment programs; a major urban/slum upgrading program under the PAC (*Programa de Aceleração do Crescimento*) with an allocated budget of R\$ 10.7 billion—making it in effect the largest slum upgrading program in the World, and the housing subsidy program *Minha Casa, Minha Vida*, with an allocation of R\$ 34 billion³.

c. Availability of other sources of funding. In 2005 the procurement plan of the existing US\$250 million loan from the IADB to the Ministry of Cities - "*Habitar Brasil*" was revised to include the preparation of the National Housing Plan and other related studies. In addition, funding from UNDP was also available to finance reports and studies.

Table 1. Original and Revised Project Data

Original	Revised
Loan Amount	
US\$4 million	US\$1.3 million [US\$2.7 were cancelled on May 19, 2009]
PDO	
Support and inform the implementation, monitoring, and evaluation of the Government reform program supported by the Programmatic Loan for Sustainable and Equitable Growth: Housing Sector Reform.	Strengthen the Ministry of Cities' capacity to manage housing and urban development policy and programs at the federal level, and improve capacity for the development of social housing programs at the local level.
Outcome indicators	
<ul style="list-style-type: none"> • Subsequent DPL triggers are met (as far as they are supported by the HSTAL) • Program implementation, monitoring and evaluation based on the results of the analytical and technical work of the HSTAL 	<ul style="list-style-type: none"> • Improved capacity at the Ministry of Cities to develop housing and urban development policies and at the local level to implement housing programs
Intermediate Results	
<ul style="list-style-type: none"> • Strengthen sector institutions and consolidate the National Housing Secretariat as the key technical policy entity in the housing sector. 	<ul style="list-style-type: none"> • Improved capacity within the Ministry of Cities to develop housing and urban development policies. • Improved capacity at the local level to

³ ~ US\$5 billion and US\$17 billion respectively

- Strengthen the housing finance legal and regulatory framework. develop social housing programs and projects.
- Improve the harmonization, management, targeting, monitoring and evaluation of Government subsidy programs.
- Improve urban development through the strengthening of the capacity of federal and local entities.

Project Components (US\$ M)

C1 - Institutional and Legal Framework (1.31)	C1: Institutional Strengthening and Support for the National Housing System (0.715)
C2 - Housing Finance Market Development (0.29)	C2: Capacity Building of Urban Development at the Local Level (0.575)
C3 - Housing Subsidies for the Poor (1.33)	
C4 - Land and Urban Development (1.06)	

Procurement methods allowed

Quality and cost-based selection, Least cost selection, Selection based on Consultants' qualifications, Individual consultant	Quality and cost-based selection, Least cost selection, Selection based on Consultants' qualifications, Individual consultant, Single Source Selection
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Closing Date

September 30, 2009	December 31, 2010
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1.3 Main Beneficiaries:

The primary target group of the original PDO was the Ministry of Cities, in particular the National Housing Secretariat as the technical assistance activities financed through the loan were expected to support the implementation and M&E of policy reforms carried out prior to the DPL and prepare those actions that were pre-identified as triggers for the subsequent operations. After restructuring, the National Housing Secretariat remained as the main beneficiary since the activities financed aimed at increasing its capacity to manage urban and housing policies and programs. Other beneficiaries of the restructured project include local governments as the recipients of the capacity building activities led by the NHS.

1.5 Original Components (as approved):

Component 1: Supporting the Institutional and Legal Framework for Housing Policy (US\$ 1.31 million). Support the Ministry of Cities in its internal reorganization, including the consolidation of the National Housing Secretariat as the key technical and policy entity for coordinating policy design across the public sector actors.

Component 2: Housing Finance Market Development (US\$ 0.29 million). Support the improvement of the legal and regulatory framework for housing loans, including incremental reforms to the existing housing finance system, the future integration of the SBPE in the full market system, and overall strengthening of the market-based Housing Finance System (SFI).

Component 3: Housing Subsidies for the Poor (US\$ 1.33 million). Support for the rationalization of the Government's various subsidy programs, and the establishment of effective targeting, monitoring, and evaluation mechanisms.

Component 4: Land and Urban Development (US\$ 1.06 million). Provision of TA to (a) strengthen local governments to take the lead in local urban development policy setting and implementation; and (b) the development of a national urban upgrading program.

1.6 Revised Components:

Component 1: Institutional Strengthening and Support for the National Housing System (US\$715,000). Support the elaboration of housing subsidies programs, technical assistance to the Ministry of Cities' National Housing Secretariat, strengthening of knowledge related to construction technology, and the development of methodologies for the collection of real estate market data in Brazil.

Component 2: Capacity Building of Urban Development at the Local Level (US\$575,000). Support distance learning programs related to the preparation of local social housing plans, urban upgrading, and the integration of social work in social housing developments.

1.7 Other significant changes (in design, scope and scale, implementation arrangements and schedule, and funding allocations):

The project restructuring also added the Sole Source Selection method to the procurement methods included under the project. The results framework and monitoring indicators of the project were also modified to reflect changes in outcome indicators and expected intermediate results.

2. Key Factors Affecting Implementation and Outcomes

2.1 Project Preparation, Design, and Quality at Entry

The background analysis supporting the reform program was robust and based on extensive analytical work conducted both by Bank and Borrower; and the activities included in the HSTAL were adequate to support the Government's gradual reform agenda. During the preparation of the DPL and HSTAL, 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. Specific reforms necessary to reach the development objective of improving access to housing for the poor were clearly defined and laid out. The core areas of reform were incorporated as policy areas of the DPL and components of the HSTL. The associated tasks needed to achieve further gradual reform were later included as tasks to be financed by the HSTAL project components. This approach adequately recognized the synthetic nature of the housing, financial and urban sectors needed for a comprehensive reform agenda. The main tasks expected to be financed by the project are presented in Table 2 below. Each task was further associated to a group of activities including hiring consultants, preparing studies, conducting workshops and study tours, or purchasing electronic and physical publications. Emphasis (in terms of loan allocation) was put on the technical assistance for the dissemination of the National Housing Policy and preparation of the National Housing Plan (component 1), development of an M&E system for subsidies (component 3), and development of an urban upgrading program for

metropolitan areas (component 4). Component two (housing finance development) received considerable less funding from the project (7%) to finance strategic studies and high level dialogue with the judiciary on the efficiency and coherence of the housing finance system in Brazil.

Table 2. Main tasks planned to be financed by HSTAL

	Component / Task
1. Institutional and legal framework	Dissemination of the National Housing Policy Strengthening of NHS and preparation of the National Housing Plan Technical Assistance to operationalize the FNHIS
2. Housing finance market development	Outreach of Housing finance information to the judiciary Strategic study on FGTS
3. Housing Subsidies for the poor	Study on alternative lenders Harmonization & rationalization of existing housing subsidies Establishment of a comprehensive M&E system for housing subsidies Dissemination of activities of national subsidy programs to improve understanding of federal subsidy schemes at local level
4. Land and Urban development	Analysis and documentation of the urban land markets and dissemination of best practice cases Technical assistance to strengthen sub-national planning and housing entities Development of a national urban upgrading program

In hindsight, it is likely that reform in the housing finance sector required a joint leadership from the MOC along with the financial authorities and institutions involved in housing finance, such as the Ministry of Finance (Fazenda), the FGTS Conselho Curador (Council) and Caixa Econômica Federal (CEF). The attributions of the MOC did not allow it to lead these efforts on its own, without the active leadership of other housing finance institutions. The project restructuring eliminated this component and in 2009 the Bank initiated a non-lending technical assistance (NLTA) project to the Government of Brazil in Housing Sector Reform and the Implementation of the Minha Casa, Minha Vida (MCMV) subsidy program. The NLTA included a strategic analysis on how to increase private lenders participation in FGTS lending and making the Guarantee Fund sustainable in the long-term. The NLTA - which was carried out at the demand of the Ministry of Finance and working in close collaboration with the Ministry of Cities - seems to have been a better instrument to support the technical background analysis needed for reform.

Project design was strong at technical level but failed to recognize the implementation risk derived from the limited prior experience of the implementing agency with Bank-financed projects. At a technical level, the design was consistent with the PDO and took into account lessons learnt during project preparation. Moreover, the project document recognized the need for flexibility within the loan to account for the evolution of the macroeconomic conditions and the adjustments needed from the expected progress in the sector as reforms matured. However,

the implementation arrangements do not seem to have been carefully thought through, neither the implementation challenges recognized or addressed. The procurement assessment undertaken during preparation identifies the “lack of specialized procurement staff in the implementing agency” as a major issue but this risk is not documented in the risk section of the PAD and no mitigation action was considered. The internal procurement procedures within MOC-NHS were not adequately analyzed to ensure consistency between Bank and client procedures. The fact that there was no operational manual prepared for the project until the project was restructured in 2009 is an indication the implementing arrangements were not adequately clarified during project preparation. As a result, implementation was to become an important shortfall for the project until it was restructured.

A larger loan amount was considered and rejected during project preparation. In hindsight, the loan amount appears very small relative to the size and needs of the housing sector, and in particular when the other programs being implemented (PAC, MCMV) are considered. A larger and hence more visible loan amount might have been able to obtain more attention from both the Bank and the Borrower towards ensuring a successful project implementation, and especially in terms of being able to equip itself with adequate staffing/consultant capacity to support Project implementation. However, the loan amount needs to be also compared with the yearly budget allocation of the activities implemented by the NHS so as to make sure that the program remains manageable for the implementing entity. As a reference, the NHS received a budget allocation of US\$ 5 million in 2010 for similar technical assistance activities. Compared to this figure, the project expected disbursements of US\$1 million per year appear reasonable. It is not clear that a larger amount would have translated into better results, in particular considering the lack of attention given to implementation arrangements.

2.2 *Implementation*

The project had a very slow start (13 month delay between approval and effectiveness) and even slower implementation pace. Two years after effectiveness only US\$0.03 million had been disbursed. The learning period for the implementing agency to familiarize itself with Bank procedures was long and cumbersome and the Bank did not provide timely or effective implementation support. The decision of the GoB not to go ahead with the subsequent DPL (the second housing DPL and the fourth in the Growth DPL series) reduced the relative importance of the project, in contrast with the successful achievements of the macro economy and housing sector reforms and should have triggered a formal review of the project’s ability to meet its PDO. By the end of 2008 the project had reached a stand-still that effectively forced the cancellation of 67% of the loan proceeds since the PDO had become irrelevant and there was only a short implementation period left. During the first two years of project implementation the Bank seems to have underestimated the implementation challenges that were causing the delays since all ISRs reflect Satisfactory or Moderately Satisfactory ratings despite the lack of progress. In hindsight, the project restructuring should have occurred at an earlier date - as soon as the Bank and borrower realized that the priorities had moved and that no additional DPLs would be requested – this could have avoided the need to cancel such a large loan amount.

In hindsight, it seems that adequate implementation of the project lost relevance for both the Bank and the Borrower. Several reasons help to explain this fact: First, the loan amount was too

small relative to the needs of the sector; and later relative to the other programs that were under implementation by the Borrower. Second, the subsequent DPL (for which this TA was designed mainly for) did not materialize, reducing the sense of medium term target for the project. Last, the Bank and Borrower remained engaged in a strong policy dialogue throughout the life of the project that contributed to capacity and consensus building (despite the disbursement lag or procurement hurdles) so there probably was a sense that reform was progressing satisfactorily, even if the HSTAL was underperforming.

Throughout 2008 the MOC developed the *Plano Nacional de Habitação (PlanHab)* which articulates the key directives of the housing policy for the medium term (to 2023). The PlanHab defines the policy instruments and expected outputs in the four key policy areas addressed by the DPL and HSTAL⁴ – plus one: construction supply chain for affordable housing. Preparation of the National Housing Plan was one of the activities to be financed by component one of the project; but in the end no HSTAL funds were used. The PlanHab – finalized in December that year - became the guiding instrument for the policy actions in the sector; once it was finalized it gave a sense of policy direction which seems to have allowed the project to be restructured. In hindsight, the PlanHab was prepared supported by the technical dialogue between the Bank, Cities Alliance and the Borrower, and represented a very important step to strengthen the housing sector in Brazil and a pillar for the programs launched recently afterwards.

Once the main guiding principles were consolidated into the PlanHab, the authorities decided to cancel the amount of the loan that was deemed unable to be disbursed, and to reduce the project's scope and align its focus to the new government priorities. The new activities to be financed were directly linked to strengthening the MOC- NHS as the key implementing agency and only those which the MOC was already implementing or which were already programmed for procurement launch to ensure that the remaining funds were fully utilized before the closing date.

In May 2009 the Borrower requested Bank's support for a non-lending technical assistance to support Housing Sector Reform and the Implementation of the *MCMV* Stimulus Program derived from the PlanHab. This request - in the midst of a poorly performing loan - suggests that the borrower valued the technical assistance provided by the Bank, but did not find the SIL –with its implementation challenges—an adequate instrument to obtain it. Moreover, several of the activities originally planned to be financed by the Bank were in fact completed with other sources of funding, suggesting that the activities were relevant but the SIL was not the correct mechanism to achieve the outcome.

After restructuring, project performance and disbursement ratios improved substantially. The May 2010 ISR upgraded all project ratings (DO from MS to S, given that the reformulation of the PDO and the extension of the closing date made it possible to meet the DO), and commitment and disbursement ratios improved to 57% and 25.8% respectively. By the closing date all of the activities had been completed and all (revised) targets met or surpassed.

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

⁴ The five policy areas addressed by the *PlanHab* are: (i) housing financing and housing subsidies, (ii) land and urban policy, (iii) institutional development and (iv) construction supply chain for affordable housing

Assessing progress of a SIL for technical assistance linked to a reform program – such as the HSTAL - is not straightforward. The underlying assumption is that the project will finance certain outputs that will trigger reform in the selected policy areas. Yet policy reform is a function of a multiplicity of factors, many of which are beyond the scope of the project (the output is likely to be a necessary but not sufficient condition). Monitoring progress would then need to include indicators to assess completion of the outputs (and hence disbursements) as well as indicators to gauge progress in the reform agenda, even if causality between output and reform is not always straightforward.

M&E design for the original PDO was entirely output based. No indicators were included to capture the overall progress of the housing sector which was an underlying objective of the HSTAL –through support to the reform program linked to the DPL. Given the implementation problems faced by the project the monitoring framework was literally not utilized during the first three years, until the project components and indicators were restructured. When the project scope was narrowed and de-linked from the programmatic reform agenda, the revised indicators that were selected adequately captured the project’s new objective and were utilized to monitor progress. The indicators after the restructuring were routinely updated to reflect progress in completion of the outputs which were in turn clearly linked to the project’s revised PDO.

An equally important objective was to support the Government to set up an M&E system for the housing sector, which was intended to be supported under the HSTAL. Despite that the housing sector M&E agenda was at first not pursued under the HSTAL, it remained subject of extensive engagement between the Bank and the NHS teams. The Bank team designed and delivered a tailor-made M&E workshop for NHS staff in September 2009. As a result, NHS decided to use the remaining HSTAL resources to finance an individual consultant to design the concept and overall outline of an M&E system for the housing sector. A system is currently in the early process of being designed and created, with the detailed work being carried out under an ongoing Cities Alliance Trust Fund.

2.4 Safeguard and Fiduciary Compliance (focusing on issues and their resolution, as applicable):

Fiduciary issues remained a challenge until project restructuring, in particular procurement of consultants. A shortcoming of project design was a lack of realism over the possibility of the NHS to contract the activities included in the procurement plan. During the early years of implementation no actions were taken to overcome the bottlenecks created by the restrictions in national legislation to contract international consultants and the NHS’s limited procurement experience. As mentioned before, the procurement procedures were not even explained in an operational manual making compliance more difficult. By the time of restructure, these issues were resolved by focusing on activities that the NHS was already undertaking, preparing an operational manual and also by the fact that NHS had become somewhat more familiar with Bank procedures. Similarly, as far as IFRs were concerned, no IFRs were prepared by the Borrower during the first years of implementation as there was practically no disbursement. Only after the restructuring and with the acceleration of implementation and the beginning of the Bank

staff providing hands-on implementation support in procurement and financial management, did the Project implementation improve and its pace accelerate.

No safeguards were triggered under the HSTAL.

2.5 Post-completion Operation/Next Phase:

During project preparation 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 loans aligned with the Government's budget cycle and linked to federal policy reform efforts, and a possible investment-linked operation, to be prepared under the SWAp modality. The DPL policy matrix pre-identifies potential prior actions for subsequent support in the sector, some of which were to receive funding from the HSTAL, and some of which have been met. However, given the improvements in the Brazil's macro-economy no further support in the form of policy lending or SWAp for the housing sector is envisaged in the medium term. As discussed above, this decreased the relative importance of the project for both Bank and borrower and contributed to the poor implementation performance. Still, through the NLTA requested by the GoB in 2009 coupled with the continued demand of Bank-executed trust funds from the Cities Alliance for the purpose of capacity building of the NHS, the Bank continued to provide strategic advice for the housing program in Brazil at the federal level, to both the Ministries of Finance and Cities, in particular for housing finance sector development.

3. Assessment of Outcomes

3.1 Relevance of Objectives, Design and Implementation (to current country and global priorities, and Bank assistance strategy):

The Brazilian housing sector as a whole has made significant progress since 2005, as a result of Government reform and good macroeconomic fundamentals. The Government of Brazil has deepened the reforms started in 2001/2002 to strengthen the housing sector as an engine of economic growth and to increase access to housing for the poorer segments of the population. These efforts were combined with strong macro performance; the Brazilian economy grew at an average of 4.25 percent between 2004 and 2010, while inflation dropped from 12.5 percent in 2002 to 4.5 percent in 2010. Brazil was able to withstand the recent economic crisis quite successfully with GDP declining only 0.2% in 2009 to bounce back in 2010 to 7.3%. The headline interest rate (SELIC), which was identified in the project documents as one of the main obstacles to the sound expansion of the housing sector dropped from 26.5 percent in 2003 to 9.25 percent in June 2009, although it was increased again recently to 11.5% by the Central Bank to contain inflationary pressure. As a result, the total funding for housing in Brazil increased from R\$10 billion in 2005 to R\$83 billion in 2010 and is expected to increase to R\$108 billion in 2011.

Both the HSTAL and associated DPL addressed key issues which remain a priority for the Government and relevant to the country's strategy. The assessment and recommendations encompassed in the detailed analytical work and dialogue between the Government of Brazil and the Bank that supported both operations is robust and continues to be relevant. The DPL and

HSTAL supporting low-income housing and housing finance market development – were designed to deepen and expand the growth program based on deep new reforms in the housing sector, which is consistent with the Brazil CAS - structured the Bank support along three pillars: Equity, Sustainability and Growth.

The HSTAL design followed the project layout of the DPL. While this maintained coherence between the two operations it *defacto* set a policy lending objective (i.e. support the implementation, monitoring, and evaluation of the Government reform program) linked to a sector investment loan. This inherent conflict makes the PDO difficult to achieve (even if all the activities are duly undertaken and finalized) since reform is not only a product of a single output (study or workshop) but rather reflects a set of gradual actions that coincide with a favorable political-economy environment. This conflict was resolved when the project was restructured. The revised PDO was more modest than the original one and it was directly linked to the activities to be financed, thus making it achievable and commensurate with the activities being financed.

The HSTAL implementing arrangements seem to have given little attention to the lack of experience of the implementing agency in procurement procedures. As a result, the procurement and contracting hurdles impeded progress in the project up until the restructure, and captured most of the attention and time of project supervision. This was particularly frustrating (for both Bank and Borrower) when the objective of the loan is to increase capacity at a technical level – through a technical assistance loan. Again, the restructure contributed to resolve this issue by reducing the number of activities to be financed, including activities which had already been approved internally by the MOC and allowing the single source selection method for contracting of consultants.

3.2 *Achievement of Project Development Objectives*

Before project restructure, operational difficulties made it impossible for the HSTAL to contribute to the achievement of the successful implementation, monitoring and evaluation of the program supported under the DPL. For this reason, the outcome of the projects original PDO is rated as **Unsatisfactory**. Perhaps the most significant contribution from the HSTAL to the PDO was through the policy dialogue and advice that the Bank's technical specialists and consultants could provide to the NHS's team during project supervision. There are at least two good examples of this technical dialogue that deserve recognition; First, the technical discussions between the Bank and the Inter-Ministerial Working Group. This group was created to support sector reform and included representatives from all the agencies and institutions that are related to housing and urban sectors. The Bank's technical experts played a key role informing and guiding the discussions of this high-level group, which is recognized by the Borrower as extremely valuable in terms of building new knowledge and increasing institutional capacity. One of the most important learning activities was a study tour of the members of the group to Mexico in mid-2005. At the time, Mexico was also undergoing an important reform in the housing sector which led to substantial growth in housing production. The trip provided a unique opportunity for the members of the group to brainstorm over different policy alternatives. Such occasions are rare for high-level inter-ministerial groups. Second is the dialogue during the preparation of the National Housing Plan (PlanHab). The Borrower highlights the valuable

contributions from the Bank's team on consolidating the sector priorities among federal stakeholders, which later derived into the development of the PAC and MCMV programs.

As mentioned, many of the tasks planned to be financed by HUTAL (Table 2 above) have been completed, including the dissemination of the National Housing Policy and preparation of the National Housing Plan and the development of a national urban upgrading program. Perhaps the most important challenge that remains is the establishment of a comprehensive M&E system for housing subsidies. No relevant progress has been achieved in this regard. The NHS has undertaken an *ad hoc* evaluation of the MCMV program, but the need to systematically assess housing needs, monitor implementation and service delivery of the various programs within the *Política Nacional de Habitação*, and assess effectiveness and efficiency of the housing subsidies (including up-front, implicit, in kind, and from all levels of government) remains. Overall, despite the lack of financial support from the HSTAL, the broad set of housing sector reforms implemented by the GoB since 2002 and supported by the DPL (since 2005) have made a significant impact in improving access to affordable housing and serviced land.

After restructure, the project successfully achieved the objective of strengthening the Ministry of Cities' capacity to manage housing and urban development policy and programs at the federal level, and improving capacity for the development of social housing programs at the local level. The outcome of the project's revised PDO is rated as **Satisfactory**. The HSTAL financed important studies to (i) characterize and analyze the housing market dynamics, an input to determine the housing sector priorities that were eventually agreed in the Plan Hab, (ii) update the housing deficit of Brazil, a publication that guides policy programs and that helps private sector and stakeholders plan investments and actions, and (iii) elaborate an ad-hoc evaluation of the first stage of the MCMV program, the results of which will feed the next phase policy adjustments in the program, tentatively to occur in late 2011. These activities have all strengthened the capacity of the NHS to design and manage the housing programs at federal level. These federal programs allow for sufficient decision making at local level to ensure flexibility and responsiveness. However, not all local government officials or relevant stakeholders have equal or enough capacity to effectively implement them. To overcome this shortcoming, the HSTAL financed the elaboration of content material and implementation of the distance course learning programs on (i) social work on housing projects, (ii) urban upgrading and (iii) preparation of local housing plans. The latter is extremely important to avoid that the recent expansion of the housing sector in Brazil comes at the cost of disorderly urban expansion and/or social exclusion. A total of 7,849 participants were training during the distance learning sessions in the three topics between June 2008 and September 2010. Participant's evaluation reports show that 83% of participants evaluated high or very high the relevance of the course given their respective fields, and 98% report that the quality of the materials presented was either good or excellent⁵.

3.3 Efficiency

As the project did not finance physical investments the most relevant discussion on efficiency of the HSTAL relates to the costs incurred during preparation and supervision relative to the final

⁵ Includes urban upgrading and preparation of local housing plans only. Results on the distance learning course for social work were not yet available at the time of the ICR preparation mission.

amount disbursed from the loan. Overall, the Bank expenditures represent 35% of the amount disbursed⁶. The percentage is particularly high given that the total disbursed amount was only around 30% of the original loan amount and highlights the importance of addressing the project shortcomings early.

3.4 *Justification of Overall Outcome Rating*

As per the ICR guidelines, the evaluation of project performance takes into account performance both before and after the revision of project objectives, weighting pre- and post-revision performance by the share of actual loan disbursements before and after the revision took place⁷. Project performance previous to the second restructure (May 2010) is rated as Unsatisfactory (Rating 2), which weighted by the amount of funds disbursed (30%) up to May 2010 results in a score of 0.06. Project performance after the second restructure is rated as Satisfactory (Rating 5), which weighted by the amount of funds disbursed (70%) later than May 2020 results in a score of 4.1. The resulting overall rating for the project is considered to be **Moderately Satisfactory**.

The rating resulting from the application of the formula is strongly biased towards the performance of the project after restructuring – when disbursements occurred. Considering all the elements analyzed in this document, it appears to represent a rather “theoretical” rating. If the time elapsed at each phase of the project (pre and post restructure) would have been included into the rating guidelines, it is very likely that the project would have been rated as Unsatisfactory, given that it only performed satisfactorily for around seven months out of the four years that it was effective; or five years elapsed between Board approval and project closing.

Beyond disbursements, it is clear that the revised project successfully met its development objective – even in the short implementation period - given: (i) its alignment with the government priorities, (ii) a much better understanding the fiduciary requirements by the Borrower, and (iii) the relevance of the activities financed towards achieving the PDO. In addition, the Bank did manage to support the GoB’s housing sector reform agenda through capacity building and technical assistance in a meaningful way, even if the funds from the HSTAL were not the main instrument for this. The continued dialogue of Bank experts with government officials during project preparation and supervision of both the DPL and the HSTAL, and the NLTA delivered in 2009 are extremely valued by the Borrower as a prime achievement of the project.

3.5 *Overarching Themes, Other Outcomes and Impacts*

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

It was anticipated that most of the specific policy measures supported by the Program and the HSTAL would have significant positive poverty-alleviation impacts. At the program level, performance outcomes such as the down-market movements of the FGTS and SBPE, the

⁶ This amount might include efficiency gains from project preparation as the HSTAL was prepared jointly with the DPL.

⁷ Assign a value for each rating: *Highly Satisfactory*=6, *Satisfactory*=5, *Moderately Satisfactory*=4, *Moderately Unsatisfactory*=3, *Unsatisfactory*=2, and *Highly Unsatisfactory*=1. Then derive the actual total Bank/IDA disbursements before and after the date when the revised project objectives were formally approved. Finally, arrive at an overall rating by weighting the two ratings by the proportion of actual total disbursement in each period, and rounding to the nearest whole number (1 to 6).

significant increase in housing subsidy funds for low-income households through the MCMV program (supporting in its first phase the delivery of one million housing units for families earning up to 10 minimum wages, and an additional two million units in its second phase, relative to a total accumulated housing deficit of slightly over 7 million units), and the sharp increase in families benefiting from urban upgrading investments (nearly one million households under PAC slum upgrading between 2007-2010), seem to confirm this assumption⁸. Similarly, low-income households' ability to access shelter has been significantly improved as a result of the increased down-market penetration of housing lenders (namely public lenders, predominantly CEF and the recent entry of Banco do Brasil) and housing developers under MCMV. Just as an example, in Rio de Janeiro, before MCMV, 95 percent of all housing starts were for units of over BRL 200,000, whereas since the launch of MCMV, close to half of the housing starts were for eligible units under the Program (i.e. of less than BRL 130,000). Still, an important shortcoming is the lack of evaluation mechanisms to confirm this assumption, in particular for subsidies. This was one of the main (original) objectives of the HSTAL and remains a pending item in the housing sector agenda, although one which has recently started taking off and will continue receiving TA support from the Bank.

(b) Institutional Change/Strengthening

The HSTAL had both direct and indirect positive impacts on the institutional strengthening of the Ministry of Cities, and especially of the NHS. Direct positive impacts relate to the contribution made by the revised project through the financing of strategic studies that provided inputs to the design of the MCMV program (such as the study on the housing market dynamics) or to the PlanHab (such as consultant for scenario modeling). Indirect positive impacts of the project refer to the policy dialogue between the Borrower and the Bank's team which contributed to the decision-making process for continued reform. This indirect contribution of the Bank was highlighted by the Government counterparts during the ICR preparation mission. In particular, the informal technical contribution of the Bank during the preparation of the PlanHab in the form of recommendations and international references is recognized.

In addition, the distance learning courses and course material funded through the HSTAL are expected to have positive impacts in the institutional capacity of local governments and agencies implementing the government housing programs. The current growth rates of housing construction in Brazil - supported to a large extent by good macro conditions and the stimulus programs PAC and MCMV - is putting enormous pressure on the ability of local governments to increase availability of land for low income housing and to provide adequate services and infrastructure, in particular for the poor. In this context, the distance learning courses for capacity building in preparation of local housing plans and social work are particularly relevant and timely to mitigate disorderly expansion of the cities, to reduce the risk of the creation of ghettos, and to ensure that the housing sector grows in a sustainable manner. Moreover, the distance learning methodology is an excellent and cost-effective way to support local governments and agencies in a large and diverse country such as Brazil.

(c) Other Unintended Outcomes and Impacts (positive and negative):

⁸ See ICR Programmatic Loan for Sustainable and Equitable Growth: Housing Sector Reform (ICR0049140)

Reform is a gradual process that generates new demands and requires re-setting of the priorities as it progresses. The success of the housing sector reform in terms of expansion of housing supply since 2005 generated the need to revise the land and urban policies that are in place, mostly implemented by local governments.. Originally, the project documents refer to reform in land and urban sector as medium to long term agenda which “would be unlikely met during the project’s term”, recognizing that reforms needed to increase the supply of urban land are complex and take time to mature. The HSTAL made these reforms more expedite through the provision of learning material and the distance learning platform. Although capacity building of the local governments was an intentional outcome of the revised objectives, the speed at which this is likely to occur has been a positive unintended impact of the project.

3.6 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: Moderate

The GoB is committed to reform in the housing sector as evidenced by the development of a medium term policy agenda (PlanHab) and the large investments in the sector (PAC and MCMV) which reduce the risk of reverting the development outcome of the reforms. In particular for the HSTAL-financed activities, the main risk is associated to the limited capacity of the NHS to offer the distance learning courses in a permanent way. The current organizational structure presents challenges since courses are designed and procured individually. This makes implementation cumbersome and costly. In the medium term, a suitable arrangement could be a knowledge partnership between the MOC and an entity that could take over the day to day operation of the distance learning training with technical oversight from the NHS. At the sector level, significant challenges remain, notably establishing a robust and systematic M&E system for subsidies. This challenge has probably gained relevance given the large budget allocation to the MCMV program. Also, increasing private housing finance and developing alternative lenders and products is necessary to expand access to the lower income segments.

5. Assessment of Bank and Borrower Performance (relating to design, implementation and outcome issues)

5.1 Bank

(a) Bank Performance in Ensuring Quality at Entry

Rating: Moderately Unsatisfactory

The project was designed in parallel to the first DPL with particularly strong analytical underpinnings; the project components were adequately selected to contribute to the Government’s reform agenda and the main tasks to be financed were relevant. However, the design of an investment project requires also a thorough analysis of the existing implementation capacity of the relevant agencies and any measures to improve it if necessary. In hindsight it seems that the Bank did not give enough attention during project preparation to make sure that:

the local procurement arrangements were adequately assessed to understand their relevance and implications for project implementation, the implementation arrangements were fully understood by the implementing agency, and that the latter were documented through an operational manual. Lastly, the design seems to have overestimated the ability of the NHS to conduct reform in the housing finance development component.

(b) Quality of Supervision:

Rating: **Moderately Unsatisfactory**

The rating reflects the slow response from the Bank to react to delays in project implementation. The Bank should have sought a much earlier restructure of the project to avoid cancellation of more than 60% of the loan amount. To some extent it seems that the supervision efforts diminished once it became obvious that no follow-up operations would take place. Despite the recurrent delays in procurement of consultants no specific training was conducted for the project and the borrower received little implementation support from the local Bank's office. As such, the Bank's quality of supervision in the first years of implementation was unsatisfactory.

Supervision improved substantially with some changes in the task team including procurement and especially once the project was restructured. The Bank became more responsive to the needs of the borrower including the provision of implementation support and improved the level of realism over project expectations. The Bank's performance in the last stretch of implementation coinciding with the restructuring is rated as satisfactory. Although for most of the life of the project the quality of supervision was unsatisfactory, the efforts to restructure the project and address the new government priorities and the implementation problems - albeit late - deserve recognition. Had the restructure occurred at an earlier date, the satisfactory rating might have been able to counter the poor initial performance, however, considering the brief period of satisfactory supervision from the Bank, the overall rating is considered to be Moderately Unsatisfactory.

(c) Justification of Rating for Overall Bank Performance:

Rating: **Moderately Unsatisfactory**

Despite the strong technical background supporting the project, the disregard for project implementation arrangements in the project design and the supervision shortcomings for the first years of implementation, contributed to the cancellation of a large portion of the loan and negatively affected project implementation and outcomes prior to revision. Restructuring improved the outcomes in an important way because it was carefully designed and thoroughly discussed with the client to ensure full ownership and realism over the expectations; however it was done at a late state allowing for a very short period of satisfactory implementation.

5.2 Borrower Performance

(a) Overall Borrower Performance: Moderately Satisfactory

(b) Government Performance: Satisfactory

(c) Implementing Agency Performance: Moderately Satisfactory

(d) Justification of Rating for Overall Borrower Performance:

As mentioned before, commitment to reform in the housing sector, (and its ability to promote growth and equity) was strong at the onset of the project and even gained momentum during the project implementation years as evidenced by the important budget allocations to the MCMV and PAC programs. At the program level, the borrower has made significant progress in the housing reform agenda in all the areas of project components despite the global economic crisis. For this reason, the government performance is considered to be satisfactory. At the HSTAL level, many of the tasks that were identified during project preparation were actually undertaken –albeit using other sources of funding- with important positive results. A notable example is the preparation of the PlanHab.

At the operational level, the implementing agency responded to the new Borrower's priorities instead of lining up the necessary resources to support project implementation. Indeed the US\$6 billion PAC slum upgrading program and the US\$20 billion MCMV program, both of which emerged during the HSTAL implementation period obtained their full attention at the expense of the implementation of the project. In addition, the Ministry did not receive implementation support to overcome the necessary learning period to gain familiarity with the Bank's fiduciary requirements. Notwithstanding these new priorities and conflicting demands, the MOC should have been more proactive on re-aligning the project to their new priorities and implementation capabilities, through an earlier restructure. For this reason the implementing agency's performance is rated as Moderately Satisfactory.

6. Lessons Learned

To the extent possible, a technical assistance loan linked to programmatic operation should remain focused on the direct outcome of the activities financed rather than "adopt" the PDO of the programmatic series. A technical assistance loan to support a programmatic series should avoid emulating the program's PDO since a SIL is not an adequate instrument to support policy reform. The original PDO indicators for the HSTAL were directly linked to sector reform (Subsequent Housing DPL triggers are met, and Program implementation, monitoring, and evaluation based on the results of the analytical and technical work of the HSTAL) when reform, as mentioned before is a function of several variables, including but not reduced to relevant studies, workshops or dissemination strategies. In hindsight, a more focused PDO for the project, confined to the outcomes of the TA to be provided and associated (but not linked) to the program objective might have been more effective.

It pays to restructure an underperforming project sooner rather than later. The relative importance of the HSTAL (for Bank and Borrower) *vis a vis* other programs was substantially reduced as soon as it became clear that the subsequent operations would not materialize. This occurred around 2006-2007. Had the project been restructured at that point - and an action plan to make sure that the implementation hurdles were overcome put in place – the cancellation of the loan amount might have been avoided (or the cancelled amount reduced). Once the project was revised to align it to the Borrower's priorities, project performance was satisfactory. This outcome could have been initiated earlier. Sometimes project supervision delays restructure because during missions there is a natural optimism that performance will improve, and also because there is the perception (in many cases from the borrower) that a restructure is associated with poor performance from the responsible team. To avoid this, it can be helpful to explain the

option of restructure to the Borrower at the early stages to increase awareness of the benefits of early restructuring if needed.

Technical assistance loans, in particular those linked to a reform program, need to be flexible to adapt to changing priorities and demands. The HSTAL PAD recognizes the need for flexibility to allow for changes in macroeconomic conditions and for adjustments needed as the reform program progressed. At the same time, it includes a very detailed list of activities to be financed throughout the life of the project in the procurement plan formulated at appraisal. These activities were directly linked to the project's monitoring indicators and hence to the results and outcomes. Consequently, the supervision missions spent considerable amount of time and effort following up on completion of the activities (some of which lost relevance as developments in the sector occurred), and less on policy dialogue and capacity building with the Borrower. To the extent possible, a technical assistance operation should remain focused on the strategic objectives and remain flexible regarding the specific activities to be financed.

Flexibility can also help to strengthen the ability of technical assistance loans as instruments to maintain policy dialogue. The Borrower recognizes the technical expertise from the Bank's team and in many cases prefers to take advantage of it in a more direct and concrete way focusing on strategic decision-making, rather than dedicate a lot of attention and time to procedural issues (This helps to explain why while having the HSTAL option, the GoB requested a NLTA support for strategic advice). By keeping a flexible approach on both preparation and supervision a TA can become more responsive to the borrower's needs.

The size of the loan needs to be relevant relative to the needs of the sector to secure the required implementation attention. Considering the sector needs, the alternative investment programs (MCMV, PAC) and the improvements in the macro economy, the size of the loan appears too small to attract the necessary attention from the Borrower. Assigning dedicated staff for project implementation, strengthening capacity or hiring new personnel for the project could have eased the implementation problems. Had the loan amount been higher, the relative cost of these additional measures would have decreased for the MoC, increasing the chances of successful implementation.

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

N/A.

Annex 1: Project Costs and Financing

a) Project Cost by Component (in USD Million equivalent)

Components	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
Land and Urban Development	0.00	0.53	
Institutional Strengthening and National Housing Policy Support	0.00	0.77	
Total Baseline Cost	0.00	1.30	
Physical Contingencies	0.00	0.00	0.00
Price Contingencies	0.00	0.00	0.00
Total Project Costs	0.00	1.30	
Front-end fee PPF	0.00	0.00	.00
Front-end fee IBRD	0.00	0.00	.00
Total Financing Required	0.00	1.30	

(b) Financing

Source of Funds	Type of Cofinancing	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
Borrower		0.00	0.00	.00
International Bank for Reconstruction and Development		4.00	4.00	.00

Annex 2. Outputs by Component

Component / task		Status	HSTAL financed
1. Institutional and legal framework	Dissemination of the National Housing Policy	Completed – dissemination efforts are on-going	No
	Strengthening of NHS and preparation of the National Housing Plan	Completed	No
	Technical Assistance to operationalize the FNHIS	Not completed	-
2. Housing finance market development	Outreach of Housing finance information to the judiciary	Not completed	-
	Strategic study on FGTS	Completed	No
	Study on alternative lenders	Not completed	
3. Housing Subsidies for the poor	Harmonization & rationalization of existing housing subsidies	Completed	No
	Establishment of a comprehensive M&E system for housing subsidies	Not Completed	-
	Dissemination of activities of national subsidy programs to improve understanding of federal subsidy schemes at local level	Completed	Yes
4. Land and Urban development	Analysis and documentation of the urban land markets and dissemination of best practice cases	Not completed	-
	Technical assistance to strengthen sub-national planning and housing entities	Completed	Yes
	Development of a national urban upgrading program	Completed	No

Annex 3. Bank Lending and Implementation Support/Supervision Processes

(a) Task Team members

Names	Title	Unit	Responsibility/ Specialty
Lending			
Supervision/ICR			
Sinue Aliram	E T Consultant	LCSPT	
Sarah Ellen Anthony	Consultant	AFTAR	
Melissa Bonneton	Junior Professional Associate	LCSUW	
Loic Chiquier	Manager	GCMNB	
Dean A. Cira	Sr Urban Spec.	EASVS	
Maria Emilia Freire	Consultant	AFTU1	
Luiz C. Gazoni	Consultant	LCSPT	
Marja C. Hoek Smit	Consultant	AFTFP	
Ivo G.P. Imperato	Sr Urban Spec.	LCSUW	
Jose C. Janeiro	Senior Finance Officer	LOAFC	
Catherine Lynch	Consultant	LCSUW	
Sameh Naguib Wahba	Sr Urban Spec.	LCSUW	
Ming Zhang	Sr Urban Economist	LCSUW	

(b) Staff Time and Cost

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
Lending		
FY05	14	76.52
FY06	3	25.94
FY07		0.00
FY08		0.00
Total:	17	102.46
Supervision/ICR		
FY05		0.00
FY06	4	48.55
FY07	17	101.22
FY08	17	126.62
FY09	27	0.00
Total:	65	276.39

Annex 4. Beneficiary Survey Results

Courses		Start Date	End Date	n° de VAGAS	Enrollment	
					# of municipalities	# of participants
EAD-Urbanization of Favelas (nordeste)	1ª ed	30/6/2008	21/9/2008	360	74	330
EAD-PLHIS (norte e nordeste)	1ª ed	6/9/2009	9/11/2009	2175	578	2224
EAD-PLHIS (sul, sudeste e centro-oeste)	2ª ed	18/10/2009	21/12/2009	2175	735	2436
EAD-Urb Favelas (sul, sudeste, centro-oeste e norte)	2ª ed	18/4/2010	10/7/2010	750	198	861
EAD-Social Work (all regions)	1ª ed	18/7/2010	28/9/2010	2000	300	1998
TOTAL – parcial				7460	1885	7849

EAD-UrbFavelas

1. What degree of contribution does the course have to your professional activities at the institution where you work?

Response%

Low 1.22%

Average 15.37%

High 47.70%

Very high 35.71%

Total 100.00%

2. From which facility did you accessed the course?

Response%

Only 11.5% of home

Only 16.0% at work

More home 22.8%

More work 26.2%

Also 23.0% of both

Total 100.0%

3. The quality of the texts of the lessons of this course is:

Response%

Excellent 63.3%

Good 35.0%

Regular 1.5%

Disability 0.1%

Total 100.0%

4. What was the degree of difficulty that you had to understand the content of this course?

Response%

No 19.55%

Down 43.37%

Average 34.73%

High 1.93%

Very High 0.42%

Total 100.00%

5. EVALUATION OF THE NATIONAL SECRETARY OF HOUSING / MCidades

Excellent tool for training of public administrators and social workers who prepare, implement and evaluate - locally - public policy

6. SCOPE & SCALE

Achieves simultaneously municipalities in different regions of the country. It trains simultaneously each course, thousands of managers

7. APPROACH BETWEEN MANAGERS MCidades X

Allows direct communication of managers and technicians who operate the housing programs with the Ministry of Cities

8. DISSEMINATION OF CONTENT AND METHODOLOGY

Vehicle for the dissemination of information, data, programs, methods, practices, etc

Annex 6. Summary of Borrower's ICR and / or Comments on Draft ICR

We will develop in the following sections, a brief summary about the Technical Assistance Loan - TAL, (External Loan 7338-BR), administered by the National Housing Department of the Ministry of Cities. Following the template provided for this purpose by the local representation of the World Bank, the topics were addressed in a very brief manner, given that all facts stated here were the subject of previous periodic progress reports submitted to and approved by the World Bank.

(A) Purpose of the operation, design, implementation and operation

Considering the significant housing deficit, which was observed with greater intensity between the low-income population and the lack of urban infrastructure, there was a need to develop a new National Housing Policy to better target investments in the housing, urbanization and environmental sanitation sectors. Based on the diagnosis which showed that 80% of the population lives in urban areas and that Brazilian cities have common problems which were aggravated over the years by lack of planning, land reform, control on the use and occupation of land; the Federative Republic of Brazil and the International Bank for Reconstruction and Development - IBRD (World Bank) agreed on a credit transaction or Programmatic Reform Development Policy Loan (PDPL), in which scope the so-called TAL-Housing Loan Agreement for the Technical Assistance (Technical Assistant Loan) was included in order to assist the Ministry of Cities in achieving the goals envisaged in the reform agenda signed on September 21, 2006.

The contract would last for three years and the funds - U.S. \$ 4,000,000.00 (four million U.S. dollars) would pass through - on loan from the IBRD to the Ministry of Cities on September 2009. The amount was made available to support actions undertaken by the Ministry of Cities on four fronts, described below:

- **Legal and Institutional Framework for Housing Policy.**

This area concerns the strengthening of housing policy and institutional framework for the government housing sector, as the integral part of the National Urban Development, and received support through the provision of technical assistance to both the Ministry of Cities and the members of the National Social Interest Housing established by Law No. 11,124 of June 16, 2005.

- **Housing Finance Market Development**

This second front, sought to design reforms that resulted in improvements on the legal and regulatory framework for housing loans in the country. It involved also the strengthening and integration of systems of collection of funds from the capital market (the Brazilian Savings and Loan - SBPE and Real Estate Financial System - SFI).

- **Housing Subsidies for Low-Income Families**

Part of the loan proceeds would be used by the IBRD in order to develop activities related to technical assistance for harmonization of subsidies distributed among the programs of the

Ministry, together with the expansion and dissemination of research programs at the subnational level.

- **Urban Development and Land**

As part of initiatives developed by MCid, this topic included the creation and evolution of a legal framework and promotion of initiatives that were to reduce the production cost of urbanized land and accelerate the promotion of urbanization and regularization of informal settlements.

The initial Procurement Plan prepared for the loan provided for purchase of various goods, in addition to contracting for services and studies with the following objectives: to implement the system of monitoring and evaluation of policy and housing programs, as well as design, review and disseminate existing programs. Subsequently, the purchases of goods were excluded, and using resources more intensely focused on training technicians from the various governmental levels.

The initial value of the Loan Agreement was \$ 4,000,000.00 (four million) and comprised the following components:

- (I) Institutional Strengthening and Policy Support to the National Housing
- (II) reforms to increase the stability and scale of the housing finance market,
- (III) Improvement and Harmonization of Policies and National Programs Subsidized Housing, and;
- (IV) Establishment of a Legal Framework and Actions to Reduce the Cost of Urban Land.

In December 2008, the National Housing Department, through the Executive Secretary of that Ministry, presented to COFIEX - External Financing Committee of the MOP, a proposal to reduce the contract value by \$ 2,700,000.00 (two million seven hundred thousand U.S. dollars), as well as to extend the contract term to 31/12/2010. To this end, the Procurement Plan was reviewed and a list of contracts in line with the guidelines of PlanHab - National Housing Plan was prepared. The new plan was consistent with the new value of the Loan Agreement, as agreed to the reduced amount of \$ 1,300,000.00 (one million and three hundred thousand dollars). Whereas some of the goals initially set were being achieved gradually, especially the formulation and adoption of new laws, as the time elapsed since the signing of the loan agreement, a new proposal for the project Components was presented. Components 1 and 4 would have been adapted from the initial design, while components 2 and 3 were reduced and incorporated into one component. Therefore, the project was restructured to include effectively the following components:

- (1) Institutional Strengthening and Policy Support to the National Housing and
- (2) Training on Urban Development.

On May 2010 there is another revision of the procurement plan, to include the hiring of an individual consultant, a specialist in Monitoring and Evaluation to design, develop and test a system of Monitoring and Evaluation of the following subprograms on the MCMV program:

- (A) Residential Lease Fund and
- (B) PMCMV municipalities for up to 50 thousand inhabitants.

This contract was included in Subcomponent 1 - Institutional Strengthening and Support to the National Housing Policy.

(B) Operation Results According to the Agreed Objectives

It can be stated that, overall, the operation was successful, and that successive changes resulted from the need to adapt to various external circumstances. During the period covered by the loan agreement that is now closed, the National Housing Policy has matured; innovations in terms of relevant legislation, including grounded in research conducted within the NAR Housing, contributed to a new approach to resolving housing problems. Moreover, exchange rate fluctuations affect the total amount available to be spent in local currency.

The products delivered as a result of Administrative Contract signed with the object of "providing consulting services specializing in urban development programs for slum studies and technical inputs to support and monitor implementation of the PAC-Slum Upgrading," contributed significantly to enable the implementation of the National Housing Policy, among other factors, by providing subsidies to the definition of criteria for the characterization of settlements, to enable scaling of the phenomenon and the integrated planning of urban slums. The material produced was the basis for defining the content of training courses, specifically designed for coaches of municipalities that receive funds from FNHIS and integrate the PAC, and also defined the parameters of urban and environmental policy, especially related to cost and quality of works in slums

Moreover, the contract the consultant specialist in housing finance and subsidies, despite its premature termination due to inability to deliver any of the products agreed, brought positive results, considering that the "Feasibility Study for alternatives to current enforcement policy and investment of the FGTS, in accordance with PlanHab" and the "Proposal for operationalizing the policy of subsidies from the flow of resources proposed by PlanHab" represented fundamental contributions to the formulation of their guidelines.

From the simplification of components and reducing the total amount of the loan, the vast majority of the objectives proposed in the revised Procurement Plan were reached. The early termination of contracts with consultants, by factors external to the program, had not caused major negative impacts of rides on all the activities planned.

Courses were held in the form Distance Teaching and Learning on three themes: PLHIS (Local Plans for Social Housing), Social Work and Slum Upgrading, reaching in all, 6771 (six thousand, seven hundred and seventy one) participants. The dissemination of such knowledge has contributed significantly to raising the level of institutionalization of local administrations. One can gauge the level of success achieved by the courses, to find that some of the contents will be replicated in 2011 and 2012, in view of the turnover in the technical areas of the City and State Governments as well as the interest of representatives of not governmental organizations in the housing sector.

At the end of several courses in the form Distance Teaching and Learning, its technology platforms have been transferred to the Ministry of Cities, allowing for future repetition of

courses. The method of Distance Teaching and Learning was established as an important tool for technical training and dissemination, together with municipalities, government policies of social concern.

The studies on the Housing Deficit in Brazil, using as its data source for calculating the data from the National Household Sample Survey-PNAD, the Brazilian Institute of Geography and Statistics - IBGE, contributed to the consolidation of a series, consisting subsidies to assist in decision making and the formulation, monitoring and evaluation of housing policies at different levels of government, providing greater efficiency and effectiveness of enforcement of financial resources. They also favored the disclosure of production analysis with updated information, and facilitated comparability with national scale and are used to support planning in the urban and housing sectors.

The study conducted in 2007, which used the numbers from PNAD 2006, worked on a new aspect of the methodology, which hitherto was not possible to be analyzed. Through the incorporation of questions to PED - Survey of Employment and Unemployment (PED / RMBH), we obtained information about family cohabitation. This provided the identification for the metropolitan region of Belo Horizonte, with numbers that more accurately portrayed the reality of their housing needs.

This methodology was based on a broad definition of housing requirements that encompasses both the quantitative housing deficit (households that demand growth and replacement of housing stock), and the deficit by inadequate or poor quality (the number of households in inadequate housing conditions, requiring improvement actions from the viewpoint of urban and land regulation, without the need for constructing new units).

It was therefore due to the need to work with similar information for the entire country and in order to obtain the most current data possible regarding the housing needs, that the João Pinheiro Foundation - FJP, was hired under contract Loan 7338-BR, signed with the IBRD. The purpose of this report was to prepare the study on Housing Deficit in Brazil in 2008.

This study of the deficit and housing inadequacy covering Brazil, Federative Units and selected metropolitan areas for the year 2008 by processing microdata from the National Household Sample Survey (PNAD) 2008, the Brazilian Institute of Geography and Statistics (IBGE), was presented by using the methodology that has been adopted by the Ministry of Cities to guide the National Housing Policy, which became a national reference, being constantly consulted by state governments, the academic field in general and by various professional bodies.

The final report of the Consultant on Monitoring and Evaluation, whose task was to design, develop and test tools for Monitoring and Assessment Program actions for the MCMV program contains recommendations to SNH that will allow the identification of flaws in the design or implementation of those programs. The study points out the reasons for success or failure in the implementation, supports the decision-making processes in order to improve them, and contributes to organizational learning.

(C) Assessment of Borrower Performance During Preparation and Execution, with Special Emphasis on Lessons Learned that can be useful in the future.

Legal barriers encountered by the National Housing Department - SNH - during the implementation of the TAL - Housing corresponded, especially: (i) the difficulties of harmonization of information between the teams responsible for the borrowing, (ii) the overlap between the agendas of implementing the Agreement and the preparation of the National Housing Plan - PlanHab, and (iii) legal and operational limitations of the loan that did not fit the profile of studies and consultancies that SNH needed. Legal requirements related to the type of loan contracted and the procedural requirements to be observed led to lengthy procurement procedures. However, the resolve to such barriers with guidance provided by local consultants from the Bank after the conclusion of the restructure caused the Secretariat to adapt to contingencies and to take measures to prioritization and streamlining of the Agreement in the Year 2009.

The obstacles encountered in drafting terms of reference were due to the need for adequacy of internal procedures to international standards governing the Agreement. The novelty of these procedures, at first, caused the impasse between the teams involved in the progress of work.

It is worth noting, however, that the familiarity gained with practice of procedures allowed for alignment of legal and administrative procedures among workers at the National Housing Department and World Bank staff.

(D) Assessment of Bank performance during Preparation and Execution, including the Effectiveness of its relations, with special emphasis on lessons learned and;

The Housing STAL was the first experience of contracting with the World Bank experienced for the National Housing Department, so that the staff involved had to familiarize themselves gradually with the routines and procedures expected. For example, there was ignorance about the need to establish a Project Management Unit, an omission that only came to be settled after the supervision mission in October 2009.

Moreover, early in the project was not clear who was the representative of the World Bank office in Brasilia to issue guidance to implementers of the Ministry of Cities, which caused some setbacks. Staff from MCidades was only able to participate in a training program provided by World Bank in August 2009. Throughout the duration of the loan, there were several replacements of actors in both institutions, fostering the need of a better dialogue between the participants.

It can be considered as a lesson learned, should it be signed another loan facility with the World Bank in the future, that the terms of reference and contracts for purchases or services must contain a sum of formal legal requirements and specific Bank, with those required under national law, with a view to placing the standards of the Ministry of internal and external control in accordance with applicable Brazilian law.

Another lesson learned is that hiring separate companies to develop the content and the technology platform to deliver the Distance Learning, can bring problems. From now on, we intend to make efforts to instruct a single entity, preferably a federal educational institution, with recognized expertise in Distance Education, in all stages of each project.

(E) Description of the proposed mechanisms for the future operation of the project.

The institutional strengthening, the urban development and training and the support to the National Housing Policy continue to receive funding from the Federal Budget.

Annex 7. List of Supporting Documents

Borrower's summary ICR Report
Borrower's Periodic Progress Reports

Annex 8. 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 employers for all 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.

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, including the preparation of the National Housing Plan (PlanHab) and the Minha Casa Minha Vida program.

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, a program coordinated by the MOC's National Secretariat of Urban Programs, 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.



MAP SECTION



BRAZIL

- STATE CAPITALS
- ⊗ NATIONAL CAPITAL
-  RIVERS
-  MAIN ROADS
-  RAILROADS
-  STATE BOUNDARIES
-  INTERNATIONAL BOUNDARIES



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