

The Inter-American Development Bank urban policies in Brazil

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1. The Inter-American Development Bank institutional frame¹.

The first proposals to create an International American Bank were born at least in 1889. In 1954 the Inter-American Economic Conference, which took place in Brazil, drafted proposals that became the basis for IDB's charter. The initiative won a new impetus when, in 1958, Brazilian President Juscelino Kubitschek wrote to U.S. President Dwight Eisenhower suggesting a hemispheric effort to raise Latin America living standards. That initiative, known as Pan-American Operation, launched the idea of a bank that would provide financing to the region for economic, social and institutional development as well as integration. The Inter-American Development Bank/IDB, under that purpose, was created in 1959, including nineteen Latin American and Caribbean countries² and the United States.

Today the partnership is composed by twenty-six Latin American and Caribbean countries as Borrowing Members³ and twenty-one as Nonborrowing Members⁴, involving forty-seven Member Countries. The voting power is related to the subscription to the Ordinary Capital/OC, of \$101 billions, including callable capital, paid-in capital from IDB member countries, reserves and funds borrowed in international markets. 95.7% of the OC is callable capital and 4.3% is paid in directly by its member countries⁵.

The IDB's charter establishes that the Borrowing Members have 50.02% of the voting power. The second voting power position is occupied by the United States, with 30%. Among the Borrowing members voting power, Brazil and Argentina hold the first place, each one with 10.752%. They are followed by Mexico (6.912%), Venezuela (5.761%), Chile and Colombia (each one with 2.953%), Peru (1.440%) and Uruguay (1.154%). The other Borrowing Members have less than 1%. The two Regional Nonborrowing Members, United States and Canada, have respectively 30.007% and 4.001% voting power.

IDB works with some international organizations, as International Monetary Fund to strengthen macroeconomic stability in Latin America and the Caribbean countries. With World Bank financing country policy reforms, projects and programs. IDB also works with subregional development banks in Latin America and the Caribbean and have agreements with a number of international organizations as Organization of American States, Inter-American Institute for Cooperation on Agriculture, and the United Nations system, particularly the Economic Commission for Latin America and the Caribbean and the Pan American Health Organization.

¹ The data and information of the first and second items were collected in the official site of IDB - www.iadb.org.

² Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haití, Honduras, México, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela.

³ These nineteen are Bahamas, Barbados, Belize, Guyana, Jamaica, Suriname and Trinidad & Tobago.

⁴ The Nonborrowing Members are Austria, Belgium, Canada, Croatia, Denmark, Finland, France, Germany, Israel, Italy, Japan, Korea, Republic of Netherlands, Norway, Portugal, Spain, Slovenia, Sweden, Switzerland, United Kingdom and United States.

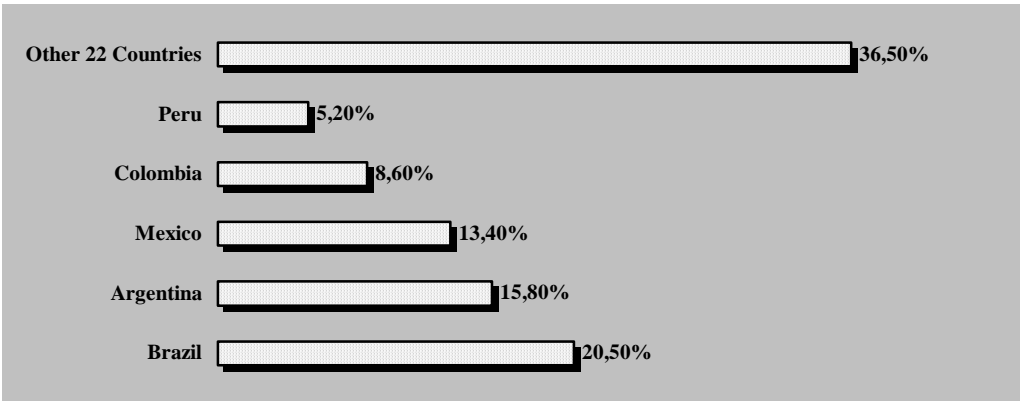
⁵ Most of the Bank's lending comes from the OC resources.

The two main goals of IDB are ‘promoting poverty reduction and social equity’ and ‘environmentally sustainable growth’, including four priority areas: 1) Fostering competitiveness through support for policies and programs that increase a country potential for development in an open global economy; 2) Modernizing the state by strengthening the efficiency and transparency of public institutions; 3) Investing in social programs that expand opportunities for the poor; 4) Promoting regional economic integration by forging links among countries to develop larger markets for their goods and services.

2. Loans by country and by sector of activity.

The sectors of activity have the following distribution. **1) Productive Sectors:** Agriculture and Fisheries; Industry, Mining and Tourism; Science and Technology. **2) Physical Infrastructure:** Energy; Transportation and Communications. **3) Social Sectors:** Sanitation; Urban Development; Education; Social Investment; health; Environment; Microenterprise. **4) Others:** Reform and Modernization of the State; Export Financing; Preinvestment and Other. The accessible data presents the period between 1961-02 and the year of 2002.

Graphic 1 – Percentage of approved loans by country from 1961 to July 31st, 2006 – Total amounts = US\$ 132,429.6 millions.



Source: www.iadb.org on August 15th, 2006.

The graphic shows that five borrowing countries occupied 63.5% of loans in the period. And even having the same voting power, Brazilian capital amount was 29.74% bigger than Argentina. The sectors of activity, in the same period, had the following performance:

Table 1 – Approved loans by Sector of Activity from 1961 to July 31st, 2006 – Amounts in US\$ millions.

Capital Amount	Sector of Activity
0-3,370	Capital Markets; Environment and Natural Disasters; Health; Information, Technology and Telecommunications; Microenterprise; Private Sector Development; Tourism; Other
3,370-6,740	Education
6,740-10,110	Industry; <u>Sanitation</u> ; <u>Urban Development and Housing</u>
10,110-13,490	Agriculture and Rural Development; Transportation
13,490-16,860	Energy
16,860-20,230	Social Investment
20,230-23,600	Reform/Modernization of the State

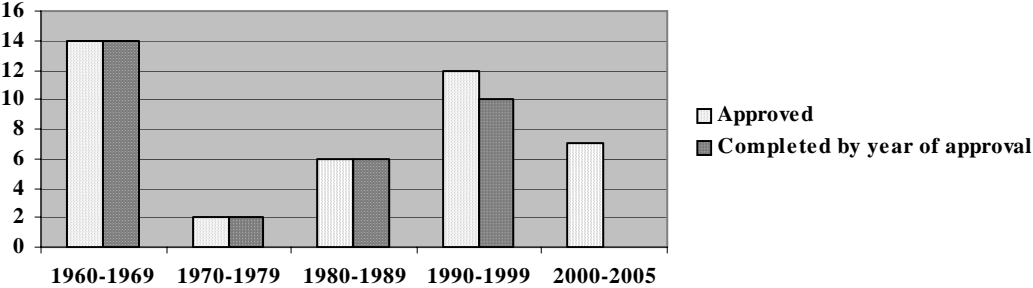
Source: www.iadb.org on August 19th, 2006.

The table presents Reform and Modernization of the State as the most important IDB’s policy, in terms of capital allocation. ‘Sanitation’ and ‘Urban Development and Housing’, the two sector of activities here considered directly involved with urban areas, occupy the fifth position in capital allocation during the existence of IDB.

3. Financial Products in ‘Sanitation’ and ‘Urban Development and Housing’ in Brazil.

The Bank classifies the projects by financial types, named financial products, including Loans, Grants, Guarantees and Investments. Above is the distribution of approved projects and completed projects by year of approval in ‘Sanitation’ and ‘Urban Development and Housing’ in Brazil.

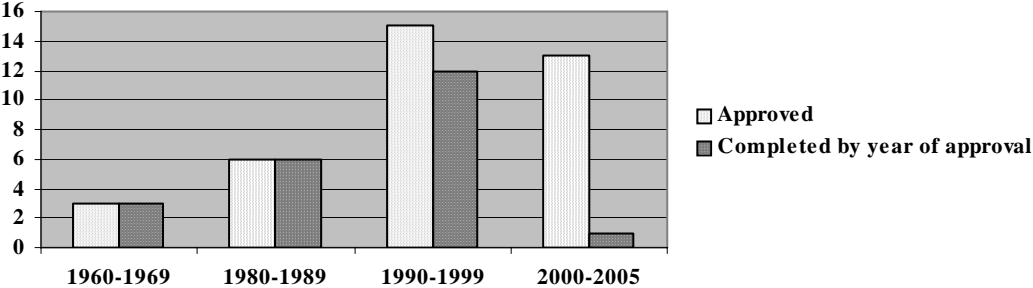
Graphic 2 – Number of approved and completed projects in Sanitation in Brazil by year of approval.



Source: www.iadb.org on August 19th, 2006.

The decade of 70 presents a big difference number of projects, when comparing with the other decades. This can be partially explained by the partnership between IDB and the World Bank, but the information about each part was not accessible, as it will be present forward. It is important to point that the biggest part of the ‘sanitation’ products are related to urban areas. 100% of the project during the decades of 60 and 70 concern to water supplying and consumption, named Water Improvement Expansion System, Potable Water or Drinking Water. During the decades of 80, 90 and 00 (until 2005), Sewerage, Drainage and River Decontamination appear alone in some cases or with Potable Water in other projects.

Graphic 3 – Number of approved and completed projects in Urban Development and Housing in Brazil by year of approval.



Source: www.iadb.org on August 19th, 2006.

Urban Development and Housing has no products approved in 70 decade. The three products in the decade of 60 were related to 'Low Cost Housing' and 'Course of Urban Planification & Housing'. The decade of 80 shows a variety of projects, from Technical Cooperation Special Pogram to Public Services, including Drainage in one of the projects. The decade of 90 has different programs, as Social Action or Urban Transport.

It is important to understand the changes in the political strategies of IDB when concerning to 'Sanitation' and 'Urban Development and Housing' in a country with a *deficit* of sanitation and good housing like Brazil. But it was not clear, among the projects, what is concerned to IDB and what is concerned to World Bank in terms of capital amounts and project type or part of it. As an example, the project named "Nova Baixada Program", approved on September, 1997, has a great part of sanitation services among its actions, but this is understood as an urban upgrading program, so it appears in sector of activity "Urban Development and Housing". The following analysis presents the trajectory of sanitation IDB policies in Brazil, coming from 'drinking water' to bigger actions in urban areas.

4. From 'Sanitation' and 'Urban Development and Housing' to 'Upgrading Urban Areas'.

The IDB has financed sanitation projects in Brazil since its establishment. However, it's important to emphasize that the bank performance on capital investment on the sanitation area has enlarged simultaneously to loans conceded by the World Bank in projects that involve directly or indirectly the implementation of sanitation on the target of its program, making impossible, with that, elaborate an analysis that focus only on IDB performance separately.

It's equally relevant to inform that was only since the 90's that the multilateral organisms induced evaluative practices of the projects they had financed, in contraposition of the impermeable culture of the federal and state agencies of sanitation, reducing with that the several informative documents until that decade. Besides that, the projects names provided by the IDB doesn't usually agree with the name used by the projects in Brazil, making difficult the correct search of information. The names of the projects below are the ones used in Brazil.

In 1966, the IDB destined resources for the municipal autharchies, related to Foundation for Services of Public Health/FSESP, with sanitation actions at a local level. Still in 1959, Superintendency of the Northeast Development (*Superintendência para o Desenvolvimento do Nordeste/SUDENE*) significantly enlarged the external loans, through IDB, for the sanitation actions (Rezende and Heller, 2002). Since then, the management of the sanitation services suffer a deep modification, passing the administration model on the companies of mixed economy and autharchies, which economy made new external financings possible (Mercedes, 2002), introducing on the sanitation section the financial logic of the return of the invested capital. This thought finished contemplating with public services the richest segments, that had bigger contributive capacity in detriment of the less favoured sectors.

On the 70's, the IDB enlarges the introduction of foreign capital in Brazil, estimating the establishment of companies of mixed economy. Since then, the bank started to condition the loans to the transference of the concession of the sanitation services of the cities for the state companies of mixed economy, creating the state companies of sanitation, like CESB-State Company of Basic Sanitation (Rezende and Heller, 2002). In 1971 the National Sanitation Plan (*Plano Nacional de Saneamento/PLANASA*) is created and Brazil starts counting with sanitation policies centered on the federal government and executed at a state level, being implemented until the 80's, increasing, by that time, the sanitation activities by the multilateral agencies.

The conception and financing of the policies were centered in the Housing National Bank (*Banco Nacional da Habitacao/BNH*), with massive investments in urban infrastructure. It was in accord to the macroeconomic policy and its projects were big engineering works. The main target of *PLANASA* was the enlargement and implantation of the water and sewer systems, trying to get 80% for the water supply and 65% for the sanitary exhaustion for the urban population. The water goal was almost reached, running into 76% and the sewer goals, even it had grown 60% on this period, it run into only 36% of providing.

The annual investments realized by *PLANASA* on the 70's were around US\$ 800 million, according to World Bank and IDB records. During the 80's, this plan starts being criticized because of its high cost of technology and the lack of integrated actions in urban peripheries and rural areas. Answering these demands, *BNH* created in 1985 the *PROSANEAR* program and, in 1986, The National Plan for Rural Sanitation. But they had a short life because *BNH* was extincted in 1986. Another brazilian bank was choosed to continue those tasks, *Caixa Econômica Federal/CEF*, but the programs concerned to urban areas had changed a lot. The macroeconomic scenary was changing all over the world, and specially in the items here pointed, the urban public services became to be seen as private products to invest. At the beginning of the 90's, a reorientation in the national policies occurred. The water supply and the sanitary exhaustion became to be treated on market basis. The privatization starts to be a central line of the government direction. It is observed a reduction of the federal investments in sanitation, housing and all urban infrastructure (Costa, 2003)⁶.

The first project of this period financed by the IDB, since 1993, was the Project of Modernization of the Sanitation Sector/PMSS. It is a strategy to reorganize the sector institutionally, including policies and the efficiency of the services. This project financed other actions that contributed to institute a evaluative environment like the National System of Information about Sanitation (*SNIS*), created in 1995. There were also financed several technical studies, for the elaboration of diagnosis and propositions, published since 1995, that contributed for the formulation of the policies since 1995. Other projects, supported by IDB, went through evaluation processes since then.

The reduction of the State as a supplier agent was induced by multilateral agencies, as International Monetary Fund/IMF, World Bank and IDB, turning on a new model of project conception. These agencies started to guide and consider the overcoming of the economic stagnation, the inflation and the fiscal crisis, by means of economic adjustments for the monetary stabilization, for the productive transformation and the redirection of the economies in progress for the external market (Costa, 2003). Since this moment, the IMF, the World Bank and the IDB pressured governments to start public services privatization. So, since 1993, the multilateral agencies participate on the conception of institucional reorganization of the sanitation in Brazil. The big and important difference in the new model applied in Brazil for the 90's is the allocation of fiscal resources only for the poorest sectors of society, stimulating, for the ones that have contributive capacity, the private financing. Another important change introduced in Brazil, in the 90's, was the increase of technical sectors

⁶ On the 80's the total amount was 13,460.20 in US\$ millions of 1993, as follows: 1980 – 1,280.1; 1981 – 1,722.5; 1982 – 1,577.6; 1983 – 1,174.9; 1985 – 1,442.0; 1986 – 1,253.3; 1987 – 1,180.8; 1988 – 1,721.5; 1989 – 1,412.9. The values variation can be related to the economical crisis of 1981, restricting the resources to be applied in sanitation in 1983 and 1984. Between 1980 and 1983, the average values raised to US\$ 1,44 billion (in 1993 dollar) and between 1985 and 1989 the average was around US\$ 1,4 billion. (IPEA, 1989 and 1990 *apud* Costa, 2003).

formulating the sanitation policies, including other State Departments as Health and Social Action.

Along the decade of 90 another important change starts to be part of the new sanitation policy, that is the concept of environmental sanitation. Environmental sanitation includes a considered set of actions or modalities of financing, involving water supply, sanitary exhaustion, solid residues, urban draining and housing improvements. This new terminology extends the elaboration of the programs, in contraposition to the services of sanitation of the previous decades, where the implemented services were the sanitary exhaustion and water supply. The environmental matter starts to be part of the agenda of national sanitation, following the lines of 'brown agenda', this one inserted in World Bank and IDB environmental policies strategy. From this decade, the projects includes sanitation, urban development and housing. This new frame is reflected in IDB data. The projects become multisectorial and the records are even in sanitation list or urban development list. The Program of Social Action in Sanitation (*PASS*) was another central program of the policy of environmental sanitation during the studied period. This program was instituted in 1996 with the purpose of contributing with the universalization of the services of water supply and sanitary exhaustion and final destination of solid residues in areas of big concentration of poverty.

In 2000, the Program of Neighborhoods Improvement or Urban Upgrading substitutes *PASS*, characterizing themselves by a change in the performance form. With the incentive and conception of IDB, the financings are directed to typical sanitation actions plus the urbanization of areas and improvements of habitability conditions. Those actions are made by the municipalities, involving the using and occupation of the urban land process, agrarian regularization, redefinition of the urban plans, agreeing to the policy of increasing local government and decentralization praised by the IDB (Brakarz *et al.*, 2002).

Nowadays, the Program of Financing Sanitation Private Concessionaires (*FCP/San*), using *CEF* resources finance concessionaire companies of water and sewers services, side by side with the Economic and Social Development National Bank (*Banco Nacional de Desenvolvimento Econômico e Social/BNDES*), in one hand and the *PASS/IDB*, the Program of Neighborhoods Improvement, the *Pró-moradia*, the *Pro-infra* one, the *Propar*, the National Program against the Water Wastefulness, the Program of Quality of Waters and Control of the Hidric Pollution, the Program of Empowerment of the Environmental Management, the "Habitar-Brasil", in the other hand, constitute the National Policy of Sanitation and the Environmental Policies financed by IDB and World Bank. Even considering the large scope of programs, the upgrading of poor urban areas in Brazil is smaller than the growth of this kind of occupation, from small cities to metropolitan areas.

5. Slums upgrading.

OLIVEIRA, Sônia. Rio de Janeiro: o Modelo de Urbanismo e a Cidade Real. Tese de Doutorado. Programa de Pós-graduação em Sociologia e Antropologia. Instituto de Filosofia e Ciências Sociais da Universidade Federal do Rio de Janeiro. Rio de Janeiro: 1999.

Among the projects involving sanitation and urban development and housing, during the 90's, there was 'Rio de Janeiro Urban Upgrading Program', approved on 1995⁷. The

⁷ BR0182: Project Description – This project will upgrade living conditions in Rio's slums and illegal subdivisions, by providing water and sanitary services, improving streets, storm drainage, reforestation, garbage collection services and increasing the supply of social services, particularly child care centers; Project Type –

second part of 'Rio de Janeiro Urban Upgrading Program' was approved on 2000, named 'Urban Improvement Rio de Janeiro II'⁸.

The slum as model of residential occupation in Rio de Janeiro is becoming bigger, beginning at the end of the XIXth century, crossing the XXth century and going on as an important way of urban land occupation. More than that, the Brazilian official census of 1991 and 2000 show that during the decade of 90 the population growth in Rio de Janeiro slums was bigger than in the areas not considered slum, that is, the formal city. In numbers, the total population of Rio de Janeiro was almost 6 millions in 2000, and about 20% of this lived in slums.

Table 2 – Population growth and slum population growth in Rio de Janeiro city – 1980/1991 and 1991/2000.

1980-1991			1991-2000		
Population Total Increase	Slum Population Total Increase	% of Slum Population in the Total Increase	Population Total Increase	Slum Population Total Increase	% of Slum Population in the Total Increase
389.988	165.601	42,46	377.126	210.116	55,72

Fonte: IBGE, Censos Demográficos de 1980, 1991 e 2000.

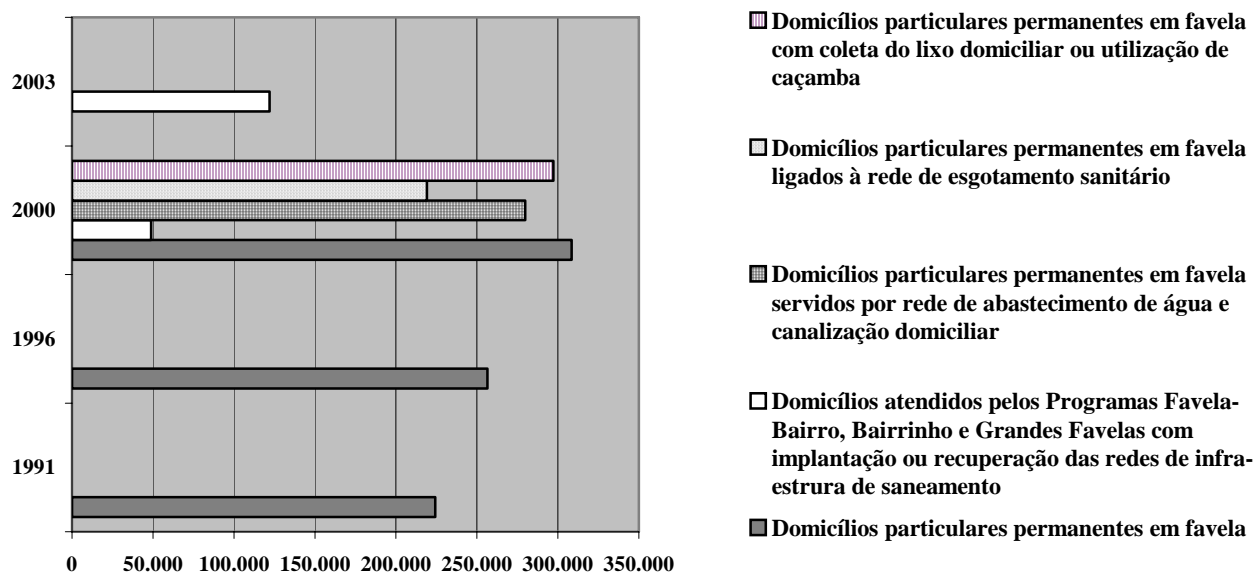
These data present a new phenomenon that is occurring not only in Rio, but in this city the reverse of population growth increase demands new options of public policies, including magnitude and scope. Those were the goals of "Programa Favela-Bairro", a line of the IDB project 'Rio de Janeiro Urban Upgrading Program'. It began in 1995, was renewed in 2000 and now it is almost paralyzed. The accessible information was until 2002, and it shows the benefits of a program like that. The program is conducted by the city's administration. 60% of the financial resources come from IDB and 40% from Rio de Janeiro Municipality. The program scope includes land regularization, sanitation (drinking water, sewage system, drainage and garbage collect), streets surface, risk contention, collective equipments and other items included in public or collective space. The program doesn't act with housing, only in case of risk. Working in slums with 500 to 2.500 houses, the program scope was extended for other slums, but outside the agreement with IDB.

What is important to point here is that this was the first time in Rio de Janeiro that benefits to slums were done in an integrated way, resulting in better settlements. But the implementation of the second one is going very slowly, and in some slums the construction was interrupted. The graphic above presents the evolution of the implementation of sanitation services by this project until the year of 2002. The data after this period was not accessible.

Loan Operation; Total Cost – US\$ 300,000,000; Fund – OC; Approved Amount – US\$ 180,000,000. This is a completed project.

⁸ BR0250: Project Description – The objective is to improve the living conditions of the low-income residents of Rio's Favelas and Irregular Subdivisions. Consists of the second stage of the Program BR-0182, in executions since 1995. This stage would benefit additional 70 favelas and settlements, and would include integrated neighborhood upgrading and technical assistance components; the other items repeat the BR0182.

Graphic 4 – Number of slum houses and number of slum houses affected by “Programa Favela-Bairro”/”Rio de Janeiro Urban Upgrading I and II”.



Fonte: PCRJ/SMU, 2002.

It can be observed that the benefits of *Favela-Bairro Program*/Rio de Janeiro Urban Upgrading program were being significant to *habitat* conditions of slums in Rio. Information about the reasons of the program interruption were not accessible officially. Another question to point out is that a program with this objective, that is, promoting urban integration of poor parts of the city can't be treated as exceptional programs, that is, depending on IDB financing capacity. If the slums join the city they must participate on regular programs.

6. Conclusions

The habitat quality of the poor parts of brazilian cities have been a insufficient care, as shown by the numbers that say that slums and other poor forms of residence have been growing from decade to decade. During the 60's the number of houses conected to drinking water and swage systems grew up a lot. From the 70's to 90's⁹ drinking water consume grew up 62%. This percentage was 1,95 % during the 90's, confirming the changes in govern policies, so as the multilateral agencies, as said before. This number is the result of sanitation and urban development services privatization. However, even trying to consider the habitat quality as a capital good, its role to human surviving brings up some peculiar carachteristic. Different from other urban services, as transportantion, telephone sistem or electricity, environment sanitation didn't loose its social face, and the contributive part demanded by capitalist dinamic wasn't the same in this case, when facing poor people.

It was pointed important changes in strategies and policies made by multilateral agencies in the sectors of sanitation and urban development and housing in Brazil, during the

⁹ Fundacao Instituto Brasileiro de Geografia e Estatística/IBGE, 2001.

last decades. The most important of that is the comprehension of a poor settlement as a hole, what appears from 2000 to our days. However, even recognizing the conception increase, some problems inside the projects must be reviewed. In *Favela-Bairro Program*/Rio de Janeiro Urban Upgrading, the construction interruption brings problems to the slums they are in, but more important than that, a not continuous action reinforce the fact that slums don't really belong to the city, depending on exceptional financial projects.

In another project of Urban Upgrading, 'Nova Baixada Program'¹⁰, located in the Metropolitan Region of Rio de Janeiro, the upgrading is being done inside a very poor area with a big deficit of urban infrastructure. It is the opposite of '*Programa Favela-Bairro*'. In this case the upgrading has been done in a not infrastructured area inside the formal city. The slum 'is the problem' inside a urban infrastructured area (Hübner, 2002). The 'Nova Baixada Program' makes the opposite, creating an island of urban infrastructure inside a not infrastructured place.

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¹⁰ BR0242: Project Description – The program's objective is to improve quality of life of population of the baixada area, through neighborhood improvement projects, including sanitation, education, health, environment and institutional strengthening components. The program seeks to improve the financial and administrative capacity of state and local government in the region; Project Type – Loan Operation; Total Cost – US\$ 300,000,000; Fund – OC; Approved Amount – US\$ 180,000,000.