Social Housing and the City

Some reflections on Brazil's experience

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Brazil 2002-2011

- Population reaching 200m, >80% urban
- Economic growth consistent, but not stellar
- Big push to direct public resources to lowest tiers of income distribution
- Translates into social programs (conditional cash transfers, informal settlement upgrading)
- Rapid change in income distribution and social dynamics in cities

Public Money for Public Goods

- Informal settlements: huge stock accumulated over decades, >10m units out of 42m urban hh (2002)
- Upgrading in-situ: preserves valuable locations, investments made by residents
- Appropriate standards: ZEIS (City Statute master plans)
- Focus on public goods, not top structures

Public goods + State presence

- The value of location: flexibility as to what is upgrade-able
- Key features of the engagement
  - Demand-based planning, geographic targeting
  - Focus on the social dimension, specific $
  - Standards and sustainability: keep it realistic
  - Build on what is positive: don't throw everything out

Public goods + State presence

- Interventions are area-based: targeting is geographic, not focused on eligibility of single households
- State presence translates into improved access to services
  - Schools, clinics, police stations, waste removal
  - Conditional cash transfers (0.5% of GDP)
  - Urban transport improvements

Demand-based planning

- Planning based on accurate mapping of demand, strong socio-economic focus
- Rationalizing and coordinating HS initiatives at municipal level: types of demand driving typology of interventions
- Need to build a strong information base on household demand, use of grants, outputs

Demand-based planning

- Geographic targeting can be done easily, building on GIS and survey capabilities
- Better databases allow monitoring and make adjustments in policy easier
- Stronger socio-economic focus allows planning to integrate social dimensions
- Municipality of São Paulo leads with its HABISP platform

Focus on the social dimension

- Need to improve social intermediation in setting up and managing projects, engage more with households
- HS interventions as entry point for improvements in social facilities, services
- Education, health, job opportunities key to sustainability: well known, but difficult to operationalize job creation

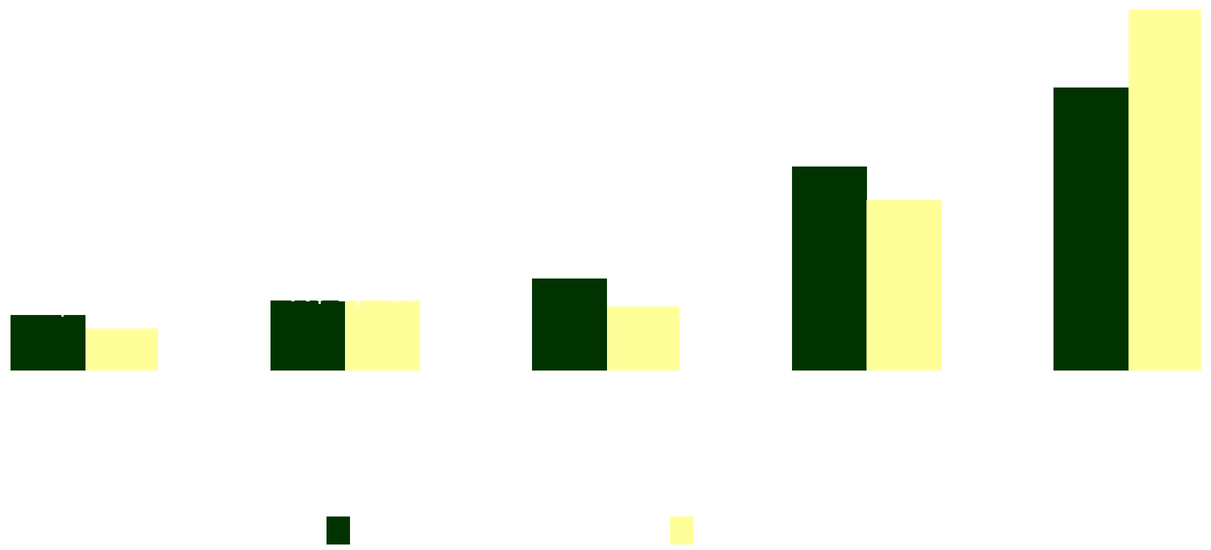
Focus on the social dimension

- Geographic, area-based planning model improves targeting
- Planning platform, shared with social sectors, becomes vehicle for coordination
- Grants need to make provision for social facilities: not enough to set stands aside and wait
- If grants focus only on CAPEX, no incentive for municipalities to create new facilities, take on new O&M commitments

Scale is finally commensurate

- Informal settlement upgrading has developed over time in Brazil, from isolated municipal projects to citywide programs
- Fiscal effort is significant: R$40b from 2007 under PAC
- All public money, private contractors, public goods
- Private investment in top structures by residents
- Estimated 4m households (out of >10m stock)

Modalidade urbanização



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Standards and Sustainability

- Contrast with prevailing approach in SA: to remove, demolish, move elsewhere, build from scratch
- Frequent demolition of units that could be renovated, high cost of new units
- Ambitious standards: road network; unit sizes; plot sizes: low-density model, sprawl
- If location is desirable, difficult to avoid backyard shacks with 250 sq. m. stands

Rapid HF expansion

- Another key feature of 2002-2011 is rapid expansion of housing finance
- From R$5b in 2003 to R$90b in 2011
- Only 40% market-based, the rest with interest rate subsidy, plus capital subsidy for 0-3 MW (up to R6,300 equivalent monthly income)

Rapid HF expansion

- In 2002, 250,000 units were delivered, almost all to households in upper income segments
- Delivery now tops 1m units per year (but 1.5m would be needed to avoid informality)
- Expansion is across all segments, market much more dynamic now than 10 years ago
- Reforms were crucial, e.g. foreclosure laws

Rapid HF expansion

- Land delivery not keeping pace; in particular affordable land still not available formally
- Rising property values, fears of a bubble
- Officially defined middle class, expanded from 39% to 54%, takes over half (also under 35)
- Proportion of public resources for poorest segments now significant (in long-term HF); innovative credit screening, risk management

Residential Leasing Program

- Around one-third of all publicly-financed units are PAR (residential leasing program) flats
- Mass-produced by private contractors, publicly-owned stock, in central city districts
- Tenure arrangements not appropriately enforced, sustainability in doubt
- Major maintenance challenge
- Private sector takes practically no risk

Hijacked Buildings *(cortiços)*

- Hijacked buildings and similar situations very common in central areas of large cities
- Multilateral financing (IADB) for upgrading programs since early 1990s
- Small-scale, very costly, tenure unclear, remains a niche solution, difficult to scale up
- Again, private sector takes no risk
- Active search for alternatives

Many remaining issues

- Assumption of risk by private sector
- Market for development rights an encouraging development
- Right to the City vs. gentrification of city centers
- Densification necessary due to land scarcity
- But verticalization difficult to manage

Thank You

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