

Chapter 2: Let's Get Down to Business – Private Influences in the Making of Affordable Housing Policies

The Case of Minha Casa Minha Vida

Anthony Boanada-Fuchs

INTRODUCTION

When thinking of housing in Brazil, the favelas no doubt first come to mind. This paradigmatic slum typology has become a large part of Brazil's visual dictionary because it is seen as a lasting manifestation of the country's dysfunctional urban planning and housing markets. Similar to other countries in the Global South, informal housing solutions emerged during the course of the early 20th century but these approaches only proliferated during the 1980s and 1990s (in Brazil, the 'lost decade') when national governments passed neo-liberal reforms that were in line with the Washington consensus.¹ With decreasing government spending on housing, infrastructure and basic services, urban growth largely took place in an unplanned manner and informal settlements quickly turned into slums. The number of people living in households situated in slums increased worldwide, throughout the 1980s and 1990s, to reach 921 million in 2001 (UNCHS 2003).

In the specific case of Brazil, the housing supply in the early 2000s showed signs of severe dysfunctionality: the formal market catered to only the top 20%

1 This consensus between three Washington D.C. based lending institutions (the International Monetary Fund, the World Bank and the United States Department of the Treasury) aligned their respective demands of institutional reforms targeted at developing countries requesting financial assistance.

of total demand. The remainder of the population needed government support or relied on informal mechanisms (Maricato 2009). This housing situation was the result not only of roll-backs in state expenditures but also of the institutional legacy a former military regime left behind (1964-1986). Brazil's transition toward democracy created major institutional disruptions (In chapter 9, Kienast describes similar mechanisms that existed in the South African context after apartheid). The dissolution of The National Housing Bank of Brazil (BNH), in 1986, in combination with a stabilization plan that was brought in to respond to an unfolding economic crisis, in the 1990s, led to reduced credit for housing and reduced government spending on urban development. As local governments were unable to fill the shoes of an absent national government, the question of housing and urban planning remained largely unsolved, at the institutional level, until the beginning of the 2000s when the growth of cities largely took place in an irregular manner. While reliable data are largely missing for that time period, Brazilian scholars agree that the 1980s and 1990s are marked by a decline in the housing situation on a national level (Cardoso and Aragão 2013).

In early 2000s, the governments of President Luiz Inácio Lula da Silva and, subsequently, President Dilma Rousseff launched several initiatives that recognised the importance of cities and reaffirmed the role of government in providing infrastructure and basic social and economic programs. In a neo-Keynesian rolling out of the state, major investment projects were launched (such as the Growth Acceleration Program). This culminated in *Minha Casa, Minha Vida* (MCMV), a public housing program that was launched in early 2009 in order to address the country's housing backlog. The MCMV has been presented as pursuing a dual goal of improving the housing situation (by reducing the existing backlog of 7 million units (FJP 2008)) and, at the same time, countering the global financial crisis by generating jobs and stimulating investment (D'Amico 2011; Cardoso *et al.* 2013b). While such a dual view was reflected in the media, in official government communications and in academic discourse, a closer look at the program's conditions, the nature of the changes it brought, and the underlying mechanisms of these views clearly shows the overemphasis on involving market actors at the expense of civil society, participation, and ultimately the liveability of cities.

This chapter aims to show the close interconnections between market actors and public decision-making by looking at the policy-formulation process that led to the MCMV and the interactions between the government and large-scale developers. By doing so, it provides more academic evidence for the broadly stated criticism that the housing program was and continues to be too market friendly. A deeper analysis of the private influences on public policy-making is needed to

advance an understanding of the political economy of urban development and also to uncover the underlying forces that are shaping our built environment.

This chapter is structured as follows. First, an explanation of the characteristics of the national housing programme and an outline of the research design are presented. Next, the Brazilian housing sector and the main institutional changes that led up to the MCMV are discussed. Then we take a step back and retrace the precise genealogy of the policy ideas and their institutionalization. The analytical part of this chapter discusses not only the role of the private companies that have been involved in shaping the idea of a national housing programme but also the underlying premise behind the programme's institutionalization and the regulatory changes that were passed between 2009 and 2015. The conclusion stresses the need for further research on the role of developers in the planning and implementation of urban policies.

THE BRAZILIAN AFFORDABLE HOUSING PROGRAM

Minha Casa, Minha Vida is an ambiguous program. On one hand, it represents a paradigmatic shift in Brazilian affordable housing strategy while at the same time featuring many elements that are direct continuations of the initiatives of former governments. Particularly influential have been the aforementioned Growth Acceleration Program (Programa de Aceleração do Crescimento, PAC), the Solidarity Credit Programme (Programa Crédito Solidário), and the Residential Leasing Programme (Programa de Arrendamento Residencial, PAR). The MCMV incorporated the Growth Acceleration Program's monitoring and decision-making processes and branding effects, the institutionalization of auto-construction under the Solidarity Credit Program, and the PAR's insurance purchase and supply incentives as well as its unified social-housing fund. From an institutional lens, and even to a certain extent from a programmatic angle, the MCMV builds upon former housing-related government programs. The major novelty is in its unprecedented scale of investment; in its first phase, between 2009 and 2011 alone, R\$34 billion (USD 19.5 billion)² were allocated to finance a broad range of subsidies and incentives, as well as a reduction in registration and legal fees on both the demand and supply sides of the program.

In order to understand how market actors influenced the way the programme was set up and how it changed in the course of its operations, it is necessary to take a closer look at the nature of its initial programme. The MCMV is a national

2 All values in Real are converted to US dollars, based on the 2009 exchange rate.

housing program that attempted to address a national housing backlog of 7 million units (as of 2009) by offering differentiated demand targets and several sub-programmes and by using a combination of subsidies aimed at both supply and demand. The programme targets households that are living under different socio-economic realities that span from poor and low-income families up to the lower middle class. The programme additionally differentiates in space by acknowledging housing differences between rural and urban areas.³ In urban areas, official minimum salaries (MS) are used to determine the housing needs and demand benefits. The demand benefits, output targets, and supply modalities all differ by income track. Track 1 is targeted at families earning up to 3 minimum salaries; track 2, up to 6 MS; and track 3, up to 10 MS (see Table 1).

Two different sub-programmes were established to address Brazil's urban housing deficit.⁴ The National Programme for Urban Housing (Programa Nacional de Habitação Urbana; PNHU) deals with market-oriented supply and Entidades is based on self-organisation. The PNHU is at the heart of the MCMV. At the outset, the government's aim was to deliver 1 million housing units (14 percent of the deficit) by allocating 14 billion Reias (8 billion USD) within the programme's first phase (2009-2010). The demand benefits, which may include a direct subsidy, beneficial loans and repayment conditions, as well as reductions in registration charges are adjusted to the different tracks. The programme entails the construction of new housing units in urban areas, the redevelopment of existing properties in consolidated areas, and the purchase of urban allotments (the latter two were only regulated later, see Rolnik et al. 2010). The government fixes the ceilings for the unit prices of the houses provided for recipients in all income tracks, the minimum floor plan areas (only for track 1), and the limits on the unit costs that are applied to the reduced unified tax rate and the registration charges. As can be seen in Table 1, these different limits are partially disconnected from each other.

3 In rural areas, demand is categorized based on the official average yearly wage for an agricultural worker. Families in track 1 can earn salaries up to R\$ 10,000/year; in track 2, up to R\$ 22,000/year; and in track 3, up to R\$ 55,800/year (USD 5,741; 12,631; 32,036; respectively).

4 Presently, there are three sub-programs and a special development modality for municipalities with fewer than 50,000 inhabitants under which projects are developed based on a public offering. This segment has only been included in the program since 2010.

Table 1: Demand and supply benefits of MCMV per track.

Benefits MCMV	Track 1: MS 0-3	Track 2: MS 3-6	Track 3: MS 6-10
Income level	USD 801	USD 1,602	USD 2,670
Max. unit cost	USD 29,280	USD 74,635	USD 74,635
Max. unit size: house / apartment	32 / 37 sqm	-	-
Subsidy	USD 13,205	USD 1,148	USD 0
Interest rate	0%	5%	6%
Interest differential	Fully	Fully until 1,335 USD	None
Repayment	10% (min R\$ 50)	-	-
Notary reduction	100%	90%	80%
Mortgage security	Government	Guarantor Fund, 36 months	Guarantor Fund, 24 months
RET (unified tax regime supply)	1%	1% to 34,447 USD; above 6%	
Notary reduction (supply side)	90%	90% to USD 34,447, 80% to USD 45,929; 75% to USD 74,635	

Source: Table produced by the author, based on legal documentation of the different programs.

Entidades is a housing modality that is based on self-organisation for the urban housing demand of those in track 1 and is carried out by non-profit organisations. The work can be entirely given to a main contractor or it can be done through self-built/assisted construction. For the first phase, the government allocated R\$ 500 million (USD 287 million) to the Entidades programme.

While the MCMV is clearly social in nature as its aim is to build housing units for low- and middle-income families and to reduce the national backlog, it can hardly be seen as the driving force behind the institutionalization of Brazil's housing programme. Its priority is to create volume in the number of houses but not quality, in other words its intention is to use the country's building industries to realise floor space and not homes that are adapted to the needs of the population (this is further discussed below).

Figure 1: *Minha Casa, Minha Vida* in practice.



Source: http://www.brasil.gov.br/noticias/infraestrutura/2015/04/mucuri-ba-recebe-casas-populares-do-minha-casa-minha-vida/minha-casa-minha-vida.jpg/image_view_fullscreen.

Brazil's affordable housing programme was clearly formulated as a counter-cyclical measure in the context of the unfolding global financial crisis. Similar to other governments around the world, the Brazilian government reaffirmed its role in the housing sector. The financial shock of 2007/08 and the consequent global recession had considerable impacts on global consumption, investment flows, affordability levels, and inadequately housed populations (homelessness, slum populations, etc.). Large-scale housing initiatives were seen as adequate socio-economic policy responses as they were viewed as stimulating both national production and consumption simultaneously. From 2007 to 2013, national governments in Mexico, Malaysia, India, and several other countries of the Global South launched housing programs aimed at assisting low-income people; however, these programmes almost exclusively relied on real-estate-market actors to construct up to 500,000 housing units yearly (Buckley *et al.* 2016; see also contributions in this book; for the example of Indonesia (Santos 2020, chapter 1), for Argentina and Uruguay (Casanova 2020, chapter 3)). The market for low-income housing in countries in the Global South amounted to almost 200 million units with an investment requirement of USD 9-11trillion (GIZ 2014). These projects were rendered financially viable through lower profit margins and savings in economies of scales. In view of the billions of dollars in investment opportunities this presented, the question arises as to whether governments actually managed to balance both the country's social and economic needs.

The role of developers and the financialisation of housing

Real-estate developers are central agents of change as they construct a large majority of the built environment. Despite the centrality of these stakeholders in steering urbanisation processes and their spatial manifestation, the existing body of literature on this topic remains thin (Adams and Tiesdell 2010; Coiacetto 2009). One of the first books on development and developers was edited by Guy and Henneberry (2002); this publication shows that in the early 2000s and prior there was a broad range of approaches to improving our institutional understanding of real-estate markets (see also Fainstein 1994). Currently, the theoretical and practical insights on developers remain fragmented, with little dialogue among their many parts. While interest is slowly developing in terms of investigating this issue as it relates to the Global South (Fauveaud 2014; Rouanet and Halbert 2016; Sanfelici and Halbert 2015; Searle 2014), knowledge remains very limited on the role of real-estate developers in urban development (see Rolnik in the foreword of this book for an elaboration). This imbalance between the relevance of this issue and currently deployed research efforts is particularly worrisome in a period of the increasing globalisation of financial flows and the financialization of the real-estate sector (Aalbers 2016).

RESEARCH DESIGN

An analysis of the policy-formation process in Brazil is often carried out by relying on the Advocacy Coalition Framework (ACF), which ideally requires unrestricted access to the actual meetings that underlie policy negotiations or at least the associated documentation on these meetings (Crow 2001; Sabatier and Weible 2007; Hersperger *et al.* 2013). In the case of the MCMV, this access could not be established because discussions on programme elements relied on several informal communication channels. Furthermore, the same communication channels may support corrupt practices as is suggested by the central role of construction companies in the corruption scandal of 2014 onwards (Cardoso and Jaenisch 2017). The Governance Analytical Framework (GAF) provides the advantage of being flexible enough to enable an indirect research workflow (Hufty 2007, 2011; Kübler 2012). Instead of analysing actual interactions between competing actors, the existing research is limited to the detection of communication channels. However, the GAF is based on four main concepts: agents, nodal points, values, and norms, of which the first two are essential for this study as it conceptualises the policy-formation process as a series of nodal points

where different agents convene. In the absence of academic alternatives, an analysis of secondary sources and newspaper clippings is used to retrace the chain of nodal points. These are placed in relation to the actual policy outcomes. This workflow does not allow for the detection of causalities in terms of influencing decision-making but it at least helps illustrate the range of communication channels available to market actors who exert pressure on government decisions. These insights can help create a first step toward understanding the policy influences within the MCMV and the different ways developers managed to shape the regulatory framework that ultimately defines the possibilities and restrictions of their own business activities.

THE HOUSING SECTOR IN BRAZIL AND ITS INSTITUTIONAL CHANGES UP TO THE MCMV

Traditionally, housing in Brazil was built by private individuals and, later, companies that offered housing units for their own workers so they could live close to their factories. In the second half of the 20th century, the country's housing sector was institutionalized and relied on a pension and welfare system in which funds were used to finance government-produced houses (such in the Casa Popular program of 1946). The idea of tapping into these financial possibilities continued throughout very different political systems, including under Brazil's military regime (1964-86) and after it became a democracy (1986 onwards). The military government recognised the economic importance of housing and created the first country-wide housing policy (Loureiro, Macário, and Guerra 2013, pp. 1886-8), a national housing bank (BNH), the Workers Severance Fund (Fundo de Garantia de Tempo de Serviço; FGTS), which is a mandatory program that is still central today, and the optional Brazilian Savings and Loans System (Sistema Brasileiro de Poupança e Empréstimo; SBPE). Access to both funds boosted the availability of housing finance and enabled the development of a large-scale housing supply in the country (Cardoso *et al.* 2013b). The system of a national housing bank, the SBPE and the FGTS stimulated economic growth and the establishment of a real-estate sector that consists of the same main actors and institutions as today (Cardoso and Aragão 2013).

Brazil's peaceful transition to democracy was less smooth in economic and institutional terms. The new democratic government had to find ways to respond to the economic crises that brought down the military regime; it also had to develop a national stabilization plan. Political instability and hyperinflation coupled with very limited public spending resulted in a power vacuum, where the

absence of state actions (the extinction of the BNH created an institutional hole in relation to housing) translated to the spread of slums⁵ and increasing signs of urban malfunction. The private real-estate market contented itself with catering to the housing demands of the country's top 20 percent income earners (Maricato 2009) and the scarce available funds mainly benefitted those who earned higher incomes.⁶ Housing policy at the federal level showed institutional fragility and administrative discontinuity, with isolated programmes and planning that failed to take into account larger urban considerations (Cardoso *et al.* 2011). Government programmes that targeted those earning lower incomes (Habitar-Brasil, Projeto Pro-Moradia) were characterised by discontinuity, low efficiency and decreasing output (Cardoso *et al.* 2013b). Also, the government structure was highly fragmented in relation to programmes for housing and urban development. Only toward the end of the 1990s were some reforms passed to address urban development and the housing sector.

The Cardoso government remodelled housing finance according to international best practices, which included the provision of certificates of real-estate receivables (CRI) and mortgage-backed securities, both of which were informed by the American model. The idea of unifying governmental structures that were in charge of urban and housing issues had already emerged during this period, but this was only realised when the labour party came to power (Romagnoli 2012). In 2003, the Lula government created the Ministry of Cities.⁷ While this institutionalization represented a huge step toward streamlined planning for urban and housing development, it fell short of uniting financial flows with its housing-development model. The FGTS remained under the decision-making of Caixa (short for Caixa Econômica Federal which reported directly to the Ministry of Finance); this considerably eroded the ministry's financial emancipation (see Bonduki 2008). Caixa had been operating *de facto* as the state bank since the dissolution of the BNH, in 1986, in a function it was neither initially conceived for nor had the legal status to carry out (Dias 2009).

-
- 5 In the 1990s, the slum population outgrew the country's normal overall demographic growth by close to a factor of three (Maricato 2009).
 - 6 Between 1995 and 2003, fully 79 % of all financial resources went to households with incomes in excess of 5 MS (USD 390) and only 8.5 % for families that earned less than 3 MS (USD 234). The indicated dollar values are based on the official MS limit and the dollar exchange of 2003 (Bonduki 2008, p. 80).
 - 7 The issue of housing was assigned to its own secretariat (Secretaria Nacional de Habitação, SNH), which consisted of three departments, one for housing, another for technical and institutional development, and another for slum rehabilitation.

An important preoccupation of the Lula government was to remove major institutional bottlenecks from private-market activities. In 2004, three major reforms were introduced in important changes to the aforementioned CRI to further decrease investment risk, the introduction of a special tax regime, and access to the stock market; these profoundly restructured the functioning of Brazil's real-estate sector. In combination with more favourable macro-economic conditions, these new policies triggered a major economic boom in the country that should have lasted throughout the 2000s. The Lula government's wage policies also increased the percentage population in the middle and upper-income brackets, thereby ensuring they had the financial means to access formal market-based housing options. Construction companies that had traditionally catered to the demands of high-income earners now created subsidiaries in order to move down the income ladder (Bonduki 2009). But the favourable developments experienced by the Brazilian economy and the housing sector were suddenly threatened by the unfolding global financial crisis. It is in this context that the government developed and launched the MCMV as a social-housing program with clear economic aims.

The global financial crisis affected various sectors, including real estate where demand for housing (measured in sales) dropped by 90 percent at the individual firm level (Arantes and Fix 2009). In order to avoid entering into the major recession that was unfolding throughout the world, the government initiated immediate countermeasures to support national industries and consumption, such as expanding the credit limits of major banks and lowering tax rates for industrial products (D'Amico 2011). A more comprehensive stimulation package was launched through the MCMV in the beginning of 2009. Conceptualised as a neo-Keynesian initiative, this social-housing program received a budget of 34 billion Reais (USD 19.5 billion) in order to build one million housing units within 2 years. It was expected that the program would stimulate employment creation and consumption as well as alleviate the national housing deficit by 14%; thus, combining social and economic targets.

Institutionalization of the MCMV

The idea of *Minha Casa, Minha Vida* was directly connected to the global financial crisis. The government's official discourse, and also that of large parts of academia, was that the program had been formulated as a direct response to changes in the global macro-economic climate.

While from an overall view the MCMV might appear to be a novel national approach to housing, an investigation of the programme's institutional frame-

work shows a complex imbroglio of old and new ideas. The housing programme incorporated several institutional precedents while ignoring others. For the following discussion, it is essential to carefully dissect the programme's innovative characteristics from its more path-dependent developments.

The selective institutional influence of former housing programs

The MCMV is an unprecedented initiative in Brazil in terms of budget and scale. However, this housing programme stands at the end of a broader and rather continuous learning curve, particularly when considering its institutional configuration. The MCMV directly benefitted from the successes and failures of the previous Solidarity Credit Programme, the Residential Leasing Program, and Growth Acceleration Programme.

The Solidarity Credit Programme can be seen as the direct ancestor of both Entidades and the MCMV. This program was created to include families that lacked adequate savings capacities to access the formal housing market. Families with incomes under MS 3 were organised into associations, cooperatives, or other civil-society organisations (Fernandes and de Silveira 2010). More specifically, the program assisted the construction of low-income housing and could be seen as a direct outcome of social movements that gained access to federal funds after putting pressure on the government (Cardoso and Aragão 2013).

The Programa de Arrendamento Residencial was created by the Cardoso government in order to stimulate housing supply. It aimed to increase the supply of rental housing and represented the government's main programme for housing between 1999 and 2009. In contrast to the neo-liberal agenda that pervaded the Brazilian economy, this housing programme reaffirmed the role of the state and linked public subsidies to the private housing supply (Arantes 2010). Still, PAR can be seen as having been another step toward the greater commercialization of social housing in a system that put the production of social housing in the hands of private enterprise and became seduced to the logic of capital accumulation.

Construction companies were attracted by land donations and additional development rights (Cardoso and Aragão 2013). The main housing bank's mortgage-loan assurance considerably decreased investment risks. Caixa was in charge of project control but was limited to merely conducting technical/financial viability studies and was not concerned with overseeing housing's architectural or locational features. The bank also filtered the demand established by the local government, based on risk assessments. With the help of PAR funds, rent repayment was subsidised over a period of 15 years. At the end of their contracts, beneficiaries were given the option to buy their rental unit through a system

whereby they received credit for the rent they had already paid (which is quite considerable) or by requesting a new unit and/or contract (Arantes 2010).

The proclaimed target group included those who earned from 3 to 6 MS. In practice, the 200,000 realised units within the first five years went to families with incomes ranging between 4 to 8 MS). PAR was remodelled under the Lula government to better target lower-income families (MS < 4). As government funding was not increased, the construction of these new units was largely achieved by government-stipulated reductions in project and building standards (in particular, unit sizes), while the market reduced construction costs by choosing peripheral land on which to build new housing units (Arantes 2010).

The Growth Acceleration Program was launched at the beginning of 2007 (January) and used the newly available financial resources that were the indirect result of the positive economic growth the country had been experiencing up to that year. This programme further promoted economic growth through an ambitious initiative in infrastructure investment (Cardoso et al. 2011) and had a major impact on the infrastructure coverage throughout the country. In housing, investment went primarily into upgrading slums to alleviate poor living conditions and into improving access to civic services. Slum upgrading was also very visible and marketable as a political success.

While the proportional share of available funds within the overall program budget was rather negligible, overall it led to a 20-fold increase in the budget allotted to slum upgrading for the period between 2002 and 2008 (Bonduki 2009). The funds used for this initiative came directly from the Casa Civil ministry and were not restricted to the same social-control mechanisms other funds were (Cardoso et al. 2013a). Two institutional innovations of the Growth Acceleration Programme are relevant for a discussion of the MCMV. Under this programme, the Brazilian government discovered the importance of discourse and the symbolic advantage of uniting various programmes under a single label (Cardoso et al. 2013a). As a consequence of these multi-ministerial undertakings, the programme required refined institutional configurations to answer the challenges of project planning, approval, implementation, and control. Special steering committees were established to streamline decision-making processes and compliance. Situation rooms enabled the collection of sector-specific data, and monitoring of the physical and financial schedules and, thus, ensured that deadlines and targets were met. These institutional innovations managed to reduce the procedural friction and ministerial fragmentation of former housing programmes (Loureiro et al. 2013).

The MCMV was ultimately built on the large shoulders of former programmes. The Growth Acceleration Program has shown that a large-scale public

programme that relies on the construction sector to create jobs and stimulate economic growth can be a success. This programme's steering and monitoring committees were developed to address the major challenges of national programmes that are attached to quick feedback loops and were directly translated into the MCMV.

The Solidarity Credit Program fine-tuned the traditional model of auto-construction and set up an institutional structure that was based on unified social funds that should have been the role model for Entidades. The learning experience from PAR has been highly influential due to its own less-controlled (and publicly accountable) fund for social housing as this created a gatekeeper position for Caixa as the central control agent positioned between the government and the construction companies.

The discontinued branches of housing programs

The MCMV has partly or completely ignored several institutional innovations. The inclusion of insights from PAR was highly selective. Despite including large parts of the programme almost one for one, the idea of rental units was completely discarded despite their obvious advantage in offering geographic flexibility to the beneficiaries of these units. Programming also incurred greater discontinuity and followed a similar logic in the almost complete dismissal of the new housing policy.

In the second half of the 2000s, PlanHab was developed and introduced. As a direct result, social movements engaged in the reform of a decision-making process in Brazilian cities that had become institutionalized under the National Council of Cities (October 2002). In August 2007, the National Housing Secretariat initiated discussions on PlanHab in order to consolidate efforts on a national housing policy. For the next two years, housing policy was jointly developed through initiatives between representatives of civil society, states, municipalities, and academics (Loureiro et al. 2013). The policy document that was launched in January 2009 aimed to establish a long-term strategy to address the country's current and future housing needs, based on the idea of decent housing (*moradia digna*, Bonduki 2009). In the end, however, PlanHab remained a pipe dream. While some political staff decisions undermined government support for the national housing plan, the unfolding of the economic crisis of 2007/08 pushed forward quick-fix solutions that combined the desire for immediate results with the economic stimulus of a sector that is one of the country's major employers. At the same time, the MCMV largely ignored the preparatory work

of PlanHab8 and only used its financial insights (budget allocation, tax relief, the guarantee fund), while adopting the most optimistic scenario proposed by the plan (Bonduki 2009).

Given the level of detail and the elaboration process inherent in PlanHab, the MCMV can only be seen as a rather clumsy and rudimentary approach to the challenge of affordable housing in a framework that largely favours construction companies at the expense of society as a whole. In the next section, I attempt to provide some explanations of the instrumental influence of private-sector actors that may cast some light on the political economy of institutional change in Brazil. Indeed, real-estate developers were behind the idea of the MCMV, its institutionalization, and adjustments to the programme throughout its years of operations.

HOW TO CREATE YOUR OWN REGULATORY FRAMEWORK: THE ROLE OF REAL-ESTATE DEVELOPERS IN THE MCMV

Planting the idea: The policy-formation process of the MCMV

The introduction of the MCMV was announced in March 2009 as a counter-cyclical measure to the global financial crisis of 2007/08; but the idea of a large-scale national housing programme had been planted much earlier.

In the mid-2000s, SindusCon-SP, the country's most influential real-estate umbrella organisation, began to collaborate with FGV Projetos, an important university-led thinktank, to publish a magazine on the construction sector (Conjuntura da Construção). By the end of 2006, a special issue discussed the merits of strong government involvement in the housing sector (based on historical analyses). In 2007 and 2008, two out of four annual issues were dedicated to the idea of a national public housing programme (including a special issue that featured Mexico). These nodal points represent direct communication channels to influencing public opinion and using the legitimacy of (quasi) scientific research. Specific stories and special issues of these magazines were commonly featured in the country's most important newspapers, in combination with expert interviews.

8 The planning and land mechanism tools have largely taken over, such as prioritizing municipalities that make use of increased property taxes for underutilized lands or donated land. In practice, however, these tools were largely non-operational.

In parallel to these efforts, the Rio branch of SindusCon attempted to influence public decision-makers even more directly. In 2007, the association organised a government delegation to visit Mexico. Delegates from the construction sector found both the Mexican and Chilean housing policy experiences to be the most appropriate model for housing production in Brazil (Cardoso et al. 2011). In both countries, the stimulus of the supply structure led to the construction of monotonous, large-scale, poor-quality housing projects that were situated in urban peripheries (see Rolnik 2012). Nevertheless, from the impressions collected abroad, a pilot project called sustainable housing was initiated under the Cardoso government and later presented to Dilma Rousseff at the beginning of 2008 (De Andrade 2011; Cardoso and Aragão 2013). These attempts by the real-estate lobby to create a positive momentum for large state-led housing programmes quickly yielded concrete results.

At the end of 2008, informal meetings took place between the minister of the Casa Civil Dilma Rousseff (Chief of Staff Office) and several major construction companies. Rousseff had invited six large construction companies (Cyrela, Rossi, MRV, WTorre, Rodobens, and Gafisa) to discuss the feasibility of such an undertaking (Loureiro et al. 2013). According to the CEO of Wtorre, the private-sector actors in this conversation proposed several measures to President Lula da Silva, such as the creation of a guarantee fund and reduced notary costs for land records, of which almost all were directly included in the government's proposal which formed the basis for the later law (MP 459 2009; Blanco 2009).

The importance of the real-estate sector received a symbolic dimension when the programme was introduced to the broader public. In a television broadcast that took place on March 25, 2008, President da Silva left the main presentation to the minister of the Casa Civil. Dilma Rousseff's speech was followed by a discourse between the president of the Brazilian Chamber of Construction Industries and a comment by the developer Gafisa (by then the country's largest developer). This public event can be seen as a nodal point that visually enshrined the different levels of importance attributed to each sector: the government and the private sector took centre stage, while representatives of social movements were present but visually marginalised (De Andrade 2011).

Influencing the institutional frame of the MCMV

The MCMV was institutionalized by Law No 11.977 (June 7, 2009). The first phase initially ran to the end of 2010, with the overall target of delivering one million new housing units. Phase 2 was envisioned to last from 2011 to 2014 and

to have a total budget of R\$125 (USD 67) billion⁹ allocated to building a further two million houses (later increased by 600,000 and to take an additional year to complete). In both phases, those in track 1 should have received around 40% of all contracted units. Phase 3 began in 2016 with the allocation of R\$211 (USD 64.9) billion¹⁰ for constructing 3 million housing units (see Table 2). At this time, however, the program was caught up in the national government's budget crises and new construction contracts basically came to a halt.

Besides monitoring progress, the government set up regular meetings in Brasília that brought together representatives from the private market, civil society, and academia. These round-table discussions were used on a regular basis to collect feedback and decide on any required changes. Due to frustrating experiences that took place in other sectors,¹¹ these discussions became de facto industry-government feedback moments. This alignment of interests in specific nodal points was also reflected in the changes that were made. While various problems emerged throughout the MCMV's years of operations (discussed in a separate forthcoming paper),¹² for the most part the regulatory changes followed the logic of improving market benefits (Loureiro et al. 2013; Dias 2015).

Various federal government measures for the financial viability of projects also took place under the MCMV. For example, setting maximum permissible unit prices was one of the primary measures used to influence market response: increasing housing prices without changing other requirements (such as unit size and housing standards) was seen as broadening the geography in which MCMV

9 Based on the 2011 exchange rate.

10 Based on the 2016 exchange rate.

11 Representatives of academia and social movements expressed their concerns as soon as the program was announced. The government largely ignored their criticisms; thus, generating feelings of being unheard (Loureiro *et al.* 2013, 1886:8). This is confirmed by a comparative study by Pires and Gomide (2014, p. 20), which shows that the MCMV relied on the “active engagement of construction firms, [but] housing movements and urban planning professionals never had much opportunity to influence the implementation of the program.”

12 The problems that occurred during the MCMV's different phases ranged from specific reported shortcomings (delays, intransparent selection processes, resales, abandoned units, invasion by criminal groups), more systemic problems (default rates, units that were too small, projects that were too distant, lack of infrastructure, land speculation, too costly, insufficient quality, too market friendly) to institutional limitations (rushed process, absence of certain concerns, non-participatory, not aligned with urban planning frameworks, no consideration for rental and vacant housing, corruption).

projects were possible (while increasing profitability in areas where such projects were already possible). The result was a more active supply of housing units.

For the urban-supply modality, the unit sizes, standards, and maximum unit prices were fixed. Between April 2009 and October 2015, unit prices saw particular adjustments: The maximum allowed price increased, over the years, from R\$ 51,000 to R\$ 63,000 (USD 21,817 to 30,428), or by 128%. For the track 2 and 3 limits, the revisions were even more vivid and represented an increase of 173%, which was much higher than the national-construction-cost inflation rate of 147%.

Table 2: Overview of MCMV phases and their targets.

MCMV 1 (2009-10)				
	Track 1	Track 2	Track 3	Total
Goal	400,000	400,000	200,000	1,000,000
Contracted	482,700	375,800	146,600	1,005,100
MCMV 2 (2011-14/15)				
	Track 1	Track 2	Track 3	Total
Goal	1,200,00			
(original)	0	600,000	200,000	2,000,000
Goal	2,000,00	1,350,00		
(extension)	0	0	400,000	3,750,000
MCMV 3 (2016-2021)				
	Faixa 1	Faixa 2	Faixa 3	Total
Goal	1,600,00	1,000,00		
	0	0	400,000	3,000,000

Source: Table by the author based on program documentation.

A second domain of regulatory changes was in the level of supply incentives. The largest incentives were in considerable reductions in notary fees and a unified taxation regime (so-called Regime Especial de Tributação, RET) being applicable to project budgets. RET applicability was also regulated by maximum unit prices, albeit these were disconnected from the aforementioned track-1 ceilings (see Table 1). This carved out a regulatory loophole where builders could scoop up the main benefits of highly subsidised units but sell their projects at

higher prices to track-2 families. As this track was less tightly controlled than track 1, it also opened up the possibility of imposing further payments off-the-book so as to increase the final unit price (see Cardoso et al. 2013c, p. 146).

A third area of policy reform concerned compliance to a minimum standard of building quality. The Ministry of Cities and Caixa imposed qualification standards for construction companies (supply procurement, administration, human resources, etc.) in order for them to participate in the subsidised housing programs. In practice, these qualification standards linked project size to company size and ultimately benefitted large developers.

In contrast to the supply-related changes, other problems that were linked to the MCMV did not receive the same level of attention. The inadequacy of the unit model applicable to an entire country, which was in disregard to the overall cultural, environmental and geographic differences, had been raised from the very beginning (Arantes and Fix 2009). The lack of solutions to account for the heterogeneity of demand (Cardoso and do Lago 2013) was particularly puzzling as the national housing policy of 2008 offered a broad range of options that were based on different family sizes and regional differences (Eloy and Cagnin 2012). Similar stagnation in the programme adjustment can be traced to the issue of land location (Nascimento and Tostes 2011; Maricato 2011), the location of projects (market-dictated peripheral developments) (Arantes and Fix 2009; Nascimento and Tostes 2011), and delayed delivery (Rodrigues 2013; Globo 2013).

CONCLUSION

Programme Minha Casa, Minha Vida has added more evidence for an international critical review of a large-scale national governmental housing programme that has over-relied on market supply and ultimately led to urban sprawl, mass housing of relatively poor quality and a supply that runs aside actual demand. In Brazil, the private sector was instrumental in planting and shaping the idea of this housing programme, defining its actual institutionalization, and influencing the way it changed over time. This was made possible by not only the sector's pro-active engagement and deployment of its own resources but also the ease at which it was able to align its interests with those of the government. A programme that incorporated both of private and public interests came at the expense of Brazilian society and cities.

These private-sector lobby efforts took place largely undetected from public scrutiny as the purpose of this lobbying remained hidden behind a veil of legitimacy in the print media, in its own umbrella associations and in official round-

table debates in Brasília. Retracing the involvement of the real-estate sector in shaping public opinion and influencing changes in policy provides evidence on the political economy of urban development and points to important yet largely ignored forces that underlay current urban development trajectories. The direct link between the MCMV and political change (the impeachment of Rousseff; the imprisoning of Lula), economic scandals (construction-related bribery mechanisms) and ultimately re-emerging socio-spatial tensions in the country, underline the necessity of further research on the role of real-estate developers in urban development.

REFERENCES

- Aalbers, M. B. (2016) *The Financialization of Housing: A Political Economy Approach*, Routledge Studies in the Modern World Economy. New York: Routledge, p. 168.
- Adams, D. and Tiesdell, S. (2010) “Planners as Market Actors: Rethinking State-Market Relations in Land and Property.” *Planning Theory & Practice* 11 (2): 187–207. <https://doi.org/10.1080/14649351003759631>.
- Arantes, P.F. (2010) “Pesquisa Sobre o PAR Apresenta Antecedentes Do Minha Casa, Minha Vida.” *Revista Pós* 17 (28): 275–80.
- Arantes, P.F. and Fix, M. (2009) “Como o Governo Lula Pretende Resolver o Problema Da Habitação. Alguns Comentários Sobre o Pacote Habitacional Minha Casa, Minha Vida.” *Correio Da Cidadania* 30.
- Blanco, M. (2009) “Conheça Detalhes Da Aprovação de Empreendimentos No ‘Minha Casa, Minha Vida’. E Veja as Plantas.” *Construção Mercado* 95.
- Bonduki, N. (2008) “Política Habitacional e Inclusão Social No Brasil: Revisão Histórica e Novas Perspectivas No Governo Lula.” *Revista Eletrônica de Arquitetura e Urbanismo* 1: 70–104.
- . (2009) “Do Projeto Moradia Ao Programa Minha Casa Minha Vida.” *Teoria e Debate* 82: 8–14.
- Buckley, R.M., Kallergis, A. and Wainer, L. (2016) “The Emergence of Large-Scale Housing Programs: Beyond a Public Finance Perspective.” *Habitat International* 54: 199–209. <https://doi.org/10.1016/j.habitatint.2015.11.022>.
- Cardoso, A.L. and Jaenisch, S.T. (2017) “Mercado Imobiliário e Política Habitacional Nos Governos de Lula e Dilma: Entre o Mercado Financeiro e a Produção Habitacional Subsidiada.” In, São Paulo: 17th ENANPUR Conference, 22–26 May.

- Cardoso, A.L. and Aragão, T.A. (2013) “Do Fim Do BNH Ao Programa Minha Casa Minha Vida: 25 Anos Da Política Habitacional No Brasil.” Rio de Janeiro: Letra Capital.
- Cardoso, A.L. and Corrêa do Lago, L. (2013) “O Programa Minha Casa Minha Vida e Seus Efeitos Territoriais.” In: O Programa Minha Casa Minha Vida e Seus Efeitos Territoriais, edited by A.L. Cardoso and Observatório das Metrôpoles, 7–16. Rio de Janeiro: Letra Capital.
- Cardoso, A.L., de Souza Araújo, F. and Jaenisch, S.T. (2013a) “Morando No Limite: Sobre Padrões de Localização e Acessibilidade Do Programa Minha Casa Minha Vida Na Região Metropolitana Do Rio de Janeiro.” *Anais: Encontros Nacionais da ANPUR XV*: 1–16.
- Cardoso, A.L., Rodrigues Nunes Junior, D., de Souza Araújo, F., Ferreira da Silva, N. and S.T. Jaenisch. (2013b) “Quando Um Direito Vira Produto: Impactos Do Programa Minha Casa Minha Vida Na Cidade Do Rio de Janeiro.” *Simpósio Nacional de Geografia Urbana, XIII*. Rio de Janeiro.
- Cardoso, A.L. and Rodrigues Nunes Junior, D., de Sousa Araújo, F., Ferreira da Silva, N., Aragão T.A., and Amorim, T.P. (2013c) “Minha Casa Minha Sina: implicações da recente produção habitacional pelo setor privado na Zona Oeste da cidade do Rio de Janeiro.” In: O Programa Minha Casa Minha Vida e Seus Efeitos Territoriais, edited by A.L. Cardoso and Observatório das Metrôpoles, 143–160. Rio de Janeiro: Letra Capital.
- Cardoso, A. L., Aragão, T.A. and de Souza Araújo, F. (2011) “Habituação De Interesse Social: Política Ou Mercado? Reflexos Sobre a Construção Do Espaço Metropolitano.” *Encontro Nacional da ANPUR XIV*: 1–21.
- Coiacetto, E. (2009) “Industry Structure in Real Estate Development: Is City Building Competitive?” *Urban Policy and Research* 27 (2): 117–35.
- Crow, B. (2001) *Markets, class and social change: trading networks and poverty in rural South Asia*. Springer. <https://doi.org/10.1057/9781403900845>.
- D’Amico, F. (2011) “O Programa Minha Casa, Minha Vida e a Caixa Econômica Federal.” *O Desenvolvimento Econômico Brasileiro e a Caixa: Trabalhos Premiados*, Rio de Janeiro: Centro Internacional Celso Furtado de Políticas para o Desenvolvimento, 33–54.
- De Andrade, E.S.J. (2011) “Política Habitacional No Brasil (1964 a 2011): ‘Do Sonho Da Casa Própria à Minha Casa, Minha Vida’.” Master thesis, *Arquitetura e Urbanismo Da Escola de Arquitetura e Urbanismo*. Niterói: Universidade Federal Fluminense.
- Dias, E.C. (2009) “Minha Casa, Minha Vida, Minha Política Pública.” *Conjuntura Da Construção* 7 (2): 4–5.

- . (2015) “Lucros e Votos: Os Empresários e o Governo Na Política Habitacional Brasileira.” *Revista de Economia Política* 35 (4): 763–79.
- Eloy, C.M. and Cagnin, R.F. (2012) “Mudanças No Minha Casa, Minha Vida: Em Que Direção?” *Valor Econômico*, São Paulo, October 31, available at: www.valor.com.br/opiniaio/2887278/mudancas-no-minha-casa-minhavidadem-que-direcao, [accessed May 5, 2019].
- Fainstein, S.S. (1994) *The City Builders: Property, Politics, and Planning in London and New York*. Oxford, Malden: Blackwell.
- Fauveaud, G. (2014) “Mutations of Real Estate Actors’ Strategies and Modes of Capital Appropriation in Contemporary Phnom Penh.” *Urban Studies* 51 (16): 3479–94. <https://doi.org/10.1177/0042098014552767>.
- Fernandes, C., do Carmo Pires, and de Fátima Ramos da Silveira, S. (2010) “Ações e Contexto Da Política Nacional de Habitação: Da Fundação Casa Popular Ao Programa ‘Minha Casa, Minha Vida.’” II Encontro Mineiro de Administração Pública, *Economia Solidária e Gestão Pública*.
- GIZ. (2014) “My Home, Your Business: A Guide to Affordable Housing Solutions for Low-Income Communities.” Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH on behalf of German Federal Ministry for Economic Cooperation and Development, Bonn.
- Globo. (2013) “Moradores Do ‘Minha Casa, Minha Vida’ Estão Sem Energia Em Imperatriz.” *Globo G1*, available at: <http://g1.globo.com/ma/maranhao/noticia/2013/09/moradores-do-minha-casa-minha-vida-estao-sem-energia-em-imperatriz.html>, [accessed May 5, 2019].
- Guy, S. and Henneberry, J. (2002) *Development and Developers: Perspectives on Property*. Oxford: Blackwell Publishing and RICS Foundation.
- Hersperger, A.M., Gennaio Franscini, M. P. and D. Kübler. (2013) “Actors, Decisions and Policy Changes in Local Urbanization.” *European Planning Studies* 4313 (July 2015): 1–19. <https://doi.org/10.1080/09654313.2013.783557>.
- Hufty, M. (2007) “The Governance Analytical Framework.” WPI, The Graduate Institute, Geneva, 1–19, available at http://graduateinstitute.ch/webdav/site/developpement/shared/developpement/mdev/soutienauxcours0809/hufty_Governance/2.1b.Hufty-Eng.pdf, [accessed January 5, 2015].
- . (2011) “Investigating Policy Processes: The Governance Analytical Framework (GAF).” *Research for Sustainable Development: Foundations, Experiences, and Perspectives*, 403–24.
- Kübler, D. (2012) “Introduction: Metropolitanisation and Metropolitan Governance.” *European Political Science* 11 (3): 402–8. <https://doi.org/10.1057/eps.2011.41>.

- Loureiro, M.R., Macário, V. and Guerra, P. (2013) “Democracia, Arenas Decisórias e Políticas Públicas: O Programa Minha Casa Minha Vida.” *Texto Para Discussão*. Vol. 1886. Rio de Janeiro: Instituto de Pesquisa Econômica Aplicada (IPEA).
- Maricato, E. (2009) “O” Minha Casa” é Um Avanço, Mas Segregação Urbana Fica Intocada.” *Carta-Maior*, May 27, available at: <https://www.cartamaior.com.br/?/Editoria/Politica/O-Minha-Casa-e-um-avanco-mas-segregacaourban-a-fica-intocada/4/15160>, [accessed May 5, 2019].
- . (2011) *O Impasse Da Política Urbana No Brasil*. Petrópolis: Vozes.
- MP 459 (2009) Dispõe sobre o Programa Minha Casa, Minha Vida - PMCMV, a regularização fundiária de assentamentos localizados em áreas urbanas, e dá outras providências, Medida Provisória No. 459, Presidência da República, Brasília: Casa Civil, March 25.
- Nascimento, D. and Tostes. S.P. (2011) “Programa Minha Casa Minha Vida: A (Mesma) Política Habitacional No Brasil.” *Arquitextos*, June, Year 12, 133(3). Vitruvius: São Paulo.
- Pires, R.R.C. and de Avila Gomide, A. (2014) “A ‘New Democratic-Developmental State’ in Brazil? A Comparative Analysis of Governance Arrangements, State Capacities and Policy Results.” In 23rd International Political Science Association World Congress, Jul 19-24.
- Rodrigues, E. (2013) “Famílias Sofrem Com Atraso Do Minha Casa, Minha Vida.” *Diario Gaucho*, September 23, available at: <http://diariogaucha.clicrbs.com.br/rs/dia-a-dia/noticia/2013/09/familias-sofrem-com-atraso-do-minha-casa-minha-vida-4278371.html>, [accessed May 5, 2019].
- Rolnik, R. (2012) “Eu Sou Você Amanhã: A Experiência Chilena e o ‘Minha Casa, Minha Vida.’” *Blog Raquel Rolnik*. May 10, São Paulo, available at: <https://raquelrolnik.wordpress.com/2012/05/10/eu-sou-voce-amanha-a-experiencia-chilena-e-o-minha-casa-minha-vida/> [accessed May 5, 2019].
- Rolnik, R., Reis, J., Bischof, R. and Klintowitz. D.C., (2010) “Como Produzir Moradia Bem Localizada Com Os Recursos Programa Minha Casa, Minha Vida? Implementando Os Instrumentos Do Estatuto Da Cidade.” Brasília: Ministério Das Cidades, 132.
- Romagnoli, A.J. (2012) “O Programa ‘Minha Casa, Minha Vida’ Na Política Habitacional Brasileira: Continuidades, Inovações e Retrocessos.” Master thesis, Universidade Federal de São Carlos: São Carlos.
- Rouanet, H. and Halbert, L. (2016) “Leveraging Finance Capital: Urban Change and Self-Empowerment of Real Estate Developers in India.” *Urban Studies* 53 (7): 1–44. <https://doi.org/10.1177/0042098015585917>.

- Sabatier, P.A. and Weible, C.M., (2007) “The Advocacy Coalition Framework: Innovations and Clarifications.” In: Sabatier, T.A. (ed). “Theories of the Policy Process”. Boulder: Westview Publisher: 189–220.
- Sanfelici, D. and Halbert, L. (2015) “Financial Markets, Developers and the Geographies of Housing in Brazil: A Supply-Side Account.” *Urban Studies* 53 (7): 1465–85. <https://doi.org/10.1177/0042098015590981>.
- Searle, L.G. (2014) “Conflict and Commensuration: Contested Market Making in India’s Private Real Estate Development Sector.” *International Journal of Urban and Regional Research* 38 (1): 60–78. <https://doi.org/10.1111/14682427.12042>.
- UNCHS. (2003) “Slums of the World: The Face of Urban Poverty in the New Millennium.” United Nations Human Settlements Programme. Nairobi: United Nations Centre for Human Settlements.

