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The trajectory of social housing policy in Brazil: From the National Housing Bank to the Ministry of the Cities

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This paper discusses social housing policy in Brazil since the 1990s by analyzing government programs' institutional arrangements, their sources of revenues and the formatting of related financial systems. The conclusion suggests that all these arrangements have not constituted a comprehensive housing policy with the clear aim of serving to enhance housing conditions in the country. Housing 'policies' since the 1990s – as proposed by Fernando Collor de Mello, Itamar Franco, Fernando Henrique Cardoso and Luis Inácio Lula da Silva's governments (in the latter case, despite much progress towards subsidized investment programs) – have sought to consolidate financial instruments in line with global markets, restructuring the way private interests operate within the system, a necessary however incomplete course of action. Different from rhetoric, this has resulted in failure as the more fundamental social results for the poor have not yet been achieved.

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Introduction

As suggested in the title, this paper pursues a straightforward objective: to briefly analyse the trajectory of social housing policy in Brazil, proposed and implemented by the Federal Government, from the 1990s to date. The 1990 decade started with a new, democratically elected government – that of President Fernando Collor de Mello (or Collor). Thirty years having elapsed since the last presidential election, there were reasons for hope and optimism, despite the sharp economic crisis. The Collor government, however, came to an abrupt end with the impeachment of the President at the end 1992 (Valença, 2002). Itamar Franco, who was vice-president and had run with Collor under the same ticket, took over power. He invited Fernando Henrique Cardoso (or FHC, or Cardoso), the well-known sociologist, to be finance minister in the command of the country's economy. Soon after that, Cardoso and his team launched the Real Plan, to stabilise the Brazilian currency and solve the chronic problem of inflation which had dogged the country since the early 1980s and which none of a succession of plans, however unorthodox, had managed to control for longer than a few months. The success of the plan was outstanding in breaking with

the spiralling inflation, and so was the timing of its launch, serving Cardoso well in his pursuit of the country's presidency in the 1994 elections.

To keep with the 'Real: strong currency' policy, Cardoso sacrificed all else to keep in line with IMF orthodoxy by expanding on the Collor government's reforms: the commercial openings (end of import restrictions), the privatisation program, the 'reform' of the state, etc. At the same time, the government operated a policy of skyrocketing interest rates, attracting an influx of 'hot' money to the country and 'muddling through' the problem of the public debt. While there was money flowing into the country, the government managed to keep the Real closely linked to the dollar. But following the Asian and Russian crises (1997–1998), the government lost control of the situation. Capital flight meant that much of the country's foreign reserves had to be used to hold the Real from a drastic devaluation. Later, however, with help from the IMF, the government managed to re-establish its position in time for the re-election. Cardoso could then run under the same Strong Real ticket. For the majority of Brazilians, the imminent return of inflation was not evident until after the 1998 election. Following the election, a new run on the Real caused the government to agree – with help from the US Government – on a huge package of loans with the IMF. The government had to relax its 'zero-inflation' policy, which in any event had been more like a single figure inflation policy. The Real crisis effectively meant further tightening of government expenditure in crucial areas of social policy (Fonseca, 1998; Morais, Saad Filho, & Coelho, 1999; Valença, 1998).

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In his fourth try as presidential candidate, Luis Inácio Lula da Silva (or Lula), a member of the Workers' Party (PT), finally won the election at the end of 2002. While the country expected more drastic, progressive measures, the government of Lula started – and so continued to be – indeed conservative and cautious. He invited a well-known international banking executive to take over as the Central Bank president. Lula's choices for the financial areas of the government, although belonging to the PT, were known to follow a more conservative and moderate line. Lula was re-elected in 2006 despite a number of scandals – as the so-called *mensalão*² – involving the PT and some of his close advisors, as were the cases of the government's main political as well as, later, the main economic spokespersons. Both of them had to go.

In any case, the Lula government has pursued a conservative approach in regards to the economy, following an inflation target and public expenditure control policy – thus Brazilian economic growth has been below world average –, having accumulated substantial international reserves and having repaid – in advance – much of the country's foreign debt. This effort has not come without high costs. Despite some undeniable progress in certain social areas as education and poverty eradication programs, this was expected to progress much faster. At the start of his second government, Lula launched the *Programa de Aceleração do Crescimento* (PAC), a comprehensive economic program to speed up and foster economic growth. Here, provision of heavy infra-structure (roads, telecommunications, power stations, etc.) was the focus, with investments in the order of R\$690 billions, or approximately US\$280 billions, at December 2008 rates.

In sum, the climate of reforms and 'modernisation' has set the tone since the 1990s. This modernisation has tended towards benefiting 'market' solutions and thus is in line with the so-called neo-liberal globalisation orchestrated by trans-national corporations with help from world institutions like the IMF and the World Bank. Although new housing policy proposals during the 1990s do not entirely follow this pattern, in a country with such discrepancies in the distribution of income and wealth and such acute problems of poverty, a succession of governments have found it much easier to implement more regressive, market-oriented proposals than more progressive, redistributive – although more costly, however necessary – alternatives.

Bearing in mind the 1990s' and the 2000's political and economic scenarios, this paper discusses the main housing policy proposals which emerged, after the democratisation of the country, and will show which ones materialised into actual government programs. It begins with a sketch of the crisis of the housing provision system under the National Housing Bank (*Banco Nacional da Habitação - BNH*³), in vogue until then.

The end of the BNH/SFH era: 1964–1990

The 1990s round of housing policy proposals should also be seen in the light of the crisis and partial dismantling of the previous system of housing provision in the country. Set up by the military governments, the BNH (1964) and, later, the *Sistema Financeiro da Habitação* (or SFH, 1966) had produced almost 5 million new housing units in just over 20 years, a considerable number, especially if seen in relation to earlier schemes of public housing promotion in the country (*Institutos de Aposentadoria e Pensão*, or IAPs; *Fundação da Casa Popular*, or FCP)(Andrade & Azevedo, 1982; Bonduki, 1998; Melo, 1992). Still, the system's institutional and operational formats

were not well integrated. On the one hand the implementing institutions had to ensure that the system was self supporting and self financing. On the other they had to deal with contradictions within the system that made that very difficult. The system counted on 3 major sources of finance: first, the compulsory 'savings' deposited in the FGTS⁴ accounts (by employers in benefit of their employees), which was used by the BNH to finance social housing; second, the voluntary passbook savings accounts system, which was used by SBPE⁵ institutions (banks, building societies, savings associations) to finance middle-class housing; and third, profits from the repayments of mortgages conceded. All of these depended on how well the economy was doing. In general, the system first financed contractors as well as the publicly-owned housing companies (*Companhias Habitacionais*, or COHABs) and housing cooperatives (*Instituto de Orientação às Cooperativas Habitacionais*, or INOCOOPs) for the building of new housing (supply) and then financed home owners for the full (or partial) mortgage on those new housing produced (demand). During this time, there were very few cases in which the system financed the acquisition of second-hand housing or the production of rental housing. And although in theory there were schemes that allowed cross-utilisation of SBPE (savings accounts) and BNH (FGTS) resources, in practice the two legs of the SFH operated quite independently. It is worth noting also that the Brazilian SFH has always been a centralised system of housing finance but with a decentralised network of housing promoters throughout the regions (e.g., COHABs, cooperatives organized under the INOCOOP, building societies, pension funds and private house-builders)(Azevedo, 1996, 2007; Valença, 1992, 1999, 2001).

Following the general economic crisis at the beginning of the 1980s, all the system's sources of finance were affected negatively. As unemployment soared and incomes declined, workers withdrew from the FGTS and savings accounts, and mortgage holders defaulted. This problem was exacerbated when the Figueiredo government implemented its 'waterfall' income policy, indexing the annual adjustments of salaries and wages below the inflation rate while mortgage repayments continued to be indexed to full inflation. By 1984, the crisis had deepened. The BNH, under Nelson da Matta's administration, launched a bonus scheme to compensate mortgage holders for loss of purchasing power. However, the measure was short-lived and, in 1985, the Sarney government decided to 'solve' the problem for good, indexing the repayment of mortgages to more or less half of the period's inflation. Now, although solving the mortgage-holders' solvency problem, the system's problem had become worse as both mortgage holders' income and repayments lagged behind the stock of the mortgage debt. That is, that measure meant that at the end of the mortgage a debt would remain unpaid. In this case, the *Fundo da Compensação da Variação Salarial* (or FCVS), a fund under the responsibility of the government which had been created during the 1970s with mortgage holders' contributions, was supposed to clear the debts owed to the creditor institutions – private and public. But due to the huge difference in the indices adopted for the monetary correction of wages, repayments and the growth of the debt, this fund would be insufficient to cover the remaining debts as contracts came to an end (Valença, 1992).

In November 1986, in the midst of the second *Cruzado* Plan, the Sarney government decided to close the BNH, the head of the system, which employed nearly 10,000 people. Employees were

⁴ *Fundo de Garantia por Tempo de Serviço*. This fund yielded monetary correction (inflation) plus 3% a year.

⁵ *Sistema Brasileiro de Poupança e Empréstimo*. The savings account system yielded monetary correction (inflation) plus 6% a year. This is a system to promote housing for middle-class people, not analysed in this paper.

² In this, the government was accused of having used the party to make monthly payments to a number of Congress members so that they voted for the government in critical congressional matters.

³ Acronyms are a feature of Brazilian institutions.

absorbed into other public bodies, especially the *Caixa Econômica Federal*, or CEF, also called CAIXA (another public bank), which also took over many of the BNH's functions. Although changing the system's institutional format, the SFH's operational format, which prompted its misfortune, remained largely unchanged. From this time until mid-1990s, the SFH was in disarray, performing erratically⁶. The Sarney government also implemented a scheme – through the so-called *Secretaria Especial de Assuntos Comunitários* (or SEAC), a secretary linked to the President's Office – to promote self-build upgrading of social housing using small budget allocations, but the results were much short of expectations. Out of 500,000 planned starts, only about 20,000 were completed. With the demise of the *Cruzado* Plan towards the end of 1986 and the failure of the follow-up Bresser and Summer plans to control inflation, the Sarney government found itself in no position politically to prevent inflation from galloping towards hyper-inflation at the end of 1989. The conditions both for the election and start of the Collor government were set (Valença, 1998, 1999).

The Collor period: 1990–1992

The Collor government acknowledged the poor housing situation in the country, for which it held its predecessors responsible, but was full of ideas and grand plans to tackle the problem, setting its house-building targets at very high levels, that is, at 4 million (Brasil, 1991; MAS/SNH, 1991). However, Collor's 'modernity' rhetoric materialised into housing policy proposals which had a pro-market orientation, seeking to fuel the market, by granting private enterprise favourable operational conditions, that is, unlike previous schemes, builders themselves could now promote a social housing project. Having said this, the government was pretty much conscious that its proposals offered, if anything, only a partial solution to the housing crisis. Although not spelt out, this is evident from several official documents, as in the following passage: 'In respect to the operation of the SFH, it is necessary to give differentiated treatment to the poor through the concession of explicit subsidies by the three government spheres' (Brazil, 1991:86) (our translation).

The government's recognition that the poor needed to have access to 'explicit' subsidies in order to afford housing clearly departed from the military's entrepreneurial view that the system of housing provision had to be self-financed and from Sarney's patronising support for the ineffective budget-funded upgrading programs under the SEAC. The newly created *Ministério de Ação Social*, or MAS, had a National Housing Secretariat, or SNH, as one of its wings (MAS, 1991). In a more detailed document, the government clearly states that it was one of MAS's main objectives to: 'avoid non-returnable financial transfers, even when the beneficiaries are those lower income groups' (MAS, 1991:10) (our translation). The Collor government's alleged 'commitment' to developing an 'explicit' policy of public subsidies for the poor *vis-à-vis* a market sector thus contrasted with its actual course of action. In short, the Collor government must have relied on the states and municipalities for the concession of subsidies as no proposal nor action was taken to promote this policy at the federal level.

Instead of subsidies for the poor, the government proposed the development of 'modern' market instruments to benefit the provision of 'social' housing. The establishment of 'new mechanisms' to attract savings – domestically and overseas – with terms

compatible with the housing market activity, as claimed by the government, was proposed in a bill sent to the National Congress by the end of 1992. The bill proposed the creation of Real Estate Investment Funds (*Fundos de Investimento Imobiliário*), operating in the secondary markets, inspired by the extensive use of this approach in the USA and Britain, a measure that was only operational later, from 1994, and integrated the Real Estate Finance System (*Sistema de Financiamento Imobiliário* – SFI) in 1997.

In a similar fashion, the government also proposed the creation of a so-called National Housing System, or *Sistema Nacional de Habitação*, to introduce 'innovative' and 'democratic' procedures, especially around public participation in decision-making. There were plans to encourage greater involvement of states and municipalities in the field by providing expertise on economic, technical, financial and tax management for the more local programs. The SNH also envisaged providing 'biases' for the 'well-functioning' of the existing FGTS Trustee Council (*Conselho Curador do FGTS*), for greater integration with the planned National Housing System. According to the government, the establishment of the transient National Housing Committee inaugurated a dialogue between government and society. However, this short-lived committee was dominated by government officials.

In line with this, to encourage the municipal governments to play a more active role, the government proposed the creation of 'municipal housing funds', or *Fundos Municipais de Habitação* (MAS/SNH, 1991). Through this, municipal governments could promote their own housing policies and have greater independence from the federal government. The initiative took the form of proposed 'instructions' to municipalities on how to set up the fund, presenting among other things a sample of the municipal bill to be proposed by the mayors to their local councillors. The fund was to be earmarked for housing, but the source and flows of funds envisioned by the government – municipal revenues, domestic and foreign credits, yields from financial investments, donations and fines – were not straightforward nor 'regular', in the way that the government argued that the fund should be structured.

However, not every housing policy proposal was a 'failure' in the sense that it did not get implemented. Some of the Collor government's proposals went ahead, for instance, the set up of the Housing Trust Companies (or *consórcio habitacional*) in 1990, a scheme comparable to the existing popular ones which had served to finance such items as cars and electronic gadgets (Boletim Habitação, August 1991). Although the Collor government claimed the initiative for itself, the creation of this scheme had been under study since the Sarney administration and was one of the demands of representative bodies in the construction sector. Sarney had set up a work group to study the question on 23 December 1985. The scheme, however, lacking a proper normative structure, was inoperative during the Collor government.

The Collor government also set out to reform the 1979 Tenancy Law to make the sector more profitable and attractive to investors. Again, the Sarney government preceded Collor's in this respect, sending, in March 1988, a bill to Congress to reform the tenancy law. In contrast to Collor's proposal, Sarney's bill, in addition to a number of deregulating measures, proposed to establish a 'social rental sector' in private hands, in which there were limits to rent levels (which would then follow a tenant's pay rises) in exchange for reductions in landlords' income tax (Sarney, 1990). Under Collor, the new Tenancy Law of October 1991, implemented in December 1992, reduced the time for contract revisions to 30 months (from 60) and allowed shorter-term contracts under specified conditions: for furnished dwellings, for instance. Inspired by the British 'Right-to-Buy', the government also began the sale of government owned housing, or the 'function dwellings' in Brasília, in the wake of its 'patrimonial reforms'. This was a stock of housing rented at subsidized prices to government personnel due to their high rate of

⁶ On the SFH crisis, see Valença (1992); on the situation leading to and following the closure of the BNH, see Valença (1999, 2007). On the BNH-SFH format and development, see Andrade and Azevedo (1982), Bolaffi (1991), Maricato (1987) and Valladares (1986). See also Albuquerque (1986), Azevedo (1996), Lima and Gomes (1987, 1989), Melo (1992) and Shidlo (1990a, 1990b).

mobility. The sale was operated by CEF starting late in 1990. The estates were offered at well below market prices and financed at discount interest rates. In total, 34 mansions and 10,600 flats were sold (CEF, 1991; *Jornal do Brasil*, 1993 January 1993).

Despite its total failure to design and implement a scheme of housing provision to benefit the very poor (those earning up to 3 legal minimum wages), the Collor government set up a new scheme of 'social' housing promotion based on the new FGTS law. The law had been written during the Sarney term. The law (n.8036) was approved by the National Congress on 11 May 1990, and confirmed by Decree n.99,684 of 8 November 1990, thus shortly after the inauguration of the new government. Collor's new law simply adapted the new scheme to the ministerial reforms of the start of the term. This replaced Law n.7839 of 12 October 1989, which had replaced Law n.5107 of 13 September 1966, which had created the FGTS, in vogue until then. The law set up the conditions under which the FGTS money could be used for 'social' housing, sanitation and urban development as well as creating a new mechanism for control and supervision, notably the FGTS Trustee Council. The council, set up in October 1990, consisted of 3 representatives from employers, 3 from employees, the Minister of the Economy, Finance and Planning, the Minister of Labour and Social Security (the council's president), the Minister of Social Action, and the presidents of 2 major public banks: *Caixa Econômica Federal* (CEF) and *Banco do Brasil* (BB). It was thus dominated by government representatives. In addition to FGTS resources, the Collor government's newly designed housing programs could only count on meagre budget allocations stemming from the proceeds of the government's sell-out of 'function' dwellings in Brasília. A new scheme, masterminded under MAS while CEF was the financial operator, became the Immediate Action Program for Housing (PAIH). Nearly half a million new housing units were built during 1990–1994 under the four main programs making use of FGTS money: PAIH, PROHAP (*Programa de Habitação Popular*), PEP (*Programa Empresário Popular*) and *Cooperativa* (Valença, 2007).

In all 4 main programs private enterprise was invited to take part as housing promoters, on whose behalf the government created a number of conditions to grant them risk-free, profitable working conditions. The government insisted with private entrepreneurs that: 'Social housing, today, in Brazil, is a profitable business, which attracts new investments' (MAS/SNH, 1992:2). And more: 'We showed traditional constructors that social housing could be a profitable and attractive business' (p.9)(our translations). Initially, there was some resistance to the plans, but in 1991, 67% of projects being financed under the PAIH program were promoted by private contractors. This kept contractors going in the middle of the crisis, argued the Housing Secretary (*Boletim Habitação*, August 1991; Pugh, 1994; Valença, 2007).

The Itamar transition: 1993–1994

When Itamar Franco became president, in the aftermath of Collor's impeachment, the housing provision system around MAS/CEF was already in dire straits. All new approvals had been cancelled since the end of 1991 because of two reasons: the rate of approvals had outstripped the country's capacity to build using FGTS resource base and the general recession brought about by the inception and demise of the Collor Plan. But this was not all. The Itamar government had to find funds (FGTS, FDS – *Fundo de Desenvolvimento Social*, budget) to complete 260,000 houses which had been started during the Collor period (Marinho, 2008). There was also a huge default crisis brought about by declining real incomes and growing mortgage repayment bills. Also, a significant number of new houses, in the middle of a recession, could not find a buyer. By the end of Itamar's period some 200,000 completed dwellings had not been sold. These were, in general, small in size,

badly built and relatively expensive due to price-fixing system directly in the hands of entrepreneurs. Operations undertaken during the Collor government under the MAS/CEF system – both at the headquarters as well as at CEF's decentralised network of branches – were under suspicion and several investigations were under way. The institutional reforms of CEF that took place in the follow-up of investigations were critical to the new, stronger institutional arrangements that were put in place later on. MAS was again renamed *Ministério do Bem-Estar Social*. As in other areas, Itamar thus preferred to manage the crisis and leave it to the next government to come up with 'new' proposals for the sector. It is worth insisting that the Real Plan was launched in 2004 during the Itamar period. Although underfunded, an important feature of the Itamar government is the set up of 2 new housing programs (*Habitat Brasil* and *Morar Município*), under the Social Welfare Ministry (*Ministério de Bem-Estar Social*), using small budget allocations (around US\$100,000 in 1993) for municipalities to build houses for the poor under a self-build scheme, apart from the SFH system (Azevedo, 2007; Bonates, 2009; Valença, 2007).

These programs introduced much of what was 10 years later a feature of the *Sistema Nacional de Habitação de Interesse Social* (Social Housing National System), that is, in order to access funds in the program, local authorities had to set up a (state or municipal) council and a fund as well as to contribute with part of the investment (from 10 to 20%, depending on region). These measures, especially the former, granted participation and transparency in the management process of both programs. Both programs had similar characteristics, the difference being that the *Habitat Brasil* was targeted to cities above 50,000 people and funds, in this case, originated from a loan contract with the Inter-American Development Bank (IDB). Both allowed the production of new housing for the poor as well as the development of land, the legalization of illegal land developments, the improvement of urban (including environmental) conditions in *favelas* (Azevedo, 2007; Cardoso, 2003, 2007; Marinho, 2008). A scheme to grant acquisition of building materials was also set up. During the Cardoso government, seen next, *Habitat Brasil* was continued – as this had to do with an IDB-Brazilian government agreement –, while *Morar Município* was replaced by a program called *Pró-Moradia*, no longer benefiting from budget allocations.

The first Cardoso period: 1995–1998

Once again, a climate of optimism took over the country with Collor's impeachment being followed a couple of years later by Cardoso's election. At that point, there were high hopes that, finally, there had come the day when a socially conscious individual, in this case an internationally acclaimed academic, had been elected the country's president. Still, Cardoso threw his weight behind the inflation-targeted Real Plan. Once the chronic problem of inflation was halted, conditions which would be brought about by the plan would enable the government to tackle poverty and its related problems sooner than later.

Generally speaking, the Cardoso government's housing policy proposals – just like in the case of the Collor government – had reflected some of the demands of organized interests relating to house-building and housing finance. Cardoso's proposals followed the same principles of its predecessors. The SNH team, under Collor, had put forward a number of new ideas, some of which very consistent. Driven by a 'free' market mentality, they tended to emphasise finance-based solutions rather than solutions that were specifically targeted at the very poor (which required expenditure of public funds in the form of subsidies or other). In any case, these market-oriented solutions did in fact help a significant number of the Brazilian working and middle classes, despite certain financial technicalities not being properly sorted out.

The Cardoso government learnt a great deal from the experiences of the Collor administration and benefited from the restructurings that were on their way with the Itamar government, so indeed used many of their proposals as the basis for new policies and programs. To start with, rather than under a social ministry, housing policy was placed under a secretary (*Secretaria de Políticas Urbanas* – SEPURB) linked to the Ministry of Planning and the Budget. Later, during Cardoso's second term in office, housing policy was under the Urban Development Special Secretariat (*Secretaria Especial de Desenvolvimento Urbano* – SEDU), linked to the President's Office. Just as under Collor, the Cardoso government had to create ways to make proper use of FGTS resources, as determined by law⁷. The *Pró-Credi*, later called *Programa Carta de Crédito*, gave out some 300,000 'letters of credit' (promises of a mortgage) for those qualified applicants earning within a certain income band, which varied from the amount equivalent to 3 to 12 legal minimum wages, and this did not necessarily have to be used for acquisition of a new property⁸.

In 1995, *Pró-Moradia* was set up as an institutional program using FGTS resources to finance state and municipal governments to build new housing for low-income families, including also legalization of land, purchase of building materials and improvement of infra-structure. Some 174,119 new dwellings were 'built' under this program from 1995 to 1998 (Magalhães & Espírito Santo, 2001)⁹. As with all other housing initiatives in the 1990s, this was not an induced action but one which relied on demand on the part of states and municipalities. In addition, the government also re-launched the 'housing-linked savings accounts' scheme, now called *Poupanção CEF* (later renamed PCI – *Poupança de Crédito Imobiliário*), a useful measure for those middle-income earners struggling to show capacity to make payment. Here, the applicant would have first to save a certain amount of money (corresponding to the future monthly mortgage repayments) for 12 months before being awarded a mortgage (also in the form of a 'letter of credit'). Some 20,000 loans were finalised in this way.

As was the case under Collor, the Cardoso government recognised that subsidies should be given to those most in need, however, the government also stated that the system had to have a balanced financial profile. According to the government itself, 85% of the country's housing shortage affected the poor (those earning up to 3 legal minimum wages), who were less able to solve their housing problems through the market alone. Despite implementing the *Pró-Moradia*, the Cardoso government failed to develop a scheme to allocate subsidies to the very poor, the lack of which was justified on the grounds that the overall economic situation did not allow it. Notwithstanding, the Cardoso government continued to operate the *Habitat-Brasil*, set up during the Itamar period, a program funded with budget allocations (out of IDB loans), targeted at the very poor. The program benefited some 253,000 households between 1995 and 1999. Notwithstanding, both programs were underfunded if compared to amounts needed to tackle housing shortage and problems in the country. Before the first Cardoso government, the central

aspect of housing policy was the production of new housing. In a sense the Cardoso government, by instituting the system of 'letters of credit', actually worsened the problem of the housing shortage. Under this artifice, the applicant could find and buy a home, old or new, but at a price determined by the market. In short, under the first Cardoso government, the focus of the housing policy shifted from production to consumption (Azevedo, 2007; Valença, 2001).

Another development worth mentioning was the approval of the Real Estate Finance System (*Sistema de Financiamento Imobiliário* – SFI) in 1997. This was a demand from entrepreneurial interests in the sector. With this, securitization companies were allowed to operate real estate credits (*Certificados de Recebíveis Imobiliários* – CRI) in the capital markets, opening up the possibility of securitizing real estate market in the country as it is common in the USA and in several European countries. This movement is slowly growing, especially in the production of commercial and industrial buildings.¹⁰

The second Cardoso period: 1999–2002

President Fernando Henrique Cardoso was re-elected in 1998. However, following the Real crisis at the start of term and the fiscal discipline pursued by the government, economic conditions were unfavourable to the development of a housing policy based on sound, redistributive principles. A look at the new developments in housing policy during Cardoso's second term in government points to the maintenance of the tendency to favour profit-driven investments and minimum use of budget funds. In line with this, in mid-1998, the government successfully proposed to the FGTS Trustee Council that the upper limit of income for beneficiaries of FGTS-funded programs increased from the amount equivalent to 20 (from 12) legal minimum wages.

Although the government stuck with its determination to maintain the system as self-supported and financially balanced, the second Cardoso government set up a new program which has worked quite satisfactorily in terms of its social reach, although this had not yet included the very poor, or those earning up to 3 legal minimum wages. The government announced – in mid-1998 – an 'unprecedented' program of 'social rent'¹¹. However, the Rental Housing Program (*Programa de Arrendamento Residencial* – PAR) is in fact a 'leasing' operation over a 15 year period. Under this scheme, the beneficiary only becomes a home owner at the end of the contract upon payment (or the financing) of a remaining debt, if this is the case. More importantly, under this scheme, government authorities had better control of building costs and quality. The program was targeted at lower income people, that is, those who earned the amount equivalent to 3 to 6 legal minimum wages or less. It was also targeted at the metropolitan regions where the housing problem was more concentrated. A condition was that the areas to benefit from the program should be already serviced with basic infra-structure. This resulted in filling up empty plots of land within the city or forced local governments to make an effort to provide infra-structure before any investment was made by the federal government, a critical measure. A system of quality and cost control was implemented and rents were indexed to 0.7% of total cost a month (which kept repayments at low levels). The financial operator is CEF but the promoters are again, as with Collor's programs, private entrepreneurs and municipalities (www.cef.gov.br).

⁷ Data in this section was taken from the homepage of the *Ministério do Planejamento e Orçamento* <<http://www.mpo.gov.br/SEPURB>>; and refers to the period from 1995 to June 1998.

⁸ The CEF also operated a similar scheme using savings accounts resources for middle-income applicants earning above 12 legal minimum wages. Some 61,000 loans were agreed. A legal minimum wage was about US\$100 during Cardoso's first term.

⁹ This figure should be seen with care. As with Sarney's SEAC program, this is an upgrading program and so does not refer to the construction of individual housing units. This figure is an indication of housing units which benefited from improvements made to the surrounding environment or to the housing unit itself under the program.

¹⁰ References on the Cardoso housing policy are few. See, in particular, Azevedo (2007), Bonduki (2008), Lorenzetti (2001), Santos (1999) and Valença (2001).

¹¹ The creation of social housing for rent was under study since the Sarney government. During the Collor term, when the Minister of Social Action and her team were sacked in January 1992, studies to promote a 'social rental' sector were on its way.

The program was very successful in producing 681 housing estates with 88,539 housing units all over the country from 1999 to 2002. During the Lula government, changes have been introduced in order to lower costs of monthly rental and widen the social reach of the program (see below on the PAR II) (Bonates, 2008, 2009).

In addition to PAR, towards the end of term, the Cardoso government set up the Housing Subsidy Program (*Programa de Subsídio à Habitação* – PSH), to build low-cost housing to a population earning from 1 to 3 legal minimum wages (the very poor). Much underfunded, the program was run with budget allocations as well as state and municipal governments' small contributions. The system of finance is similar to that of the *Habitar-Brasil*, a program created during the Itamar government which was still operational during Lula's second term, except that, in the PSH, there is no foreign money. As with the others, the PSH covers the whole of the country's immense territory, however, it practically exists only in smaller municipalities of the interior, where price of land is very low or insignificant. This is necessary due to the small amount of money which is allocated as subsidy to the construction of each housing unit.

Having said this, the second Cardoso government shifted its focus from consumption and re-focused on the production of new housing. This was to a great extent due to the poor state of affairs in the country and the president's poor performance in the opinion polls. *Carta de Crédito*, especially in its 'group' version (*Associativo*), continued to be the government's main housing program. The shift in policy sought to counter the chronic state of unemployment in the country with the government seeking to generate new posts in the labour market as quickly as possible. The government also announced a number of other new, smaller programs to revitalise the house-building industry, including *ConstruGiro*, to provide working capital for house-building companies, and *Construcard*, to finance the acquisition of building materials to individuals.

In sum, as with Collor's, Cardoso's housing policy basically operated in terms of the SBPE (savings accounts) and the FGTS systems, as determined by law. As these specific bodies of legislation determined that the funds be used to support house building as well as cover financial and administrative costs, only those with a certain level of incomes really had (and have) access to the system. Since the Itamar government, some budget money was used to finance housing programs, but this was negligible in relation to the amount of resources which is necessary to face a housing shortage estimated at over 7 million (Fundação, 2005). During the Lula government, seen next, budget allocation improved considerably but still this effort has not been sufficient to halt the growth of the housing shortage, a problem which is more related to the urban poor.

The first Lula period: 2003–2006

Luis Inácio Lula da Silva was empowered President in 2003. Because he belonged to the PT (the Workers' Party) and had a working class background, there was much speculation about the new government, in academic circles as well as in the media. The expectations were that he would break with the established economic orientation of the Real Plan. Much was expected from the new government in the housing field as well. However, Lula chose to follow a more cautious path, introducing changes piecemeal. The Real Plan inflation/public spending controls continued to be. In the housing field, the main programs started during the Cardoso government were maintained, although some changes were introduced to them, but new developments took place later. A new ministry was set up – the Ministry of the Cities – to deal with urban policies, including land regularization, housing, sanitation and transport, a landmark for the reform of the housing provision system in the country.

The Lula government continued to operate the programs funded with FGTS resources, like the *Carta de Crédito*, which were targeted to

a population with a certain purchasing power, usually those who earned from 5 to 12 (now 20) legal minimum wages. In addition, the Lula government set up two new programs, seen further below, funded with budget allocations, targeted to the very poor. According to the Ministry of the Cities, from 2003 to 2006, some 30 billion Reais (approximately US\$15 billion) were spent on social housing. The financial sources were the budget, FGTS and other government-controlled resources. In addition, nearly 9 billion Reais were channelled to housing finance for middle-class borrowers. Housing-targetted subsidies increased from 468 million Reais in 2002 to nearly 1 billion Reais in 2004. Notwithstanding, as with the case of the Cardoso government, the amount of resources which have been allocated to housing programs has benefited better-off households. For instance, between 2003 and July 2005, the *Carta de Crédito* program (funded by FGTS) invested R\$7.4 billions; all programs funded with budget allocations spent R\$2.1 billions in the period. The PAR program, funded by the *Fundo de Arrendamento Residencial* (FAR), allocated R\$2.3 billions. This meant the production of 542 housing estates with 88,611 housing units (Ministério das Cidades, 2005). It is worth of note the increasing importance given to the PAR program. Although allocating more resources to a population earning from 3 to 6 legal minimum wages or more, in fact, all these programs are destined to deserving clientele. They might be slightly better-off and may be able to afford low-cost mortgages on low-cost housing, but they are still amongst those groups of earners who could not acquire a safe, decent house without a well-regulated system of housing production and finance.

In any case, the Lula government made an unprecedented effort to reach poorer groups, either introducing small changes to existing programs or creating new ones. In 2004, for instance, an important change was introduced to the PAR program in order to make it more accessible to lower income groups. The so-called PAR II allowed the level of monthly 'rents' to decline from 0.7% to 0.5% of production cost. However, to allow costs of production to decline, several new housing estates being produced under the PAR II program have moved to more peripheral areas – here instead of apartments in small blocks houses were built – where cost of land is much lower.

Also, in order to allow the *Carta de Crédito* program to reach lower income groups, in December 2004, the government was allowed to operate under Resolution 460 (*Programa Carta de Crédito FGTS – operações coletivas*), issued by the FGTS Trustee Council, which allowed subsidized credit for house building or purchase of housing materials for beneficiaries earning up to 5 legal minimum wages. The subsidies had a 5–20% impact on monthly repayments, depending on levels of incomes. The program could be operated by trade unions, cooperatives, associations, condominiums, housing companies, state governments, municipalities, etc. The PSH, a program created under Cardoso, was very much changed and enlarged. This program gives subsidies for local governments to buy or build new housing for low-income people. Between 2003 and July 2005, 1 billion Reais were spent on this program. It is also worth mentioning a program launched during the Lula government, the so-called Solidarity Credit (*Crédito Solidário*). Using the Social Development Fund (*Fundo de Desenvolvimento Social* – FDS) money as subsidy, this is meant to finance housing for low-income earners from one to three legal minimum wages, organized in groups, like associations and others.

In 2005, a bill (proposed by the urban reform movement under popular demand) to set up the Social Housing National Fund and System (*Sistema e Fundo Nacional de Habitação de Interesse Social* – SNHIS and FNHIS) was finally approved by Congress. (This initiative will be fully operational after the approval, by the government, of the Social Housing National Plan). All these public policy instruments aim at providing housing to those who cannot afford it without a subsidy. The new fund is targeted to the population earning up to five legal minimum wages Table 1.

Table 1
Summary of main housing programs.

Government period	Programs	Source of resources
Collor (1990–1992)	<i>Plano de Ação Imediata para a Habitação (PAIH);</i> <i>Programa Cooperativas;</i> <i>Programa Empresário Popular (PEP)</i> <i>Programa de Habitação Popular</i>	FGTS PROHAP público PROHAP privado PRODURB PROAREAS
Itamar (1993–1994)	“Completion of houses started during the Collor period” <i>Habitar-Brasil</i> <i>Morar-Município</i>	FGTS, FDS and budget budget
FHC (1995–1998)	<i>Habitar-Brasil</i> <i>Morar Melhor (and Ação Social em Saneamento)</i> <i>Carta de Crédito Individual e Associativo</i> <i>Pró-Moradia</i> <i>Programa de Conclusão de Empreendimentos Habitacionais</i>	FGTS budget
FHC (1999–2002)	<i>Habitar-Brasil</i> <i>Morar Melhor</i> <i>Programa de Subsídio à Habitação (PSH)</i> <i>Carta de Crédito Individual e Associativo;</i> <i>Pró-Moradia</i>	FGTS budget
Lula (2003–2006)	<i>Programa de Arrendamento Residencial (PAR)</i> <i>Habitar-Brasil</i> <i>Morar Melhor (Apoio ao Poder Público para Construção Habitacional destinada a Famílias de Baixa Renda and Apoio à Melhoria das Condições de Habitabilidade de Assentamentos Precários)</i> <i>Programa de Subsídio à Habitação (PSH)</i> <i>Carta de Crédito Individual e Associativo</i> <i>Pró-Moradia</i> <i>Carta de Crédito (operações coletivas) – Resolução n. 460</i> <i>Programa de Arrendamento Residencial (PAR)</i> <i>Crédito Solidário</i>	FAR budget FGTS FAR FDS

Indicating a conclusion – or into the second Lula government

The military governments and, to more or less extent, the Collor, Itamar, Cardoso and Lula governments, understood that the system of ‘social’ housing provision had to follow an entrepreneurial format. In the former case, private enterprise was not the promoter but the contractor hired by COHABs. These public companies, and few other institutions, contracted loans with the BNH to be used for the construction program, sold the dwellings, managed the estates and were responsible for the repayment of the loans. Organized under the INOCOOPS, housing cooperatives did the same. In the Collor case, private enterprise initiated nearly 70% of operations of ‘social’ house-building. The financial costs involved and mark-ups made the little housing units very costly. Targeted at one type of clientele, the units were generally sold on to a better-off one, or remained empty. Thousands of housing units could not find a buyer while mortgage holders increasingly found themselves having to default due to the form that remaining debts were updated yearly and the effect of this on repayments.

Throughout the 1990s, housing policy was curtailed by financial considerations. The main criterion was not to provide housing to a needy population but to provide ‘loans’ to those who could afford relatively high real interest rates. The measure was thus regressive and unfair, penalising most those at the bottom of the pile. The system worked for a considerable part of the working class, those formally employed. However, for the ‘poor’, the solution should involve expenditure either in direct forms, which require supply-side subsidies, or indirect forms, which require demand-side subsidies. Ideally they need a measure of both, but they did not have much of any. With the dismantling of the BNH system in 1986, in the absence of well defined biases by the federal government, some state and municipal housing initiatives gained visibility, but, with the exception of Sao Paulo state – which set up a housing fund based on a 1% increase in value-added tax (ICMS – *Imposto sobre Circulação*

de Mercadorias e Serviços) –, most other schemes were short-lived and targeted at solving more specific and urgent situations.

Thus, to an extent the inconsistency of housing policy in the country was related to the institutional vacuum left with the closure of BNH in 1986, a problem that was finally tackled with the set up of the Ministry of the Cities in 2002. Following the end of BNH, the various prerogatives in housing have been assigned to several ministries and secretariats which have been created and then closed. The Cardoso government, during its second term, took responsibility for housing policy away from the Ministry of Planning, where it had been in Cardoso’s first term, and transferred to a secretariat under the President’s Office. During the Sarney term, the SEAC was under the President’s Office and, during the writing of the new constitution, this arrangement served the president in political exchanges with the constituent National Congress. In view of Cardoso’s poor performance in the opinion polls and difficulties in getting major government bills passed through Congress, a recurrent problem of Brazil’s young democracy, this move may indicate that Cardoso decided to take a similar path. Collor and Itamar have also created and reformed ministries, secretariats and housing programs. The Brazilian government’s succession of new housing proposals and measures indicates a policy discontinuity.

The Lula government moved a bit ahead, enlarging the use of subsidies and budget money, but programs are still pulverized in small projects all over the country. Although there is a micro dimension to the problem, official figures show that the housing problem is in the order of 7 million (Fundação, 2005). The dissociation between the housing problem and policy is a feature of how the government deals with this question today as well as before. Much of this is to be blamed on lack of proper planning being associated to use of government funds following a more political and economic, instead of social logic. All programs are organized/promoted by local authorities or local interests of all sorts. Thus the system depends on demands which not always come from those

most in need but from those most organized (including business), despite new participatory channels in vogue.

At the root of the housing problem is not only an erratic participation of the Brazilian government in housing policy, but also that, overall, incomes and income redistribution are not seen by policy- and decision-makers as important problems to be tackled. In keeping things as they are, the severe housing crisis in the country will only worsen. The unstable economic scenario of the early 1990s did not allow that a market-oriented social housing sector developed in the country. Once macroeconomic problems were dealt with, from 1994 onwards, much due to the Real Plan, a better balance between economic growth and social welfare prevailed. Democratic means of control of public investments in the sector also operated better, especially after the Lula government and its Ministry of the Cities were empowered.

The analysis of the 1990s and early 2000s round of housing policy proposals shows that, despite the rhetoric, more progressive policy objectives aimed at benefiting the poor have not in practice been the most predominant, with the government using as justification the would be costs involved and the country's financial situation. In fact, these objectives conflict with the proposals that get implemented and with the government's own directives and prime objective to run the system as financially sound and self-supportive enterprises with no or very marginal use of public funds.

As the mark of Lula's second term, a so-called Acceleration Growth Program (*Programa de Aceleração do Crescimento – PAC*) was launched in 2007. This includes huge amounts of investments, some of which making use of FGTS money – the so-called FI-FGTS –, to be allocated to (heavy) infra-structure projects of three sorts: logistics infra-structure (including roads and train systems, ports, airports, river transport); energy infra-structure (including electricity generation and distribution, petroleum and natural gas, renewable energies); and social and urban infra-structure (including provision of urban energy, sanitation, water supply, housing and metro systems). Some R\$503,9 billion is to be allocated to all this until 2010 (a four-year program), which was intended to foster an yearly GDP growth of 5% in the country. PAC was set up to promote large interventions to sort infra-structure problems. In the housing field, this amounted to some 192 projects in 157 municipalities (including those in 12 metropolitan regions, state capital cities and cities with population above 150,000). All projects were meant to sort infra-structure problems caused by illegal settlements near airports, ports, train stations and major road systems.

At the beginning of 2009, following the US-led international financial crisis, the Lula government also launched the *Minha Casa, Minha Vida* (My Home, My Life), an ambitious housing program to build 1 million housing units. Again, the prime overt objective is the promotion of economic growth. The plan was made by the government's economic ministries, not the Ministry of the Cities, in consultation with the real estate interests, as the major government action to face the economic crisis. However, the program counts on huge investments and subsidies on offer are in the order of R\$34 billion (approximately, US\$18 billion). The investments are to be allocated proportionately to states according to official housing shortage figures, so that 40% of housing units to be built should benefit people earning up to three, 40% those earning three to six and 20% those earning six to 10 legal minimum wages. (At the time of writing, a legal minimum wage was worth R\$465, or approximately US\$200.) Interestingly enough, 82.5% of the country's housing shortage is related to people earning up to 3 legal minimum wages.

The investment program is certainly welcome despite its focus on economic growth, but has received criticisms regarding its form of operation. The program is outside the recently recreated Social Housing National System/Fund (SNHIS and FNHIS), hence outside its mechanisms of social control and participation. It is almost entirely

(97%) in the hands of private promoters (housing construction companies), a measure which was justified to speed up the process, avoiding the endless procedures adopted by government institutions. (State and municipal governments continue to have access to the other existing programs, though.) Subsidies are given directly to housing promoters, not to buyers; floor area is minimum (32 square meters); supply is in the hands of private interests who will decide what and where to build, although allocation of investments has been divided according to states' housing shortage figures. It has the potential to generate jobs, but questions have been raised as to the quality of the labour process in the construction industry (Arantes & Fix, 2009; Brazil, 2009).

Notwithstanding some shortcomings, the paper shows that much has improved in terms of the country's institutional capacity in the housing provision system – including that at state and municipal levels where it was less developed –, the development of a number of housing programs and supporting legislation. Also, starting from a new Constitution in 1988, later there came an amendment that made housing a constitutional right (2000); the *Estatuto da Cidade* (2001), which is a federal law that regulates the constitution on urban issues, including housing; the new Ministry of the Cities (2003), the new master plans of over 1500 municipalities, as required by the *Estatuto da Cidade*, the set up of the Social Housing National System and Fund (2006), the Cities Congresses (2003, 2005, 2007) and several other complementary legislation and government programs.

New programs allocating subsidies for the poor have been set up. Legal, technical and institutional capabilities have been promoted and improved so that popular participation now plays a greater role in the proper allocation of funds for the poor. All these measures ensure that the social housing policy may now more strongly contribute towards enhancing living conditions in the country, acting as a redistributive channel by diminishing economic and social inequalities in the country.

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