



**ECOSOC • Integration Segment (27–29 May, 2014)**  
**SUSTAINABLE URBANIZATION**

**BUILDING  
THE FUTURE**  
**we WANT**

## **BRAZIL**

# **Contribution to the 2014 United Nations Economic and Social Council (ECOSOC) Integration Segment**

## **1. What has been the experience of your country in using urbanization as a tool for the integration of economic, social and environmental dimensions of sustainable development?**

In the past 50 years, Brazil went through an accelerated process of urbanization and, today, approximately 85% of the Brazilian population lives in urban areas where poverty and precariousness are concentrated. In the view of this reality, urban public policies must inevitably face the reality of social inequalities, expressed in social-spatial segregation, irregular land tenure, and the occupation of environmentally fragile areas.

There are about 12 million families in the country living without at least one item of urban infrastructure such as water, sanitation, electricity, and waste removal. Approximately 3.2 million families out of those 12 million live in precarious settlements located mostly in metropolitan areas (CEM-CEBRAP, 2007). In addition, there is a housing deficit, which in 2010 was estimated at 6.9 million households.

In this context, Brazil, in the past 30 years, underwent a process of legal and constitutional reforms necessary to achieve a new political-institutional structure in order to promote social, urban, and housing programs. The result of these reforms was a recognition of the importance of the social function of housing and cities in a more inclusive, fair, and democratic urban order.

This process, which began with the inclusion of the issue of urbanization into the Federal Constitution of 1988, continued with the inclusion in the States' Constitutions and in the municipal laws of proposals relating to the social function of housing and cities. Twelve years later, in 2000, the right to decent housing was recognized by another constitutional amendment, which became a reference for urban and housing policies. The broader concept of the right to housing involves the right to good locations, infrastructure, and urban services.

In July of the following year, 2001, Federal Law no. 10,257, known as the Statute of the City was passed, which regulated the constitutional articles on urban development, and introduced a new outlook on urban planning, based on a perspective of participatory management and control by civil society. The Statute of the City established the Master Plan, which was to be elaborated in a participatory manner and geared to promote social, economic and environmental sustainability, as a basic tool/instrument of local urban policy, making it mandatory for all cities with population over 20,000.

In addition, the Statute introduced several fiscal, legal and administrative instruments to assist the municipalities in the achievement of the principles of the social function of housing, the equitable distribution of the benefits and disadvantages of urbanization and the primacy of the public interest in the actions related to urban public policy.

In the midst of these reforms, in 2003, the Ministry of Cities and the National Council of Cities were created in order to develop and implement the National Urban Development Policy. Urban planning has become a cross-cutting issue, and the cities' Master Plan is the main instrument to integrate and articulate all the various sectorial policies in the territory. From then on, policies

and programs were structured with a view to promoting housing, sanitation, public transportation and urban mobility, as well as solutions to problems of land tenure, and the prevention of risks, among others, in order to reverse the long trend of social inequality in Brazilian cities.

A national campaign, promoted by the Ministry and the Council of Cities resulted in the development of Participatory Master Plans (Planos Diretores Participativos) in about 90% of cities, which represented a significant development of territorial management as an instrument for the reduction of social inequalities.

In 2004, a National Housing Policy was established and Federal Law n° 10,931 was approved, which represented an important improvement of the regulatory framework of the real estate market, guaranteeing greater institutional predictability and transparency. Also, as a result of a resolution of the National Monetary Council, a mandate was established to apply a portion of the resources of the Brazilian Savings and Loan System (SBPE) to housing.

In 2005, with the approval of Federal Law no. 11,124, which created the National Housing System of Social Interest (SNHIS) and the National Housing Fund of Social Interest (FNHIS), the social interest housing programs of the three spheres of Government were integrated into a participatory, democratic, and decentralized management model. This facilitated the planning of housing policy and set aside financial resources for social interest housing, in order to subsidize housing for the portion of the population with the lowest income.

In 2008, the National Housing Plan (PlanHab) was published, which was one of the most important instruments for the implementation of the new National Housing Policy. The Plan was developed by way of a participatory process in which the main objective was to formulate a long-term strategy for addressing the housing needs of the country based on four main structuring axes: a financing and subsidy model; urban policy and land ownership; institutional design and the urban construction value chain.

The PlanHab played a key role in guiding the states and municipalities on the development of their Local Social Interest Housing Plan (PLHIS), whose implementation was funded by the Ministry of Cities, and became one of the conditions for inclusion in the SNHIS and eligibility to the financial resources provided by the FNHIS. More than 1500 Local Housing Plans were financed with funds from the FNHIS.

Once the legal and institutional conditions were created, a grand national program of investments in urban infrastructure and housing of social interest followed: The Growth Acceleration Program (PAC).

Conceived as a strategic plan for resuming the planning process and promoting investments in structuring sectors of the economy, The PAC has contributed decisively to increase the availability of jobs and income generation, and has raised public and private investment in fundamental projects for accelerated and sustainable development.

However, the planning, execution and implementation of these programs requires complex federal management and political and institutional participation, since it requires partnerships with State and municipal governments who do not always have the appropriate technical capacity.

Despite all these important advances, and significant social gains and increases in public investments, as evidenced by the indicators of the last two demographic and economic censuses, Brazil still has critical levels of urban and social inequality.

## **2. What kind of investments have been made in your cities to make them hubs of sustainability?**

In order to support municipalities and raise awareness in Brazilian society to the importance of urban planning, the Ministry of Cities, with the support of the Council of Cities, launched a national campaign in May of 2005 called "Participatory Master Plan - City of Everyone". The campaign was developed based on the creation of 27 state centers (26 in states and 1 in the Federal District), which relied on the participation of different social segments, and whose composition and organization reflected the country's diversity. Since its official launch, the Brazilian Government has spent about R\$ 55 million to help the municipalities in the preparation of their own plans, in addition to providing technical support and capacity building.

In a wider context, the "Growth Acceleration Program" (PAC) was launched in 2007, elaborated as a model of economic and social development combining economic growth with income distribution, resulting in poverty reduction and inclusion of millions of Brazilians in the "formal" job market. The program promoted the "resumption" of planning and execution of large projects in the social, urban, logistic, and energy infrastructure in the country, contributing to its accelerated and sustainable development.

The purpose of the PAC is to promote economic growth, increase job creation and improve the living conditions of the Brazilian population, and this is to be achieved through a set of measures aimed at increasing private investment, public investment in infrastructure, and reduce bureaucratic, administrative, regulatory, and legislative obstacles to growth. The measures of the PAC are organized in five blocks: investments in infrastructure; improvement of the investment environment; long-term fiscal measures; deregulation and improvement of the tax system; and stimulus to credit and financing.

The infrastructure investment block focuses resources on three axes deemed as strategic to leverage a sustainable and accelerated development process: (i) logistics (road, rail, port, airport and waterways); (ii) energy (generation and transmission, oil, natural gas, and renewable energy); and (iii) social and urban infrastructure (electricity for all, sanitation, housing, subways, water resources). A large part of the resources available is invested in the urban areas of Brazilian municipalities.

In 2011, with the launch of the second version of the program, PAC 2, urban issues were split into two main divisions: i) "Improved City" – which includes sanitation programs, prevention in risk areas, road paving, urban mobility, digital cities, "PAC historic cities", and public transportation; and ii) "My house, My life" – comprising housing construction by way of the "My house, My life" program (initially created in 2009), urbanization of precarious settlements, and housing financing by means of the Brazilian Savings and Loan System (SBPE).

The Federal Government's commitment to universal access to decent housing, seen as a social right, a pre-condition for economic development, and a national priority, was reaffirmed by the inclusion of shanty towns ("favelas") in the Growth Acceleration Program (PAC). The creation of the "urbanization of precarious settlements" (UAP) axis in the PAC was an innovative and high-impact step intended to reverse the social and territorial inequality present in Brazil. This process consolidated the urbanization of precarious settlements as a public policy with a view to effectively guaranteeing to the inhabitants of these settlements the right to a city and its infrastructure.

The PAC-UAP was the first federal program fully backed by public resources to face the qualitative housing shortage and provide urban infrastructure to precarious settlements, especially to those located in the metropolitan regions of Brazilian state capitals. Initial investments were defined at close to R\$ 48 billion. Currently the program has an investment portfolio of more than R\$ 33 billion, implemented in partnership with all state governments across the country.

In the context of the investments in urban infrastructure started by the PAC-UAP, and the creation of an "anti-cyclical" policy with economic incentives to deal with the international crisis of 2008, the Federal Government adopted in 2009 a set of measures to increase direct investments and housing financing through public banks, by creating the "My house, My life" (PMCMV) program.

Currently in its fifth year of existence, the PMCMV has financed 3 million housing units in 5.272 municipalities (95% of Brazilian municipalities). Almost half of these houses have already been handed over to their new owners, and total investment in the program surpasses the mark of R\$ 192 billion. At the end of the second stage of the program, about 15 million people will have been contemplated.

The important social achievements promoted by the program are not restricted to families benefited with housing. The "My House, My life" program has significant impact on the country's economy, generating income of more than R\$ 20 billion per year on average, as well as R\$ 13.7 billion per year in purchases of building materials and services. The program also generates more than 830,000 direct and indirect jobs per year. In 2013, the income generated by the program reached \$ 29.8 billion, equivalent to 0.6% of GDP (PIB) in the year. This means that if the program were not in full operation, the Brazilian economy would be 0.6% lower.

### **3. How have you addressed specific urbanization challenges in an integrated way?**

In 2003, with the creation of the Ministry of Cities, four important aspects of urban development were aggregated: housing, urban mobility, basic sanitation (water supply, drainage, collection and treatment of sewage and solid waste) and urban planning. With the establishment of a single governance structure, there was a natural tendency for better/improved effectiveness of urban development policy in the nation.

Presently, Brazil has four instruments to promote urbanization in an integrated way: urbanization actions in precarious settlements, as a strategy to improve the quality of housing; large scale housing construction, as a way to reduce the housing shortage and meet future housing demand; regulation of land of "social interest", and risk prevention and responses to disasters.

The precarious settlements urbanization program (UAP) seeks to promote the improvement of the living conditions of populations located in areas unsuitable for housing. This policy includes environmental quality assurance, integration with the current urban infrastructure, and accessibility to the job market and to public services.

Therefore, UAP projects must address all the deficiencies identified by providing, among others, construction works and services of housing units; implementation of basic infrastructure (electricity network, street lighting, water supply, sanitation, rainwater drainage, and solid waste collection and management); containment and soil stabilization; recovery of degraded areas; construction of public facilities; adequacy of the road system, and land tenure issues. Furthermore, this involves the presentation of participatory social projects to promote investments in the construction of social facilities and actions to support community organization, environmental preservation and professional qualification, among others.

The "Minha Casa, Minha Vida" program (PMCMV) is responsible for housing construction in large scale. The PMCMV aims to increase home ownership among low-income families and, at the same time, generate employment and income, through increased investment in the construction sector.

With a view to making housing payments affordable for low-income families, the PMCMV: i) subsidizes payments for families with monthly income up to R\$ 1,600.00; ii) facilitates funding by providing subsidies and reducing interest rates for families with monthly income up to R\$ 3,275.00, and iii) improves the conditions for access to home ownership for families with monthly income up to R\$ 5,000.00.

The "My house, My life" program has had extremely positive results, in addition to a strong impact in GDP growth, and the generation of employment and income. In 2013, the PMCMV reached the mark of 3 million housing units purchased, and 1.5 million units delivered to beneficiaries.

The settlement of land tenure issues is made possible by the "Papel Passado" program ("Official Documents" program), intended for the low-income population living in precarious settlements and irregular housing estates. This is an action that supports the legalization of informal settlements in urban areas. The intention is that states, municipalities, and the Federal District have the ability to implement urban and environmental, and land tenure projects in these locations.

The "Papel Passado" program was created by the Ministry of Cities in 2003, and operates by removing the obstacles to land regularization, provision of federal public lands, and the direct application of public resources. To achieve the program's goals, partnerships with the Association of Notaries and Registers (Anoreg), and with the Institute of Real Estate Record of Brazil (IRIB) were formed to guarantee the gratuitousness of the first property deed and the simplification of notary services, in addition to partnerships with the National Social Security Institute (INSS), and with the Department of Patrimony of the Union (SPU) to provide available real estate for housing programs of social interest and land regularization.

The land regularization instruments are regulated by article 4, subparagraph V, of the Statute of the City. The Union, the States, the Federal District, and the municipalities use these instruments to deal with the various existing land-use irregularities in Brazilian cities, to implement the social and environmental function of urban buildings, and to ensure legal ownership to the population.

Finally, the federal program of risk management and disaster prevention aims to improve the living conditions of precarious human settlements, and reduce risks by promoting urbanization and land regularization, and by integration to the current urban infrastructure. For the first time, the Federal Government has established support services to municipalities for disaster risk planning and for reducing the cases of landslides, erosion and flash floods. The intention is to set priorities and strategies required to avoid the occurrence of deaths during the most intense rainy periods, with the goal of benefiting people who live on slopes, slums, and other precarious and irregular settlements.

#### **4. What kinds of institutional structures are in place in your country for effective governance, policy-making and planning for sustainable urbanization?**

a) The Ministry of Cities. The Ministry incorporates, under a single institutional structure, sectorial policies related to housing, sanitation, urban mobility, accessibility, transport and traffic, based on an urban planning perspective. The Ministry's creation in 2003 represented the recognition of the country's immense challenges in urban development policies, and the need for an integrated approach to address them. It represents a landmark for urban development in Brazil, and was a response to demands made by the housing movement groups for urban reform in Brazil. Organized in four National Secretariats and one Executive Secretariat, the purpose of the Ministry of Cities is to define a national urban development policy in consonance with States,

municipalities, legislative and judiciary agencies, and with the participation of civil society, with a view to coordinating and integrating investments and actions directed to the reduction of social inequalities and the promotion of environmental sustainability in Brazilian cities.

b) The Council of Cities, a collegiate body of deliberative and consultative nature, part of the structure of the Ministry of Cities, has the objective of studying and proposing guidelines for the formulation and implementation of the National Urban Development Policy, as well as monitor its execution. In it are represented the productive sector, social organizations, NGOs, professional, academic and research institutions; trade unions and government agencies. It is, therefore, a true negotiating body where stakeholders participate in decision-making on the policies carried out by the Ministry of Cities in the areas of housing, environmental sanitation, transportation and urban mobility, and territorial planning, and represents an important instrument of democratic governance.

c) States and Municipal Councils. These must be created by States and municipalities, based on the template of the National Council, in order that they can join the SNHIS and gain eligibility to the resources available by way of the FNHIS.

d) The National Conference of Cities is an instrument created to ensure democratic governance in promoting the National Urban Development Policy. Held every three years, the Conference has as its main objectives to promote dialogue between policymakers and civil society; to mobilize Brazilian society for the definition of agendas, goals and action plans to address the existing problems in the cities; promote public participation in the formulation of propositions and evaluations on the implementation of the National Policy of Urban Development and its strategic areas; and facilitate and encourage the organization of conferences of cities as a means to ensure the democratic management of urban development policies in the other states. States and municipalities are responsible for convening State and City conferences, which are preparatory steps for the National Conference.

e) The Managing Council of the National Fund for Housing of Social interest (CGFNHIS), is composed by agencies from the Executive branch as well as representatives of civil society, chosen from the members of the Council of Cities, and seeks to ensure the management and social control of the resources of the Fund.

f) The Board of Trustees of the Guarantee Fund for Time of Service (CGFGTS), is responsible for the management and administration of the Fund for Time of Service (FGTS) and includes representation of entities representing workers, employers and the Federal Government. The Council is advised by the Permanent Supportive Group (GAP), formed by technical consultants linked to the 24 entities who have a seat at the Council. FGTS funds are invested in housing, “environmental sanitation”, and infrastructure.

g) The Board of Trustees of the Social Development Fund (CGFDS) is composed of representatives of workers, employers and Government agencies and entities, and is



assigned to define the guidelines to be observed in the process of granting loans and other financing, in addition to providing for the application of the resources of the Fund.

h) The Managing Committee of the Growth Acceleration Program (CGPAC) is responsible for monitoring and supervising the activities of the PAC, with a view to coordinating the actions necessary for its implementation and execution. The Committee comprises representatives of the Ministries of Planning, Economy, and of the Presidency of the Republic. The Committee is linked to the Executive Group of the Growth Acceleration Program (GEPAC), which aims to consolidate the actions, set goals, and monitor the results of implementation and execution of the PAC.

## **5. What are some innovations and partnerships that demonstrate the power of urbanization in the integration of three dimensions of sustainable development in your country?**

### **a) Federal Governance structure of the Growth Acceleration Program (PAC)**

For the implementation of a program of the magnitude of the PAC a complex Federal governance structure was established that resulted in the use of various innovative management techniques, such as management by targets, intra and intergovernmental coordination, monitoring of progress, as well as the manner in which the Federal government coordinated with State and Municipal authorities and the private sector.

### **b) Urban Operations Partnerships**

This is an instrument of urban policy established by the Statute of the City and comprises the set of interventions and coordinated measures by Municipal Governments, with the participation of property owners, residents, users and private investors, with the objective of achieving structural transformations, social improvements and environmental valuation of urban areas.

Based on the principle of social management of real estate valuation, the urban operations provide for the prior remuneration for urban flexibilizations such as: modifying indexes and installment features, use and occupation of the soil and subsoil; amendments to the building standards and regularization of illegal/irregular buildings, in addition to providing incentives for the use of building technologies that reduce environmental impact and save natural resources.

This is an example of an effective public and private partnership strategy for financing structural urban interventions defined by law. By auctioning to the general public so-called certificates of potential additional construction, local governments are able to turn real estate valuation into public profits, which can then be used to fund other infrastructure projects that will benefit all of society.

Examples of urban operations ongoing in the country can be found in São Paulo ("Operações Urbanas Faria Lima" and "Água Espreada", Rio de Janeiro ("Operação Urbana Porto Maravilha", and Curitiba ("Operação Urbana Linha Verde").

#### **c) Public Consortia**

The Public Consortium (partnership) was regulated by Federal Law no. 11,107 of April 6, 2005. Public Consortia are partnerships formed by two or more entities of the Federal Government for the realization of goals of common interest in any area, as a valid and important alternative to improve the efficiency in providing public services. This partnership is utilized for the implementation of public projects in the areas of planning, basic sanitation, and infrastructure. It allows small municipalities to partner up in order to improve their technical, managerial and financial capacity. It is also an important tool to enable public administration in large metropolitan areas (conurbations).

#### **d) Residential Lease Fund (FAR) - "My House, My Life" Program**

The "My house, My life" program is organized in different modalities so as to meet the needs families of different income levels, and, therefore, is operated through various Funds. The Residential Lease Fund is the main modality created to serve families with lower income, and allowed the program to reach its ambitious goals in a short amount of time. The FAR program is a private fund which allows the Federal Government to acquire residential real estate directly from the private sector, without the need to transfer resources to states or municipalities first, and without the need for competitive bidding. These characteristics give agility to the contracting process and decrease the risks of delays or interruption of projects, thus ensuring effectiveness in the delivery of housing units to program beneficiaries.

#### **e) Availability of resources to non-profit private entities under the housing programs**

Some of the major funds that finance the construction of social interest housing, such as the "Fundo Nacional de Habitação de Interesse Social" (FNHIS), "Fundo de Garantia por Tempo de Serviço" (FGTS), and "Fundo de Desenvolvimento Social" (FDS) allow for this to be done by making financial resources available to housing cooperatives, associations and other non-profit private entities who then develop and implement projects. This was a historic demand by social housing movement groups and a direct result of their organization and consolidation as stakeholders of national housing policy.

#### **f) Resources and regulations for the development of Social Work**

In a recent development of its programs, the Ministry of Cities has recognized the importance of providing social support to families who are beneficiaries of government housing programs.

#### **g) Regulation of Involuntary Displacements**

Another important advance of the Ministry of Cities was the establishment of Ordinance no. 317, from 2013, which provides measures and procedures to be adopted in cases of involuntary displacements of families from their homes or economic activity, caused by the execution or implementation of PAC-related Government Programs