

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BRAZIL

**CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS (CCLIP) “ProMORAR”
(BR-O0014)**

AND

**FIRST INDIVIDUAL OPERATION UNDER THE CCLIP
“ProMORAR BRASIL –PROMOTING NEW HOUSING STRATEGIES
IN BRAZIL FOR THE LOW-INCOME POPULATION”
(BR-L1596)**

LOAN PROPOSAL

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ABBREVIATIONS

CCLIP	Conditional Credit Line for Investment Projects
CEF	Caixa Econômica Federal [Federal Savings Bank]
CGU	Controladoria Geral da União [Office of the Comptroller General]
CRF	Corporate Results Framework
FDS	Fundo de Desenvolvimento Social [Social Development Fund]
FNHIS	Fundo Nacional de Habitação de Interesse Social [National Fund for Social Housing Fund]
HIG	Garantias para Microfinanciamento de Melhorias Habitacionais [home improvement guarantees]
IBGE	Instituto Brasileiro de Geografia e Estatística [Brazilian Institute of Geography and Statistics]
ICAP	Institutional Capacity Analysis Platform
IRR	Internal rate of return
IVA	Independent verification agency
LBR	Loan Based on Results
MCID	Ministry of Cities
NDC	Nationally determined contribution
PAIA	Paris Alignment Implementation Approach
PMCMV	Programa Minha Casa Minha Vida [low-income housing program]
PMU	Program management unit
SEAID	International Affairs and Development Department of the Ministry of Planning and Budget
SIAFI	Sistema Integrado de Administração Financeira [Integrated financial management system]
SNH	Secretaria Nacional de Habitação [National Housing Secretariat]
SNHIS	Fundo Nacional de Habitação de Interesse Social [National Social Housing System]
SOFR	Secured Overnight Financing Rate

PROGRAM SUMMARY

BRAZIL CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS (CCLIP) “PRO MORAR” (BR O0014) AND FIRST INDIVIDUAL OPERATION UNDER THE CCLIP “PRO MORAR BRASIL” – PROMOTING NEW HOUSING STRATEGIES IN BRAZIL FOR THE LOW-INCOME POPULATION (BR L1596)

Financial Terms and Conditions					
Borrower:			Flexible Financing Facility ^(a)		
Federative Republic of Brazil			Amortization period:	25 years	
			Disbursement period:	5 years	
Executing agency:			Grace period:	6 years ^(b)	
Ministry of Cities (MCID) through the National Housing Department			Interest rate:	SOFR-based	
			Credit fee:	^(c)	
Source	BR-O0014 Amount (US\$)	BR-L1596 Amount (US\$)	%	Inspection and supervision fee:	^(c)
IDB (Ordinary Capital):	600,000,000	54,055,925	99%	Weighted average life:	15.25 years
Local:	-	500,000	1%	Approval currency:	U.S. dollar
Total:	600,000,000	54,555,925	100%		
Program at a Glance					
<p>General objective of the CCLIP: The CCLIP's general objective is to promote new strategies for housing and habitat improvement in Brazil, with a focus on the low-income population, thereby helping to speed up economic development and narrow social inequalities in the country (paragraph 1.16).</p> <p>Objective of the first individual operation under the CCLIP: From the federal level, the objective of the first operation under the CCLIP is to provide public, private, and civil society actors with new tools to facilitate and diversify access to low-income housing solutions, with the aim of expanding access to decent housing. The operation's specific objectives are to: (i) connect housing supply with demand, with the aim of facilitating access to decent housing; (ii) develop and implement a national microfinance program for sustainable home improvement, targeting low-income families with the aim of narrowing the qualitative (substandard) housing deficit; and (iii) strengthen the National Housing Plan and National Housing Policy by promoting socioenvironmental sustainability; providing training to civil servants, engineers, and technicians at the subnational level; and diversifying social housing programs (paragraph 1.18).</p> <p>Special contractual conditions precedent to the first disbursement of the loan: (i) the program management unit (PMU) will have been formally established; and (ii) the program Operating Regulations, previously agreed upon with the Bank, will have been approved (paragraph 3.7).</p> <p>Special contractual condition for execution: an independent verification agency will have been hired, pursuant to the terms of reference previously agreed upon with the Bank, within 90 days of the loan contract signature date (paragraph 3.8).</p>					
Exceptions to the Bank's policies: None					
Strategic Alignment					
Challenges: ^(d)	SI <input checked="" type="checkbox"/>		PI <input checked="" type="checkbox"/>		EI <input type="checkbox"/>
Crosscutting themes: ^(e)	GE <input checked="" type="checkbox"/> and DI <input checked="" type="checkbox"/>		CC <input checked="" type="checkbox"/> and ES <input checked="" type="checkbox"/>		IC <input checked="" type="checkbox"/>

^(a) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, catastrophe protection, and commodity conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

^(b) Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.

^(c) The credit fee and the inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with applicable policies.

^(d) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

^(e) GE (Gender Equality) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and rationale

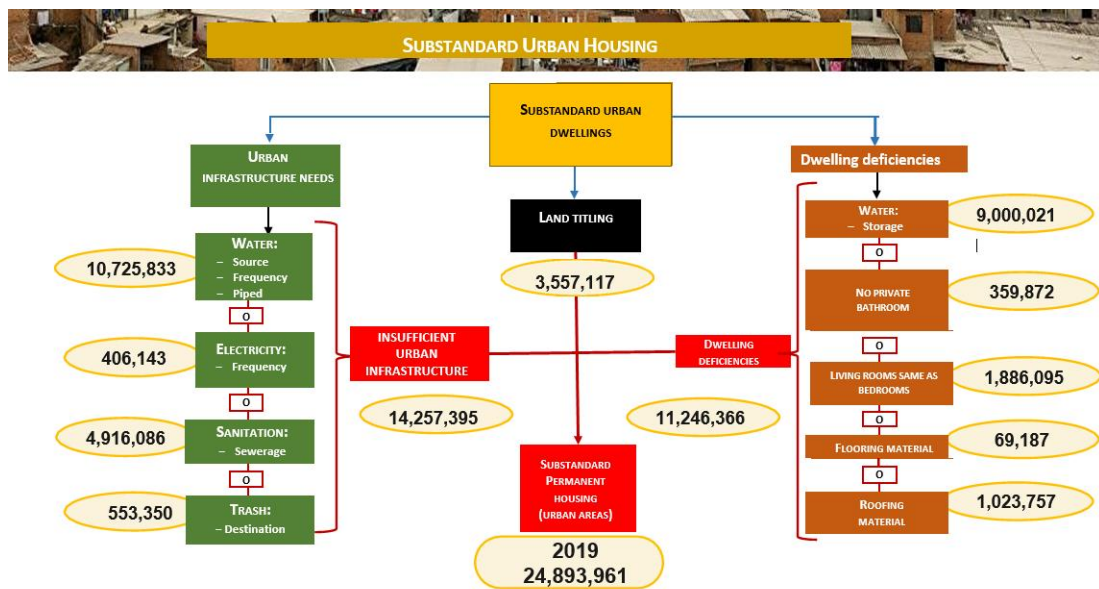
- 1.1 **Background and general rationale.** The Brazilian government, through the National Housing Secretariat, a subagency of the Ministry of Cities (MCID), the sector's lead agency, requested support from the Inter-American Development Bank [1]¹ to explore new models of housing and habitat provision, and to formulate policy strategies for the sector, particularly targeting the most vulnerable low-income groups. To meet this demand from the authorities and support its continuity, this proposal envisages the creation of a Conditional Credit Line for Investment Projects (CCLIP) with a 10-year availability period, under which individual investment operations could be approved for a total of up to US\$600 million. The first individual operation under the CCLIP will be a US\$54.5 million loan under the LBR modality.
- 1.2 **Quantitative housing shortage in the country.** One of the main socioeconomic challenges facing Brazil is the lack of access to housing, as shown by housing deficit indicators (quantitative deficit, or insufficient production of new housing units). In 2019, the housing deficit stood at approximately 5.9 million units [2]; and demand is expected to grow by an additional 1.2 million units each year through 2030.² The quantitative housing deficit is defined as follows: (i) families living in precarious housing (makeshift and rustic dwellings), totaling 1.5 million households or 25.2% of the total deficit; (ii) those living in a cohabitation arrangement (families living together in the same dwelling and those living in loaned and rented housing), totaling 1.4 million households (23.1%); and (iii) those facing an excessive rent burden (families with incomes of less than three times the minimum wage and who spend more than 30% of their income on rent), this being the largest component, encompassing more than 3 million dwellings (51.7%). There is also a clear relationship between the quantitative housing deficit and households' socioeconomic profile: 72% of precarious housing units are occupied by families with monthly incomes of up to 1 minimum wage (R\$1,212, equivalent to approximately US\$230).
- 1.3 **Qualitative housing deficit in Brazil (substandard housing).** The lack of quality housing and services in urban areas (substandard housing) is associated with the need to improve housing, rather than replace it. In 2019, there were more than 24 million substandard urban dwellings in Brazil. Of these, 14 million had no access to water and/or electricity, and/or sanitation, and/or solid waste management services; 11.25 million had structural defects and deficient construction materials (substandard construction); and 3.5 million had land tenure problems [2]. The infrastructure and construction deficiencies in dwellings correspond to a variety of needs (Figure 1). Some dwellings may be impacted by more than one type of deficiency. Problems of legal land tenure, for example, have a negative impact on property values. It is estimated that land titling in

¹ [Optional link 10](#) contains the full list of references, each of which is identified by a number in square brackets [#].

² These are the most recent statistics available. The country's census is under way, and, consequently, updated census data will be available in late 2023.

Brazil has doubled land values [3]. Studies show that land titling programs can generate an increase of between 20% and 32% in household income once the final deeds have been delivered [4]. The qualitative housing deficiencies in Brazil are closely related to: (i) urban segregation, which was estimated to affect more than 5 million dwellings in shanty towns (favelas) in 2019 [5] (i.e. 7.8% of the national total and 60% higher than the 2010 estimates); and (ii) exposure to disaster risk, since, according to the Brazilian Institute of Geography and Statistics (IBGE) and the National Center for Natural Disaster Monitoring and Warning (CEMADEN), 8.2 million people in Brazil were living in risk areas in 2010, including 2.4 million in permanent dwellings.

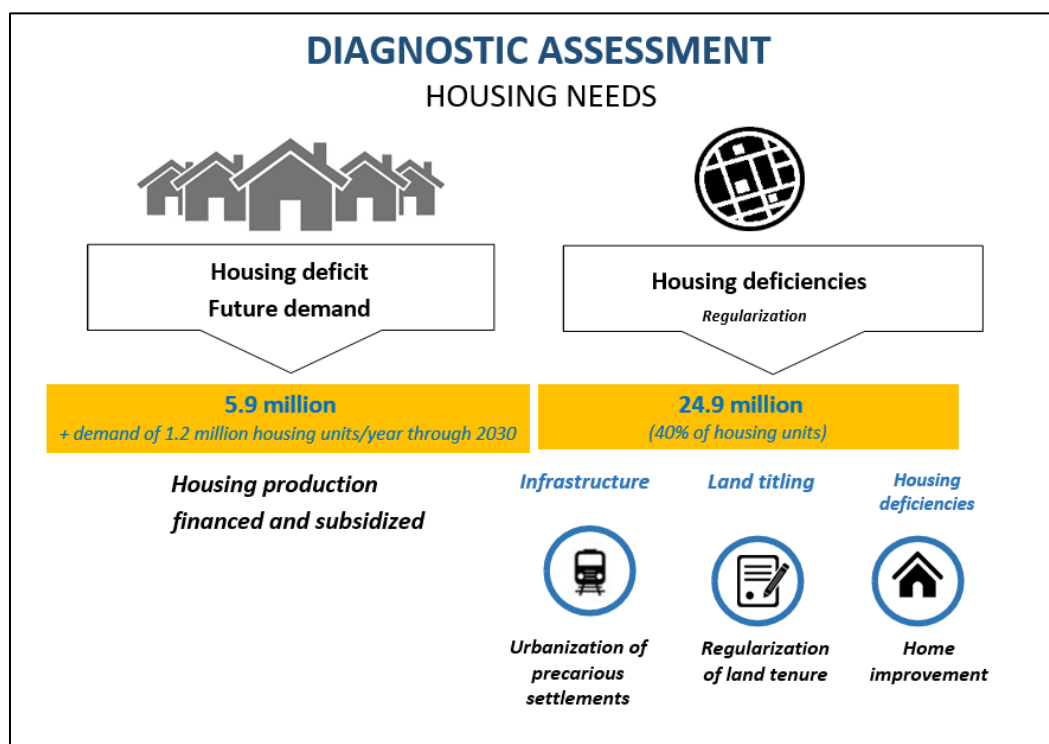
Figure 1. Subcomponents of housing deficiencies (2019)



Source: [Fundação João Pinheiro, 2021](#).

- 1.4 **National strategies for the housing sector.** The right to decent housing is guaranteed in Brazil's Federal Constitution. In 2023, the Minha Casa Minha Vida low-income housing program (PMCMV) was launched through Provisional Executive Order 1,162 of 2023. The program aims to: (i) increase the housing supply for low-income families to meet preexisting needs; (ii) promote improvements to the existing housing stock in order to address its deficiencies; and (iii) stimulate modernization of the construction sector and technological innovation. Implementation of the PMCMV is possible thanks to the Multiyear Plan 2020-2023, linked to the [Moradia Digna](#) (decent housing) thematic program. Figure 2 summarizes the type of strategy that currently exists for each challenge identified.

Figure 2. Categorization of responses to the housing challenges program

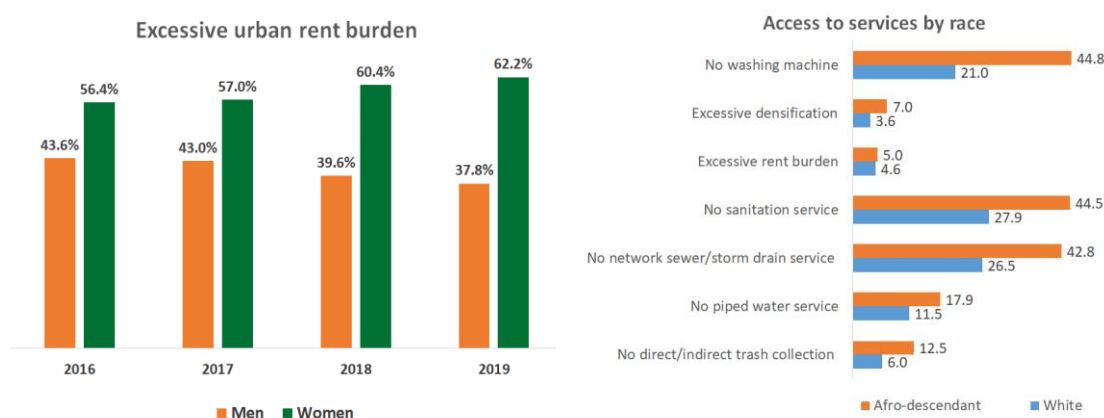


Source: National Housing Secretariat, 2021. Under the federal government's new structure, programs addressing the urbanization of precarious settlements and land tenure regularization, while serving as pillars of the national housing policy, are under the management of the National Secretariat for Periurban Areas and no longer the National Housing Secretariat.

- 1.5 **Gender challenges in the housing sector.** Women account for more than 52% of Brazil's total population. Between 2001 and 2015, the number of households headed by women grew by 105%, while those headed by men increased by just 13%; and the number of single-parent households headed by women grew by 28.3% over the same period, from 9 million to 11.6 million [6]. Recent housing deficit statistics point to gender inequality among poor households: 60% of households with deficient housing are headed by women and, of the 3 million rent-burdened families, 62.2% are headed by women [7] (Figure 3, left panel). There are also gender disparities in Brazil's housing finance market: data from the country's Central Bank and Caixa Econômica Federal (CEF) show that women account for only 38% of mortgage loans in the market, whereas men account for 62% [8]. Record unemployment estimates reveal that women have been hardest hit by the economic crisis caused by the COVID-19 pandemic, with an unemployment rate of 16.8% compared to 12.8% for men, suggesting that gender inequality may be worsening in the country ([optional link 1](#)).
- 1.6 **Diversity-related challenges in the housing sector.** The concept of intersectionality, in which an individual suffers oppression because he or she belongs to multiple categories of social identity (e.g., race, ethnicity, disability, and sexual orientation) [9], is relevant to Brazil's housing sector. This is because there are population groups that fall into more than one category of identity and are therefore overrepresented among the population impacted by the housing

deficit. Estimates based on recent data found that more than 52.6% of these households are headed by Afro-descendant women (PNAD/IBGE), 63% of which are living below the poverty line³ without access to urban services (compared to 39.6% of households headed by women who are not) [10] (Figure 3, right panel). In addition, the 2019 National Health Survey (PNS), reports a total of 17.3 million persons with disabilities (8.4% of the population) [11]. Of these, 14.4 million were living in urban households and 2.9 million in rural areas; 10.5 million were women, and 6.7 million were men. The 2019 survey also found that approximately 2.9 million people in Brazil (i.e., 1.8% of the adult population) reported being gay or bisexual. Members of the lesbian, gay, bisexual, transgender, transsexual, and queer (LGBTQ+) communities in Brazil usually live in rented dwellings [12] or are unsheltered [13]. The data also point to a 140% increase in homelessness since 2012, for a total of nearly 222,000 persons in 2020 [14] ([optional link 1](#)).

Figure 3. Gender of the head of household impacted by the housing deficit (left panel) and Differences in access to household services by race (right panel)



Source: [Fundação João Pinheiro, 2021](#).

Source: [IBGE, 2019](#).

- 1.7 Environmental sustainability and climate change in the housing sector.** Brazil's greenhouse gas emissions totaled 1,467 Gigatons of CO₂ equivalent in 2016, of which approximately 1% are attributable to the residential sector [15]. The challenges of rapid growth and transformations of the urban landscape are exacerbated by the effects of climate change and have impact on housing and people's quality of life. In particular, the impacts of global warming that are evident in Brazil include: (i) a 2.5°C increase in the average temperature in coastal zones between 1901 and 2012; (ii) an increase in the number of days per year with more than 30 millimeters of precipitation in southeastern Brazil; (iii) changes in the temperature and salinity of the South Atlantic; and (iv) an increase in the frequency and intensity of El Niño Southern Oscillation (ENSO) events, and their influence on the continental climate [16]. In response to this

³ According to the latest IBGE synthesis of social indicators, a person is considered to be below the poverty line when he or she lives on less than US\$1.90 per day.

challenge, in its Nationally Determined Contribution (NDC) [17], Brazil is committed to reducing its greenhouse gas emissions by 37% in 2025 compared to the 2005 baseline; and it aims to reduce them by 50% by 2030 and achieve carbon neutrality by 2050. Brazil's NDC also recognizes the need to improve development indicators in the areas of housing and social inclusion, while contributing to global efforts to mitigate greenhouse gas emissions. The use of environmental sustainability criteria in social housing improvement highlights its importance in promoting the efficient and rational use of natural resources, improving living conditions, reducing household expenses on basic services, and contributing to a reduction in local pollution, among other collateral benefits ([optional link 2](#)).⁴

1. First individual operation under the “ProMorar Brasil” CCLIP

- 1.8 **General problem.** The large quantitative (insufficient) and qualitative (substandard) housing deficits in Brazil affect low-income families. In 2019, the quantitative deficit amounted to 5.8 million units (paragraph 1.2), and the qualitative deficit affected more than 24 million households (paragraph 1.3) [18].
- 1.9 **Determining factors.** Although these large deficits are attributable to multiple factors, this operation focuses on the following: (i) the dispersion and lack of transparency of information on the production and supply of housing built with federal funding, which limits participation by the private sector and citizens in resolving access to decent housing for low-income families; (ii) the scarcity and high cost of microfinance for housing to combat the qualitative deficit, the market for which is just beginning to emerge in Brazil (in most cases, microfinance is obtained through direct consumer credit issued by large banks and without technical assistance); and (iii) the complexity of the housing agenda, considering that the scale of the problem and existing disparities associated with the institutional framework and administrative capacity hinder medium and long-term planning, the diversification of service channels, and the inclusion of socioenvironmental sustainability considerations [19].
 - a. **Determining factor 1.** The dispersion and lack of transparency of information on the production, supply of, and demand for housing built with federal funding limit private sector and citizen participation in resolving access to decent housing for low-income families. Today there are more than five federal systems and numerous local systems in inventory: the register of benefits and loans issued (CADMUT), social programs (CadÚnico), administrative databases for consultation to identify beneficiaries (RAIS, CADIN, SIACI), register of housing demand (subnational databases), among others. Each sector-level institution has its own information system for the part of the process that it administers and operates; but these systems are not integrated into a digital platform at the federal level, nor do they cover all elements of the process. Thus, sector actors (the construction industry, developers, financial institutions and agents, subnational entities, organized

⁴ [Optional link 2](#) includes mitigation and adaptation measures that promote the reduction of energy demand through energy efficiency strategies and efficient water consumption. In addition, construction materials will be aligned with [Brazil's Habitat Quality and Productivity Program](#), which seeks to improve the quality and durability of works and to modernize the construction sector.

civil society, and low-income families) do not have access to transparent, expeditious, and clear information on existing housing supply and demand. Moreover, families do not have information on available lending support (e.g., in terms of amounts and financing conditions), particularly for vulnerable families [20], nor on the complete portfolio of housing solutions available in the real estate market in each locality. On the one hand, the multiplicity and complexity of beneficiary selection systems prevent families from transparently estimating their chances of accessing a housing solution, let alone being able to choose among the alternatives. On the other hand, developers do not have a consolidated view of demand and thus tend to make very conservative investment decisions [21].

- b. **Determining factor 2.** Although there is strong demand for improvements among the 11.3 million housing units with substandard construction (a survey noted that 82% of the lowest-income population in groups D/E [22] stated that they needed to improve their homes, while less than half spend money on construction materials and improvement services [23]). This demand is repressed⁵ because housing microfinance for home improvements and for overcoming construction deficiencies is scarce and expensive [24]. This is explained by the following: (i) nearly all improvements are currently financed through direct consumer credit with commercial banks at high interest rates (starting at 3% per month). Recently, more than 100 small home improvement enterprises have emerged that offer technical assistance, sometimes combined with microloans; but they have difficulty in accessing affordable funding and thus far do not have collateral instruments; (ii) credit is expensive, owing to a high funding cost associated with inappropriate regulations (which require a 100% risk weighting factor); (iii) the impossibility of pledging the dwelling as collateral and the absence of accessory guarantees elevates the credit risk assumed by the financial institution and, consequently, raises the costs associated with the loan; and (iv) the lack of technical assistance, owing to scant supply (few technical assistance firms in the market), makes it impossible to reduce the risk.⁶ It is, therefore,

⁵ According to data from Fundação João Pinheiro, the prevalence of substandard housing increased by 9.2%, from 10.3 million housing units in 2016 to 11.3 million in 2019. Assuming improvements with an average cost of R\$12,000, approximately R\$135 billion would be needed to address the deficiencies existing in 2019. Between 2016 and 2019, there was no policy to address substandard housing, since it was only in 2020 (Law 13,465/2017) that the Land Regularization and Housing Improvement Program (RegMel) was created, which initially provided direct subsidies to families that could not pay (financing). Between 2016 and 2019, housing microfinance issued for renovation, expansion, or the purchase of construction materials was channeled through consumer credit lines, or else financed from savings totaling approximately R\$600 million. Interest rates are significantly higher than those charged in the housing financial system and, consequently, serve families that are better able to pay. In the years in question, there was no financing for the purchase of construction materials using resources from the Length of Service Guarantee Fund (Fundo de Garantia do Tempo de Serviço, FGTS). Low-income families were served by a few home improvement microfinance initiatives promoted by firms with a social focus, such as Ceape, Banco do Povo, and Nova Vivenda. This active portfolio amounted to only some R\$2 million as of April 2020, according to partial data obtained from some of these actors [24].

⁶ A 2015 [survey](#) of the economically active population between 18 and 75 years of age by the Brazilian Architecture and Urban Development Council and the Datafolha Institute revealed that 54% of respondents had already undertaken renovations and construction work. Of these, 85.4% did not engage an architect or engineer in their projects.

necessary and urgent to nurture the affordable microfinance market and thus make it possible to enhance the quality of low-income housing in Brazil.

- c. **Determining factor 3.** The complexity of the housing agenda, the magnitude of the problem, and disparities associated with the institutional framework and administrative capacity hinder medium- and long-term planning, the diversification of service lines, and the inclusion of socioenvironmental sustainability considerations. Launched in 2009, the National Housing Plan has not been revised as planned and is nearing the end of its term. Moreover, programmatic and thematic gaps can be identified that could be better explored for implementation. One issue that needs sharper focus is environmental sustainability: there are few incentives for sustainable construction and in consolidated urban areas, while the sector is one of the largest generators of environmental impacts. Although there are no specific data for the housing sector, the International Energy Agency (IEA) estimates that in 2019 the construction sector value chain, as a whole, accounted for 35% of global energy consumed and 38% of CO₂ emissions [25]. Another issue that needs to be targeted in housing policy is housing that does not involve the transfer of ownership, and for specific population groups, such as the homeless. An example of this is the absence of a federal low-income rental program, while over 3 million households struggle with an excessive urban rent burden, this being the main component of the housing deficit [26]. Similarly, the homeless population, which has grown rapidly (especially in recent years in the wake of the COVID-19 pandemic), is a segment that is not considered in PlanHab 2009-2023, nor in housing policies generally. The qualitative diagnostic assessments performed for the review of PlanHab identify the constraints imposed by the fragility of coordination and cooperation agreements between federal and subnational governments in the implementation of housing policy. This is due partly to the absence or fragility of institutions, administrative structures, and human resources for policy management at the local and regional levels; and it is compounded by a failure to target the most vulnerable households, such as those headed by women, or those that include persons with disabilities, among others. In fact, the proximity of the end of its validity and the changes that have occurred since 2009—e.g. in the housing market, in the financial/credit sector, in the socioeconomic situation of families, in macroeconomic and demographic scenarios, in the environmental and technological context, among others—make it necessary to revise PlanHab and formulate new long-term strategies, action plans, and new deadlines [27].

- 1.10 **Lessons learned from Bank projects.** In thematic terms, the program builds on capacities developed in previous housing improvement programs in Brazil and elsewhere in the region. The “Habitar Brasil” Low-income Neighborhood Improvement Program (loan [1126/OC-BR](#)), the Low-income neighborhood urban development programs in Rio de Janeiro (Favela Bairro I, loan [898/OC-BR](#), 1995-2001; Favela Bairro II, loan [1241/OC-BR](#), 2000-2006; Favela Bairro III, loan [2482/OC-BR](#), 2010-2019); the Niterói Urban Development and Social Inclusion Program ([2941/OC-BR](#)); the Integrated and Sustainable Urban Development Program of the Municipality of João Pessoa (loan [4444/OC-BR](#)); and the Urban Upgrade Program in the Western Area of Aracaju – Building for the Future (loan

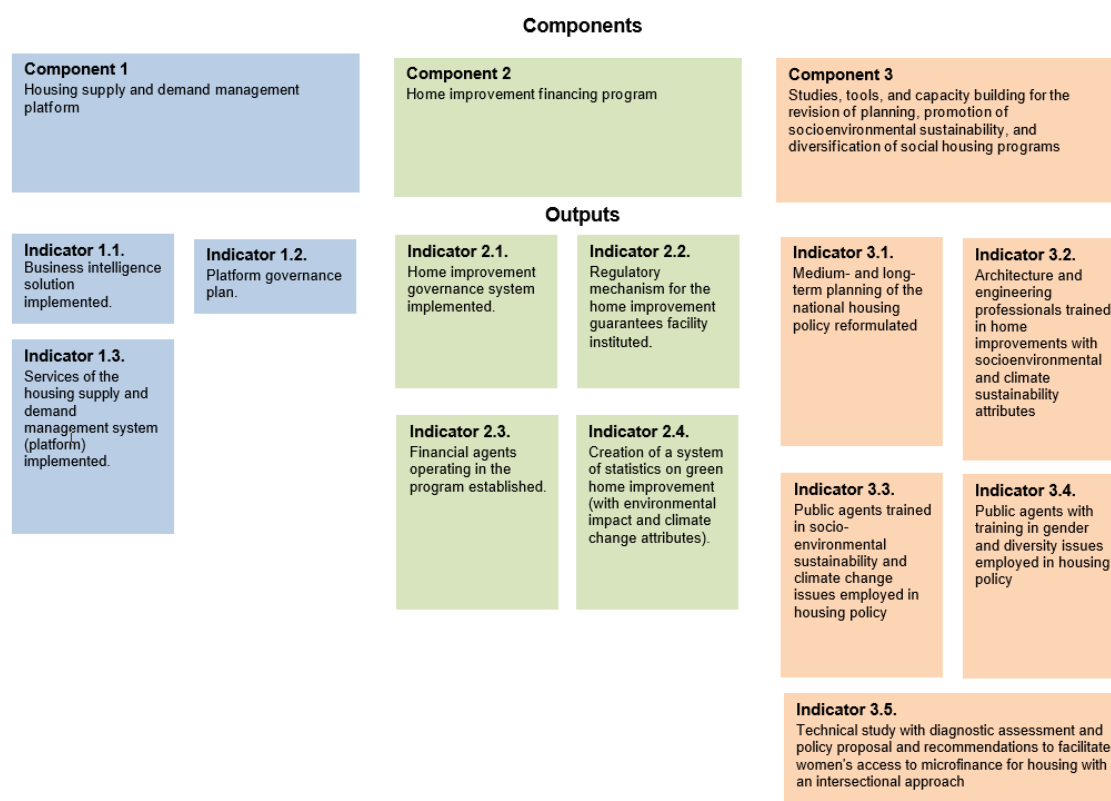
[4736/OC-BR](#)), among others. The main lesson learned from these programs is that designing comprehensive programs is essential, in other words: (i) interventions that focus on the habitat continuum, e.g. simultaneously supporting urban infrastructure, land tenure regularization, and housing improvement (both outside and inside the home); (ii) striking a balance between hardware (infrastructure works) and software (people's quality of life): a focus on access to social services, community facilities, employment and income opportunities, mechanisms to protect against discrimination and promote socioeconomic integration, etc.; and (iii) coordination with sector actors to maximize the impact of interventions and leverage resources. Regarding the program's conception, it was inspired by the most recent Housing and Urban Development Division intervention (CSD/HUD) in Chile, the Program for the Urban Integration of Informal Settlements ([5313/OC-CH](#)), for which CSD/HUD designed a support format drawing on an existing public sector dynamic with the aim of strengthening and maximizing the program's results. From the perspective of designing new financial projects, the team tasked with the program was aware that providing lines of finance to underserved population segments does not in itself guarantee the effect on the potential beneficiaries if the main problem is risk tolerance on the part of the lending financial institutions. The IDB has extensive experience structuring credit guarantee products to mobilize private-sector lending. With specific regard to the design of credit risk mitigation mechanisms, the program has benefited from recent experiences of the Connectivity, Markets, and Finance Division (IFD/CMF) in Brazil ([5130/OC-BR](#), [5452/OC-BR](#), [5453/TC-BR](#), and [GRC/TC-19109-BR](#)) that supported the Emergency Global Credit Program for Access to Credit (PEAC) of the Investment Guarantee Fund (FGI) and the Energy Efficiency Guarantee Fund (FGEnergia), respectively. Lastly, as a financial innovation, the model of intervention proposed for this operation generates lessons learned for future programs of the country and the region.

- 1.11 **Vertical logic.** The program's vertical logic is set out in detail in Figure 4. Details of the vertical logic and theory of change can be consulted in [optional link 3](#).

Figure 4. Vertical logic of the first operation



Figure 4. Vertical logic of the first operation



Source: IDB, 2022.

1.12 **Strategic alignment of the country.** In terms of the country priorities, the [Moradia Digna](#) decent housing program of Brazil's Multiyear Plan for 2020-2023⁷ aims to enhance housing access and improve housing conditions, and includes more private-sector investment as a basic guideline. The housing policy embodied in the PMCMV seeks to innovate and diversify the different types of housing assistance with solutions that are more in tune with the diverse realities that exist in the country.⁸ The PMCMV's three objectives are: (i) housing supply; (ii) improvement of the existing housing stock to address deficiencies; and (iii) the quality and modernization of civil construction production. The components of ProMorar Brasil are fully aligned with these three objectives: (i) better access to housing is the expected result of Component 1, where the housing platform, by connecting demand and supply more effectively, increases housing assistance, especially in the housing purchase and rental modalities; (ii) promotion of home improvement is the expected result in Component 2, where the home improvement program, through a guarantee, will expand the home improvement microfinance market; and

⁷ The new Multiyear Plan 2024-2027 is being discussed in the federal government, including the proposed continuity of the Moradia Digna program and the expansion of investments and targets.

⁸ Pursuant to Law 13,971 of 27 December 2019; [Provisional Executive Order 1,162](#) of 14 February 2023, and [Federal Decree 11,439](#) of 17 March 2023.

(iii) better quality housing, especially in terms of environmental sustainability, is one of the expected results of Component 3, where the new PlanHab and its environmental studies enhance the sector's efforts to foster urban densification, and where stakeholder capacity building aims to promote sustainable construction in the housing sector, with a focus on improvements ([optional link 4](#)).

- 1.13 **Strategic alignment of the Bank.** In terms of institutional priorities, the program is consistent with the second Update to the Institutional Strategy (document AB-3190-2) and is expected to contribute to the IDB Group's Corporate Results Framework (CRF) 2020-2023 (document GN-2727-12), as it addresses the following development challenges: (i) social inclusion and equality, by improving access to and the quality of social housing for low-income populations; and (ii) productivity and innovation, by improving the allocation of public subsidies to enhance resource efficiency. It is also aligned with the following crosscutting themes: (i) climate change and environmental sustainability, by promoting an environmental policy, urban densification, and green and resilient construction in housing improvement. As much as 45.51% of the Bank's funding is invested in climate finance for the aforementioned activities, according to the [joint methodology of the multilateral development banks on climate finance](#) ([optional link 2](#)); and (ii) gender equality and diversity, by: (a) strengthening the capacity of public actors to address gender and diversity gaps in housing; (b) improving the culture of disaggregated data on gender, ethnicity, race, and disability, which will strengthen future targeted housing programs for women, persons with disabilities, Afro-descendants, and indigenous people; and (c) creating a technical study with a diagnostic assessment and policy proposal to facilitate women's access to housing microfinance with an intersectional approach; and (iii) institutional capacity and rule of law, by creating digital management tools for the housing sector (an integrated data management platform that improves the efficiency and planning of subsidies and facilitates citizen access to information and benefits) and structuring a sector training system for all public-sector managers involved in the new housing policy. The program will contribute to CRF Indicator 2.3: *Beneficiaries of targeted anti-poverty programs*. Lastly, the program is consistent with the Bank's [Housing and Urban Development Sector Framework](#) document, in its Line of Action 1 "Overcoming Structural Social Exclusion," which aims to: (i) upgrade underserved and informal neighborhoods; and (ii) increase access to adequate housing.
- 1.14 Based on its registration/eligibility date, this operation does not fall within the time frame defined by the Paris Alignment Implementation Approach (PAIA) (document GN-3142-1);⁹ therefore, the loan proposal does not contain information related to its analysis for alignment with the Paris Agreement mitigation and adaptation targets.

⁹ The PAIA applied to all operations that have reached eligibility as of 1 January 2023. The scope of application includes investment loans, policy-based loans, equity investments, long-term corporate finance, and investment subsidies with approved amount greater than US\$3 million. (...) "The PAIA will not be applied retroactively in operations that reached eligibility before the year of 2023." IDB Group Paris Alignment Implementation Approach: Principles, Methodology, and Technical Guidance; paragraph 2.10.

- 1.15 **The Bank's country strategy with Brazil.** The operation is aligned with the IDB Group's Country Strategy with Brazil 2019-2022 (document GN-2973), in priority area (iv) "Reduce social inequality and inequality of opportunity by enhancing public policy efficiency," which targets strategic objective (v) "Implement efficient policies to increase access to housing" (paragraph 3.37). The strategy supports the following crosscutting challenges that will be crucial in the operation: (a) gender and diversity; (b) environmental sustainability and climate change (paragraph 1.13); and (c) Innovation and digital transformation (mainly through the housing platform for digitalization and optimization of sector data).

B. Objectives, components, and cost

1. "ProMorar" CCLIP

- 1.16 **General objective of the CCLIP.** The general objective of the CCLIP is to promote new strategies for housing and habitat improvement in Brazil, with focus on the low-income population, thereby helping to speed up economic development and reduce social inequalities in the country ([optional link 5](#)).
- 1.17 **Beneficiaries.** The CCLIP will benefit all stakeholders in the housing and habitat sector. The end beneficiaries will be: (i) low-income families, promoting social housing¹⁰ and the low-cost housing market segments;¹¹ (ii) subnational governments (states and municípios); (iii) private sector agents (e.g. construction, financing, and condominium and rental property management), and; (iv) the third sector (e.g. organized civil society and popular movements); (v) the academic community; and (vi) citizens at large, who will have access through the information platform to Brazil's housing supply and demand for decision-making.

2. First individual operation under the "ProMorar Brasil" CCLIP

- 1.18 **Objective of the individual operation.** Within the CCLIP's general objective of promoting new strategies for housing and habitat improvement, the first operation seeks, from the federal level, to provide public, private, and civil society actors with new tools to facilitate and diversify access to social housing solutions, with the aim of expanding access to decent housing. The specific objectives of the operation are to: (i) connect housing supply with demand and thus make adequate housing more accessible; (ii) develop and implement a sustainable national microfinance program for home improvement targeting low-income families, with the aim of reducing the problem of substandard housing; and (iii) strengthen the National Housing Plan and the National Housing Policy by

¹⁰ [Article 1 of Law 14,118/2021](#) defines the following family income ceilings for social housing eligibility funded by the federal government of Brazil: in urban areas, families with gross monthly family income of up to R\$7,000.00; and, in rural areas, those with gross annual family income of up to R\$84,000.00. These ceilings and groups are specified in Article 2 of Decree 10,600/2021.

¹¹ The federal government has not adopted the low-cost market category (mercado popular), but only the assistance groups and the income thresholds described above. However, municípios such as São Paulo provide assistance modalities with higher income thresholds for families who still need help in obtaining housing. This is considered as the low-cost housing market (mercado popular).

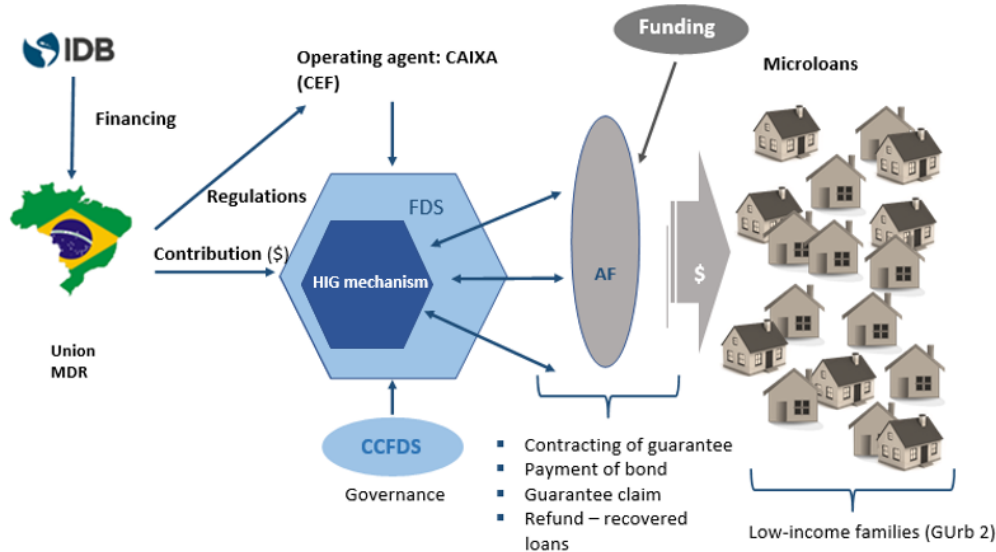
promoting socioenvironmental sustainability; providing training to subnational civil servants, engineers, and technicians; and diversifying social housing programs.

- 1.19 **Component 1. Housing supply and demand management platform (IDB US\$2,855,925).** This component will deliver the following key outputs: (i) implementation of a business intelligence solution; (ii) preparation of a platform governance plan; and (iii) implementation of housing demand and supply management system services (paragraph 4 of [optional link 3](#)). These outputs, through digitalization, will help connect housing supply with demand and upgrade its management, thereby improving access to decent housing. This will contribute to creating a culture of disaggregated and geo-referenced data through intersectional demographic segmentation (gender, race, ethnicity, family income, disability). It will also contribute to the measurement of baselines for potentially differentiated assistance; and, if assistance gaps are identified, it could form the basis for the development of differentiated policies in the future. This component will also contribute to systemizing the collection and analysis of environmental data to document the climate impact of housing investments (at the individual property scale, in terms of green building, but potentially also at the urban scale, to encourage urban densification).
- 1.20 **Component 2. Home improvement financing program (IDB US\$48.4 million).** This component will deliver the following key outputs: (i) development of a mechanism for providing home improvement guarantees (HIG mechanism); (ii) creation of a home improvement control and monitoring system (technological platform and financial agent rules); (iii) promotion of the gradual diversification of financial agents operating in this market; and (iv) creation of a system of statistics on green home improvement (with environmental impact and climate change attributes). The delivery of these outputs will make it possible to develop and implement an improvement market driven initially by a national microfinance program to facilitate sustainable home improvement¹² for low-income families, with the aim of reducing the qualitative deficit (for further details on these outputs, see paragraph 5 of [optional link 3](#); and for further information on the HIG mechanism, see [optional link 6](#)). The HIG mechanism, which is illustrated in the figure below, will be operated by the Federal Savings Bank (Caixa Econômica Federal – CEF), which is the operating agent of the Social Development Fund (FDS). The aforementioned guarantee will be used to promote additional and more affordable financing for housing improvements, by attracting new financial agents (e.g., banks, credit unions, fintechs, and NGOs) starting with the CEF and subsequently including other additional financial agents. Since this guarantee will help mitigate the financial agents' risk, a greater supply of credit and/or a lower interest rate is expected, which will make many more improvements feasible and thus contribute toward reducing the qualitative deficit. The eligibility criteria for the HIG mechanism, which the program Operating Regulations describe in detail, include a maximum level of family income, beneficiaries must reside in formal urban areas or those in the process of being formalized (excludes areas at risk for disasters and under environmental

¹² [Optional link 2](#) provides detailed information on home improvement strategies with environmental sustainability criteria, encouraging the inclusion of energy efficiency measures, efficient water consumption, and good-quality building materials.

projection), and types of repairs,¹³ as well as the guiding aspects for the structuring of the guarantee mechanism, among others.

Figure 5. Mechanism for providing home improvement microfinance guarantees



Source: IDB, 2022.

- 1.21 **Component 3. Studies, tools, and capacity development for the review of planning, promotion of socioenvironmental sustainability, and diversification of social housing programs (IDB US\$2.4 million, Local US\$500,000).** This component will deliver the following key outputs: (i) preparation of studies to subsidize the reformulation of the National Housing Plan and the National Housing Policy in the medium and long terms; (ii) training for architecture and engineering professionals in housing improvement with socioenvironmental and climate sustainability criteria; (iii) preparation of a technical study with a diagnostic assessment and policy proposal to facilitate women's access to housing microfinance with an intersectional approach; (iv) training for subnational civil servants on socioenvironmental sustainability and climate change issues applied to housing policy; and (v) training for subnational civil servants on gender and diversity issues applied to housing

¹³ Works and services that ensure health, safety, and minimum building and habitability standards defined by local ordinances, and the adaptation of dwelling size to the number of family members living in them, or the functionality of the family, as well as the adaptability of housing for accessibility, the installation of solar heating, energy efficiency, or water-savings equipment.

- policy (paragraph 6 of [optional link 3](#)).¹⁴ The delivery of these outputs will strengthen the National Housing Plan and Housing Policy, promoting socioenvironmental sustainability, the training of housing policy actors, and diversification of social housing programs. In terms of mainstreaming gender, diversity, environmental sustainability, and climate change, this outcome will enable a paradigm shift in the sector by providing training for key agents in public housing policy, particularly municipal and state teams, and architecture and urban planning professionals. This knowledge management and cultural shift will be considered as a basis for change of practices and practical implementation in housing programs ([optional link 3](#)).
- 1.22 **Program administration and management (IDB US\$400,000).** The program will cover the costs of independent monitoring of the achievement of results in each of the disbursement tranches, as well as program administration and evaluation costs. An ex post economic evaluation, a final program evaluation, and an impact evaluation are also planned.
- 1.23 **Beneficiaries.** The housing platform aims to serve the 26 states, the Federal District, and Brazil's 5,570 municípios, along with developers, construction companies, technical assistance professionals, works executing agencies, the sector's financial agents, and housing subsidy and home improvement loan applicants. The home improvement guarantee mechanism (HIG mechanism) will directly benefit low-income households whose dwellings are impacted by substandard construction, reaching 152,000 low-income households (approximately 470,000 people) in the first round of guarantees. Component 3 will benefit housing policy actors, and in particular the National Social Housing System (SNHIS).¹⁵
- 1.24 **Gender and diversity actions.** As the primary intervention, and considering the lack of, and need for, awareness-raising on gender and diversity biases and challenges in the housing sector, this program will provide training on a massive scale to agents from the public sector (officials from state and municipal housing secretariats) and private sector (financial agents and professional architects and

¹⁴ The training addresses issues such as urban governance (participation, representativeness, and symbolic presence); functionality (accessibility, walkability, inclusive residential architecture, etc.); and safety in public spaces and condominium areas (security design, legal and institutional provisions, etc.). These are tailored to the needs of different groups—women and men, older persons (elderly) and children, persons with disabilities, people of different races and ethnicities, LGBTQ+, migrants and refugees, homeless persons, among others. This training will be based on the IDB Academy course "[Cidades para Todos – gênero e diversidade nos espaços urbanos](#)" [Cities for All: Gender and Diversity in Urban Spaces].

¹⁵ Instituted by [Law 11,124](#) of 16 June 2005, Article 5 of which stipulates the following agencies and entities as part of the National Social Housing System: (i) the Ministry of Cities, the lead agency of the National Social Housing System; (ii) the management board of the National Fund for Social Housing (FNHIS); (iii) the Federal Savings Bank (CEF), the operating agency of FNHIS; (iv) the Council of Cities; (v) councils at the state, federal district, and municipal levels, with specific responsibilities for urban and housing issues; (vi) agencies and institutions that form part of public administration, either directly or indirectly, at the federal, state, federal district, and municipal levels; and regional or metropolitan institutions that perform complementary or housing-related functions; (vii) foundations, companies, unions, community associations, housing cooperatives, and any other private entity that engages in housing activities, whether similar or complementary, all as agents promoting actions within the domain of the National Social Housing System; and (viii) financial agents authorized by the National Monetary Council to operate in the Housing Finance System (SFH).

engineers of the improvement program) on barriers and biases towards women, persons with disabilities, LGBTQ+ people, Afro-descendants, and indigenous people (paragraph 1.20). Considering that disaggregated data on gender, disability, race, and ethnicity in the housing sector are scarce, the program will contribute to improving the management of disaggregated housing data within the housing platform, by cross-referencing data that is scattered among various databases and refining their statistical treatment (paragraph 1.18). This methodology will be developed as a priority in the improvement program's data universe (Component 2) and will be analyzed in the impact assessment to be performed at the end of the program. Lastly, this program will design a technical study, including a diagnostic assessment and policy recommendations to facilitate women's access to housing microfinance, with an intersectional approach (paragraph 1.20) ([optional link 1](#)).

C. Key performance indicators

- 1.25 **Outcome 1.** The following indicators will be used to verify the achievement of results related to the specific objective of connecting housing supply and demand: (i) Housing units registered in the housing platform; (ii) Housing units registered in the housing platform with environmental information established; (iii) Families registered in the housing platform; and (iv) Heads of households registered in the housing platform with information on gender, disability, race, and ethnicity.
- 1.26 **Outcome 2.** The following indicators will be used to verify the achievement of results associated with the specific objective of developing and implementing a sustainable national microfinance program for home improvement that targets low-income families: (i) Number of microfinance guarantee contracts for home improvement signed; and (ii) Number of housing units with improvements completed.
- 1.27 **Outcome 3.** The following indicators will be used to verify the achievement of results related to the specific objective of strengthening the National Housing Plan and the National Housing Policy: (i) First cycle of PlanHab evaluated as successful; (ii) Percentage of professionals trained issuing the Annotation of Technical Responsibility (ART) and/or Technical Responsibility Register (RRT) of improvement works contracted with guarantees; and (iii) Percentage of subnational governments with executive staff that have received training in gender, diversity, environmental sustainability, and climate change.
- 1.28 The program's impact indicator, associated with the operation's general objective, is "Increase in property value after the interventions."
- 1.29 The disbursement-linked indicators by component are as follows: (i) Number of families registered in the housing platform; (ii) Number of home improvement microfinance guarantee contracts signed; (iii) Mechanism for providing home improvement guarantees instituted in accordance with local legislation; (iv) First cycle of PlanHab 2040 evaluated as successful; and (v) Studies performed to support the reformulation of the National Housing Policy (Annex II).
- 1.30 **Economic analysis.** The ex ante economic analysis of the program indicates that, with an annual discount rate of 12% over a 10-year horizon: (i) the net present value of the program is US\$21.4 million and its internal rate of return

(IRR) is 36.7% considering the input-output matrix with a multiplier of 30% (this multiplier is conservative since in Brazil it is 46%); (ii) the leverage to be achieved by the guarantee will represent potential financing of US\$415 million for 152,000 home improvement projects; (iii) the sensitivity analysis shows that even if costs rise by more than 52%, the IRR would still remain viable; and (iv) similarly, if the program's benefits are reduced by more than 33%, the program would still remain viable (with an IRR of 12%).

- 1.31 The program's economic feasibility assessment ([optional link 8](#)) was prepared using an [input-output matrix](#) prepared by Fundação Getúlio Vargas, which estimated values of the Keynesian multiplier for the civil construction sector. This model was chosen because the program does not have a sample for evaluation. The cost considered is the total cost of the program, plus incremental costs.¹⁶ The loans issued for housing renovation will generate positive impacts on the growth of economic activity and productivity in the program's area of influence. Based on the concept of attraction, public investment in private capital induces real private sector investment in the economy, triggering changes in potential GDP.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

1. "ProMorar" CCLIP

- 2.1 **Type and modality.** The CCLIP will support elements of the National Housing Plan. In this first operation, the qualitative deficit will be addressed predominantly through home improvement. The operation is designed to allow for more than one executing agency, which is why the CCLIP will be structured under Multisector modality II (pursuant to documents GN-2246-13 and OP-1622-3). The liaison agency will be the International Affairs and Development Department of the Ministry of Planning and Budget (SEAID), which is empowered to perform this function.
- 2.2 **Sectors.** The CCLIP will address the following sectors: the provision of housing solutions (which may encompass construction, improvement, and regulatory or financial arrangements, among others, and may include ownership, rental, leasing, or other forms of housing such as retrofit, co-living, senior living, and innovations in housing solutions); neighborhood and habitat improvement (which may include infrastructure, risk management and disaster prevention, land regularization, housing improvement, among other issues); and sector strengthening (which may include data management, capacity building, and legal, institutional, and financial modernization, among other aspects).
- 2.3 The following crosscutting themes will be addressed: gender and diversity (assistance to populations with diverse profiles, creation of disaggregated sector-level data, specific incentives); climate change and environmental sustainability

¹⁶ The benefits were estimated assuming that the program's investments to establish a loan guarantee fund for families—which will be channeled through the private credit and support systems development actions and technical training for management—will leverage private funding under conditions that are accessible to the low-income population.

(urban densification, sustainable infrastructure, green construction); and digitalization (modernization of sector management, smart cities).

2.4 **Institutional arrangements.** The following are eligible as borrowers in individual loans or guarantees financed under the CCLIP: (i) the Federative Republic of Brazil; (ii) Brazilian states, municípios, and the Federal District; and (iii) public development banks (at the federal, regional, or state level) that onlend to third parties (e.g. subnational governments, firms, or individuals) for specific investments that contribute to habitat improvement in Brazil.

2.5 **Amount and term.** The CCLIP will have funds of up to US\$600 million to be deployed over a 10-year availability period, through approximately five individual investment loan operations or guarantees that support investment projects, under the terms of documents GN-2246-13 and OP-1622-3. The timeframe of the CCLIP is justified since it aligns with the ten-year period of PlanHab; and the consolidation of an evidence-based policy model requires a medium-term vision that transcends government terms of office and incorporates an increasing number of subnational governments to achieve outcomes and impacts on a larger scale.

2. The first individual operation under the “ProMorar Brasil” CCLIP

2.6 **Modality, amount, and term.** The first individual operation to be financed under the CCLIP will be an LBR with a five-year disbursement period. The program will cost U\$54,555,925, of which U\$54,055,925 will be financed by a loan from the Bank’s Ordinary Capital; and US\$500,000 will be provided in local counterpart funding.

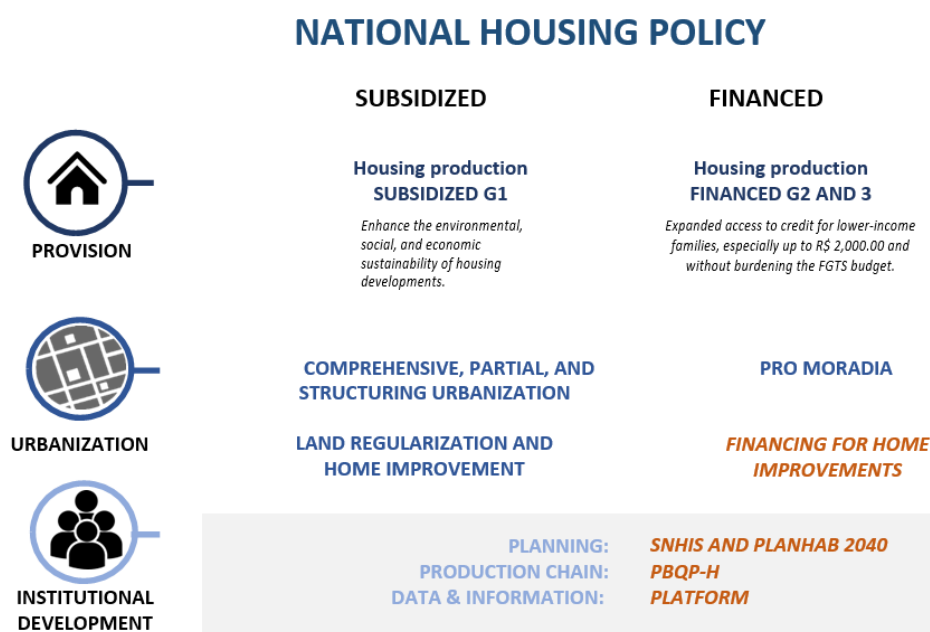
Table 1. Estimated program costs (US\$)

Component	IDB	Local	Total	%
Component 1: Housing supply and demand management platform	2,855,925	0	2,855,925	5.2
Component 2. Home improvement financing program	48,400,000	0	48,400,000	88.7
Component 3. Studies, tools, and capacity building for the revision of planning, promotion of socioenvironmental sustainability, and diversification of social housing programs	2,400,000	500,000	2,900,000	5.3
Program administration and management	400,000	0	400,000	0.7
Total	54,055,925	500,000	54,555,925	100

2.7 **Rationale for using the LBR instrument.** The Loan Based on Results is the most appropriate instrument for carrying out this program, inasmuch as (i) it aims to support an existing government program (Moradia Digna decent housing program/PMCMV) in achieving results (Figure 6 and [optional link 4](#)), through the creation of structural tools integrated into national policy (rather than one-off investments). For example, with the HIG mechanism, LBR investments will leverage private funds and make it possible to extend coverage of the existing program (which today serves only 20% of the poorest households in each

intervention polygon through subsidized improvement), by creating financing instruments that do not currently exist. The program will also (ii) promote the use of the executing agency's fiduciary systems, validated through the Institutional Capacity Analysis Platform (ICAP), and thereby provide full management autonomy, since all outputs will persist beyond the program. Hence, the use of country systems makes it possible to guarantee the sustainability of results; and (iii) ensure an expeditious operation during the execution phase, based on achieving targets¹⁷ for pre-agreed upon indicators, with low transaction costs. The proposal meets the requirements for an LBR (document GN-2869-10) and those of the "Proposal to Establish the Bank's Sovereign Guaranteed Loan Based on Results" (document GN-2869-3)

**Figure 6. Introduction of the operation's objectives (elements in orange)
in the Federal National Policy (elements in blue)**



Source: SNH, 2023.

- 2.8 Disbursement schedule.** The loan proceeds will be disbursed over a five-year period as shown in Table 2. The execution period is based on the estimated time needed to achieve the results proposed in the program and, in particular, owing to its innovative nature. An indicative analysis on the planning and itemized and specific cost of the outputs necessary to fulfill the outcomes is included in chapter 9 of [optional link 3](#).

¹⁷ Chapter 9 of [optional link 3](#) shows how expenditures associated with midterm outputs and outcomes are planned, enabling the achievement of the final outcomes.

Table 2. Tentative disbursement schedule (US\$)

Source	Year 1 ¹⁸	Year 2	Year 3	Year 4	Year 5	Total
IDB	23,800,000	16,600,000	7,100,000	5,870,925	685,000 ¹⁹	54,055,925
Local	250,000	0	125,000	125,000	0	500,000
Total	24,050,000	16,600,000	7,225,000	5,995,925	685,000	54,555,925
%	44.1	30.4	13.3	11.0	1.3	100

B. Environmental and social risks

- 2.9 In accordance with the Bank's [Environmental and Social Policy Framework](#), the operation is classified under the Financial Intermediation (FI) category because of its low socioenvironmental risk, inasmuch as the works supported by the program—through the microlending guarantee issued under Component 2—will have a maximum value of US\$10,000. The program's environmental and social management system is described in paragraph 4.2 of [optional link 7](#). Financial intermediaries will provide guaranteed microloans to finance housing improvement projects with a Category "C" classification but will exclude projects classified as Category "A" and "B" under the Bank's classification system. These eligibility criteria are presented in the program Operating Regulations ([optional link 7](#)).

C. Fiduciary risks

- 2.10 The institutional capacity assessment of the National Housing Secretariat, which was conducted during program preparation, identified the following fiduciary risks: (i) if an adequate budget is not provided in the Annual Budget Law for the first year of implementation, the start of program activities could be delayed, thereby compromising the achievement of results and, consequently, the disbursement schedule. This risk is mitigated by proper coordination with the budget team; and (ii) if the executing agency is not strengthened in terms of its knowledge of the program's specific financial issues, there could be delays in preparing financial reports and in collecting the data needed to prepare the audited annual financial statements. This risk is mitigated by appointing a full-time administrative-financial specialist for the program, who should be adequately trained in fiduciary matters; and the details of the financial requirements will be included in the program Operating Regulations.

D. Other risks and key issues

- 2.11 In accordance with the Framework for Risk Management in Projects with Sovereign Guarantees (document OP-1519-5) and its guidelines (document OP-1699-3), the risks of the operation were analyzed, and the following medium-high and high-level risks were identified:
- a. If there is poor institutional coordination between the National Housing Secretariat and other entities, such as the Federal Savings Bank (CEF), FDS,

¹⁸ The amounts specified for the initial advance of funds and retroactive financing are included in the loan proceeds earmarked for disbursement in Year 1 of the program.

¹⁹ The US\$8 million advance is being deducted from this final disbursement. Although it is not a disbursement, the borrower must submit the independent verification report on the results.

and others involved in the implementation of Component 2, there could be delays in setting up the guarantee mechanism and in starting to issue microloans. This would cause delays in meeting the program's disbursement targets. This risk is mitigated by approval of the FDS resolution by its board of trustees, which is currently under discussion at the highest levels of the National Housing Secretariat and CEF.

- b. If the HIG mechanism fails to attract financial agents, the pace and volume of operations could be less than estimated, which would have an impact on the program's housing improvement objectives. This risk is mitigated by: (i) prior negotiations with the CEF, with the aim of including other agents and discussions with them to make sure that the guarantee mechanism envisaged in the program is attractive; (ii) the work under way to institute a legal framework for housing microfinance; and (iii) the search for affordable funding from sources such as the Length of Service Guarantee Fund (FGTS) and/or international funding.
- c. If there are few attractive conditions for financial agents (premiums and stop-loss level versus default and loss rates) and, as a result, the HIG mechanism does not have the expected cost, the latter may not be financially self-sustainable. Mitigation of this risk might involve government subsidies and/or the search for other domestic or international funding. This could include environmental funds, linking the improvements with energy efficiency components, for example.
- d. If the program management unit (PMU) is formed with a team that already has a heavy workload in other functions, there could be delays in fulfilling the terms of the loan contract, which could affect the program's disbursement schedule. This risk is mitigated by the appointment of National Housing Secretariat professionals with high-level positions and functions in the PMU to ensure the level of decision-making that is crucial for proper execution of the program; and by the hiring of consultants, provided by the Bank, to support the management team of the National Housing Secretariat at the start of program execution.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** For the first operation under the CCLIP, the borrower will be the Federative Republic of Brazil, and the executing agency will be the Ministry of Cities, acting through the National Housing Secretariat. The ICAP results show that the National Housing Secretariat has the requisite capacity to manage the actions to be carried out in the individual operation. Nonetheless, it was determined that the executing agency's operational and fiduciary management capacity needs to be strengthened. To that end, a PMU will be created within the National Housing Secretariat structure, consisting of staff with high-level positions and functions (primarily in senior management and general coordination) to underpin the program's decision-making level. The minimum positions are: (i) a general coordinator; (ii) three component coordinators; and (iii) an administrative and financial coordinator. Furthermore, to

ensure efficient management, individual consultants with experience in international project implementation and management may be hired (see detailed description of the PMU in [optional link 7](#)).

- 3.2 **Program execution, administration, and coordination mechanisms.** The PMU will report directly to the Secretary of the National Housing Secretariat; it will be headed by a director or coordinator and Secretariat officials will be tasked with responsibility for the components. The PMU will be in charge of the following functions and tasks: maintaining formal communication with the Bank; preparing the operational planning documents; submitting progress reports and audited financial statements to the Bank; submitting disbursement requests to the Bank; and coordinating the management, evaluation, and supervision of the program's activities and other implementation actions.
- 3.3 **Operational issues for the implementation of Component 2.** The HIG mechanism established in Component 2 does not necessitate the creation of a new fund. It will be hosted by the FDS, which already has legal authority to operate guarantee mechanisms for the housing sector. By law, the FDS is operated by the CEF, which will also serve as the operating agent of the HIG mechanism. Accordingly, the CEF will accredit the financial agents (e.g., private or development banks, which could include the CEF itself as the financial agent,²⁰ and cooperatives) capable of contracting the program's guarantees. The latter will be associated with the home improvement microfinancing that these financial agents will provide to low-income families. The details of these implementation mechanisms are described in the program Operating Regulations ([optional link 7](#)).
- 3.4 **Disbursements.** The program provides for a total of five disbursement tranches, to be released during the program's five-year disbursement period. Each disbursement will be made when fulfillment of the targets for each of the five indicators has been verified (Annex II, Results Matrix, Disbursement Indicators) by a firm or consultant designated as the independent verification agency (IVA). The IVA will: (i) issue a technical opinion on the accuracy, reliability, and consistency of the results data; and (ii) determine the value of the result indicators established in each disbursement tranche, performing the calculation in cases where there are no automatic independent reports. Each disbursement will be subject to this independent verification, pursuant to the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15).
- 3.5 The disbursement procedure will be as follows: (i) the PMU will prepare a progress report on program execution and the status of the results indicators to be used for disbursements, as mentioned in the previous paragraph; (ii) the PMU will submit that report for external verification of results by the IVA, which will analyze their fulfillment based on the protocols specified in the monitoring and evaluation plan ([required link 1](#)); (iii) the IVA will confirm achievement of the

²⁰ Pursuant to local legislation and its bylaws, the CEF has an organizational structure that separates the management of funds established by the federal government (including the FDS fund, in which the guarantee mechanism supported by the program will operate) from the areas that carry out its regular banking operations.

- results, according to the objectives mentioned in the previous paragraph and within the time frame agreed upon in its terms of reference; and (iv) once fulfillment of the disbursement results has been verified, the PMU will submit the corresponding disbursement request to the Bank. The Bank will disburse funds to the account indicated by the borrower, provided that the external verification calculates that the corresponding indicators are equal to or above the established target. If lower, disbursements may be made in proportion to the degree to which the target has been achieved. Undisbursed balances may be reprogrammed in subsequent disbursements.
- 3.6 **Requirements to serve as independent verification agency.** The contracted firm or professional will have experience in evaluating and monitoring projects, managing performance indicators, and assessing the reliability of their data sources and the methods used to produce them. The terms of reference for this contracting will be agreed upon previously with the Bank and the corresponding funds will be drawn either from the operation itself, from customer-support technical cooperation resources (operation [ATN/OC-17800-BR](#), or later), or from the Bank's supervision resources for the operation.
- 3.7 **Special contractual conditions precedent to the first disbursement of the loan.** The following will be special contractual conditions precedent to the first disbursement of the loan: (i) the program management unit (PMU) will have been formally established; and (ii) the program Operating Regulations, previously agreed upon with the Bank, will have been approved.
- 3.8 **Special contractual condition for execution.** The following will be a special contractual condition for execution: an independent verification agency will have been engaged, pursuant to the terms of reference previously agreed upon with the Bank, within 180 days of the signature date of the loan contract.
- 3.9 **Program Operating Regulations.** The program Operating Regulations ([optional link 7](#)) provide the details of the operation's execution strategy and include the following: (i) the program's organizational arrangement; (ii) the functions of the PMU; (iii) the program's coordination and execution mechanisms; (iv) the accountability, monitoring, and results evaluation arrangements; (v) guidelines for financial, auditing, and procurement processes; and (vi) the program's socioenvironmental and integrity risk management.
- 3.10 **Retroactive financing.** The Bank may retroactively finance, against the loan proceeds, up to US\$5.4 million (10% of the loan amount) in expenses associated with the results attributable to the program, achieved by the executing agency between the project profile approval date (21 March 2022) and the loan eligibility date. The expenses in question must be eligible under the program and attributable to the achievement of the corresponding development results. The disbursement will be subject to independent verification. The fact that the executing agency endeavors to achieve certain program outcomes in advance is

because they are necessary for the achievement of the other program outcomes.²¹

- 3.11 **Initial disbursement.** In the first disbursement tranche, the executing agency requested US\$8 million from the Bank (14.8% of the proposed loan amount) to finance the program's initial actions. These include setting up the guarantee fund, which requires a robust contribution of funds to demonstrate to the market a consistent flow of resources capable of meeting the demands presented, thus transmitting a sense of security in what is an innovative operation.
- 3.12 **Audits.** The program's financial statements will be audited annually by the Office of the Comptroller General (CGU) or by an independent firm of external auditors acceptable to the Bank. The audited financial statements will be submitted to the Bank annually within 120 days following the executing agency's fiscal year end, pursuant to procedures and terms of reference previously agreed upon with the Bank.

B. Summary of arrangements for monitoring results

- 3.13 **Monitoring.** The Ministry of Cities will be responsible for data collection and results monitoring, which will be based on: (i) the results matrix (Annex II); (ii) the monitoring and evaluation plan ([required link 1](#)); (iii) the program risk management matrix (Annex I); (iv) semiannual progress reports, prepared by the PMU during the life of the program. The latter will consolidate progress for review by the Bank, to be submitted within 60 days after the end of each six-month period; and (v) the program's audited financial statements.
- 3.14 **Evaluation.** The program will be evaluated against the results matrix and the monitoring and evaluation plan and will include the drafting of the program completion report (PCR). A final evaluation will be carried out covering technical, administrative, and financial aspects, as well as an ex post cost-benefit analysis. The final evaluation will be performed when at least 90% of the loan proceeds have been disbursed. Its objective will be to verify progress in achieving the targets set for each of the expected outcomes and in generating the outputs of each component. The final evaluation will also contain an ex post economic (cost-effectiveness) analysis and an impact analysis of the program. This will be performed using the difference-in-difference methodology, to identify the increase in market value of the properties benefited by the home improvement financing activities. For this purpose, a control group and a program group (with home improvement actions) will be created, forming statistically representative samples ([required link 1](#)).

IV. ELIGIBILITY CRITERIA

- 4.1 **CCLIP eligibility criteria.** The CCLIP satisfies the eligibility requirements applicable to Multisector Modality II CCLIPs under policy GN-2246-13 and its operational guidelines (document OP-1622-3), since: (i) its objectives are among

²¹ It is important to note that several activities were already under way prior to eligibility, including thanks to the ongoing monitoring by the Bank's team and the support of the technical cooperation operation ProMorar ([ATN/OC-17800-BR](#)).

the priorities defined in the IDB Group Country Strategy with Brazil 2019-2022 (document GN-2973), in its fourth priority issue of reduc[ing] social inequality and inequality of opportunity by enhancing public policy efficiency, in particular implementing efficient policies to increase access to housing (paragraph 1.12); and (ii) the International Affairs and Development Department of the Ministry of Planning and Budget (SEAID) will act as the liaison agency responsible for coordinating and supervising the flow of operations of each sector of the CCLIP (paragraph 2.1).

- 4.2 **Eligibility of the first individual operation under the CCLIP.** The first operation satisfies the applicable requirements of policy GN-2246-13, since: (i) a comprehensive analysis of the institutional capacity of the executing agency, the Ministry of Cities/National Housing Secretariat, was performed using the ICAP, and it was found to have the necessary execution capacity but also areas for improvement and potential risks (paragraph 3.1); (ii) the operation's objective contributes to achievement of the CCLIP's sector objectives by promoting new strategies to address the housing deficit for low-income families (paragraph 1.15); (iii) the operation is included in the CCLIP's three sectors (incentives for housing production, housing improvement, and sector strengthening/skills/digitalization) (paragraph 2.2); and (iv) it provides for improvement actions in the areas identified in the institutional capacity assessment (paragraph 3.1).

Development Effectiveness Matrix		
Summary		BR-L1596
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Issues	-Social Inclusion and Equality -Productivity and Innovation -Gender Equality and Diversity -Climate Change -Institutional Capacity and the Rule of Law	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Beneficiaries of targeted anti-poverty programs (#)	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-2973	Implement efficient policies to increase access to housing
Country Program Results Matrix	GN-3154-1	The intervention is included in the 2023 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		
3. Evidence-based Assessment & Solution	10.0	
3.1 Program Diagnosis	2.5	
3.2 Proposed Interventions or Solutions	3.5	
3.3 Results Matrix Quality	4.0	
4. Ex ante Economic Analysis	10.0	
4.1 Program has an ERR/NPV, or key outcomes identified for CEA	1.5	
4.2 Identified and Quantified Benefits and Costs	3.0	
4.3 Reasonable Assumptions	2.5	
4.4 Sensitivity Analysis	2.0	
4.5 Consistency with results matrix	1.0	
5. Monitoring and Evaluation	9.5	
5.1 Monitoring Mechanisms	4.0	
5.2 Evaluation Plan	5.5	
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood	Low	
Environmental & social risk classification	FI	
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting, External Control, Internal Audit. Procurement: Information System, Price Comparison, Contracting Individual Consultant, National Public Bidding.
Non-Fiduciary	Yes	Monitoring and Evaluation National System.
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	BR-T1436

Evaluability Assessment Note: The general objective of the CCLIP is to contribute to new housing strategies and housing improvements in Brazil, focusing on low-income families and contributing to accelerating economic development and reducing social inequalities in the country. The objective of the first program under the CCLIP is, from the federal sphere, to allow public and private actors and civil society to develop new tools to facilitate and diversify access to social housing solutions. The specific objectives of the operation are: (i) connecting housing supply and demand to facilitate access to adequate housing conditions; (ii) developing and implementing a sustainable National Housing Improvement Microfinance Program for low-income families and thus reducing the qualitative housing deficit; (iii) strengthen the National Housing Plan and the National Housing Policy, promoting socio-environmental sustainability as well as the training of subnational public government officials, engineers, technicians and the diversification of the Housing of Social Interest programs.

The project presents a complete diagnosis, with a detailed description of the country's quantitative and qualitative housing deficit, the existing national strategies for the housing sector, and the developing problem's determinants. The results matrix includes indicators measuring the achievement of the general and specific objectives. The indicators are SMART and have means of verification.

The economic analysis of the project was carried out through a cost-benefit analysis (CBA). The analysis concentrates on the benefits generated by the added value of investments in housing. The CBA has reasonable assumptions and has an adequate sensitivity analysis. The project is economically viable, with an IRR of 36.7%, using a discount rate of 12%.

The project includes a monitoring and evaluation plan that aligns with the Bank's standards. The effectiveness of the proposed intervention will be measured using a differences-in-differences approach for the impact indicator and a before and after methodology for the outcomes, and ex-post efficiency will be assessed using a CBA.

RESULTS MATRIX

PROGRAM OBJECTIVE:	The specific objectives of the operation are to: (i) connect housing supply with demand, with the aim of expanding access to decent housing; (ii) develop and implement a national microfinance program for sustainable home improvement, targeting low-income families with the aim of narrowing the qualitative (substandard) housing deficit; and (iii) strengthen the National Housing Plan and National Housing Policy by promoting socioenvironmental sustainability; providing training to civil servants, engineers, and technicians at the subnational level; and diversifying social housing programs.
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GENERAL DEVELOPMENT OBJECTIVE

Indicator	Unit of measure	Baseline	Expected year achieved	Target	Means of verification	Comments
General development objective: From the federal level, to provide public, private, and civil society actors with new tools to facilitate and diversify access to social housing solutions, and thus make obtaining a decent home more achievable.						
Indicator 1	Increase in property values once the interventions are completed	Percentage increase in value	0	2027	10	Report of the field investigation carried out by the National Housing Secretariat (SNH) At the start and end of the program, field research will be conducted using the hedonic pricing methodology.

SPECIFIC DEVELOPMENT OBJECTIVES

Indicator	Unit of Measure	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	End of program	Means of verification	Disbursement indicator (yes/no)	Comments
SPECIFIC DEVELOPMENT OBJECTIVE 1. Connect housing supply with demand, with the aim of facilitating access to decent housing											
Indicator 1.1. Housing units registered in the platform	Units	0	1,000	90,000	150,000	180,000	194,000	615,000	System report	No	
Indicator 1.2. Housing units registered in the platform with environmental data established	Units	0	7,000	25,000	40,000	50,000	30,000	152,000	System report	No	Environmental data defined as those included in the green list developed for this operation (natural ventilation and lighting, efficient lighting, and water saving devices).
Indicator 1.3. Families registered in the platform	Families	0	0	1,000	279,491	239,850	279,159	799,500	System report	Yes	This indicator represents the universe of families registered in the platform.

Indicator	Unit of Measure	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	End of program	Means of verification	Disbursement indicator (yes/no)	Comments
Indicator 1.4. Heads of household registered in the platform, with information on gender, disability, race, and ethnicity	Heads of household	0	7,000	25,000	40,000	50,000	30,000	152,000	System report	No	Pro-gender -and pro-ethnicity indicator. This indicator registers a subuniverse of the previous indicator, representing the total number of families joining the new improvement program of Component 2. Importantly: (i) the data will be presented in disaggregated form, as the database allows this type of control (data will be available on individuals and it will also be possible to generate statistics on all family members); and (ii) the indicator will facilitate the production of national statistics, which will serve as input for formulating inclusive public housing policies, since it is linked to output indicator 3.5.
SPECIFIC DEVELOPMENT OBJECTIVE 2. Develop and implement a national microfinance program for sustainable home improvement, targeting low-income families with the aim of narrowing the qualitative (substandard) housing deficit.											
Indicator 2.1. Number of microfinance guarantee contracts for home improvement signed	Number	0	7,000	25,000	40,000	50,000	30,000	152,000	Report for the SNH issued by Caixa Econômica Federal (CEF) (operating agent)	Yes	Disbursement indicator + Corporate Results Framework (CRF) indicator 2.3. <i>Beneficiaries of targeted anti-poverty programs (#)</i>
Indicator 2.2. Housing units with improvements completed	Units	0	0	5,000	15,000	30,000	55,000	105,000	Report for the SNH issued by the CEF (operating agent)	No	Improvement is understood to mean minor renovations to low-income housing that are intended to address problems related to substandard construction.

Indicator	Unit of Measure	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	End of program	Means of verification	Disbursement indicator (yes/no)	Comments
SPECIFIC DEVELOPMENT OBJECTIVE 3. Strengthen the National Housing Plan and National Housing Policy by promoting socioenvironmental sustainability; providing training to civil servants, engineers, and technicians at the subnational level; and diversifying social housing programs											
Indicator 3.1. First cycle of PlanHab 2040 evaluated as satisfactory	Evaluation	0	0	0	0	0	1	1	PlanHab monitoring and evaluation system report	Yes	Disbursement indicator. The evaluation will measure qualitative progress made on the plan's implementation. This indicator will consider mainstreaming climate change.
Indicator 3.2. Percentage of trained professionals who issued Technical Responsibility Annotation (ART) and/or Technical Responsibility Registration (RRT) for improvement works contracted with guarantees	Number of professionals registered/ total number trained	0%	0%	2.96%	5.92%	5.92%	4.94%	19.74%	Program management unit (PMU) report	No	
Indicator 3.3. Percentage of subnational governments with executive staff trained in gender, diversity, socioenvironmental sustainability, and climate change	Number of subnational governments with trained executive staff/ total subnational governments	0%	0%	15%	15%	0%	0%	30%	Certificate issued by the SNH	No	Pro-gender and pro-ethnicity indicator. Certificates may be issued in collaboration with an academic institution yet to be specified.

DISBURSEMENT INDICATOR MATRIX (US\$ thousands)

Indicator	Base-line	Year 1			Year 2		Year 3		Year 4		Year 5		End of program	
		Initial disbursement/retroactive funding	Target	Associated amount	Target	Associated amount	Target	Associated amount	Target	Associated amount	Target	Associated amount	Target	Associated amount
Initial disbursement	0	8,000 ¹	N/A	0	N/A	0	N/A	0	N/A	0	N/A	0	N/A	8,000
Indicator 1. Families registered in the platform	0	0	0	0	1,000	1,000	279,491	1,000	239,850	570 ²	279,159	285 ³	799,500	2,855
Indicator 2. Number of microfinance guarantee contract for home improvement signed	0	0	7,000	10,400	25,000	15,000	40,000	5,100	50,000	4,600	30,000	0 ⁴	152,000	35,100
Indicator 3. ⁵ Mechanism for providing home improvement guarantees instituted in accordance with local legislation	0	5,300	1	0	0	0	0	0	0	0	0	0	1	5,300
Indicator 4. First cycle of PlanHab 2040 evaluated as satisfactory	0	0	0	0	0	0	0	0	0	0	1	400	1	400
Indicator 5. Studies conducted to support reformulation of the National Housing Policy ⁶	0	100 ⁷	1	0	2	600	1	1,000	1	700	0	0	5	2,400
Total associated amount⁸		13,400		10,400		16,600		7,100		5,870		685		54,055

¹ **Initial disbursement.** In the first disbursement tranche, the executing agency requested US\$8 million from the Bank (14.8% of the proposed loan amount) to finance the program's startup actions, i.e. setting up the guarantee fund, which will require robust funding, both to promote the guarantee operation itself and to demonstrate to the market a consistent flow of resources to meet the demands as presented, thus transmitting a sense of security in what is an innovative operation. These funds will be disbursed when the loan contract is signed.

² The complete amount is US\$570,925.00.

³ The US\$200,000 advance is being deducted from this final disbursement. Although it is not a disbursement, the borrower must submit the independent verification report on the results.

⁴ The US\$7.8 million advance is being deducted from this last disbursement. Although it is not a disbursement, the borrower must submit the independent results verification report.

⁵ According to the policy instrument for loans based on results (LBR), the disbursement indicators may also include output indicators linked to the strengthening of country systems, planning, and monitoring capacity if they are associated with the overall achievement of the expected results. As this is an institutional strengthening indicator (linked to an outcome: specific objective 2, indicator 2), it can be considered a disbursement indicator.

⁶ This indicator also relates to institutional strengthening. Therefore, although it is an output indicator, it is also a disbursement indicator. It is an institutional prerequisite for achieving the results of indicator 4.

⁷ **Financing of previous results (retroactive financing).** Outcomes achieved earlier may also be financed in the Loan Based on Results (LBR) instrument, as set forth in the Proposal to Establish the Bank's Sovereign Guaranteed Loan Based on Results (document GN-2869-1). Some outcomes may need to have been achieved before an LBR operation is approved, such as the establishment of systems to calculate baselines, monitoring and evaluation arrangements, and outcomes related to the institutional capacity building needed for implementation. In such cases, the Bank may finance and disburse on the basis of disbursement-linked results indicators (DLIs) achieved prior to LBR project eligibility. The total amount of such financing will not exceed 15% of the Bank's financing.

⁸ The amounts shown in this table correspond to financing by the Bank. In addition, there is counterpart funding of US\$500,000, wholly associated with Indicator 5.

DISBURSEMENT INDICATOR VERIFICATION PROTOCOL

Indicator	Definition/estimation methodology	Means of verification	Verifying entity	Verification protocol
Initial disbursement	The funding provided as an initial disbursement is intended to help the executing agency launch the activities needed to achieve the agreed-upon results.	Signature and eligibility of the operation	N/A	N/A
Indicator 1. Families registered in the platform	Consists of the number of families registered in the platform during the program execution period	System report	Consultant or verification agency	The system verification report enables the executing agency to count the number of families that are registered in the platform.
Indicator 2. Number of microfinance guarantee contracts for home improvement signed	Consists of the number of microfinance guarantee contracts for home improvement signed by borrowers	Report issued by the CEF (operating agent) for SNH	Consultant or verification agency	Operating agent collects data on the number of microfinance guarantee contracts for housing improvements and prepares a report that is sent to the SNH. In turn, the SNH validates the report sent against the amount of funding made available, and an external agent (external consultant or consulting firm) audits this.
Indicator 3. Mechanism for providing home improvement guarantees instituted in accordance with local legislation	Consists of the institutionalization of the home improvement guarantees (HIG) mechanism, as approved by the board of trustees of the Social Development Fund (FDS). It is the instrument that legally creates the HIG mechanism.	Resolution of the FDS board of trustees published in the Brazilian Official Gazette	Consultant or verification agency	Verification of the legal instrument that creates the HIG guarantee mechanism
Indicator 4. First cycle of the National Housing Plan, PlanHab 2040, evaluated as satisfactory	PlanHab establishes evaluation cycles for each cycle of the new multiyear plan (PPA). It the first evaluation cycle to be carried out in conjunction with the PPA.	PlanHab monitoring and evaluation system report	Consultant or verification agency	The verification will be conducted relative to the PlanHab monitoring and evaluation system report. The evaluation will be qualitative, considering whether progress is being made according to the plan and whether the studies and projects planned to date have been implemented. The evaluation will use a metric measurement methodology with at least four categories: excellent, satisfactory, regular, unsatisfactory. The aim is to evaluate the qualitative progress of the plan's implementation.
Indicator 5. Studies conducted to support reformulation of the National Housing Policy	PlanHab is the main planning instrument of the federal government's National Housing Policy. Sector-level studies will inform its general guidelines.	Reports submitted/ Technical notes approving the reports	Consultant or verification agency	The verification will take place following the federal government's approval of the National Housing Plan Studies (PlanHab 2040).

OUTPUTS

Outputs	Unit of measure	Baseline		Year					Target	Means of verification
		Value	Year	1	2	3	4	5		
COMPONENT 1. Housing supply and demand management platform										
1.1. Business intelligence solution implemented	Solution	0	2022	0	1	1	1	0	3	Document issued by the SNH indicating definitive acceptance of the service/process
1.2. Platform governance plan	Plan		2022	1	0	0	0	0	1	Document issued by the SNH indicating definitive acceptance of the service/process
1.3. Services of the housing supply and demand management system (platform) implemented	Number of services		2022	0	2	5	5	0	12	Document issued by the SNH indicating definitive acceptance of the service/process
COMPONENT 2. HOME IMPROVEMENT FINANCING PROGRAM										
2.1. Home improvement governance system implemented	System	0	2022	1	0	0	0	0	1	Document issued by the SNH indicating definitive acceptance of the service/process
2.2. Mechanism providing home improvement guarantees instituted in accordance with local legislation (disbursement indicator)	Mechanisms	0	2022	1	0	0	0	0	1	Decision of the FDS board of trustees published in the Brazilian Official Gazette
2.3. Financial agents operating in the program established	Number of agents	0	2022	0	0	0	0	1	1	Report issued by the CEF (operating agent)
2.4. Creation of a system of statistics on green home improvement (with environmental impact and climate change attributes)	System	0	2022	1	0	0	0	0	1	Document issued by the SNH indicating definitive acceptance of the service/process
COMPONENT 3. Studies, tools, and capacity building for the review of planning, promotion of socioenvironmental sustainability, and diversification of social housing programs										
3.1. Studies conducted to support reformulation of the National Housing Policy (disbursement indicator)	Plan	0	2022	1	1	2	1	0	5	Reports submitted/technical notes of approval of the reports issued by the SNH
3.2. Architecture and engineering professionals trained in home improvements with socioenvironmental and climate sustainability attributes	Number of professionals	0	2022	0	1,520	1,520	0	0	3,040	Reports submitted/technical notes of approval of the reports issued by the SNH
3.3. Public agents trained in socioenvironmental sustainability and climate change issues employed in housing policy	Number of agents	0	2022	0	1,000	1,000	0	0	2,000	Accreditations issued by the SNH
3.4. Public agents with training in the gender and diversity issues covered in housing policy	Number of agents	0	2022	0	1,000	1,000	0	0	2,000	Accreditations issued by the SNH
3.5. Technical study with diagnostic assessment and policy proposal and recommendations to facilitate women's access to housing microfinance, with an intersectional approach	Study	0	2022	0	0	0	1	0	1	Reports submitted/technical notes of approval of the reports issued by the SNH

PROGRAM OVERVIEW

General Development Objective: From the federal level, to provide public, private, and civil society actors with new tools to facilitate and diversify access to social housing solutions, and thus make obtaining a decent home more achievable	Impact indicator: Increase in property values after interventions completed.	Specific development objective 1. Connect housing supply with demand, with the aim of facilitating access to decent housing	Outcome indicator 1.1. Housing units registered in the housing platform Outcome indicator 1.2. Housing units registered in the housing platform with environmental information established Outcome indicator 1.3. Families registered in the housing platform (disbursement indicator) Outcome indicator 1.4. Heads of household registered in the housing platform with information on gender, disability, race, and ethnicity (pro-gender and pro-ethnicity indicator)	Component 1. Housing supply and demand management platform	Output indicator 1.1. Business intelligence solution implemented Output indicator 1.2. Platform governance plan Output indicator 1.3. Services of the housing supply and demand management system (housing platform) implemented
		Specific development objective 2. Develop and implement a national microfinance program for sustainable home improvement, targeting low-income families with the aim of narrowing the qualitative (substandard) housing deficit	Outcome indicator 2.1. Number of microfinance guarantee contracts for housing improvement signed (Disbursement indicator + CRF indicator 2.3: <i>Beneficiaries of targeted anti-poverty programs</i>) Outcome indicator 2.2. Housing units with improvements completed	Component 2. Home improvement financing program	Output indicator 2.1. Housing improvement governance system implemented Output indicator 2.2. Mechanism providing home improvement guarantees instituted in accordance with local legislation (disbursement indicator) Output indicator 2.3. Financial agents operating in the program established Output indicator 2.4. Creation of a system of statistics on green home improvement (with environmental impact and climate change attributes)
		Specific development objective 3. Strengthen the National Housing Plan and National Housing Policy by promoting socioenvironmental sustainability; providing training to civil servants, engineers, and technicians at the subnational level; and diversifying social housing programs	Outcome indicator 3.1. First cycle of PlanHab 2040 evaluated as satisfactory (disbursement indicator) Outcome indicator 3.2. Percentage of trained professionals who issued Technical Responsibility Annotation (ART) and/or Technical Responsibility Registration (RRT) for improvement works contracted with guarantees Outcome indicator 3.3. Percentage of subnational governments with executive staff trained in gender, diversity, socioenvironmental sustainability and climate change (pro-gender and pro-ethnicity indicator)	Component 3. Studies, tools, and capacity development for the review of planning, promotion of socioenvironmental sustainability, and diversification of social housing programs	Output indicator 3.1. Studies conducted to support the reformulation of the National Housing Policy (Disbursement indicator) Output indicator 3.2. Architecture and engineering professionals trained in home improvements with socio-environmental and climate sustainability attributes Output indicator 3.3. Public agents with training in socioenvironmental sustainability and climate change issues employed in housing policy Output indicator 3.4. Public agents with training in gender and diversity issues employed in housing policy (Pro-gender and Pro-ethnicity indicator) Output indicator 3.5. Technical study with diagnostic assessment and policy proposal and recommendations to facilitate women's access to housing microfinance with an intersectional approach

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country: Brazil **Division:** HUD **Operation number:** BR-O0014; BR-L1596 **Year:** 2023

Executing agency: Ministry of Cities through the National Housing Secretariat

Project name: Conditional Credit Line for Investment Projects (CCLIP) “ProMorar” (BR-O0014); and First Individual Operation under the CCLIP “ProMorar Brasil – Promoting New Housing Strategies for the Low Income Population” (BR-L1596).

I. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

1. Use of country systems in the operation. Any system or subsystem that is subsequently approved may be applicable to the operation, pursuant to the terms of the Bank’s validation.

<input checked="" type="checkbox"/> Budget	<input type="checkbox"/> Reporting	<input checked="" type="checkbox"/> Information system	<input checked="" type="checkbox"/> National competitive bidding (NCB)
<input checked="" type="checkbox"/> Treasury	<input checked="" type="checkbox"/> Internal audit	<input checked="" type="checkbox"/> Shopping	<input type="checkbox"/> Other
<input checked="" type="checkbox"/> Accounting	<input checked="" type="checkbox"/> External control	<input checked="" type="checkbox"/> Individual consultants	<input type="checkbox"/> Other

2. Fiduciary execution mechanism

<input checked="" type="checkbox"/>	Specific features of fiduciary execution	<p>This is the first operation structured as a Loan Based on results (LBR) under the “ProMorar” CCLIP (operation BR-O0014), in which the borrower will be the Federative Republic of Brazil. The Ministry of Cities (MCID) will execute the program through the National Housing Secretariat (SNH), which will be responsible for the program’s financial management and procurement, disbursements, records, and financial statements. To manage program disbursements, the executing agency will prepare a program execution status report and results indicators to be used for disbursements. The executing agency will submit the report for external results verification, in order to analyze their fulfillment, based on the protocols established in the program Operating Regulations. An independent external evaluator will verify achievement of the results against the established objectives and within the time frame specified in the terms of reference agreed upon with the Bank for that purpose. Once achievement of the disbursement results has been verified, the executing agency will submit the corresponding disbursement request to the Bank, which will then reimburse expenses by depositing funds in a subaccount of the Treasury Single Account (TSA), designated by the National Treasury Secretariat. The Bank will disburse the amount corresponding to each indicator, provided that the result of the external verification shows that the level of the indicator is equal to or higher than the established target. If lower, the Bank may make a partial disbursement in proportion to the degree of achievement of the target. Unused balances may be reprogrammed in subsequent disbursements.</p>
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3. Fiduciary capacity

Fiduciary capacity of the executing agency	Pursuant to policy GN-2869-1, the Bank used the Institutional Capacity Analysis Platform (ICAP) to assess the executing agency's fiduciary capacity, which was found to be satisfactory. The executing agency has developed fiduciary systems in place that are sufficient to monitor program execution and ensure that the expected results are achieved. Accordingly, the fiduciary risk is low. Nonetheless, actions to ensure adequate internal control of the program will be specified in the program Operating Regulations.
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4. Fiduciary risks and risk response

Risk taxonomy	Risk	Risk level	Response to risk
Economic and financial	In an LBR, the executing agency must have sufficient cash flow to cover the expenditures needed to achieve the program's intended results. Without adequate financial planning underpinned by a timely and sufficient annual budget allocation, the achievement of results and the flow of disbursements may be delayed.	Medium-low	Timely coordination with personnel responsible for the MCID budget
Organizational structure	Lack of knowledge of the Bank's fiduciary management requirements may result in delays in the preparation of financial reports.	Medium-low	Provision of assistance and training, on Bank policies and procedures, to fiduciary professionals in the program management unit (PMU). In addition, inclusion of the detailed financial requirements in the program Operating Regulations.

5. Policies and Guidelines applicable to the operation: The Financial Management Guidelines for IDB-financed Projects (document OP-273-12) will be used for the program's financial management.

6. Exceptions to Policies and Guidelines: Not applicable.

II. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE LOAN CONTRACT

Special conditions precedent to the first disbursement: (i) creation of the program Management unit (PMU) by the Minister of MCID; and (ii) approval of the draft [program Operating Regulations](#), previously agreed upon with the Bank (paragraph 3.7).

Exchange rate: For purposes of Article 4.10 of the General Conditions, the parties agree that the applicable exchange rate will be the one indicated in paragraph (b)(ii) of that article. Accordingly, the agreed-upon exchange rate will be the rate in force on the date on which the borrower, the executing agency, or any other person or legal entity in whom the power to incur expenditures has been vested, makes the related payments to the contractor, supplier, or beneficiary.

Type of audit: Audited financial statements will be submitted within 120 days of each fiscal year-end, and during the loan disbursement period. The final report will be submitted within 120 days following the date of the final disbursement, and will include an analysis of any differences between actual program costs and the amounts disbursed. The terms of reference will be agreed upon with the Bank; and the audit will be performed by the Office of the Comptroller General (CGU).

Retroactive financing: Up to US\$5.4 million (equivalent to 10% of the loan amount) may be used to finance expenses in respect of outcomes already achieved through actions undertaken in the period between the project profile approval date (21 March 2022) and the loan approval date.

III. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

<input checked="" type="checkbox"/>	Special procurement provisions applicable to the operation	The program plans to execute very few, low-value procurement processes, for which the country methods and recommendations included in the program Operating Regulations will be applied.
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Main procurement items

Description of the procurement	Selection method	New procedures/ tools	Estimated date	Estimated amount (US\$)
Goods				
Works				
Nonconsulting services				
Firms				
Individuals				

Procedures	Rationale for use
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IV. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

<input checked="" type="checkbox"/>	Programming and budgeting	The executing agency budget is included in the budget of the MCID, and therefore forms part of the federal government budget. The MCID, through the SNH, is responsible for coordinating the entire planning process for the execution of activities. It will ensure that program funding is duly budgeted in the Annual Budget Law and registered in the federal government's integrated financial management system (SIAFI), the official federal budget management and control system.
<input checked="" type="checkbox"/>	Treasury and disbursement management	For program execution, the executing agency will draw on funds from the fiscal contribution, after which reimbursement will be managed on the basis of the program disbursement matrix, following the independent verification of results achieved. The loan proceeds will be deposited in the Single Treasury Account of the Union, and payments arising from program execution will be made through the same single account. For these purposes, the accounting system must be able to track income and expenditures. When submitting disbursement requests, the executing agency will not be required to justify expenses or provide supporting documentation for expenditures incurred to achieve the results. However, it must keep such documentation on file as part of appropriate administrative, internal control, procurement, and accounting systems to ensure timely issuance of program financial statements, which will be audited annually by the CGU. Disbursements will be made in U.S. dollars, under the expenditure reimbursement modality. The executing agency may request an initial disbursement of up to 15% of the loan amount to finance activities and outputs that are justified as necessary to achieve the results. The exchange rate to be used in the operation will be the one prevailing on the date of payment of each expenditure in local currency. The executing agency will use the Online Disbursement platform to manage disbursements with the Bank.
<input checked="" type="checkbox"/>	Accounting, information systems, and reporting	The program will have a chart of accounts, based on the public sector chart of accounts, in which all activities, whether financed from the local contribution or from the loan proceeds, are recorded in SIAFI, under the transactional unit for operations with international organizations. Inasmuch as the program's income and expenses must be accounted for, a specific budgetary program may be opened. The program Operating Regulations, with the documented definition of workflows and internal controls, will be used to supplement the policies and guidelines applicable to the operation.
<input checked="" type="checkbox"/>	External control and financial reporting	The program's external audit will be performed by the CGU, which is eligible to audit Bank-financed operations, under terms of reference previously agreed upon between the borrower and/or executing agency and the Bank. The external audit report will be submitted within 120 days of each fiscal year-end, and during the loan disbursement period. The final report will be submitted within 120 days following the date of the final loan disbursement, and will include an analysis of any differences between actual program costs and amounts disbursed.
<input checked="" type="checkbox"/>	Financial supervision of the operation	The financial supervision plan will be based on the risk and fiduciary capacity assessments made of the executing agency. It will include both on-site supervision visits and desk audits, and monitoring of the results and recommendations made in audits of the program's annual financial statements.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/23

Brazil. Conditional Credit Line for Investment Projects (CCLIP) ProMorar (BR-O0014)

The Board of Executive Directors

RESOLVES:

1. To authorize the President of the Bank, or such representative as he shall designate, to enter into such agreement or agreements as may be necessary with the Federative Republic of Brazil, to establish the Conditional Credit Line for Investment Projects (CCLIP) ProMorar (BR-O0014) (the “Line”) for an amount of up to US\$600,000,000, chargeable to the resources of the Ordinary Capital of the Bank.

2. To establish that the resources allocated to the Line shall be used to finance individual operations under the Line, in accordance with: (a) the objectives and regulations of the Conditional Credit Line for Investment Projects approved by Resolution DE-58/03, as amended by Resolutions DE-10/07, DE-164/07, DE-86/16 and DE-98/19; (b) the provisions set forth in documents GN-2564-3 and GN-2246-13; and (c) the terms and conditions included in the proposal for the corresponding individual operation.

(Adopted on ____ 2023)

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/23

Brasil. Loan ___/OC-CH to the Federative Republic of Brasil. ProMorar Brasil – Promoting New Housing Strategies in Brazil for the Low-Income Population. First Individual Operation under the Conditional Credit Line for Investment Projects (CCLIP) ProMorar (BR-O0014)

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Chile, as borrower, for the purpose of granting it a financing to cooperate in the execution of the ProMorar Brasil – Promoting New Housing Strategies in Brazil for the Low-Income Population, which constitutes the first individual operation under the Conditional Credit Line for Investment Projects (CCLIP) ProMorar (BR-O0014), approved on ___ 2023 by Resolution DE-___/23. Such financing will be for an amount of up to US\$54.055.925 from the Ordinary Capital resources of the Bank, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on ___ 2023)