



PATHS TO STATE/SOCIETY SYNERGY?

**The experience of housing cooperatives in
Porto Alegre, Brazil**

Ph.D. dissertation by

Genoveva Maya Fruet

April 2002

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INTRODUCTION

Porto Alegre is known today as the capital of the Participatory Budget, where democracy is practiced to benefit poorer segments of the urban population by means of public debate on the city's budget and investment resources. In the last two years Porto Alegre has also gained international recognition as the locus of resistance to neo-liberalism through the World Social Forums held in that city, as an alternative to the thirty-year-old Davos World Economic Forum. *A different world is possible* was the motto that brought together over 50,000 activists from various parts of the world to Porto Alegre in the beginning of 2002.

The participatory experience of Porto Alegre during the last 12 years has sparked interest among scholars, politicians and civil society organizations, generating a series of reports, articles and academic work.¹ Students of the Porto Alegre experience consider the city to be an example of good urban governance and of an innovative approach to city management and participatory democracy. This approach breaks with old patterns of clientelistic relations between state and society and points to new practices where public institutions defend democratic rights and strengthen accountability, stimulating civil society's greater engagement in active citizenship and informed participation (Jacobi 1999). Porto Alegre today embodies a new paradigm related to public administration and policy implementation. This paradigm involves the construction of new spaces of participation, not based on new physical structures,

¹ Some examples of this production are the works by Baierle (1994), Menegat (1995), Abers (1997,1998), Fedozzi (1997), and Santos (1998).

but on new state/society relations. These relationships are located between the public and the private spheres, originating a public non-state arena that encourages the democratic negotiation of equitable rules for the use of public resources (Gohn 2001). This arena allows public administration to become more permeable to demands emerging from civil society, withdrawing from the state the monopoly of the definition of policies and priorities that directly affect citizens (Telles 1994).

The participation of active citizens and the consolidation of an associative network, along with changes in the institutional and civil service culture, are crucial for the consolidation of such spheres of interaction. Participation and citizenship are closely articulated in the construction of a culture of shared responsibilities, where society is seen as a permanent partner, and not as a sporadic player in state initiatives.

According to Teodósio (2001), within the Brazilian scenario the strategies of popular participation for interacting with the state have been of organizational mediation, either through the direct articulation between the public sector and organized society or through the creation of channels and mechanisms of negotiation for the allocation of public resources. Following the author's classification, in this thesis I address mainly the first kind of mediation, namely the direct interlocution between the local state and civil associations.

I focus on this new space of interaction between state and society through the experience of the low-income housing cooperatives program implemented in Porto Alegre during the last 10 years. The emergence and development of self-managed low-income housing cooperatives resulted from a joint effort carried out by the municipal government and organized civil society, mainly labor unions and community-based groups. Over time, cooperative members and government officials have referred to the interactions between the local power and the cooperative associations as a *partnership*, where the meanings of roles and responsibilities have been defined by the two partners in the process of construction of the relationship. Although unions and community groups participated actively in the process, the cooperative program was launched by the municipal state through its housing agency. Considering the heritage of strong state regulatory interventions in civic associations and a tradition of patronage and clientelism in Brazilian political culture, state initiated programs directed at organized groups deserve careful attention, even those carried out by progressive administrations such as Porto Alegre.

The aim of this study is to contribute to understanding how the partnership between the local state (the planning and housing agencies) and civic associations (the housing cooperatives) has unfolded. What difficulties have the parties involved in this relationship faced? What impact have these interactions had on shaping these organizations and on the implementation of local policies in the field of land and housing in Porto Alegre?

One of the main arguments of this study is that state power and social forces have a reciprocally reinforcing relationship and that what began as top down policy implementation can in practice be mutually empowering. The idea of state/society synergy, as the result of an active state and engaged civil organizations, underlies the argument. The subject will be approached from an analysis of the history of housing provision and of the role of the local state in Brazil, especially Porto Alegre, and through a detailed exploration of two case studies of housing cooperatives.

There were many reasons for the choice of housing, and not health or education, as a topic for this state/society relationship. I had a professional interest as an architect in the field of land and housing policies. There was a lack of specific studies of housing policies implemented under the aegis of the Participatory Budget (Orçamento Participativo - OP). There was the fact that during the past decade, the three priorities chosen by the population for the application of OP resources have been land regularization, the paving of roads and the provision of basic sanitation (all related to housing). Finally, the existence of a program that stimulated the formation of self-managed housing cooperatives led me to direct my research into state/society relations to this field. Moreover, the idea of urban development policies as crucial to economic growth, as defined by multilateral agencies, and the question of whether these policies would succeed without a strong state presence also stimulated the investigation into Porto Alegre's initiatives in this field.

Among the various types of public policies, infrastructure, land and housing policies are the most visible. They appeal partly because they have long been tools for political propaganda and clientelistic practices among those in control of their distribution. In addition, the prevalence of owner-occupation policies, the indivisible use and private appropriation of land and housing (and hence of their increasing value and capital gains through the transference of property rights from the state to the individual) made such policy fields interesting. These programs were made possible

by a financial program, within a context of scarcity and lack of credit opportunities that made access to public financing almost a privilege for prospective beneficiaries. In this thesis we will see that, since the first state interventions in these fields in the 1940s, clientelistic practices have permeated the implementation of housing policies both at national and local levels.

There are three themes that should be addressed as a prefacer to the theme of state/society relations in the field of land and housing. The first, a more informative issue, is a short description of Porto Alegre's social, economic and demographic characteristics within the state and national scenarios, providing the reader with some background information on the locus of this study. The second theme is a short discussion of the peculiar nature of housing as a durable and high cost commodity. The final issue is an overview of the situation of cooperatives as a form of civil society organization in Brazil and their historical role in the provision of housing.

ABOUT PORTO ALEGRE

Porto Alegre is the capital of Rio Grande do Sul, the southernmost state of Brazil (see Figure 1). In 2.000 the city had 1.359.952 inhabitants occupying an area of 496,1 km². The Metropolitan Region of Porto Alegre (Região Metropolitana de Porto Alegre – RMPA) consists of 31 municipalities ² and comprises 36,5% (3.717.430 people) of the population of Rio Grande do Sul state (METROPLAN 2002). The major part of the economy of the state is concentrated in the RMPA, which, in 1998, was responsible for 39% of the state's Gross Domestic Product (GDP) (Alonso 2001).

The city lies at the confluence of five rivers that flow into the Rio Guaíba and thence into the great freshwater lagoon, the Lagoa dos Patos, which runs into the sea (see Figure 2). This location stimulated its economic growth mainly through commercial activities. Nowadays industry and services form the base of its economy. These two sectors comprise 83% of the city's GDP; services are responsible for 61% of this figure (PMPA 1999). Porto Alegre is of major economic importance in Rio

² Created in 1973, the RMPA gathered 14 municipalities until 1989, when 8 more municipalities were incorporated to the metropolitan region through a constitutional act. From 1989 until 2001, other 9 municipalities were added to the RMPA, totaling 31 cities.

Grande do Sul whose gross domestic product in 1999 was R\$ 9,3 billion (FEE 2002), equivalent to 12,5% of total GDP of Rio Grande do Sul.³

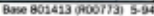
In the last five decades Porto Alegre has experienced rapid expansion as a result of natural growth and migration. Within 50 years the total population jumped from 418.864 (1950) to 1.359.932 inhabitants (2000). The demographic explosion was followed by a scarcity of adequate housing to shelter the increasing population. In 1996, 22,11% of the city's population lived in illegal settlements.⁴ In other Brazilian cities this proportion is also high. According to Taschner (1996) in the beginning of the 1990s São Paulo and Rio de Janeiro had respectively 19,8% and 17,5% of the population living in *favelas*⁵. In Salvador, in the northeastern part of the country, this figure jumps to 30% of the population (Gordilho 1992).

Brazil is 69th in the ranking of the 2001 Human Development Report of the United Nations (UN), ranked as 0.750. This is close to 0.8 that the UN considers as a country with a high Human Development Index (HDI). However, if we disaggregate this figure the social and economic inequalities are conspicuous. There are regional and intra-urban inequalities. Although the states in the south and southeastern regions have higher HDI, they also concentrate in their metropolitan areas the most significant numbers of poor people in the country. The urban areas concentrate 70,9% of the poor (Santos Júnior 1999). Despite being the capital with the best quality of life (with the highest HDI) in Brazil, Porto Alegre, as seen above, has still 22% of its population living in irregular settlements. The “urbanization” of poverty in Brazil is something that cannot be ignored by all who study the phenomenon and by those who define policies and programs to combat it.

³ In December of 1999, 9,3 billion *reais* were equivalent to 5,05 billion dollars. (Exchange rate: 1dollar= 1,84 real). Because of frequent currency changes in Brazil (from 1991 to 2000 there were two changes in currency) throughout this thesis I will convert reais to dollars, using the average monthly time series of the *real* to dollar exchange rate provided by the Applied Economics Research Institute (Instituto de Pesquisa Econômica Aplicada – IPEA) and available at <http://www.ipeadata.gov.br>.

⁴ Illegal settlements are the ones whose inhabitants do not own the land and do not have any legal contract that guarantee their permanence in the area. In this thesis I use the terms illegal, irregular and squatter settlements interchangeably. Clandestine subdivisions, however, have other characteristics. These are settlements where the inhabitants do have some kind of documentation (often incomplete and not regular) and whose developer has began a formal process of approval, but has not complied to all urban legislation requirements, such as non-conformance to urban regulations on land use, minimum lot area and width of the roads, or the lack of infrastructure lines.

⁵ Whereas in Porto Alegre illegal settlements are commonly referred to as *vilas*, in other parts of Brazil they are called *favelas*.



Source: University of Texas Library (2002).

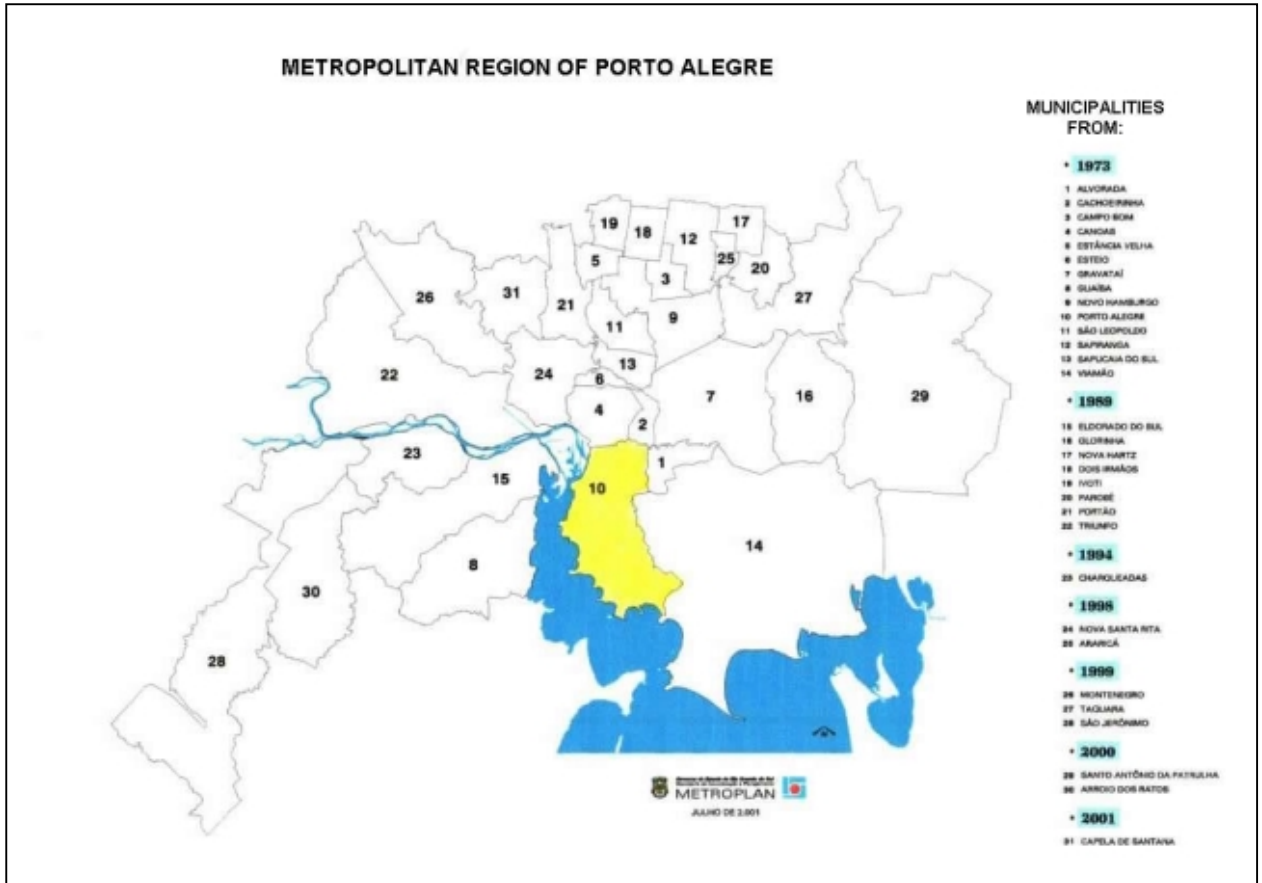


Figure 2: Map of the Metropolitan Region of Porto Alegre

Source: METROPLAN (2002).

Note: Map not to scale.

HOUSING

There are no easy solutions to the Third World's diverse housing problems because a lack of adequate shelter is merely a manifestation of generalized poverty. Decent shelter for all can never be guaranteed so long as there is widespread poverty. At the same time, sensible policies can help mitigate shelter problems (Gilbert 2000:145).

According to a study by the Getúlio Vargas Foundation (Fundação Getúlio Vargas - FGV) in 2000, 50 million Brazilians (29% of the total population) lived below the poverty line. These figures consist of people who earn less than R\$ 80 (US\$ 32,5) per month and do not consume the minimum amount of calories recommended

by the World Health Organization (Neri 2001). The lack of access to land and adequate housing and the precarious conditions of poor urban workers are a symptom of the growth of poverty in the urban areas of the country.

The gap between incomes and housing prices place formal ownership of housing beyond the reach of large segments of the Brazilian population. As a durable commodity housing has some characteristics that deserve further attention. Topalov (1979) and Harvey (1973)⁶ point out that there are basically five peculiarities that differentiate housing from other commodities. The first is that housing needs land to be built on, entailing a fixed location. The production of buildings is the only activity that needs new ground for its productive process. Each new housing development needs new land to be built on. This need for physical location for each new construction faces two obstacles: the private ownership of land and the non-reproducible nature of land. The second feature is that housing is a real need. No one can do without some sort of dwelling, however bad. In third world countries, slums and street dwellers show how inadequately this need has been met for a significant part of the population. The next characteristic is that housing is not bought and sold so frequently. In the owner-occupier housing market, a housing unit does not take the form of a commodity as often as in the rental market. The fourth feature is that housing, as a building, is durable. I would add that this longevity depends on the type of construction and that, in Brazil, durability has decreased considerably over time, especially concerning popular housing units that, to reduce costs, tend to be of low quality. Whereas housing requires up keeping, land does not require maintenance for its potential use. Here I would also point out that serious environmental disasters (like chemical contamination or radioactivity) might jeopardize the use of land for any kind of activity. The last feature relates to the speed of circulation of housing as a commodity. This ends when the consumer has fully reimbursed the capital that generated the commodity. This may take up to 25 years, depending on the price, salary and financial circumstances of the buyer. This difference between housing price and salary determines the important role that state policies and financial institutions play in the functioning of the market for land and housing in capitalist economies. In

⁶ Harvey uses the term “land and improvements” instead of housing. I am using the term housing considering that its spatial base is inseparable from land and with the purpose of applying the general statements to the particular case of my study, which basically deals with one type of housing.

countries like Brazil, with a high rate of urbanization, spatial segregation and unequal income distribution, this role is even greater.

The last population census (IBGE 2000) shows that 81% of the total population of Brazil lives in urban areas. The process of urbanization, although stimulated by economic development, has also led to distinct divisions in growth between cities and among social groups. The urbanization of Brazil was followed by a process of industrialization that has not incorporated housing costs in the workers already depleted salaries. This characteristic has generated the blending of real estate and domestic illegal occupation of land and production of housing in many cities of the country. The combination of high concentration of land ownership, the density of population on the land and building regulations together with historical social and economic inequality has kept an expressive part of housing production outside the formal market.⁷ Self-help construction on occupied land continues to be the prevalent option for poor urban workers to access to housing.

During the 1990s, excluded from the formal market and from public provision, with the retreat of the state as public financier allied to the high cost of housing in the real estate market, median and median-low income segments⁸ adopted self-financing as a means to access to housing. Self-financing is here defined as the anticipation of the consumer's resources for the production phase of housing, avoiding the use of institutional financing. In most cases, the cooperative was the legal form adopted by these new kinds of housing production (Castro 2001).

COOPERATIVES IN BRAZIL

There has been a significant growth of the cooperative sector in Brazil in the last decade. In 1999, according to the Brazilian Cooperatives Organization

⁷ In São Paulo, during the 1980s the level of illegality reached almost 50% of the housing production (Castro 2001). In Porto Alegre, in the early 1990s, 23% of the housing was illegally produced (SPM 1995). Official data about illegality, though, are not precise, given the difficulties to survey illegal settlements.

⁸ These sectors comprised families earning from 8 to 15 minimum salaries. The minimum salary policy was established by law n.º 2162, May 1, 1940. It applies to all adult workers and should provide sufficient income to satisfy basic necessities of food, housing, clothing, hygiene and transportation. This policy has been ineffective, in itself, by raising wages. The Brazilian minimum wage in December /2001 was R\$ 180 (US\$ 76,27). Studies done by the Inter Trade Union Department of Statistics and Socio-economic Studies (Departamento Intersindical de Estudos Estatísticos e Sócio Econômicos – DIEESE) showed that in December of 2001, for supplying the basic needs of a family with two adults

(Organização das Cooperativas Brasileiras – OCB), the number of registered cooperatives grew almost 11% per year. This growth was due mainly to the expansion in the number of workers and of the health services sector.

The economic policy implemented in the last five years in Brazil has substantially increased unemployment rates, transforming cooperatives into an alternative used by workers to tackle the housing problem.⁹ In three years, workers cooperatives grew 62%, from 1.025 to 1.661 cooperatives (OCB 1999). In 1999 there were around 5.642 registered cooperatives at OCB and 5 million cooperative members. These numbers, though, may be even greater. According to Perius after 1988, when the cooperative system was no longer subject to state tutelage, there was a loss of control in the registration of cooperatives.¹⁰ Since then, an impressive number of organizations, which regard the OCB as a top-down organization, have refused to register.¹¹ Irrespective of the disparity between reality and collected data, if we consider only OCB's data, we can see a dramatic increase in the growth of cooperatives during the 1990s: 56% of the total number of cooperatives were founded during that decade.

The housing cooperative tradition is very recent in Brazil, having been historically subordinated to the state through very restrictive laws. The National Housing Bank (Banco Nacional de Habitação – BNH), created in 1964, set the rules for the registration, functioning and the fiscal control of housing cooperatives. Contrary to consumer, credit and agricultural/livestock cooperatives, which developed since the beginning of the century, until 1964 the housing cooperative sector in Brazil was in its infancy. The lack of specific legislation until the early 1960s reflects this late evolution.¹² According to Bucci, (1994) housing cooperatives have little tradition

and two children the minimum wage should be equivalent to 6,1 times the actual wage (R\$ 1.101,54 = US\$ 466,75) (DIEESE 2002).

⁹ The unemployment rate in São Paulo, the biggest industrial center of the country, reached 18% in July of 2000. In Porto Alegre, the unemployment rate decreased from 17% in 2000 to 15% in 2001 (Chaves 2002).

¹⁰ Virgilio Perius, Center for Documentation and Research of the University of Vale do Rio dos Sinos, interview by author, 18 May 2000, São Leopoldo.

¹¹ The OCB was created during the 1970s, under the military regime, by Law no. 5.764/71, that obligated cooperatives not only to register in the institution, but also to make financial contributions to OCB. An example of the difference between OCB's data and reality are the figures for housing cooperatives. According to OCB (1999) in 1999, there was a total of 216 registered housing cooperatives in Brazil. The Secretariat of Housing in Rio Grande do Sul, alone, one of the 27 states of the federation, counts 200 housing cooperatives in its cadastre, being 60 from Porto Alegre.

¹² Other sectors had special legislation since the beginning of the century, like Decree no. 17.339, that in 1926 set up norms for the fiscal control of the credit cooperatives (Limberger 1980:43). Despite of the

of operation, are always located in certain places under specific conditions and there are some that do not evolve into a collective movement.

The 1990s saw the emergence of self-financed housing production for sectors of median and median-low wages, as a response to the shrinking of the public sector as financier, since the closure of the BNH in 1986. During the 1990s, the production of self-financed housing in São Paulo was sponsored by developers, real estate consultant firms and labor unions that gathered together members interested in such enterprises. The cooperative was the most used legal form for these enterprises. Whereas developers and consulting firms have formed cooperatives as a means of capturing resources for the financing of housing production, with an eye in the expansion of the market, labor unions have adopted the cooperative principles, eliminating the costs of financial middlemen, controlling the process of production and converting these gains into better quality and lower prices (Castro 2001). Ferreira and Morais (2001) identify similar trends in Natal, in northeastern Brazil, where in 1999, the production of housing through self-financed cooperatives has exceeded 30% of total housing production.¹³ The São Paulo and Natal experiences illustrate that, despite the booming of cooperative initiatives in the field of housing in some cities during the past decade, these initiatives have not reached the poorer strata of the urban population. Both authors agree that to extend the benefits of the housing cooperative system to the low-income segments is necessary to meet the need for the production of housing to land use and planning policies as well as to the expansion of credit opportunities to poorer families.

Contrary to the experience of São Paulo and Natal, the housing cooperatives that emerged in the 1990s in Porto Alegre were mainly formed by low-income families,¹⁴ were inserted into a wider land regularization policy, but lacked access to institutional finance, restricting the potential benefits of such an inclusive policy. Students of the potential of coops to fulfill the housing needs of the urban poor in

inclusion of housing as a distinct sector in the cooperative legislation, since 1932, I have not found specific studies about cooperative housing experiments, before 1964. During the 1960s, Pinho (1962) refers to very few active housing cooperatives in some Brazilian states (Ceará, Rio de Janeiro, São Paulo and Rio Grande do Sul. Kalil (2001) mentions only three cooperative experiments in Rio Grande do Sul in this same period.

¹³ According to the authors only 20% of this production reached families earning less than 3 minimum wages.

¹⁴ The family income of the housing cooperatives in Porto Alegre varies mainly from 1 to 8 minimum salaries. I describe in more detail the general characteristics of the housing cooperatives in Chapter 3.

developing countries agree that external institutional support and favorable policies are essential for these organizations to function.

Vakil (1991), analyzing the Zimbabwean case, where official national policy promoted the formation and development of housing cooperatives, enumerated the subtle barriers still in place that jeopardized the development of cooperatives. Among them she pointed to the lack of coordination among public ministries and the *inflexible rules of individual agencies that were unresponsive to the needs of collective organizations, such as the lack of recognition of housing cooperatives by financial institutions* (Vakil 1991:198). We will see in this thesis that, similar to Zimbabwe, the Porto Alegre cooperatives have suffered from the same problem at national level: lack of access to collective financing.

In a recent study, Sukumar (2001) examines the institutional potential of housing cooperatives to meet the housing needs of poor households through case studies of three cities in India (Mumbai, Chennai and New Delhi). One interesting finding was that, irrespective of a national context that was conducive for the development of collective organizations like cooperatives, both the local housing market and local institutional framework have influenced the different evolution of housing cooperatives in the three cities. Of the three, Mumbai stands out as having an elaborate institutional structure that supports cooperatives and provides financial, legal, administrative and management support. *Regularization of slums also takes place on a cooperative tenure basis, which tends to limit speculation and upward filtration* (Sukumar 2001:171). The author suggests that despite national enabling policies vis-à-vis cooperatives, a local supportive institutional structure is crucial to help cooperatives to lower the transaction costs of their formation and functioning, to overcome collective action problems inherent in such organizations, and to realize collective benefits for low-income households. Although India has an established tradition of cooperative organization and also a supportive national context towards the formation of cooperative societies, what was crucial was local level initiatives and institutions that have been more effective in making cooperatives thrive.

The study of the interactions between housing cooperatives and municipal authorities in Porto Alegre will contribute to provide an insight into the conditions that allow such interactions to occur, the roles of different partners, the difficulties faced and to what extent the housing needs of low-income households are fulfilled.

EMPIRICAL WORK AND METHODOLOGICAL ISSUES

Preliminary Research

During the last decades researchers of self-managed low-income housing have pointed out many negative attributes associated with such initiatives. Organizations are unprepared and inexperienced in assuming responsibility for the complexities of housing development. The gap between housing cost and salaries is too great to be met without additional resources (subsidies, external aid, etc.). Poor families do not have access to formal credit for land purchase and housing construction. The volume of production is too low to be significant. There are conflicts between organizations and with authorities. Financial and technical support is not provided. The cooperative spirit and commitment fade out after houses are built and long-term affordability is not secured.

The emergence and growth of self-managed low-income housing cooperatives in Porto Alegre during the 1990s did, however, challenge some of the limitations listed above, mainly the lack of preparedness for carrying out housing development, the lack of cooperation between organizations and authorities, and the lack of provision of technical support. This study focuses on two housing cooperatives with distinct origins - a community based and a union based cooperative – located in the city of Porto Alegre.

The focus is on a contemporary phenomenon, self-managed housing cooperatives. The goal is to understand how the interactions between cooperatives and municipal agencies have influenced both the organizations and the implementation of housing policies. These factors led me to choose the *case study* as a research strategy.

Comparing research strategies, Yin (1994) points out that the case study is preferable in examining contemporary events, and observes that case studies add two sources of evidence to historical research. These kinds of evidence are direct observation and systematic interviewing. The author argues that the case study's strength is *its ability to deal with a full variety of evidence - documents, artifacts, interviews, and observations – beyond what might be available in the conventional historical study* (Yin 1994:8). Mitchell (1983) also defends the use of case studies,

emphasizing their holistic quality, for they preserve the unitary character of the social object under study.

Through the case studies of some cooperatives I intend to understand how they were formed and operated, who were the actors and their motifs. First and foremost, I try to understand how the interrelations between the cooperatives and the municipal state shaped both the development of such organizations and the implementation of housing and urban policies.

I had to decide which types of cooperatives to work with. There are three types of housing cooperatives in Porto Alegre: labor union based, community based and occupational cooperatives. Labor union base cooperatives are those that originate in an occupational category. Community based cooperatives are formed through the existing community association of a neighborhood. Occupational cooperatives are generally formed after an invaded area is subject to a process of forced eviction, and the formation of the cooperative is a means to solve the dispute, through negotiation on a collective basis.

I chose to work with a labor union and a community-based cooperative since, in both cases, the members had joined these organizations freely and they had common bonds. But in the cooperatives based on land occupation, the cooperative goals were not so clear and their level of participation in other instances of decision-making was not as high. In addition, analyzing two different kinds of cooperatives would allow me to identify relationships between the origin of the cooperative, the level of organization, their mode of operation and the possible effects of these factors on their interactions with public power authorities.

For the analysis of the interplay between state and society I needed organizations with a high level of participation, both externally and internally. The selection was made with the help of DEMHAB's personnel, since the agency's workers had an active involvement in the dynamics of the Forum of Cooperatives that gathered together the organizations citywide and which had data about size, location, and stage of development and income levels of the cooperatives. Of the two groups of cooperatives, COOTEEPA and RENASCER had the characteristics I was looking for. COOTEEPA was a labor union cooperative of 55 members with incomes varying from 3 to 10 times the minimum wage. COOTEEPA had already bought a 2.2 ha. lot for which no services were provided, was paying for technical assistance and struggling to

find construction finance. RENASCER was a community based cooperative, had 95 members with incomes from 2 to 5 times the minimum wage, was negotiating to have access to public land, and did not have any private technical assistance. They had different characteristics regarding size, membership, access to technical assistance, and land tenure situation and were particularly active within all decision-making structures they had access to. At the same time that I was looking for differences between them, I was also examining the relevance of the significance of the body of theoretical work I was using. In other words, I wanted to be able to identify, through the case studies, the general principles incorporated in the theory, namely the synergistic relationship between state and civil society in Porto Alegre.

Scholarly concern has been expressed about the generalization of case studies. How can an analyst generalize from a single case that is ipso facto unique? Mitchell (1983) has a very clear answer to this question. Mitchell argues that the criticism of the validity of case studies is rooted in a misconception of the basis upon which the analyst extrapolates from a single case study to the social process in general. Case studies are not samples of a universe. Statistical inferences are not invoked in case studies.

Instead, the inferential process turns exclusively on the theoretically necessary linkages among the features in the case study. The validity of the extrapolation depends not on the typicality or representativeness of the case, but upon the cogency of the theoretical reasoning (Mitchell 1983:207).

This first selection decision was made after the first two-month trip to Porto Alegre during the year 1995. This was a preparatory fieldwork trip, when I spent the months of June and July in Porto Alegre and visited Montevideo for 10 days to learn from the Uruguayan housing cooperatives' experience, which had great influence on the origins of the self-managed housing coops in Porto Alegre. During this period I established contacts with researchers, public officials and housing activists in both countries and collected preliminary data for my project.

The goals of this first trip were quite specific. I needed to identify and contact the agents involved in the process of formation of the cooperatives, and gather enough information that would allow me to choose the case studies I would use in my research. I also needed to gather information about the institutional and non-institutional mechanisms for citizens' participation in the local decision-making process. I needed to collect data about housing policies at local and national levels,

about legislative framework and access to credit by individuals and collective organizations like cooperatives, about urban and land use ordinances influencing access to shelter, about the work of non-profit organizations in the field of housing and data about Porto Alegre's accommodation and social and economic indicators.

I first contacted research institutions and NGOs, since I thought they would provide me with initial information and be the bridge between the housing cooperatives and myself, given the nature of their technical and organizational assistance work. This proved to be true. It was mainly through the NGOs¹⁵ that I had access to valuable data, to DEMHAB, the housing agency that was carrying out the housing cooperatives programs, and to the cooperatives themselves.

I felt at ease, conducting this research, since I did not have any language barrier and knew the city very well. I had lived there during the first 30 years of my life and I also looked at Porto Alegre through the eyes of an outsider. First, because I had been living outside the country for almost 7 years, with a short stay of a year and a half, in between, and second, because the city had changed. Not only was there a general improvement in the physical structure of the city, but there was also a shift in its power structure. Many people who had been involved in urban and social movements in opposition to the government were now in power, occupying posts in the municipal government. There was also an intense cultural activity and an overall sense of civic pride on the part of the population, mainly because of the innovations the city was implementing in its decision-making structures, changes that projected Porto Alegre national and internationally.

After this first exploratory phase of the research, during the second fieldwork, in 1996, when I spent 6 months in Porto Alegre, I went on to the study of the two cases. In the following, I describe the research design and methods.

Research Design

I used qualitative research tools, mainly interviews and direct observation, in order to examine the relationships between the cooperatives and the municipal

¹⁵ Two NGOs were of special help: CIDADE, which works with urban and housing technical assistance and the Federation for the Educational and Social Assistance (Federação para Assistência Social e Educacional – FASE) a national non-governmental organization that gives technical, educational and organizational assistance to community associations and organized groups.

government and to disclose the internal dynamics of the cooperatives and the public agencies involved in this relationship. The new participatory policy being implemented in Porto Alegre, on one hand, and the top-down approach of the cooperatives program on the other, deserved closer analysis of how these opposing concepts (participation versus top down initiatives) occurred in the same context, suggesting what I would later call a *synergistic partnership*. Qualitative tools could shed light on what drove cooperative members, from their standpoint, to participate in an enterprise with so many uncertainties and what strategies they used to overcome them. These tools could also be used to check how public officials perceived their work and their role in the support of cooperative development, within the broader policies being implemented.

The ongoing formation of the housing cooperatives, and their recent history in the Porto Alegre' scenario required a collection of various data such as policy documents, reports, minutes of meetings and newspaper clippings, in order to build a picture of the origins and development of the housing cooperatives citywide. Interviews with former and present DEMHAB officials and housing activists also helped to write a history that hadn't been registered yet. This work was done concomitantly with the study of RENASCER and COOTEEPA. This approach, that was chosen because of time constraints, turned out to be quite positive, since there was a reciprocal feedback from the two cooperatives and the broader process they were inserted in, offering an opportunity for cross checking information when necessary. Parallel to fieldwork I also gathered material about housing and land provision in Brazil and Porto Alegre. The data about Brazil was collected predominantly from secondary sources. Information about Porto Alegre came from various sources: books, articles, unpublished material and government reports. This material would later be structured as Chapter 2, where I sketch out my main argument about changing relations between state and society overtime.

I used predominantly *in-depth interviews* as a research tool. I interviewed cooperative members, government officials, people linked to technical assistance teams and to non-governmental organizations. The interviews lasted on average from one to one and a half hours. Many were tape-recorded and some were not. There were cases when I interviewed some informants several times, as was the case with the cooperatives' leadership and DEMHAB's workers on Cooperative Coordination. The

structure of the interviews was not rigid, with open-ended questions, allowing respondents the freedom to answer in their own terms. Jones (1985) characterizes such interviews well.

The process of interviewing is one in which researchers are continually making choices, based on their research interests and prior theories, about which data they want to pick up and explore further with respondents and those which they do not. The making of these choices is the imposition of some structure (Jones 1985:47).

My first contacts with the cooperatives were through their leaders. They were the ones who knew the organization and their constituents well. My aim was also to include some cooperative members as interviewees, in order to gain a better picture of how they participated and what motivated them to join in cooperative activities, what perceptions they had about their organization, its relationship to the local government, and their chances of achieving their goals. Before choosing the interviewees, I had informal contacts with cooperative members when visiting the area in the case of RENASCER and attending committee meetings, in the case of COOTEEPA. These previous contacts gave me a more holistic picture of how the organization was evolving. I decided then to record in more detail the story told by the main players and a range of members. Besides the leaders, I focused on four members of COOTEEPA and three members of RENASCER.

The selection of the cooperative members was based on length of time they had belonged to the organization, on income and on level of participation in the cooperative. I looked for some variation and chose people with different incomes, seniority and various levels of involvement in cooperative activities. These members were chosen from a mixture of data from the registration files, from attendance at coop meetings and also with the help of the coop leader. That was a pragmatic choice. Given time constraints, I could not wait for the monthly assembly meetings, where I could explain my work (which I did after beginning the interviews) and ask for volunteers among those who fitted my criteria. The in-depth interviews also emphasized the *housing history* of the interviewees. They were asked to narrate their shelter trajectory and present housing situation (location, tenure, reasons for moving and feelings and expectations about their homes). Despite not being so broad as a life

history, a housing history could provide a framework of the shelter limitations and opportunities open to people during their lives.

The interval of two and a half years (because of family and professional reasons) between fieldwork and data analysis, required two short trips to Porto Alegre to conduct follow-up research. I returned to Porto Alegre for 2 weeks in October of 1999 and 3 weeks in May of 2000. This interruption had positive outcomes. From 1996 to 2001 I could follow the unfolding of the Participatory Budget and events in the two cooperatives via newspapers, via the Internet and through discussions with contacts. During this period both cooperatives began housing construction, the Forum of Cooperatives remained active and there was an increase in the number of housing cooperatives at municipal level. Time, under given conditions, proved to be crucial for the development of low-income housing cooperatives.

The long period taken to begin the construction of the units also caused the departure of coop members from the organization. Three out of the nine people interviewed left the cooperatives. To supplement these losses, I interviewed three other members from RENASCER and 2 from COOTEEPA. At this time, the criteria for selection were the time members belonged to the coop and their level of participation in the cooperative. I interviewed people who were actively involved and had entered the organization in the first year of its formation. This was an opportunity to learn how and why people continued in the cooperative, despite the long and troublesome path to achieve the goal of building their houses in a cooperative way.

All the RENASCER interviews were held at the respondents' homes, where I was very welcome, invariably being offered at least a cup of coffee. On these occasions, I also had the opportunity of seeing the poor conditions of their dwellings, mainly in terms of size and overcrowding. The COOTEEPA's interviews had various settings: in the trade union office, in the working place, in their original housing and in the cooperative's new dwellings. Despite the different modes of access I had to their daily lives, some more formal than others, I could establish a friendly relationship with the people interviewed. There was a general feeling of pride in the interest generated by the experiences of the cooperatives they belonged to. Because of that, and with their consent, I gathered all the quotations used throughout the text. I did the same for all government officials interviewed, since they were holding public posts, hence doing their job and expecting to be cited.

A relationship, in essence, involves more than one party. The emphasis on the cooperatives' standpoints in their interactions with the municipal government did not exclude the need to know what was the perception of the officials involved in the implementation of this new experience and of the activists concerned with social and housing issues. At the governmental sphere, I focused on DEMHAB and SPM' staff, because of these agencies' responsibility for carrying out housing and urban policies at city level. All cooperatives had to deal with both DEMHAB and SPM during the process of formation and development of their organizations. I interviewed 13 government officials, ranging from past and present executive directors, technical staff, to people involved in the direct work with the coops. Some of them were interviewed more than once. I also contacted one CEF official to complement information about the bank's policy towards housing cooperatives.

At the non-governmental sphere I conducted interviews with three popular educational organizations and two technical assistance teams working with cooperatives. A third party perspective offered great insight into the constraints and strengths of the relationship, from another point of view. The juxtaposition of the roles of some of those activists is noteworthy. Whereas one of the interviewees had worked in DEMHAB in an earlier period, and was at the time of the interview holding a position in an NGO, another had gone the opposite route, from the non-governmental to the government sphere. Their opinions were quite illuminating and confirmed what Tandler (1995) has already reported, that *the web and flow between public and NGO sectors results in substantial cross-fertilization between the two* (Tandler 1995:10).

In addition to the interviews, I also had the chance to attend some cooperative assemblies and monthly meetings of the Forum of Cooperatives where I undertook *direct observation*. During these meetings, I was able to observe the dynamics of the discussions, the process of negotiations when there were opposite views about some polemical issue, and the internal decision-making processes. I also visited the sites where the houses would be built. These visits were conducted during my initial contacts with the coop members, and also after the beginning of the construction of the units, when I took some photographs that are reproduced in the text. I wrote down most of my impressions after those meetings and visits, some in a more organized way than others. These scattered notes were of great use during data analysis, when I could make the bridge between transcribed text, interviews and personal impressions.

Data Analysis

All taped interviews were transcribed in full. All interviews, taped and un-taped (which had been written down after they took place), and scattered notes were classified according to their origins (coops, government, non-government). Images, plans, and maps were identified and classified. Documents and relevant published data were also classified according to themes. Everything appeared to be very ordered, and yet I knew of the challenge of analyzing, interpreting and structuring all this material.

The analysis of qualitative data is a highly personal endeavor, involving processes of interpretation and creativity. It is also a process of making sense, of building a structure in the data and giving it a meaning and significance (Jones 1985). The process of structuring the thesis and analyzing the empirical material nurtured each other. The interview data formed the bulk of the analysis. Field notes, pictures and documents complemented the data and, in some cases, served also to cross check information.

In the process of reading the notes, I identified information relevant to the research questions, like, in the case of the coop members, to their housing history (origins, tenure, moves) and to their perceptions of their role in the cooperative. I established some categories for fitting in this information, systematizing the information to be used later, preparing the ground for a preliminary write up. The interpretations and conclusions were mainly drawn from the empirical material, linked to theoretical references and to studies of the issues. The successive drafts and editing produced this dissertation, which I now present to the reader.

OUTLINE OF THE THESIS

The first chapter of this thesis reviews the main concepts and approaches to the study of state/society relations used throughout the study. The state-in-society and synergy approaches are discussed in the light of the interactions between cooperatives and local government in Porto Alegre. In contrast with old practices of clientelism, these new approaches to state/society relationships treat as equivalent, the forces of state and society in shaping policies and bringing about social change.

The community and labor union origins of the cooperatives in Porto Alegre bring to the fore the concept of social movements and their role within civil society. The discussion of the synergy approach is strengthened by the concomitant use of the collective action and culturalist/identity paradigms. The relationship between collective action and the characteristics of and changes in the political arena contribute to understanding of the idea of state/society synergy. The emphasis on identity formation and cultural analysis present in the culturalist/identity approach highlight the importance of the notion of citizenship acquired by Brazilian social movements in the last 25 years.

Through a summary of the contemporary debate on citizenship, I discuss the notion of new citizenship, introduced by many students of urban social movements. According to them, the transformation of needs into rights carried out by urban social movements was indeed a major process of revision and redefinition of citizenship. This redefinition involved, among other things, the right citizens had to participate in the redefinition of a political system, leading to fundamental transformations of society and its power structure. The Participatory Budget carried out by Porto Alegre administration and initiatives like the cooperatives program embody a change in the power structure through new forms of decision-making and of relationships between state and society. The last section of the chapter focuses on urban development partnerships as one specific form of state/society relationship. The overview of the origins and concepts of partnerships in industrialized countries and their influence on policy prescriptions for developing countries, like Brazil, is designed to supply background information for the discussion of the conditions under which public/private partnerships may reduce poverty and improve the living conditions of more vulnerable and poor segments of society. The summary is also designed to discuss the role of public and private partners in a context of growing reductions in public expenditures, and to assess the role attributed by international lending agencies to cities and urban related policies (housing inclusive) as key actors in sustainable national development.

With a focus on Porto Alegre, Chapter 2 covers a long period of time in the field of land and housing provision in Brazil. It aims to help the comparison of present and past approaches in this field. It is designed to provide a background and historical chapter also introduces my argument about changing relations between state and

society overtime. In this chapter I address the state/society relationship, emphasizing the issues of clientelism and citizenship related to housing and land provision. The overview of housing and land policies begins with a discussion of the process of urbanization in Latin America and Brazil and follows a chronological order since the end of the 1800s. The periods analyzed (until 1940s, 1964 and 1986) reflect the gradually increasing role of the state in the implementation of social policies and in the provision of land and housing in Brazil.

In Chapter 3 I examine the local state and the cooperatives in Porto Alegre as elements of a partnership, seeking to understand on what was this partnership built and how the partners interacted. The analysis of the local state covers the political priorities and innovations of the party in power, the Workers Party (Partido dos Trabalhadores –PT), the Participatory Budget and its impact on the decision-making structure of the city and investments. The analysis also covers the functioning and approaches of the Municipal Department of Housing (Departamento Municipal de Habitação – DEMHAB), the institution in charge of the land and housing policies implementation. The cooperatives, from their origins until the present, are described. The evolution of community associations and labor unions in Porto Alegre is examined as the matrix of the housing cooperatives in the city. Within the process of growth and consolidation of the housing cooperatives I address the strategies cooperatives developed to cope with a key problem: the high cost of land. Concluding the chapter, I relate the concepts discussed in Chapter 1, mainly state/society relationships, to the historical overview of land and housing provision developed in Chapter 2 and the issues debated in this chapter. I argue that Porto Alegre has experienced a synergistic relationship in the last 12 years, which has influenced the development of housing cooperatives. I suggest that there was a mix of *endowment* and *constructability* as conditions for this synergy to occur. I discuss endowment, based on three main issues. The high level of participation of the city's population in civic associations. Secondly, the tradition of permeability/openness of elites in power to dialogue with popular segments and, thirdly, the previous experience of urban social movements in articulating regional demands and negotiating with public authorities.

Chapters 4 and 5 focus on two study cases of housing cooperatives, the RENASCER Housing Cooperative (Cooperativa Habitacional RENASCER) a community based cooperative, and the Housing Cooperative of the Workers in Private

Educational Institutions in Porto Alegre (Cooperativa Habitacional dos Trabalhadores em Estabelecimentos de Ensino da Rede Privada de Porto Alegre - COOTEEPA) a labor union based cooperative, hereby referred to as RENASCER and COOTEEPA. In these chapters I examine under what conditions these cooperatives have emerged, what external and internal obstacles they have faced and what strategies they have used to overcome these constraints. The chapters are built on interviews, direct observation, and the examination of documentation on the cooperatives and DEMHAB.

In Chapter 6 I go beyond the case studies, first by charting their relations with DEMHAB and SPM, the planning agency, then by expanding on the legal and institutional contexts that are still constraints on cooperatives. Whereas in Chapter 3 I focused on the endowment aspect of synergy, in this chapter I discuss the constructability aspect, through the analysis of the evolution of and changes in the relationships between the cooperatives and the housing and planning agencies.

The concluding chapter sums up the theoretical approaches used throughout the study, outlines the main findings of the thesis and introduces issues for further research. The main findings are presented in terms of *form* and *conditions* for synergy to emerge. This takes the form of a review of the partnership established between DEMHAB and the cooperatives, and the conditions for the process of construction of this partnership.

CHAPTER 1

STATE SOCIETY/RELATIONS AND URBAN DEVELOPMENT: A THEORETICAL REVIEW

During the 1990's, the emergence of self-managed low-income housing cooperatives in Porto Alegre resulted from a joint effort between the municipal government and organized civil society, mainly labor union and community based groups. The development of the cooperative organizations occurred in the context of a broader participatory policy implemented by the city government, namely the Participatory Budget. The enabling role of the state in Porto Alegre in general, and in the development of cooperatives in particular, brings to the fore the issue of state/society relationships and the conditions and patterns of their interaction. This thesis focuses on the interactions that occur between segments of the state and society. It argues that state power and social forces have a reciprocally reinforcing relationship and that what began as a top-down policy implementation can in practice be mutually empowering. This argument contradicts a set of experiences reported in both developed and third world countries. Historically, the experiences of state influence on civic organizations in Latin America and Brazil have involved powerful regulatory mechanisms and clientelist practices. This thesis will suggest that under present political and social conditions, this is not necessarily the case; that one can discern a political game emerging that has many implications for the nature of local government, citizenship and civil society.

Using the case of Porto Alegre, Brazil, this study aims at analyzing the interactions between the local state, in particular the urban development and the

housing agencies on the one side, and civic associations, the housing cooperatives, on the other. How have these interactions shaped the development of the cooperative organizations and what influences have they had on the implementation of housing and urban policies at the local level? What does a focus on the housing cooperatives emerging during the 1990s in Porto Alegre say about the new political game in Brazil? What have the coops done in order to benefit from and contribute to the overall enabling environment? Have the coops managed to deliver the housing their members want? These were the main questions that guided this study.

The goal of this chapter is to identify the main concepts and approaches in the study of state/society relationships that underlie this analysis. While accepting the interconnectedness of state and society, I initially separate state and civil society for the sake of explaining both concepts. Concomitant to the discussion of state/society relations, I also address the issue of urban development and partnerships as one type of private/public interaction at the local level. The goal is to narrow down the focus of the state/society interface to the housing and urban scenario, in order to situate my object of study within the general theoretical debate.

The chapter is divided into three sections that will address and review theoretical literature concerning state/society relations, social movements, and public/private partnerships. The first gives an overview of the state-in-society and synergy approaches as those that better explain the interactions between cooperatives and local government in Porto Alegre. In this section I also introduce the debate about civil society and social capital as a complementary notion used in contemporary studies of state/society relations. The second section discusses the importance of social movements as a vital component of civil society and outlines two different paradigms underlying their analysis. According to one paradigm, collective action is related to the characteristics of and changes in the political realm. A second, the culturalist/identity approach emphasizes identity formation, cultural analysis and the production and reproduction of culture in social conflicts. While the first helps to explain the idea of synergy, the second addresses a fundamental issue linked to the emergence of the urban social movements in Brazil: the notion of citizenship. I consider it necessary to discuss the notion of citizenship given the community based and labor union roots of the housing cooperatives in Porto Alegre. The section ends with an overview of urban social movements in Brazil to explore the constraints

relating to democratic practice within the state/society interface. Finally, the last section presents partnerships in urban development as one specific type of state/society relationship currently in vogue, and proclaimed as a model for developing countries, such as Brazil, to follow. The review of the origins and previous experiences of public/private partnerships in developed countries has shown mixed results, seen from the perspective of poorer sectors of the population and of the influence of international financial organizations on less developed areas in the field of housing and urban development. The contemporary concept of good urban governance linked to institutional strengthening, partnerships and economic growth is an example of this influence. In discussing partnerships and urban development in this section, as stated above, I introduce the subject of this work: the housing cooperatives of Porto Alegre, a result of a partnership between the municipal government and civil society.

1.1 STATE/SOCIETY RELATIONS – APPROACHES TO THEIR STUDY

My understanding of the state/society relationship in this thesis has been heavily influenced by a collection of articles edited by Evans (1996a) and by the work of Migdal, Kohli and Shue (1994). The first group of authors argues that “state/society synergy” thrives through the combination of active governments and organized and engaged communities, empowering each other and enhancing their developmental efforts. The second group of authors focuses its study of political and social changes in the developing world in a frame of reference that places the mutual interactions of state and society at center stage. Departing from an overview of earlier debates concerning the process of modernization in Europe, mainly through the work of Marx, Durkheim and Weber, and arriving at the more recent theories of development - the modernization approach, the dependency perspective, and the statist approach of bringing the state back in - the authors view their work as both a continuation of and a dialogue with the state-centered approach.

It is not the aim of this chapter to give a detailed account of the theories of development or the state. But it is necessary to place the context in which the *synergy* and the *state-in-society* approaches arose in perspective. The society-centered and the state-centered explanations of the state offer a broad view of these approaches while systematizing the various ways scholars have studied the theme. I will use these two

explanatory concepts to situate both the state-centered approach - as the one from which the state-in-society theory evolved - and the synergy and state-in-society theories themselves.

The differences between *society-centered* and *state-centered* theories are not trivial. In a general sense, one may say that *society-centered* approaches assign primacy to societal structures and social forces that may be economic structures, social classes, or interest groups. It assumes that societal structures and social forces have a greater influence upon the state than does the state upon society, although admitting some kind of interplay between them. The *state-centered* approach emphasizes the action of the state and the autonomy exercised by the state apparatus and its personnel. It assigns primacy to the state as an independent actor, without minimizing the role of societal actors (Martinussen 1992).¹ As we will see in the course of this chapter, the synergy as well as the state-in-society approaches defend a more balanced analysis, combining, to a certain extent, both state-centered and society-centered perspectives and arguing for the need to disaggregate the state, with a focus on lower levels of the state and its links to central state and society, for the need to recognize the blurred boundaries between state and society and for the recognition of the mutually transforming nature of state-society interactions (Kohli and Shue 1994).

Within the scope of society-centered analysis, we may distinguish two main variants: the pluralist and the class analytic approaches. In both formulations the activities of states and policy elites are considered as dependent variables (Grindle and Thomas 1989). Pluralists view the state as an institution that serves society as a whole, mediating and reconciling antagonisms. The state is a neutral arena where different groups organize and articulate interests to be implemented by bureaucrats. The state then translates the preferences of the majority. The purpose of the state is to facilitate the functioning of the market and the government is seen as the guardian of the public interest.²

Contrarily to pluralists, class analytic scholars view the state through the relationships of power and domination among social classes. Marxists argue that the state serves the interests of the dominant class in society. It does this both by

¹ Skocpol (1985) and Grindle and Thomas (1989) also discuss society-centered and state-centered approaches to political economy and policy and institutional change.

² See Dahl (1961) concerning American politics and Almond and Coleman (1960), concerning developing areas.

providing services directly to members of that class and by helping stabilize the institutional system within which that class emerges (Gordon 1977). The Marxist theory

recognizes that classes are the product of historical development and sees in the state an instrument in the hands of the ruling classes for enforcing and guaranteeing the stability of the class structure itself. (...) So far, as capitalist society is concerned, "class domination" and "the protection of private property" are virtually synonymous expressions. (...) Capitalist private property does not consist in things – things exist independently of their ownership – but in a social relation between people (Sweezy 1977:24-25).

Neo Marxists still conceive the state as a reflection of the class struggle in society, despite recognizing that not all state actions favor the dominant classes, and that the state may act autonomously. However, the balance of social forces and the institutional structures may constrain the state actors' autonomous policies (Skocpol 1985)

For Marxists and neo-Marxists, then, more than the decision-making process, an important focus of inquiry is the social struggles that originate policy initiatives and their impact on different classes in society.

1.1.1 The state-centered approach

Within the state centered approach, the role of the state in society has spawned a vast body of literature. Among the contributors to the state-centered approach are Evans, Rueschemeyer and Skocpol (1985). These and other scholars, as a reaction to the tendency of the modernization and dependency theories that confine politics to socio-economic variables, try to bring back the importance of the political to their analysis of development (Kohli and Shue 1994). According to Grindle and Thomas (1989), in the state interests approach to policy change, *policy or institutional reform comes about because of the interaction of policy makers attempting to generate responses to public problems and the constraints placed upon them by political, economic, and social conditions and by the legacy of past policy* (Grindle and Thomas 1989:221).

Relevant to the state-centered approach is the concept of *state autonomy*. According to Nordlinger (1981), autonomy can be broadly defined as the ability of the

state apparatus to act on its own policy preferences rather than on the preferences of powerful interest groups in society. He stresses the importance of public officials as forming their own policy preferences and acting on these preferences despite their divergence from other powerful actors. Some scholars equate state autonomy with capacity or strength. The greater the capacity to engage in various economic, regulatory, and redistributive activities, the greater the autonomy of the state.

Skocpol (1985) analyzes state autonomy and capacity to realize policy goals and the impact of states on the content and working of politics. She calls the attention to the relativity of the concept of *state autonomy*. She argues that state autonomy is not a fixed structural feature of any governmental system and that it can come and go. *The structural potentials for autonomous state actions change over time, as the organizations of coercion and administration undergo transformations, both internally and in their relations to societal groups and to representative parts of government.* She also notes that *the full potential of this concept can be realized only in truly historical studies that are sensitive to structural variations and conjunctural changes within given polities* (Skocpol 1985:14). Another concept linked to state autonomy is the importance of *state capacity* to implement strategies and policies, as very often states pursue goals (either their own or brought about by social pressure) that are beyond their reach. Besides the obvious conditions of sovereignty and the stable administrative control of a given territory, loyal and skilled officials, and ample financial resources are essential to goal achievement. The state's capacity to attract and retain skilful personnel may depend on historically determined relationships among elite educational institutions, private enterprises, and the state itself; all of which compete for well-educated personnel. The state's financial resources, however, may be more controlled over time. The sources and amounts of state revenues and the degree of flexibility possible in their collection and deployment are important conditions to be analyzed in any study of state capacity. Despite treating the state as analytically separate from society, Skocpol recognizes the mutual influence of state and society when asserting that *the meanings of public life and the collective forms through which groups become aware of political goals and work to attain them arise, not from societies alone, but at the meeting points of states and societies* (Skocpol 1985:27).

It is from a critique of the excessive weight placed on the state as determinant of social transformation and at the same time as a dialogue with the state-centered perspective, that the state-in-society and synergy approaches are put forward. These new approaches to state-society relations also confront old practices, where clientelism and patronage predominate. A short review of these concepts then becomes necessary to better characterize and understand the differences between old and new practices in state/society relations.

1.1.2 Former practices in state/society relations

Clientelism, patronage, and corruption dominate the scene when the theme is government bureaucracy and practices in developing countries. Brazil is no exception. We can define clientelism as the exchange of favors on a network of channels other than the institutional ones, to solicit and grant services, commodities, or even jobs. Nepotism and patronage are particular forms of clientelism. Nepotism is the favoritism by those in power to their relatives in giving them desirable appointments, etc. Patronage is also the power to give political jobs or favors.

Initially restricted to the field of social anthropology, since the 1970s political clientelism has emerged as a major subject in social science analysis. The two first major anthologies on the subject by Gellner and Waterbury (1977) and Schmidt *et al.* (1977) have marked the beginning of a series of works that attempted to investigate the empirical roots and theoretical approaches to the subject. The theoretical and empirical analyses of many authors have indicated that the clientelistic relationship could be found in a variety of structural and organizational forms, and not only on specific situations, places and societies. It cuts across different levels of economic development and political regimes (Eisenstadt and Lemarchand 1981; Diniz 1982; Graham 1990). The study of patron/client relationships has contributed to the identification of different levels and types of negotiation in the structuring of the institutional format of a society. It has also contributed to the identification of the relation of these levels and of the interweaving of elements of power and of the symbolic dimensions of human activities in such structure. Patron/client relations are then characterized as patterns of interaction and exchange (Eisenstadt and Roniger 1981).

In a thorough study about clientelism and political machines in Rio de Janeiro, during the 1970s, Diniz (1982) portrays the various facets and *modus operandi* of clientelism in urban areas. She defines clientelism as part of an exploitative and dominant system where the conciliation between opposite interests hinders the emergence of autonomous associational life, conceals the destruction of the content of institutions, and distorts the notion of citizenship. Demands are not perceived as rights, but as favors conceded by political patrons.

Clientelism is the motor force of political machines. Diniz (1982) defines political machines as party organizations based on the power of attracting voters through material rewards. These may be channeled to individuals, neighborhoods, professional categories, and ethnical or religious groups. The distribution of material incentives and the control of access to some basic needs and services, such as housing, are common practices within political machines. The material incentives, because of their specificity and indivisible character, are more efficient as pressure tools on individual actors.

Clientelistic actions privilege vertical relations, that is, the participation is induced by personal relationships rather than by the association of common interests among organized and autonomous social sectors. The emphasis shifts from the collective sphere to the individual by whom demands are processed and transmitted to politicians and influential civil servants. According to Eisenstadt and Roniger (1981:277) patron/client relations seem to undermine the horizontal group organization and solidarity of both clients and patrons, but especially of clients, and are based on very strong elements of inequality and power differences.

A crucial item for the survival of clientelistic practices and politicians is the control of the main positions and resources of local administration, resources that provide their holders with co-optation and support capacity. The monopoly of the access to the center of power limits the access of common citizens to political and social resources. Universal criteria are weakened and particularistic demands predominate. The processing of a citizen's demand becomes the expectation of the granting of a favor. The impact of clientelistic practices on weak and demobilized groups is disaggregating and not favorable to the organization of civil society.

Patronage has predominated in Brazilian politics since the nineteenth century. In his book about patronage and politics during the reign of Brazilian Emperor Pedro II (1840-1889) Graham (1990) explores

the specific way in which granting protection, official positions, and other favors in exchange for political and personal loyalty worked to benefit especially the interests of the well-to-do. (...) Men of property dominated the Brazilian state in the nineteenth century. (...) Patronage meant both the act of filling government positions and the protection of humble clients, even landless agricultural workers. (Graham 1990:1-2).

Noteworthy for this thesis, and stressed by Graham (1990), is the role of landowners and the system of land tenure in encouraging the practice of patronage.

Overlapping royal land grants and the traditional rights of squatters combined with a virtual absence of systematic surveys or land registries to create a chaotic system of potentially conflicting claims that victimized the weak and placed a premium on strength, whether measured in wealth, armed men, or political influence. (...) Few surveyed their land, each landowner seeing in the vagueness of his property's borders an opportunity for later aggrandizement. (...) Certainly all evidence is that the few held most of the land, while most rural workers remained landless. From this fact above all derived the political force of the rural chief (Graham 1990:23).

In Chapter 2, I discuss in more detail the process of land appropriation and urbanization in Brazil, and Porto Alegre in particular, exploring the reasons for the present level of extreme spatial and social segregation, focusing on how clientelistic practices have jeopardized the democratic access of the majority of the urban poor to adequate land and housing.

According to Graham (1990), preventing social conflicts from erupting into disorder and destroying a way of life that benefited the propertied was a predominant consideration in building the Brazilian political system during the last century. The process of urbanization and industrialization of Brazilian society and economy did not erase the clientelistic practices linked to agrarian society. Deep disparities between elites and working urban population opened the way for populist policies during the first half of the twentieth century in Brazil.

Clientelistic practices, commonly linked to democratic regimes, were predominant in Brazil, even during authoritarian rule (1964-1986). The dominant coalition that took power in 1964 believed that the emphasis on technocratic

parameters for the implementation of public policies within a non-electoral environment would put an end to the clientelistic practices found in the previous elected populist regime, and would foster development and modernization of the economy. The concept of linking clientelism to electoral systems and the absence of clientelism in non-electoral systems has already been contradicted by studies that show that clientelistic practices are also present in non-elected regimes.³

The transition to democracy in 1986 and the decentralization underway in Brazil have raised many questions related to urban social movements and popular participation in government and the constraints to carry out effective participation. Many reasoned that, after the 1970s, the change from a repressive to a more tolerant response on the part of governments towards social movements demands has opened the way to the spread of clientelistic practices. As Mainwaring has argued, *paradoxically, the very success of the movements in challenging traditional political practices eventually led them to become more exposed to these traditional practices* (Mainwaring 1987:152).

If patronage and clientelism still persist in various forms and places, there are studies that show optimism about state/society relationships. Like Evans (1996b) and Migdal *et al.* (1994), Salamon (1994) and Tandler (1995) point out that state influence on civic organizations may have positive outcomes. The first study warns that urban movements cannot afford to be as autonomous as they have claimed or as has been suggested. The second notes that several case studies of social capital formation or good governance have shown the state to play a positive role in these developments. The stereotype of local governments as traditional outposts of corruption and political clientelism that are neither responsive to, nor representative of community interests is not corroborated by the experience of Porto Alegre in the last twelve years. Other similar developments have emerged in Brazil and point to the efforts of social movements to adapt to the new democratic institutionality and to the changes in the decision-making modes and in the forms of state/society relationships.

³ The works of Willis (1989) and Hagopian (1994) discuss the politicization of public institutions during the military regime in Brazil.

1.1.3 The state-in-society and synergy approaches

The review of traditional political practices enables us to identify the contrasts with the new models and ways of seeing political relations. In this section, I will discuss the state in society and synergy approaches, as new approaches to state/society relationships which address more equitably the forces of the state and society in shaping policies, influencing institutional change and bringing about social transformation.

1.1.3.1 The state in society approach

The *state-in-society* approach was born out of the need for a more balanced frame of reference for the study of political and social transformation in the developing countries, having evolved mainly from the debate over the role of the state as a direct agent of socio-economic change. This approach focuses on four main interrelated issues that, according to their authors, will help to develop a state-in-society frame of reference. In the following I will summarize these four points, based on the work of Migdal, Kohli and Shue (1994).

The effectiveness of the state is based on its ties to society

State-oriented theorists have given prominence of the study of states and their role in society at the expense of the study of social influences on the state's role. They also defended the view that the state's autonomy vis-à-vis society constituted a source of its effectiveness. Some empirical studies, however, have contradicted this assertion. To mention some, studies of Brazil under military rule have shown that the regime's depicted strength and efficacy had several limitations. Hagopian (1994) argues that the military regime (1964-1984) has failed to rid the Brazilian polity of clientelism and populism, features generally linked to democratic governments. In contrast to state-oriented theorists, then, the authors *suggest that a state's relative effectiveness is a function of the varied forms in which state society relations are interwoven* (Migdal *et al.*, 1994:3).

States must be disaggregated

The second assumption follows from the first. To view states in their social context, as mentioned above, it is necessary to pay attention not only to state/society relationships as they affect key organizations of the state and social groups, but also to state/society

interactions at the periphery. Disaggregating the state means to look at its parts and to distinguish the blurred boundaries between states and societies.

Social forces, like states, are contingent on specific empirical conditions

Social forces, like states, must be viewed in their own settings, being aware of the need to conceptualize social structures and social actions. Migdal *et al.* (1994) adopt the view that *the political action and influence of a social group are not wholly predictable from the relative position of that group within the social structure* (Migdal *et al.* 1994:3). Based on empirical work, they suggest that classes are not simply more or less powerful because of their control (or not) over property. Although property is an important political resource, there is space for a range of political power, involving also the propertyless. Likewise, levels of non-class associational activities are not directly linked to economic development.

States and other social forces may be mutually empowering

The state versus society perspective should be avoided, since the interaction is not always of that nature. The advocates of state-in-society approaches argue that some interactions between state segments and social groups can create more power for both, despite recognizing that there are cases where one side is favored over the other or some alliances may be formed between segments of state actors and segments of society. The complexity of these relationships suggests an analytical position where instead considering the state an adversary of society, the state may be viewed as part of society.

1.1.3.2 The synergy approach

According to Evans (1996b), the concept of *state-society synergy* had its origins in the new theories of social capital and in revisionist views of the role of the state as a developmental agent. Both now form a broader conceptualization of development. Social capital broadly derives from the set of norms of trust and reciprocity and the networks of interaction found within and between communities. The interest in issues such as partnerships, co-production and social capital was originally developed in discussions of welfare reform in industrialized countries, and in the 1990s has been extended to developing societies (Robinson and White 1997). In the case of Brazil, the level of inequality and social exclusion is extreme. The sense of public responsibility and social justice is absent from the political culture. Basic rights

are not part of the “ruling game”. Hence building a mobilized and robust civil society is of critical importance for any development initiatives for the improvement of the welfare of ordinary citizens.

Despite the tendency of state/society partnerships to neglect less privileged groups and favor more powerful segments of society, and despite the history of cooptation and clientelism that have plagued the interaction of government and civil associations in the past, scholars now accept the idea that state/society partnerships are vital as a means to combat poverty. Evans (1996b) and Tandler (1997) and Kohli and Shue (1994), argue that the interaction between civil associations and state institutions can result in mutual development.

The concept of state/society synergy as formulated by Evans implies that

civic engagement strengthens state institutions and effective state institutions create an environment in which civic engagement is more likely to thrive. The actions of public agencies facilitate forging norms of trust and networks of civic engagements among ordinary citizens and using these norms and networks for developmental ends (Evans 1996a:1034).

The leading questions concerning the concept of synergy are how synergistic relations are structured and how the surrounding socio-political context constrains or facilitates its emergence. Building on the analytical framework and empirical evidence from the set of articles under his editorship, Evans (1996b) provides some concepts that help frame the debate.⁴ Concerning the *forms* of synergy, he introduces the concepts of *complementarity* and *embeddedness*; concerning the *conditions that facilitate the emergence* of synergy, he introduces the issues of *endowment* and *constructability*.

Complementarity is the *conventional way of conceptualizing mutually supportive relations between public and private actors. It suggests a clear division of labor, based on the contrasting properties of public and private institutions* (Evans 1996b:1120). This division of labor engenders more efficient results in the delivery of collective goods by government through the enhancement of civic institutions. Embeddedness may be defined as *the ties that connect citizens and public officials across the public-private divide* (Evans 1996b:1120). This is a more radical view of synergy as it questions the division of public and private spheres and sees trust and

⁴ Fox (1996) and Ostrom (1996) are some of the authors that elaborate on the concept of state/society synergy.

informal networks between public and private actors as an alternative to corruption and rent seeking. The distinction between the two concepts does not mean that they may not occur simultaneously in many cases.

An *endowment* view of synergistic relationships focuses on the importance of pre-existing features of the society and polity that are relatively difficult to build in the short run but which facilitate the emergence of this kind of relationship. A prior stock of social capital, the kind of political regime, the character of political institutions may be viewed as endowments that can facilitate or hinder the emergence of synergy. This view is rather pessimistic since it implies that societies not well endowed will not develop synergistic interactions. The *constructability* perspective is more optimistic since it focuses on the possibility of building synergistic relations in the short run, through institution building and organizational change, even under improbable circumstances (Evans 1996 a).

The state-in-society and synergy approaches may be applied to the case of Porto Alegre. I argue that, in the last decade, Porto Alegre has experienced a synergistic relationship that has been mutually enforced by both state and society. The policy of the municipal government in Porto Alegre towards social organizations, specifically to promote the formation of self-managed housing cooperatives, derived from a broader goal of the party in power to carry out a process of empowerment of less privileged groups. However, the cooperatives themselves proposed new ways and means to guarantee their autonomy from the state and to articulate and insert their claims into other instances of participation.

Considering that both the state-in-society and synergy approaches treat both civil society and the state, attributing to each an equal weight in the complex debate on state/society relationships. Hence civil society becomes a crucial theme to be discussed in this study.

1.1.4 Civil Society

Since the 1980s, the concept of civil society has become fashionable. It is linked to the importance of the struggles for rights and their expansion, to the establishment of grassroots associations and the reconstruction of institutions that took

place in Eastern Europe and in the developing world, mainly in Africa and Latin America. Current interest derives from the outcomes of the application of neo-liberal policies in the industrialized countries and to the counterparts of the policies in the developing world; structural adjustment programs. In neo-liberal thinking, especially concerning local level governance in urban areas, civil society organizations are seen as the key to the development of accountable, efficient, and democratic state institutions, as well as to the provision of services withdrawn from the public sphere by a minimalist state. On the other side of the political spectrum, organized civil society is seen as a bottom up reaction to the top down policies of international financial organizations and a counterweight to the unbridled individualism of the market (Portes and Landolt 2000).

As seen above, civil society has different meanings to different people and there are different approaches to the concept. In the Marxist view, civil society is situated between households and the state. Relations between the state and society are characterized by both antagonism and interdependence. Civil society is not homogeneous, being the stage of conflicts, rivalry and power struggles. Whereas Marx separated state and society, Gramsci, recognizing the private and public spheres, argued for the interrelationship between the two. Gramsci asserted that the concept of the state includes elements of civil society (Marcussen 1996). The general view, however, is based on the concept that society is conceptually distinct from the state.

White (1996) defines civil society as *an intermediate associational realm between state and family, populated by organizations which are separate from the state, enjoy autonomy in relation to the state, and are formed voluntarily by members of society to protect or advance their interests and values* (White 1996:5). He also suggests distinguishing the concepts of state and civil society in terms of an ideal-type concept *which embodies the qualities of separation, autonomy and voluntary association in their pure form, and the real world of civil societies composed of associations which embody these principles to varying degrees* (White 1996:5). According to Marcussen (1996), this distinction is very useful in analyzing state-society relationships as it brings to the fore the blurred boundaries of these relationships while maintaining the analytical distinction between them.

Cohen and Arato's (1995) contribution to the conceptualization of civil society adds a third dimension. When developing a framework of a theory of civil society

adequate to contemporary conditions, they defend a concept of civil society detached both from the state and from the economy. They justify the insertion of this third element remembering that the forces of the capitalist market economy can be as dangerous to social solidarity, social justice, and autonomy as the state's administrative power. They define civil society as

a sphere of social interaction between economy and state, composed above all of the intimate sphere (especially the family), the sphere of associations (especially voluntary associations), social movements, and forms of public communication. Modern civil society is created through forms of self-constitution and self-mobilization. It is institutionalized and generalized through laws, and especially subjective rights, that stabilize social differentiation (Cohen and Arato 1996:ix).

The main criticism of Cohen and Arato to neo-Marxists and the state-centered approach is that both identify class relations and interests as the key to contemporary forms of collective action, leaving aside the legal, associational, cultural, and public spheres of society, thus losing sight of a great deal of interesting and normatively instructive forms of social conflict today. They opt for a normative approach to civil society, focusing on new, generally non-class based forms of collective action oriented and linked to the legal, associational, and public institutions of society (Cohen and Arato 1996:2). Their main argument is that what is at stake is not simply the defense of society against the state or the economy, but which version of civil society is to prevail.

Other scholars concerned with planning practices in relation to civil society have also reported their thinking on the matter. In a book edited by Douglass and Friedmann (1998), the concept is approached by diverse views. According to Marris (1998), the concept of civil society is very elusive, given that it comprises a variety of social organizations and institutions, hampering its definition. He adds that *what is or is not included in civil society is less crucial than the way the argument seeks to represent the interplay between citizenship, politics and power* (Marris 1998:10). Friedmann (1998) considers civil society as a part of social life that is beyond the immediate reach of the state and whose existence is a condition for the democratic state to thrive. He includes in his definition households, networks, civic and religious organizations, and communities that have shared histories, memories and cultural norms of reciprocity. In its core meaning, civil society is constituted by social

organizations, associations, and institutions that are not under direct supervision and control by the state.

Theorists from a broad ideological spectrum praise the importance of civil society as a potential factor for democratization from local to global levels. Despite these positive views, many authors call attention to their caveats. Friedmann (1998) points out the need not to give civil society a homogeneous reading. Accordingly, other authors like Storper (1998) and Abu-Lughod (1998) alert about the need to differentiate between *good* and *bad* versions of civil society, which can turn against themselves on the grounds of intolerance and persecution because of differences of skin color, language, birth place, sexual practice, or religious belief. Alvarez, Dagnino and Escobar (1998) also stress the unequal relations of power within civil society, where some have more access to material, cultural, and political resources than others. In Latin America, the same authors, and also Tandler (1995), call the attention to the blurred boundaries between civil society and the state, when there is a migration of activists back and forth between state and society.

Given the different approaches of the concept, there is a need to define the one that best fits my object of study. In the course of this work, I will adopt what has been identified before as the *core* meaning of civil society. Civil society hereafter will refer to all organizations, institutions, and associations that are not under direct supervision and control of the State. After this review of some of the various conceptions of civil society, I pass now to the discussion of social capital as a complementary notion of civil society and an important concept used in the study of state/society relationships.

1.1.4.3 Social capital

In a review of the origins of social capital, Portes and Landolt (2000) report that the concept of social capital was originally developed by Bourdieu (1979,1980) and Coleman (1988, 1990). Both scholars centered on individuals or small groups as their units of analysis and, with some variations, focused on the benefits accrued by individuals or families through their social ties. For Bourdieu, the relationships among people would be intentionally built for the benefits they could bring later. Money, social, and cultural capital could be traded for each other. The investment of some material resources and the possession of some cultural background would enable

individuals to acquire social capital. Coleman, in turn, concentrated on social capital as a source of control. The remedies for social ills were the permanence of community ties and when these were absent, they would be replaced by constructed organizations. Community structures were seen as a mechanism of social control.

The idea of social capital as an attribute of the community, which benefits not individuals but the collectivity in the form of reduced crime rates, lower official corruption and better governance, got prominence after the work of Robert Putnam (1996) on the performance of democratic institutions, studying the case of the regional governments in Italy.⁵ The norms of trust and reciprocity and the network of social interaction that operate within communities enable participants to act together to pursue common goals. The stocks of social capital tend to be cumulative and be mutually re-enforced instead of depreciating. This process engenders a virtuous circle that results in social equilibrium with elevated levels of cooperation, trust, reciprocity, civic pride, and collective welfare. Putnam argues that the performance of regional governments in Italy is related to the stock of social capital in the local community (Putnam 1996).

Putnam's approach to social capital has raised scholarly criticism, mainly caused by the transition of the social capital concept from the individual to the community sphere. According to Portes and Landolt, there are contradictions between the individual and collective definition of the concept.

The right 'connections' allow certain persons to gain access to profitable public contracts and to bypass regulations binding on others. Individual social capital in such instances consists precisely in the ability to undermine collective social capital, defined as 'civic spirit' and grounded on impartial application of the laws (Portes and Landolt 2000:535).

Maloney, Smith and Stocker (1999) echo Portes and Landolt, asserting that social capital is not always a positive force and that differentiated access to social capital resources may help to re-enforce socio-economic and political divisions. They also point out another problem originated from this transition. The correlation between good government and existing stocks of social capital in Putnam's argument is challenged by other researchers. Tarrow (1996) points out that associational vitality

⁵ In his book, Putnam cites James Coleman (1990) who attributes to Glenn Loury (1977) the introduction of the concept.

may indeed be a reaction to poor government, and good policy performance may happen in democratic and non-democratic states. This issue brings back Evans' (1996b) discussion about the endowment versus constructability perspectives on the creation of synergistic relationships between state and society. When affirming that there is a possibility of building synergistic relations in a short run, through institution building and organizational change even under improbable circumstances, Evans contests Putnam, who does not assign to public authorities any role in the creation and destruction of social capital.

In this thesis I shall argue that local government, through its various institutional bodies, does have a role to play in the creation and development of civil society associations, either through the channels built to stimulate participation or through the type of interaction between public officials and associations. The case of the housing cooperatives in Porto Alegre shows that the involvement of government in the initial formation of certain types of cooperatives is crucial for their later development.

1.2 SOCIAL MOVEMENTS AND STATE/SOCIETY RELATIONS

Regardless of their variations, most of the civil society concepts discussed earlier include social movements as a vital component. In the construction of civil society in Brazil, the role of the urban social movements has been crucial for the socio-political transformations underway during the last 30 years. One of the movement's great impacts was the notion of citizenship as fundamental for their development.

The synergy and state-in-society approaches may be better understood with the help of two theoretical paradigms used in the analysis of social movements. The concept of political opportunity structures, developed mainly by Tarrow (1994), helps to substantiate the idea of synergy in development. The political approach to the study of social movements relates collective action to the characteristics and changes of the political realm. According to Tarrow (1994), *people join in social movements in response to political opportunities and then, through collective action, create new ones* (Tarrow, 1994:17). On the other hand, the culturalist identity paradigm, or new social movement theory, helps to explain the importance of citizenship and the right to have rights (being housing one of these basic rights) as the core meaning of urban social

movements in Brazil. The culturalist identity paradigm emphasizes identity formation, cultural analysis and the production and reproduction of culture in social conflicts. For Touraine (1981) it is in the cultural field that major contestations are forged. Whereas the identity and culture paradigm emphasizes internal characteristics of a social movement, the political opportunity structure deals with external factors that will influence the development of movements. The concomitant use of these two dimensions, in my view, helps to explain the experience of the housing cooperatives in Porto Alegre in the last ten years.

In this section I will refer to the main theoretical foundations that have influenced Latin American and Brazilian scholars in their analysis and attempts at theorization of urban social movements as a background for the discussion of the concept of political opportunity structures and of the culturalist and identity paradigm. I will also discuss the notion of citizenship as an integral part of the culturalist identity approach to the study of social movements in Brazil. Finally I will give a brief overview of the urban social movements in Brazil in the last thirty years and their connection to the evolution of state/society relationships at the local level. Moreover this overview is germane to this thesis, given the origins of the housing cooperatives in Porto Alegre within labor and community associations.

1.2.1 Theories of urban social movements in Latin America and Brazil

The studies of social movements in Latin America have been mostly based on empirical work. As mentioned by Gohn (1991), in the 1980s the theoretical reflection on urban social movements in Brazil was fashionable in the social sciences field, but little theory was built to explain the mostly descriptive studies. Scherer-Warren (1993) also observed that the major problem of the Latin American academic production on social movements in the 1980s was the reduction of the phenomenon of social movements to an empirical category, which fragmented the intellectual production and made it difficult to build general concepts and theoretical categories. More recently, this criticism was also shared by Anker (2000:19), after a thorough analytical overview of the current theories of social movements, in his dissertation about collective action and social change in Chile. According to him, the analyses of social movements in Latin America have prioritized theories of social change linked to concepts of

modernization, dependency, post-modernity and globalization, instead of more general theories of collective action.

Despite the criticism expressed above in relation to the Latin American theoretical contribution to the study of social movements, there was a vast body of literature that provided subsidies to the analysis of the phenomenon.⁶ The theoretical references for this production, though, had mainly a European origin.

According to Scherer-Warren (1993), before the 1970s, the Latin American social theory of collective action and conflict, under the Marxist perspective, attributed to the social class, given its insertion in the process of production, the mission of historic transformation. Notwithstanding, because of the difficulties for class formation in Latin America and the lack of class-consciousness, many scholars sought the transformation potential in the political society, directing their studies to the state and the parties and vanguards. Civil society organizations, the meaning of their actions, conflicts, or resistance were not analyzed. The social processes were analyzed as processes of global change and had as basic references the issues of development (Marxists) or modernization (functionalists). Some references of this period are the work by Cardoso and Falleto (1969) and Kowarick (1977) in Latin America and Frank (1967) in the Anglo-Saxon world.

The 1970s introduce new paradigms for social analysis (from macro to micro levels, from general to particular, from the economic determinism to the multiplicity of factors, from the emphasis on the political society to the civil society, from class struggles to social movements) (Scherer-Warren 1993). Manuel Castells and Jean Lojckine are the authors that have had a major influence on the academic production in Latin America and Brazil during the 1970s and part of the 1980s. Their theoretical references with respect to the urban struggles in Europe would be used for the analysis of the urban social movements in Latin America. Castells (1977) defines the urban system as a unit of collective consumption where the production process relies on services such as public transport, social housing, health and education services. Such a system can be analyzed in terms of structures or practices. He distinguishes an economic, a political/juridical, and an ideological level of social systems. The contradictions of the economic level (the collision between the forces and relations of

⁶ Jacobi (1989), Kowarick (1988), Moisés (1982), Doimo (1984), Gohn (1991) are some of the numerous Brazilian authors that studied urban social movements in the country.

production, for example) will find expression at the economic, political, and ideological levels. The urban system is a system of contradictions. This system can also be approached by the practices of the agents occupying different positions in the structure. The study of urban structures leads to the study of urban politics. As posited by Basset and Short,

Castells focuses first on a study of planning (the political processes whereby the state attempts to regulate conflicts and contradictions and reproduce the social system) and secondly on a study of urban social movements (the conditions leading to a mobilization of social forces within urban areas that seek to change the structure of the system) (Basset and Short 1980:184).

The structuralist analysis of Castells (1974, 1983) emphasizes the practices and social structures and sees the movements as fundamental for the democratization of the state. The emergence of the urban social movements is seen as a response of groups and organizations to the situation of need, given the incapacity of the state to supply all the demands in the field of collective consumption. He recognized the importance of the social movements for a democratic city administration. Lojkin (1981), when analyzing the relationship between the capitalist state and the urban policies, saw the urban social movements as the sum of the bases and the organizations that support them. For him, it is important to understand the existing correlation of social forces in each case. The state is not considered a monolithic block, but an arena of conflicting classes (Gohn 1991).

It is during the 1980s that the grassroots movements inspire a great amount of work and new theoretical reflexions in Latin America in different fields. Empirical work sought the new elements of the grassroots and their way of making politics, suggesting a new popular political culture in gestation. There was a shift in the vision of popular culture. While considered alienating by Marxists and irrational by liberals, for social scientists of the 1980s the spontaneity, authenticity and community practices formed positive political aspects. As mentioned above, the study of urban contradictions and the relationship between state and social movements were greatly influenced by Castells and Lojkin. Other theorists like Touraine and Melucci had not so much influence in this period (Scherer-Warren 1993). It is only during the 1990s that the culturalist and identity paradigm recognized by these two authors will leave its mark in the study of urban social movements in Latin America and Brazil.

1.2.1.1 The culturalist/identity approach

In the culturalist and identity paradigm the individuals are analyzed as social actors. The category of social class is not so important in this approach. The emphasis on culture attributes to the system of consumption and distribution of goods in society a greater role than the system of production. The bad distribution of goods generates social injustice. This is a fundamental aspect for the emphasis on the notion of social rights embedded in this theory of social movements. In this approach the processes of social change are seen as generated from collective action of individuals, from inside to outside. For Touraine (1981) social movements are the heart of society, are agents of their own history. They are pressure democratic practices that express a new political society, revealing new forms of association. He asserts that social movements are fruits of a double relationship – of identity and opposition – and are not essentially against the state (Gohn 1991).

Melucci (1995,1996) works with the concept of collective identity and challenges that it is not something that it is ready, but rather in construction and that must be explained in its plurality of attitudes, meanings and relations. Collective identity is seen as the link between certain social processes that create a sense of collective unity that triggers collective action. This identity though, is something that has to be recognized by others, internally and externally. In other words, there is the need to identify oneself (individual or collectively) as a way to claim their right to exist and be recognized as a collective actor.

If during the 1960s and 1970s scholars prioritized the macro-analysis of social studies and along the 1980s focused on the micro level, during the 1990s there was the worry of articulating these two dimensions (Coraggio 1989, Alvarez 1989). There was also the search for understanding the new articulated political practices (from grassroots to networks) (Scherer-Warren 1993), new cultural elements in old and new social movements (Alvarez, Dagnino and Escobar 1998), and the state/society relationship of different realities of democratization processes (Dagnino 1994; Telles 1994; Doimo 1995).

1.2.1.1.1 *The notion of citizenship*

The contemporary debate about citizenship in capitalist democracies generally takes its departure from the work of T.H. Marshall (1950). Marshall argued that citizenship was an historically variable concept, with rights and obligations that are not inherent to it, but the product of historical development and consequently, subject to change. He identified three different categories of citizenship rights, which developed in three different historical periods within capitalist democracies. The first category of legal or civil rights, which enable citizens to participate freely in a community (property and contractual rights, freedom of thought and speech, religious practice and association) were established in the seventeenth and eighteenth centuries, helping the transition from pre-modern to modern societies. The second category of political rights, which entitle the individual to participate in the government of the community, through suffrage and representative democracy exercised through institutions at the local, state, and national levels, were developed in the nineteenth and early twentieth centuries. Finally, the third category, of social and economic rights, enables citizens to participate in the general standard of well being of the community. Rights to health, education, and welfare developed in the twentieth century as a reaction to the inequalities generated by market economies which confined a large number of people to unacceptable levels of poverty and hardship. These categories of citizenship rights were conquered through social processes of conflict and dispute and, although established, are subject to alteration as changes in society occur (Prior *et al.* 1994:7-8).

In his study about the social context of citizenship in Latin America, Roberts (1996) holds that the evolution of citizenship in the continent has not followed the sequential development preconized by Marshall, who wrote his seminal work in the post-war period, when Great Britain had recently constructed the welfare state. Comparing Latin America to European authoritarian monarchies of the nineteenth century, which used social rights (social insurance) to co-opt the urban working class, and highlighting Latin America's socio-economic features of a post-industrial society, Roberts argues that from approximately the mid-1970s more saliency has been given to civil and political rights than to social rights. Citizenship in the continent has been defined by a combination of elite and popular pressures that vary in time and from country to country. The changes occurred over the meaning and practice of citizenship, particularly the exercise of rights and duties. Citizenship, then, involves

the process of defining and redefining rights and of broadening the basis of participation. The environment, gender, age, ethnicity, housing inclusive, became new bases for participation in society along with the defense of old rights such as welfare, health, and education. According to the author, social movements in Latin America are the most visible signs of the struggle to define and redefine citizenship, and whether new or old, they seek rather political participation within the state than autonomy from it (Roberts, 1996:39-40).

Durham (1984) when analyzing social movements in Brazil anticipated Roberts regarding the role of the social movements in the redefinition of the meaning of citizenship.⁷ In Brazil, within the social movements, the passage from the recognition of needs to the formulation of claims was mediated by the notion of rights. The inhabitants of poor areas asserted their rights to housing and infrastructure, the women to equality, mothers to day-care facilities and gays to their sexual options. The transformation of needs into rights, that happened within the social movements, could be considered as a large process of revision and redefinition of citizenship. The rights that have been incorporated into our laws were influenced by foreign experiences and proved to be of little practical value. The social movements, however, started a collective process of construction of social rights never experienced before (Durham 1984:29).

The quest for social and political rights in Brazil has indeed followed a different path from those of European and American capitalist democracies. In the last thirty years, these struggles have blended opposition to an authoritarian regime and to an exclusionary socio-economic model. The struggle against an exclusionary model has persisted, but the confrontational attitude to the state, in certain places and under specific circumstances, has given way to a more interactive relationship.

The ideas of citizenship and rights in fact bring democracy to the discussion arena, placing it at center stage. Daniel (1994) asserts that attributing to democracy such a strategic value corresponds to denying various things simultaneously. First, it means to deny the selfish economic individualism, foundation of the neo-liberalism. The individual as citizen, open to social articulation in search of rights, is substituted by a collective action polity. Second, the idea of democracy as a tactical instrument, a

⁷ The works by Cardoso (1983) and Boshi (1982) are also important references regarding the social movements and new forms of citizenship.

means for other ends, is also denied. Third, there is also a negation of the excessive growth of bureaucracy, as the repository of knowledge and as the controller of social life. In these terms, to conceive of democracy as a strategic value means on the one hand to carry out a fundamental reformulation of the public/private relationship, and on the other hand, to assume democracy as part of a social system and to search for it in all forms of social and working relations, as well as in all forms of state/society relationships – where the right to citizen participation in the public domain transcends mere representative democracy (Daniel 1994:22-23).

Departing from an analysis of the changes in approaches made by the Latin American Left to the relationship between culture and politics, Dagnino (1998) discusses the crucial role played by social movements in the process of democratization and the new conceptions of citizenship that emerged from the struggles of such movements. The contribution of Antonio Gramsci for redefining the conceptual framework in the analysis of the relationships between culture and politics, that until then had been dominated by the Marxist concepts of the state and of ideology, was of fundamental importance for the new ways of approaching these relationships among the Latin American Left. According to Dagnino,

the basis for the renovating impact of Gramscian thought lies in his powerful critique of economic reductionism. This critique asserts a deep imbrication among culture, politics and the economy and establishes an equivalence between material forces and cultural elements within an integrated view of society as a whole (Dagnino 1998:37).

Relevant to the discussion of Gramsci's influence are the concepts of hegemony, social transformation, and civil society as a terrain of political struggle. It is through the concept of hegemony, as a process of articulation of different interests around the implementation of a project for the transformation of society, that Gramsci builds a new approach to the relationship between culture and politics. Gramsci's concept of social transformation, that conceives revolution as a process of which intellectual and moral reform are an integral part, and not an act of taking over state power through uprising, where historical specificity and subjective elements have a role to play, is also crucial for understanding the new visions of culture and politics. Finally the emphasis on civil society as a locus of struggle and empowerment and not necessarily a confrontation of the state implied a revision of the role played by the state

and the kinds of relationships established between the state and society (Dagnino 1998).

During the resistance to the authoritarian regime, the return to democratic rule replaced revolution in the political and intellectual debate, and the strengthening of civil society was seen as crucial for the building of democracy. As asserted by Daniel (1994), democracy was at the center stage in the new scenario. The deepening of democracy and the construction of new participatory practices included the notion of *new citizenship*, as coined by Dagnino (1998). According to her, the new citizenship is based on the conception of the right to have rights.

The new citizenship requires the constitution of active social subjects (political agents) defining what they consider to be their rights and struggling for their recognition; (...) It transcends a central reference in the liberal concept, the claim to access, inclusion membership, and belonging to an already given political system. What is at stake, in fact, is the right to participate in the very definition of that system, to define what we want to be members of, that is to say, the invention of a new society (Dagnino 1998:51).

In the last two decades the term *citizenship* has been widely used in Brazil. It underlies popular struggles, the practices of political parties, such as the Workers' Party (PT) and of non-governmental organizations. It has also been appropriated by neo-liberal and conservative sectors that attach to it different meanings and intentions. According to Prior *et al.* (1995), in the neo-liberal approach the rights of citizenship are being recast as rights of individual consumers, and the obligations of government as tasks of management. Collective rights and individual obligations are not a priority in this approach, transforming citizens from members of a community to agents in a public service market. A dual process of transformation is underway: the transformation of politics into management and of public responsibility into private interest. Embedded in the implementation of economic and social adjustment programs underway in Latin America, the neo-liberal minimalist conception of the state, besides transforming citizens into consumers, works for the removal of consolidated rights, attributing to their bearer/citizens the role of new villains of the nation. As asserted by Dagnino (1998), the dispute around the meaning of citizenship attests to the relevance of the concept and requires a definition of the meaning of the notion of *new citizenship* referred to above.

This definition demands the differentiation between the new citizenship of the 1990s and the liberal tradition of the 18th century. The *first* point to be distinguished

is the notion of rights, present in both concepts. The new citizenship assumes a redefinition of the idea of rights, and the point of departure is the notion of the right to have rights. This notion involves not only the access to formal and established rights, but also the creation of new ones that emerge from specific struggles and concrete practices. The right to environmental protection and to housing is an example. The *second* point, related to the first, is the bottom-up construction of citizenship, not linked to the state and elite projects to incorporate excluded sectors of society, neither to ensure the necessary conditions for the installation of capitalism. The *third* point is the advance in terms of defending the right to participate in the definition of a political system that is not given and ready. The definition of citizenship of those who are not included in it points to fundamental transformations of society and its power structure. The existence of various experiences of participatory policies carried out by progressive parties in power, the participatory budget of Porto Alegre being one of the most successful, shows not only changes in the process of decision making, but also in the forms of relationship between state and society. The *fourth* point to be observed is the broadening scope of the new citizenship that surpasses the political-judicial system and extends to all levels of social relations new rules for living together and a new project for society as a whole. Such a project threatens the authoritarianism present in Brazilian society and also the neo-liberal discourse that establishes private interest as the measure for all kinds of relations. The role given to the citizen as agent of his/her own destiny implies a process of social learning where society is required to *learn to live on different terms with these emergent citizens who refuse to remain in the places that were socially and culturally defined for them* (Dagnino 1998:52).

1.2.1.2 The political opportunity structures approach

It has become clear that Latin American and Brazilian theoretical production of social movements has not incorporated resource mobilization and political approach concepts mainly developed in North America from the late 1960s throughout the early 1990s. The political approach to social movements views social movements as cyclical phenomena, which develop (rise and fall) as a result of external political changes (Hipster 1998:153). The political opportunity structure approach advanced by

Tarrow (1994) and other scholars⁸, however, appears helpful to explain the state/society type of relationship found in my empirical work. For this reason, I shall discuss the main concepts of this approach, using Tarrow's work as a basis.

For Tarrow (1994), contentious collective action is the basis of social movements. Movements are defined as collective challenges by people with common purposes and solidarity in sustained interaction with elites, opponents and authorities (Tarrow 1994:3). In his view, to collective action theories we should add the historical and political context, as well as insights of sociology and political science. In doing so, he distinguishes some basic properties of movements: collective challenges, common purposes, solidarity, and sustained collective action. Movements mount challenges through disruptive direct action against elites, authorities, other groups or cultural codes. Most often public in nature this disruption can also take the form of coordinated personal resistance or the collective affirmation of new values (Tarrow 1994:4). Common purpose is an important reason why people join in movements, usually to mount claims against opponents, authorities or elites. He argues that people do not risk their lives or spend their precious time in movement activities without a strong reason (a common purpose) for doing so. The author also points out solidarity as a basic feature of social movements. Counteracting individual interest as a major characteristic of social movements, he defends that only deep-rooted feelings of solidarity or identity, allied to the recognition of participants' common interests, will set in motion social movements. Finally he asserts that it is only by sustaining collective action against opponents that turbulent events become social movements. It is trying to respond to the dilemma of how movements can sustain collective challenges, despite individual egotism, social disorganization, and state repression that the author builds his theory of political opportunity structures. His basic argument is that changes in the political opportunity structure create incentives for collective action.

Tarrow defines political opportunity structure as

consistent – but not necessarily formal, permanent or national – dimensions of the political environment which either encourage or discourage people from using collective action. (...) The most salient changes in opportunity structure result from the opening up of access to power, from shifts

⁸ See also McAdam, McCarthy and Zald (1996) and Jenkins and Klandermans (1995).

in ruling alignments, from the availability of influential allies and from cleavages within and among elites (...) (Tarrow 1994:18).

McAdam, McCarthy and Zald (1996) include: 1) the relative openness or closure of the institutionalized political system; 2) the stability of that broad set of elite alignments that typically undergird a polity; 3) the presence of elite allies; 4) the state's capacity and propensity for repression (McAdam *et al.* 1996:10) as factors determining the political opportunity structures concept.

Some criticism has been raised because of the emphasis put by advocates of political opportunity structures on exogenous variables as determinants for the development of social movements. Anker (2000) cites Gamson and Meyer (1996) when they relate the concept of political opportunity structure to the internal perceptions of the actors involved and suggest the need to distinguish between institutional dimensions and cultural dimensions of the political opportunity structure. Yet agreeing with this criticism, (and this may appear contradictory) it is because of the external characteristics of this approach that I find it extremely useful to help explain the state/society relationship established between the cooperatives and the local government in Porto Alegre.

As stated in the beginning of this chapter, the emergence and development of the housing cooperatives were a result of the effort of both municipal government and civil society. The openness of the local state and the strong commitment of the party in power, the Workers Party, to bottom-up decision making, internal democracy and empowerment of civil society opened the path to the blossoming of cooperatives. Their development, however, owed to the past community and labor activism of part of their members and organizations. So the political opportunity structure of a given historical context, the experience accumulated in past struggles, the recognition of a common need (access to decent housing), and a deep feeling of persistence turned some dreams into reality. This work shows that the process of consolidation of the housing cooperatives was, and still is, an up and down swing, full of contradictions, and internal as well as external constraints. One major characteristic of the cooperatives, however, was the deep notion of housing as a right they had, and their desire that all members should have equal treatment in the process of attaining this right.

1.2.2 Urban Social Movements and the evolution of state/society relations in Brazil

The 1970s in Brazil, as well as in other Latin American countries, witnessed the emergence of urban struggles around problems generated by the growing process of urbanization of the country. These isolated demands for the provision of water, electricity, public transportation, and schools in the cities' peripheral areas, joined forces within local associations during the course of the decade. Liberal and left wing organizations supported these movements in a common struggle against the military dictatorship: the sole opponent was the state.

During the 1980s these movements changed. In the economic arena the model was the same as from previous decades, based on the concentration of wealth, excluding and geared towards the external market. Neo-liberalism became the essence of the action of dominant groups in the state. The withdrawal of the state from social policies in the areas of health, education, and housing reflected this trend. According to Gohn (1991), the novelty of the change was to be found in the political arena. There was an intense mobilization around elections for state governors (1982) and for president (1989), and around the campaign for direct elections for the country's presidency in 1985. Parallel to the refluxes of the massive mobilizations, the organized mobilizations directed their actions to the legal and institutional ground. The organized civil society sought to inscribe its rights and duties in the traditional law. The notion of citizenship became central to the movement.

During the struggle for democratization and the opposition to an authoritarian regime in previous decades, urban social movements have incorporated the notion of citizenship as fundamental for their development. As mentioned before, the right to have rights became a rallying point of all organized movements,

for urban popular movements, the perception of social needs, "carências", as rights represented a crucial step and a turning point in their struggle. (...) This turning point represented a rupture with the predominant strategies of political organization of the popular sectors characterized by favoritism, clientelism, and tutelage (Dagnino 1998:48).

Yet, during the 1980s, the political conjuncture presents a new scenario: not only progressive administrations take office mainly at local levels, but also the

promulgation of the new Constitution in 1988 consolidates the participatory ideal in the management of the state under the influence of popular amendments and the work of progressive parliamentarians. Urban social movements at that stage were deeply involved in an effort to incorporate new legal rights to the constitutional text. The new Constitution

...requires civic participation in public administration, opening up the possibility of a legality constructed through partnership and negotiation and capable of reconciling democracy and citizenship (Paoli and Telles 1998:68).

Contrarily to the 1970s and beginning of the 1980s, the State is not perceived as the enemy anymore, but as a possible partner. Gohn (1991) attributes this inversion of roles to the ascension of the Workers Party (Partido dos Trabalhadores - PT) to various city administrations and to a crisis of the progressive sector within the catholic church. The conservatives became predominant in the conduction of the actions of the Catholic church in Brazil, stressing the religious aspect over the political one, thus diminishing the influence of the Ecclesial Community Bases in the social movements. The PT, founded in 1980, had strong roots in labor and popular movements. At the end of the decade, it had consolidated its presence in the national political scene. Not only did PT conquer and expand an important parliamentary base at national, state and municipal levels, but also it won mayoral elections in many important state capitals, such as São Paulo (1988), Porto Alegre (1988,1992, and 1996)⁹, Belém (1996), and Belo Horizonte (1992). Equally important during the 1980s, was the formation of three powerful labor union confederations, that contributed to the debate of the conquest and expansion of rights and citizenship (Paoli and Telles 1998).

In the course of the 1990s, along with the continuation of neo-liberal policies and economic restructuring, there has also been a redefinition of the state's role. Concerning urban social movements, or yet, popular struggles, participation and negotiation permeate the state/organized society relations. Particularly in great urban centers, practices of clientelism and assistentialism, although still existing, are not the rule anymore. They are substituted by processes where demands and claims establish priorities for the distribution of public resources and of responsibilities of all actors

⁹ In 2000, local elections for municipal governments showed that PT was the party that has most grown in the decade, electing mayors in several state capitals including São Paulo (second time) and Porto Alegre (fourth time).

involved. The mechanisms of participation are various and the experiments are discontinuous, having diverse results. Participatory budget processes are implemented in many municipalities, when government and civil society engage in negotiations for the search of solutions of the most varied urban problems. There are many other experiences of shared public administration, which are not exclusive to the Workers' Party local governments, that have occurred in Brazil during the last decade. These experiments constituted an important reference for Brazilian citizens, enlarging the scope of popular participation from the limits of social activism and reaching wider political audiences (Paoli and Telles 1998).

In the construction of this new state/public interface, the establishment of rules and criteria for the distribution of resources is essential for the maintenance and credibility of the process. Tarso Genro, former mayor of Porto Alegre, when describing the dynamic of the OP, asserted that *regulation is key because it hampers clientelism and obliges community leaders to think of their region in a more universal fashion* (Genro 1995:2). This statement remits us to the last part of this section, that of the gradual dominance of new over traditional practices within state/society interface and a new political dynamic being forged in many Brazilian cities. Within this new scenario, participation is key for the development and survival of new practices.

1.2.2.1 Participation and Empowerment in state/society relations

Until now, I have used the words *participation* and *empowerment* without a specific definition of their meanings. Considering the weight participation has had in shaping state/society relations in Porto Alegre in the last 12 years, and my argument that this relationship has been mutually empowering, there is a need to briefly discuss both terms.

Participation and empowerment are concepts closely linked. In fact they often overlap. It is then necessary to distinguish one from the other. Empowerment is a fashionable word. It is important then, to clarify the framework of reference within which the term is used. For those involved in community development and participation the term is linked to notions of collective empowerment, combat to poverty, and enhancement of equity and social justice. Empowerment can be defined

as the degree to which or process by which disadvantaged communities define their own needs and determine the response that is made to them (Barr 1995:122).

Sommerville (1998) defines empowerment as a process that increases peoples' control over their lives. He adds that increasing control can be spelled out only in specific contexts like employment, housing or education, through the increase of choice and freedom of action for the people involved in this process. A more general concept of empowerment is advanced by Harrison (1995:22), who defines empowerment as a process by which disadvantaged or excluded people acquire the character of citizens.

According to Schuftan (1996), empowerment is a continuous process that enables people to understand, upgrade, and use their capacity to better control and gain power over their own lives. *It provides people with choices and the ability to choose, as well as to gain more control over the resources they need to improve their condition* (Schuftan 1996:260).

The notion of empowerment, as pointed above, encompasses the notion of human agency, defined by Gould as a process of self-development, *of concretely becoming the person one chooses to be through carrying out those actions that express one's purposes and needs* (Gould 1988:47). Lister (1998) adds that this process takes place in a social context, where the individual also acts upon, potentially changing it, hence structuring new choices available for him. Empowerment as process involves participation as an important element to nurture and develop it.

Citizen and community participation in decision-making processes have been subject of much research and debate. The incorporation of participatory processes to policy implementation has been based on the premise that citizen's involvement can lead to successful projects. This emphasis has been explicit in World Bank publications since the 1980s, influencing on the design of development policies funded by international donor institutions and carried out by various levels of government in most developing countries. This instrumental perspective of participation, a means to an end, has permeated numerous projects and programs throughout the developing world.

The developmental (or educative) perspective, in turn, views participation both as an end in itself and as a means to self-development. This approach to participation values its contribution to democratic processes and to a knowledgeable citizenry, who

benefits from participatory processes through the acquisition of new values, attitudes, skills and knowledge. This developmental view of participation stresses the empowerment of citizens increasing their control over their lives, and also the state (Morrissey 2000).

It is widely known, however, that participation does not mean necessarily empowerment of those who participate. How can we measure participation in terms of empowerment? The literature has generated various studies about the forms and typologies of participation. Sherry Arnstein's (1969) ladder of participation is the most well known example. Various programs of the United States federal government such as urban renewal, anti-poverty and Model Cities grounded the development of this typology, although she argued that it could be extended to other areas (Choguill 1996). Arnstein distinguished eight forms of participation ranging from manipulation at the lowest level to citizen control at the highest. In a decreasing range, after citizen control there were delegated power, and partnership (participation); placation, consultation, and informing (tokenism); therapy and manipulation (non-participation) (Arnstein 1969:217).

The transfer of this model to developing countries has raised some criticism among scholars who study participation in the developing world. This criticism came mainly from analysis about citizen and community participation in low-income housing and infrastructure projects. Racelis (1977) points out that in Arnstein's ladder of participation there is no difference in the locus of power between placation, consultation, informing, manipulation and therapy. Authorities maintain the power in all of them. She then proposes a six level classification where locus of power is the classifier. Power is either with the people, the planners or shared by both.

Yap (1989), when commenting about Racelis' model, refines it, adding to the locus of power, a second criterion, the relationship between the parties: *even without power-sharing, the authorities can accept the community as a resourceful partner in the project or can see it rather as an object or even an obstacle in project execution* (Yap 1989:59). These two criteria provide four key concepts to community participation: 1) participation (citizens control, delegated power and community representation); 2) cooperation (consultation – ex-post facto or continuous – and communication); 3) education; 4) manipulation (therapy and token representation). Only the first category is considered by Yap (1989) to be participation.

A third criticism and model is advanced by Choguill (1996). Her reasoning is based on the criterion by which Arnstein builds her ladder, namely the extent of citizen's power in determining the end product of public policy (Choguill 1996:433). Choguill argues that residents of low-income communities have dual objectives. In addition to the need of empowerment to influence decisions which affect them, they also want urban services and housing from governments which either may not have the resources or the will to provide them. She suggests a new set of criteria involving certain changes in terminology and description in Arnstein's model. The suggested scale of participation is based on the degree of the external institutional involvement in terms of facilitating/carrying out community mutual-help projects. Starting at the highest, the levels of community participation are: empowerment, partnership, conciliation, dissimulation, diplomacy, informing, conspiracy and self-management. Choguill (1996:443) argues that governmental attitude is essential in determining the potential results of the community effort and that people's self-determination plays a significant role in the process of improving their own condition.

From the community participation models described above, Choguill's synthesizes very explicitly a developmental view of participation. This view helps us to analyze the case of the cooperatives in Porto Alegre, complementing, with its focus on programs designed to produce housing and urban infrastructure, the broader state-in-society and synergy approaches discussed in the beginning of this chapter. I argue that the experience of the housing cooperatives in Porto Alegre mixes the two highest rungs of Choguill's ladder: empowerment and partnership. According to her, control of the situation, powers on formal decision-making bodies over a particular project, and making allies with governmental support, constitute the main characteristics of empowerment. Partnership happens when members of the community and outside decision-makers and planners agree to share planning and decision making responsibilities through such structures as joint policy boards, planning committees and other informal mechanisms for resolving problems and conflicts. The next chapters will show that the coops have both participated in decision-making bodies, have organized and made allies, and created mechanisms for resolving problems.

1.3 PARTNERSHIPS - STATE/SOCIETY RELATIONS IN URBAN DEVELOPMENT

How does the discussion of partnerships and state/society relations and synergy link to the specific theme of housing and the place of housing in the local and national economies? The following discussion attempts to demystify the neo-liberal apology of partnerships as the prime response to many of the urban malaises, especially the lack or inadequacy of housing, and to bring to light the complex history of public/private interactions in this field.

What has been the experience of public/private partnerships taking the example of industrialized countries such as the USA and Great Britain? In what contexts were such partnerships conceived, how were they implemented, who have benefited and who have lost out? And what have these experiences meant with respect to the reformulating of theory?

In giving an overview of the origins and concepts of partnerships in urban development in industrialized countries, I shall center the discussion on the question of the (non)distributive effects of these previous experiences and the new directions public-private partnerships have taken in these countries after the 1980s. As this thinking has informed policy prescriptions in Brazil, as in the rest of Latin America, this overview will also help us to understand the influence of partnership experiences on Third World cities' policies and the lessons learnt from these previous experiences. Thus, the last part of the section depicts the trajectory of the partnership ideas from the developed to the developing world, its close relationship to the implementation of structural adjustment programs in indebted countries and the emphasis on urban productivity as a means to foster development. Finally the discussion of partnerships and the role of cities in development bring us back to the issue of state/society relationships with which this chapter began.

1.3.1 Origins, concepts and experiences of partnerships in urban development

The idea of public/private partnership for urban development is not new. In the developed world, local administrations have sought to establish partnerships with the

private sector to improve the provision of urban services; to rehabilitate the physical environment; and to revitalize depressed communities. In the last twenty years cities like Philadelphia and New York in the United States; and London and Liverpool in the United Kingdom, have experienced the impact of such partnerships in their inner city and dock lands. The rationale behind the *enterprise culture* (Edwards and Deakin 1992), was to attract private investment to regenerate economic growth in depressed areas by means of public incentives (tax abatements, project-specific subsidies, the provision of infrastructure, relaxed planning procedures, etc.). The advocates of urban renewal projects also aimed to include social concerns in the reintegration into the urban economy of poor inner-city dwellers, and in the improvement of their living and housing conditions. Indeed, many of these projects revitalized city center areas through building stock rehabilitation and the beautification of the urban environment. Their social results, though, remain debatable, given the process of gentrification¹⁰ that has occurred in some renewed areas.

In the United States since after World War II, city governments and private developers have joined forces in collaborative enterprises to implement the redevelopment policies of the cities' corporate elite.¹¹ During the 1970s the federal government deployed partnerships as a tool for stimulating private investment in inner city infrastructure. By the 1980s

public-private partnerships became the cornerstone of economic development strategies of virtually all US cities – strategies that centered on the creation of a good business climate (Levine 1989:12).

According to the same author, the basic ingredients of US public private partnerships between 1945 and 1970 were corporate control, federal leveraging, autonomous redevelopment authorities and entrepreneurial mayors. After 1970, partnerships differed mainly in the expanded scope and complexity of their activities and in the increased public resources and power made available to support private development and create a good business climate.

The criticism of those partnerships centered mostly on the little impact they had on the central economic problems of urban areas: inner-city poverty, neighborhood

¹⁰ Gentrification is here defined as the process of gradual substitution of low-income groups by higher income segments in areas that underwent a revitalization process. This substitution is due generally because of the increase in land values and taxes, that poorer citizens cannot afford.

¹¹ By the 1960s, Pittsburgh's Golden Triangle, Baltimore's Charles Center, Minneapolis' Nicollet Mall, and San Francisco's Yerba Buena Gardens were some of these redevelopment projects (Levine 1989).

decay, and unemployment. Urban re-development researchers have shown that public-private partnerships have done little to improve living conditions for the majority of urban poor and have exacerbated inequality and dualism. There are various examples to illustrate this assertion: whereas more jobs were created in New York in 1983, as compared to previous decades, the city's poverty rate increased 20% between 1979 and 1985; Boston's economic boom in the 1980s has not improved the situation of already deprived neighborhoods; and the waterfront development of Baltimore, went hand in hand with an increasing poverty rate of the city's black neighborhoods (Levine 1989).

In the United Kingdom, the origins of the so-called *enterprise culture* go back to the end of the 1970s decade, when state policies start moving away from welfare based policies to those premised in economic development, centering their action on inner city interventions. The envisaged driving force behind urban regeneration was the market and private sector agencies. In this partnership design, government would facilitate and enterprise would produce the action. This new political agenda was a matter of central government departments and of a new set of institutional devices such as City Action Teams and Task Forces. Within this process, though, *the role of local authorities was restrained by legislation, cut back by financial restrictions and in extreme cases abolished altogether* (Edwards and Deakin 1992:361). Contrarily to previous programs of the 1960s and early 1970s that have been spawned by concerns about inner cities along with questions of race, the 1980s programs did not mention either poverty or urban deprivation as problems to be overcome.

Critics of public-private partnerships enumerate various shortcomings of such initiatives, particularly the tension between private interests and social equity, and the projects' top-down approach (Edwards and Deakin 1992; Stephenson 1991). In the case of downtown renewal projects, the opponents of public-private partnerships claim that

the benefits of economic development efforts should be distributed to all city residents and not simply to business elite. For such (equity) to occur, groups other than business must develop a capacity to organize collectively (Stephenson 1991:123).

Intertwined with equitable distribution of benefits is the level of participation of affected communities in the decision-making process of partnership projects. Edwards and Deakin (1992) show how some partnership projects in England excluded not only

community and voluntary organizations, but also municipal Labor controlled councils from any prominent role in the projects.

The evaluations of public-private partnerships in urban economic development in the USA and Britain, used as examples of such policies in more advanced economies, have proved to be inoperative to distressed neighborhoods and unable to enlarge economic opportunities for poorer citizens. However, since the 1980s there has been an emergence of new approaches to urban partnerships that have focused on the needs of poor and disempowered communities. In the US, these new approaches included greater public control of programs and also a more even distribution of costs and benefits within partnership actions (Levine 1989). The election of progressive and populist mayors along with the action of grassroots political reform movements displaced the predominant privatistic and corporate approaches, and achieved some degree of success in articulating, and in some cases, implementing more inclusive policies. Shearer (1989) classifies this political activism and increased community level organization as a new urban populism. The priority of people over buildings, cars, business, and the citizens right to the city, irrespective of their property status, formed the foundation of the so-called new urban populism.

This new notion of urban development was based on three basic concepts: balanced economic growth, citizen participation and human scale. Economic growth should be equitable to all citizens and the eventual social and environmental burdens of this growth should be shared by all those who benefited from it. Citizen participation was a key factor for ensuring the right of city residents to take part in decision-making processes concerning their neighborhood and city center, being urban governments responsible for encouraging and support the exercise of this right. Finally the human scale concept would recover a socially interactive built environment and restore public places across the city. The rescue of public and social space was to be promoted by linked-development policies, where city governments would require developers to contribute to special funds to provide housing, social services or cultural facilities in return for investment rights and incentives.

1.3.2 Partnerships and the neo-liberal urban agenda in developing countries

Since the late 1970s, public/private partnerships have become the cornerstone of economic development strategies of urban areas in industrialized countries, having the American and British national governments as precursors of the idea. In the United States the policy for the provision of low-income housing has involved government, private sector, non-governmental organizations, and universities. Likewise, business-government partnerships for urban renewal have produced a striking set of redevelopment projects in various American cities (Mitchell-Wheaver and Manning 1991-92). In Britain the *enterprise culture* dominated the regeneration of their inner cities. Public/private partnerships were considered the major instrument for economic development and for the eradication of urban deprivation (Edwards and Deakin 1992).

Cutbacks in public expenditures, public/private partnerships, privatization and deregulation set the tone of the neo-liberal approach to economic policy in most industrialized countries for the last two decades. The rationale behind privatization was that private providers would deliver higher-quality goods and services at lower costs, and the government sector of public providers would shrink accordingly. The record of these policies though was, at best, mixed. Clearly, partnerships have not worked for everyone (Squires 1989; Stephenson 1991). Frequently they excluded the neighborhood residents most affected by development decisions, public goals were often unmet, and democratic processes were undermined.

The neo-liberal foundations for domestic economic policies of these countries became an important component of foreign policy, influencing international lenders' paradigm for third world governments' economic adjustment. Starting in the 1980s, the World Bank (WB) and the International Monetary Fund (IMF) linked loans to the adoption of such policies. During the same period, the central role of urban trends and policies for development was recognized by donor countries and global institutions (Burgess *et al.* 1997)¹². In the field of housing, international lenders' emphasis was on strengthening housing finance institutions and land markets, stimulating economic

¹² Burgess *et al* (1997:4) mention that the urban focus for development was stressed in various strategic policy documents like the Global Strategy for Shelter in the Year 2000 of the UNCHS (1988) and the Urban Sector (1991) and Housing Sector (1993) Policy papers of the World Bank.

activities and encouraging citizens involvement in the solutions of urban problems (World Bank 1991).

The housing agenda for the 1990s was strongly connected to the experiences of the World Bank, since its emergence, in 1972, in the developing countries' low-income housing scenario.¹³ The 1990s' WB agenda linked housing to the wider urban economy, attributing to the housing sector an important role in promoting economic growth and productivity. It envisaged partnerships between government agencies, private firms, non-governmental organizations and community-based organizations. Governments were seen as having an *enabling* role, providing the legislative, institutional and financial framework for the functioning of private and community entrepreneurship. In conjunction with the envisaged *enabling* role of the state, this agenda also emphasized the role of non-governmental organizations (NGOs) and community-based organizations (CBOs) in the implementation of urban and housing programs, and their importance as a vehicle for increasing community participation in the local decision-making process of third world cities.

Despite the enthusiasm of the advocates of public/private partnerships, there is enough evidence that these policies have not worked for everyone. The criticism of such approaches to urban development in industrialized countries has been expressed by many scholars as seen in the first part of this section. Until the beginning of the 1990s, the literature about public/private partnerships in the developing world, was yet very limited. Part of the studies on the topic, as put by Mitchell-Weaver and Manning (1991-92), were

either promotional material written by donor country development agencies like USAID (USAID 1986; Brown 1984; Wolgrin 1983) or very basic descriptive case studies of various public/private partnerships in third world development (Lewis and Miller 1986; Patterson 1984) (Mitchell-Weaver and Manning 1991-92: 47).

During the last decade, there was a growing interest of researchers to analyze the neo liberal approaches to economic growth related to the implementation of

¹³ The WB influence comes from its role as a major financier for the depleted economies of third world countries. In such a powerful position, the WB can express its favored policies in the conditionality clauses attached to loan agreements and negotiations. From 1972 to 1990, the WB participated in 116 sites and services projects and slum upgrading schemes in 55 different countries, with an average expenditure of US\$ 25 million (Mayo 1991). Since 1983, the loans to support the housing market in developing countries reached almost US\$ 5 billion, divided in 40 projects. From the 27 projects which were monitored, 74% had satisfactory results. This proportion is larger than the one found in the evaluation of projects conducted by the WB in other sectors of the economy (Buckley 1999).

public/private partnerships as instruments for urban development in cities of developing nations.¹⁴ Many of these studies focused on issues of the impacts of globalization on the organization of urban space, the decentralization and local power, partnerships and participation, and the changing relationship between state and society. It was only towards the end of the decade, however, that scholars produced a greater amount of work emphasizing public/private partnerships in the field of housing and urban development in peripheral countries (Payne 1999; Jones and Pisa 2000; Russel and Vidler 2000). In Brazil, the FUNAPS in São Paulo (see Appendix 1), documented by Bonduki *et al.* (1993) and Denaldi (1997), and the experiences of the implementation of innovative urban policies in many Brazilian municipalities, edited by Bonduki (1997), suggest that new practices are being applied and that there is a need for empirical and theoretical work in this field.

In 1996 the realization of the Second United Nations Conference on Human Settlements (HABITAT II) in Istanbul certainly stimulated the production of research and analytical studies on the topic and brought forth hundreds of projects, programs and initiatives that have been submitted for consideration to various awards systems and databases established by HABITAT Agenda partners.¹⁵ Regardless of the political marketing the *Best Practices Awards* propitiated to governments and NGOs and the lobbying for the choice of winners (Maricato 1997), the establishment of the program gave opportunity for unknown programs and policies to get projection worldwide. The *Porto Alegre Participatory Budget* was one of the 40 finalists in 1996. Its inclusion in the award contributed to the policy to gain international recognition as a successful example of local participatory democracy policy.

It is not the aim of this section to evaluate the pros and contras of HABITAT II. It is important, however, to address some highlights of the Conference that relate to the issue of partnership being dealt in this chapter. The points I want to discuss are the emphasis on cities as key actors in sustainable national development and the role of partnerships and participation in this envisioned type of urban planning and governance.

¹⁴ See Robinson and White (1997) and Batley (1996).

¹⁵ According to You (2000) more than 1500 projects from more than 120 countries have been submitted for consideration of the various awards.

1.3.3 Partnerships and the role of cities in development

Among other outcomes, HABITAT II contributed for the consolidation of the vision of cities as the motor force of development. The impact of new communications technology and the process of globalization of the economy have given to cities a prominent role within a global context. Currently, urban growth is seen as vital for economic growth and social development. Higher gross national product (GNP) per capita levels are associated to higher levels of urbanization. According to WB estimates, cities in developing countries produce over 50% of the national gross domestic product (GDP) and would rise to between 65 and 80% by 2000. As asserted by Burgess *et al.* (1997),

the shift to planning policies based on the enhancement of urban productivity has to be understood in the context of this reappraisal and in terms of the macroeconomic policies associated with Structural Adjustment and export-oriented industrialization strategies (Burgess et al. 1997:19).

The construction of an image of a world competitive city does not fit developing countries' urban centers, which have suffered the impact of structural adjustment and globalization. Or, better saying, it does not fit the majority of urban dwellers of these centers. While structural adjustment policies have had some impacts in controlling inflation, negative balance of payments and public sector revenue-debt ratios, they have hit hard the poor. The idea of urban productivity as a key mechanism to produce growth was promoted by international donors as the way to overcome the negative outcomes of structural adjustment programs. This idea had a strong neo-liberal emphasis, defending the withdrawal of the state, a market driven economy and the improvement of government administration. Scholars like Jones and Ward (1994), however, raise questions whether these urban development policies will succeed and achieve equitable results without *considerable degree of direct authority being exercised by state and municipal government* (Jones and Ward 1994:9).

The initiatives of international organizations to capitalize on economic strengths and competitiveness of urban centers enhanced the vision that cities should center their focus on efficient public administration and, along with local revenue generation, they should seek new sources of capital. Some examples of this kind of initiatives are the programs established by these organizations after 1996. Following

HABITAT II, the World Bank (WB) and UNCHS launched programs and committees to provide support for the implementation of the Global Plan of Action set up in the Istanbul Conference. The plan recommended five strategic objectives to guide the execution of national and local plans: a) partnerships; b) participation; c) decentralization; d) capacity building; and e) networking and the use of information in decision-making. It also endorsed the use of indicators and best practices as the two main instruments for monitoring and assessing conditions in support of its implementation (UNCHS 1996).

The Urban Partnership Business unit in the WB was launched in 1997 to help cities identify and implement practical, workable solutions to problems of livability, productivity, competitiveness and governance (UNCHS 1998). In 1999, WB and UNCHS launched the Cities Alliance, a multi-donor partnership to develop strategies to improve the living conditions of the urban poor and upgrade slums and squatter settlements worldwide (UNCHS 1999). In the same year, as a result of a UN-wide process of reform initiated in 1997, the UNCHS restructuring proposal of adopting a *style and profile of a global advocacy agency, dealing with human settlements issues in the context of an urbanizing world* (UNCHS 1999:25) launched two global campaigns, one for Secure Tenure and the other on Urban Governance. The aim of the first is to reduce poverty through policies which emphasize equity, sustainability and social justice, whereas the second will promote good urban governance through clusters which link operational and normative activities, focusing on, among other things, urban management, urban environment and urban safety. Both stress the building of strategic and operational partnerships between state and civil society. If, on their discourse, these campaigns express concern for equity and welfare, there is an enormous gap between the well elaborated policies and their implementation.

Wider exclusion and duality have followed the process of cities' adjustment to this new global order. Not only increasing numbers of goods and services are being traded across national boundaries, due to reduced restrictions in international commerce, but also changes in factory location and in investment are happening. The final effect is positive for international trade, and consumers may benefit from prices fall, but employment opportunities may also change with the reallocation of production units, jeopardizing working conditions and wages. Currency speculation resulting in significant changes in exchange rates may also impact employment and the price of

basic necessities (Mitlin 1998). The mobility of capital and high levels of unemployment fragment and deprive workers from their organizational instruments of collective organization and action. Whilst neo-liberal thinkers envisage cities competing for new investments and functioning as emergent poles for the markets unification, the reality shows another image: the growing social exclusion and the increasing vulnerability of poorer segments of the population.

The concentration of poverty, homelessness and slums is still very high in urban areas. Recent United Nations estimates indicate that 1,3 billion people still do not have access to clean water and the same number live on less than US\$1 a day (Cobbet 1999). The emphasis on self-help practices and the reliance on community participation and partnerships show the inability of the state to meet the present and future demands of its citizens. People are encouraged to provide for themselves a range of basic needs (education, health, housing) on an individual/family basis and, despite the social discourse of many governments, often collaborative initiatives are not supported. The diverse forms of community-oriented programs are in tune with the neo-liberal government's calls for greater self-help initiatives, active citizenship and a reduced dependency on the state.

In the last two decades, participatory processes have taken a prominent role in urban development, as seen previously. Goulet (1989:165), in his study about participation in development, borrows Marshall Wolfe and United Nations Research Institute for Social Development (UNRISD) 's working definition of participation, highlighting its usefulness in development circles. This definition asserts that participation designates *the organized efforts to increase control over resources and regulative institutions in given social situations, on the part of groups and movements hitherto excluded from such control* (Wolfe 1983:2).

In his article, Goulet identifies three distinct sources participation may start: a) from above, by some authority or expert; b) from below, by non-expert people; and c) or from some external third agent. He also argues that different social actors pursue different objectives when promoting participation. He continues asserting that state initiated participation usually seeks to control the process and the agents of participation. Contrarily to top-down approaches, both bottom-up and third party participation originating agents usually aim to empower less empowered people. Like Goulet, other scholars mistrust top-down approaches to participation.

Fox (1996) in his study about rural Mexico, like Tandler (1995) and Salamon (1994) previously cited, challenges authors like Goulet, stating that social capital and autonomous civil society organizations can be co-produced by state and local societal actors and that, even bottom-up organizations depend heavily on external allies to survive. Reiterating Fox, *associational life does not unfold in a vacuum: state or external societal actors can provide either positive incentives or negative sanctions for collective action* (Fox 1996:1090).

The stress on citizens' participation, community-oriented programs, and public private partnerships are defended from both right and left of the political spectrum. These programs have appropriated the language of community politics, traditionally the preserve of the Left. They have been condemned for relying on already poor people to help those most in need and for having an extremely marginal contribution in economic terms (Hoogvelt 1997). What then can be saved from this gleam, but realistic analysis? The more positive outcomes in the last twenty years indicate that in some circumstances partnerships may provide an effective mechanism for improving the shelter options of poorer segments of the population, but this far they have been limited in scale and reach. These programs, indeed, had a modest contribution in the ongoing process of organization of the urban poor. This contribution may have been in a reactive manner. To counterpart the withdrawal of the state from basic services and the dismantling of the state apparatus, there is the vision of the construction of a new public non-state sphere of social control and accountability (Genro 1995). While politicians like Genro, mayor of Porto Alegre (1993-96 and 2001-to the present), see it as the rupture of the distance between the bureaucratic state and civil society, others like Salamon (1994) see this new sphere as a third way or an alternative to the State and the market. The housing cooperatives of Porto Alegre are a part of this new kind of interface. The next chapters will explore the ways such interaction has taken place and how it has influenced their development.

CHAPTER 2

STATE/SOCIETY RELATIONS IN THE FIELD OF LAND AND HOUSING PROVISION IN BRAZIL: AN OVERVIEW

The high level of spatial segregation between rich and poor in Brazilian cities is the physical expression of social and economic inequalities. Both the role of the state, that regulates urban land and implements housing policies, and the involvement of multiple agents (landholders, real-estate developers, construction industry, finance institutions) in the provision of housing, added to inequalities of income and wealth. The treatment of housing as a commodity makes difficult the access of poor families to adequate shelter. Politically pushed out from decision making processes and economically impeded from entering the formal market, poor families have historically been left to make shift, solving their housing needs through self and mutual help means.

The following chapters analyze the implementation of an innovative housing policy at a local level and the support for the formation of housing cooperatives during the 1990s. This chapter examines past land and housing policies, giving the historical background for understanding this more recent experience. This overview is structured on three dimensions. It follows a chronological order, for the sake of systematization. It focuses on the city of Porto Alegre as an example of implementation of national housing policies highlighting also the local initiatives. Finally, it discusses, through the lens of housing policy and provision, three issues that have been introduced in Chapter 1; namely state/society relationships, clientelism and citizenship. These three themes are dealt within each period analyzed thus establishing

a linkage between the theoretical and empirical work. Chapters 2 and 3 are indeed closely linked. In this Chapter, I provide the necessary historical background that will lay the groundwork for Chapter 3 in which I preliminarily address the first set of questions introduced previously. How have the interactions between local state and civic associations shaped the development of the housing cooperatives and what influence have the cooperatives had on the implementation of housing and urban policies?

The initial discussion about the past process of urbanization in Latin America and Brazil helps us to understand the reasons for the present level of extreme spatial segregation and the exclusion of the poor from access to adequate housing and urban infrastructure in Brazil, and particularly in Porto Alegre. Land was, and despite some legislative advances, continues to be a privilege of the few.

With Porto Alegre as a reference, the following sections provide an overview of Brazilian housing policies, reviewing government measures and their impact since the beginning of the century. The goal is to place the city within the national scenario and relate the development of national housing policies to its local context. Given the extent of the topic, I divided the theme chronologically. The choice for the chronological cuts (1940s, 1964, and 1986) was based on interventions of the state in the implementation of social and housing policies.

The second section outlines the housing conditions and government policies towards housing in Porto Alegre before the 1940s. The third and fourth sections relate the involvement of the central state in the provision of low-income housing from the late 1930s till the demise of the National Housing Bank (BNH) in 1986. The fifth section focuses on national level policies after BNH. The last section centers on Porto Alegre, showing the pattern of land speculation and its consequences for the access to land and housing of lower income segments of society. It analyzes the housing policies of the PT administration in the latest years in Porto Alegre, showing the strengths and weaknesses of those policies.

The overview of land and housing policies and provision will show that, concerning state/society relations on urban issues in Porto Alegre, policy met the needs and aims of local elites. However, policy also developed a tradition of dialogue and negotiation between the local government and organized poor urban workers in their demands for urban services and housing, a policy only interrupted during the years of

military rule. Furthermore it will reveal that, notwithstanding the insertion of the state in the provision of low-income housing at national and local levels since the late 1930s, democratic access to a dwelling was jeopardized by clientelistic practices that permeated selection processes. Finally it will also show that, despite the predominance of social over political and civil rights in the 1940-80s period in Brazil, the transformation of housing from a need to a right only occurred in the late 1970s with the emergence of urban social movements in a context of a large process of revision and redefinition of citizenship that began in that decade.

2.1 ACCESS TO LAND: A PRIVILEGE OF THE FEW SINCE COLONIAL TIMES

The current pattern of urbanization and social division in the Latin American city has its roots in the colonial origins of these cities. The use of urban land, the position and goals of the elite, the role of government and the treatment given to the unprivileged segments of society persisted in the post-colonial period. The exploitative nature of Portuguese and Spanish colonization and its urban-centered strategy of colonization, unlike the gradualist strategy of the British in North America, established the supremacy of the city over the countryside.

The network of urban centers in Latin America emerged in the course of one century. Between 1520 and 1540 all major Spanish cities were founded in the continent. In Brazil, Olinda (1537) and Salvador (1549) in the northeast, São Paulo (1534) and Rio de Janeiro (1567) in the south constituted the major Portuguese foundations in the period. Porto Alegre was founded later, in 1772. This urban system was created with the goal of supporting the system of colonial exploitation. The city of the conquest was designed to subdue the conquered indigenous population. It concentrated the conquerors in a defensible perimeter from where the colonial power dominated: expropriating and redistributing land, annihilating revolts and repressing contraband (Singer 1973:100).

The emergence of what Portes (1977) calls an *urban patriciate* in Spanish America was made possible through the granting of large tracts of land to early settlers by city authorities. These tracts were given in perpetuity, transforming their owners

into an elite that monopolized not only economic power but also social and political influence.

Chartered Spanish American cities “owned” their hinterlands, both in the sense of economic proprietorship – since lands were granted in the king’s name by city authorities- and in the sense of politico administrative control (Portes 1977:61).

The ownership of land was considered a quasi-absolute right and few limitations were imposed on exploitation of land for personal enrichment. In Brazil, the process of appropriation of land was similar to its neighbors. After the discovery of Brazil, the Portuguese crown transplanted to Brazil the regime of *sesmarias*.¹ It divided the land into 15 *captaincies*², which were given to nobles in perpetuity, with the goal of occupying the new land and defending it from foreign threats. Since then, land ownership was necessarily linked to the occupation of land.

These nobles had to divide the land among prospective colonizers. When settlers did not meet their obligations, the Crown retook the land. These unoccupied government lands – *terras devolutas* - were later appropriated by owners of existing properties, giving rise to the so-called *latifúndio* - unproductive landholding - in rural regions. Baldez (1986) mentions that

Sesmarias were the available juridical formula for the constitution of latifúndios that were compatible with the structure of the exporting economic model generated by the dynamics of the mercantile capitalism. To the ownership of land it was added the ownership of the slave, who did not enter in the labor process as a seller of his labor force, but directly as a commodity (Baldez 1986:2) (my translation).

Baldez argues that the real value of land ownership was the ownership of a labor force (the slave) to make it profitable. Under these conditions, land did not require - either from the Portuguese crown or from the Brazilian Empire after independence – legal statutes to prevent the oppressed classes from gaining access.

¹ *Sesmarias* were plots of land granted to people chosen by the crown. The word comes from *sesma* that means one sixth of the production paid by the occupant to the owner of the land, a feudal regime (Baldez 1986).

² In colonial Brazil, a *captaincy* was a jurisdictional division corresponding to a province.

Even after the extinction of the sesmarias regime, that occurred after 1822, the dominant system did not feel the need to constitute, (through a series of norms and rules) a “class monopoly over land”, because the slave labor itself excluded the worker, a simple commodity, from ownership (Baldez 1986:2) (my translation).³

After the independence of Brazil from Portugal in 1822, the *sesmarias* system was formally, but not *de facto*, abolished. The Brazilian government kept granting privileged people access to unoccupied land, re-enforcing an old practice of private appropriation of public areas (Lira 1997).

With the abolition of the slave traffic to Brazil in 1850 a new category of worker emerges, the salaried worker. With the arrival of a new kind of citizen, initially destitute but judicially free and able to occupy land, the dominant classes, in order to guarantee their monopoly of land and to preserve the production system, could not afford ignoring land as an issue without clear rules as to access. Thus, the creation of a land legislation had the function of maintaining the subjugation of workers in the labor-intensive system of production based on agricultural exports. The legalization of private property begins with the First Land Law, in 1850, that establishes buy-and-sell at sight, as the legal form to access land (Baldez 1986:3-4). This Law restricted the chances of poor workers, who did not have any savings, to become landowners. According to the same author, a network of laws and rules was elaborated with the goal of building a system for the protection of private property and ensuring its market character. The way to attract free labor to work in the plantations then, was to prevent workers having easy access to land ownership. Deprived of resources and other means of production, poor workers had only their labor power to sell in order to survive.

According to Maricato (2000), the demarcation of unoccupied land after this Law has constituted one of the biggest farces in the history of Brazil. Since then, unoccupied public land has been privatized by many who have taken advantage of the fragility of the land demarcation system in Brazil in the last four centuries. The process of urbanization of the country inherited these colonial roots, characterized by patrimonial and clientelistic relationships. Access to land becomes an obstacle to the

³ Prado Júnior in his analysis of the Brazilian formation well defines the colonial situation: *we arrived at the end of our colonial history constituting, yet, as since the beginning, that heterogeneous aggregate of a minority of white (or quasi white) colonizers, true entrepreneurs of the colonization of the country, in partnership with the metropolis; lords of the land and all its wealth; and on the other side, the mass of*

growth of the urban centers and legislation to change this proves inefficient when it contravenes the interests of landowners and developers or when it grants social rights (Maricato 2000). In the course of history, the formation of property in Brazil since its discovery (the *sesmarias* regime until 1822, occupation practices from 1822 till 1850 and buy and sell after 1850) has been made with the total exclusion of the working classes and characterized by social and economic inequalities (Baldez 1986). In Spanish America, though, as asserted by Wilson (2001:11) in her study of a Peruvian town, to a certain extent, there have been some indigenous rights to urban space that survived up to the early 20th century. According to Wilson, leading Indian chiefs owned houses in the central square of some urban centers. However, this right was not extended to the poor members of Indian society, who were not allowed become town dwellers.

After the proclamation of the Brazilian Republic in 1889, unoccupied land was transferred to the states of the Federation, reserving to the Federal Union the possession of borderlands, railway lands and military bases. During the republican period the colonial urban scheme remained essentially the same in both Spanish and Portuguese Americas. The location of the capitals of the new republics in the existing central cities only accentuated their importance by giving them new political functions. With the growth and advance of means of transportation, the spatial pattern of the cities changed, with a gradual displacement of elite families from the city center to those parts of the periphery not occupied by impoverished populations. It is against this background of colonial origins of the Latin American city that urban poverty and in particular the lack of access to land and housing should be understood (Portes 1977).

2.2 LOW-INCOME HOUSING IN PORTO ALEGRE 1900S -1940: THE BEGINNING OF A STATE/SOCIETY DIALOGUE?

The last decade of the 19th century was the stage of important transformations in the social, economic and political structures of Brazilian society. The abolition of slavery in 1888, followed by the establishment of a republican order, the growth of an

population, its substance, slave or bit more than that: only working machine and without any other role in the system (Prado Júnior 1975:127) (my translation).

urban median class - linked to the expansion of the state bureaucracy -, and the massive influx of immigrant workers to supply the demand of labor in the agriculture and emergent industry had an strong impact on the existing urban structure of Brazilian cities (Monteiro 1995).

In the state of Rio Grande do Sul, at the regional level, the fall of the monarchy in 1889 opened political space for the growth of a Republican Party inspired by the positivist philosophy.⁴ For forty years (1897-1937) the Rio Grande Republican Party (Partido Republicano Riograndense – PRR) stayed in power. It carried out a modernization policy at state and city level that pointed to the diversification of the economy, whereby industrial development would alter the traditional cattle raiser profile of the province (Pesavento 1994).

In São Paulo, according to Rolnik (1983), the first cycle of industrial growth was accompanied by the redefinition of the urban space where new social groups redesigned functions and uses. In Porto Alegre, the capital of Rio Grande do Sul state, the situation was not very different. The complexity of the organization and interests of new social groups determined a reshaping of urban space.

Porto Alegre in the beginning of the 20th century was the economic center of the state. Its development was linked to commercial activities, to the trade of the growing agriculture production of the hinterlands in the national market and to the regional distribution of imports. The population of the capital jumped from 52.000 inhabitants to 73.000 in 1900 (FEE 1981). The provision of housing and the implementation of adequate urban services to the incoming population did not, however, match this rate of growth. In Porto Alegre, as in many other Brazilian cities, the precarious housing conditions of poor urban families constituted a chronic problem.

Pesavento (1994:11) shrewdly defines the urban poor in the end of the 19th century: they are, when all is said and done, subaltern persons. More than that, they do not have any means of subsistence and, after survival, housing is their major problem. They perform the least qualified tasks, and may or may not engage in the formal market. They either have a boss, for whom they perform some kind of controlled

⁴ Positivism, founded by French philosopher Auguste Comte, holds that all knowledge is defined by the limits of scientific investigation; thus philosophy must abandon any quest for knowledge of an ultimate reality or any knowledge beyond that offered by science (The New York Public Library Desk Reference 1989).

activity, receiving a payment for their work, or they are free-lancers, living on the sidelines. Politically, they are citizens of a second category, forgotten by the authorities and considered suspect by the police.

Pesavento mentions the character of *Zé Povinho*, a caricature found in some Porto Alegre's newspapers of the 1890s that depicted the typical poor citizen at that time.

Thin, stunted, dark skin, lacking some teeth, disarrayed hair and poorly dressed Zé Povinho composed the poor citizen. (...) Finally, to be a Zé Povinho, in the end of the 19th century in Porto Alegre, meant, among other things, to be a poor worker, occupying a subaltern position not qualified in the labor market, to live in tenements or precarious houses and dress very poorly (Pesavento 1994:70-71) (my translation).⁵

During the nineteenth century the economic movement caused by the commercialization of goods produced in the neighboring German colonized region turned Porto Alegre into a commercial outpost and contributed to its expansion. Rich and poor citizens lived side by side in the city center. Old fancy houses were converted into crowded and unhealthy tenements, also sheltering poor families in their damp basements. Around the 1890s it was common to find, besides these converted buildings, new constructions, resembling warehouses, divided into small cubicles to accommodate the families of poor workers who earned their living in the brick factories, mills, slaughterhouses and small factories located in the surrounding areas. This rented housing was designed to shelter big families and single workers as cheaply as possible (Pesavento 1994:86).

It was common at that time to blame the poor themselves for their deplorable conditions. Public opinion also condemned the depravity and degeneracy of their living conditions. Along with moral concerns the elite disliked the physical proximity of tenement houses in the city center. The housing conditions of poorer populations that were depicted in the proletarian newspapers gained space also in the more conservative media.⁶

⁵ The author also comments about prejudices among the urban workers concerning their origins. The incoming immigrants, mostly Germans, were more skilled and for that reason preferred factory work. According to her documentary research, the differences between them were more of a cultural kind than professional: foreign workers were more responsible and concerned about issues of their interest than nationals (1994:81).

⁶ Pesavento (1994) cites numerous proletarian and conservative newspaper reports that ground her research concerning working and housing conditions in Porto Alegre in the beginning of the 20th century.

At the beginning of the century the living conditions of low-income families were so bad that the state intervened, pressured by better off segments menaced by the proliferation of diseases originating in poor tenements. The moral stigma, aesthetic concerns and hygiene control and preoccupation with ventilation, overcrowding and morbidity in the inner city tenements lead to a series of laws to eliminate the settlement houses in the city center.

In 1913 the General Regulation for Construction established basic sanitary and aesthetic guidelines for new constructions in Porto Alegre. This new law, to be applied only in the areas of the city center, stipulated more stringent building requirements, and, in effect, the poor were pushed to the periphery where inspection was not so efficient and housing was cheaper.

That was not the first legislative tool applied to the reshaping of urban space, influencing its segregation. In 1890, the collection of heavy taxes on inner city tenements and, in 1897, the rise of the property tax including all streets serviced by public transportation causes rents in the inner city to rise. So small houses further away, where taxes were not so high, proliferated. These measures constituted an example of the process of privatization and occupation of urban land under the auspices of the public power (Bakos 1996).

The increase of rents was a direct consequence of the valorization of urban land and of rising taxes. The subdivision of land in more peripheral areas was an attractive investment for the new urban bourgeoisie. As asserted by Pereira (1980), from 1890 to 1930 one can identify in Porto Alegre the tendency of the banking, industrial and commercial capital to invest in land. In 1895 the *Cia. Territorial Porto-Alegrense* was created, a private development firm, in charge of the plots of land in the Navegantes and São Geraldo neighborhoods. Navegantes in 1906 already contained enough population to become the first working class neighborhood of Porto Alegre.⁷ These suburbs did not differ much from the downtown tenements. There was a little light and ventilation in the houses and urban services like electricity and garbage collection were very scarce.

⁷ This neighborhood would house later the first dwellers association of Porto Alegre founded in 1945. See next chapter for a discussion about the dwellers associations as the matrices for the emergence of self-managed housing cooperatives in Porto Alegre.

The subdivision of the environs of Porto Alegre, on the one hand, enlarged the possibilities of land speculation for the emergent urban bourgeoisie and on the other hand alleviated the social tension in the urban centers (Pesavento 1994).

According to Bakos (1996), since 1891 representatives of workers associations have pressed for lower rents in Porto Alegre. It is worth noting the priority given to the social provision of housing by the program of the socialist party, when it was organized in Porto Alegre, in 1897. At that time, the newly formed party already advocated state provision of housing for the workers.

The frequent demands for rent decreases on the part of the workers, along with the hygiene and moral worries of the elite, had some resonance. For the first time, some sections of the middle class and the municipal government, under the influence of positivist ideology, positioned themselves side by side with the workers. In 1912, the municipal government authorized the construction of a number of houses to estimate their cost and authorized tax incentives to stimulate the private sector for their construction (Menegat 2001).

The consecutive public interventions on the housing field show that housing was one of the main conflicting and pressure fields on the municipal administration (Pesavento et al. 1987:245) (my translation).

According to the positivist ideal, the goal of the government was social peace. On the one hand it tried to improve the living conditions of the proletariat, housing included, on the other hand, to prevent excessive capitalist greediness, contra-posing specific interests of the more conservative segments of the elite in power. Though significant at the time, public intervention on housing was not enough to meet the growing demand for low-income dwellings (Menegat 2001).

In 1917 the housing and social situation of the proletarian segments in Porto Alegre, as in other parts of the country, reached unbearable levels. A strike led by the bricklayers and carpenters unions against the high prices of food and rents paralyzed Porto Alegre and almost all the demands of the workers were met. Bakos (1996) attributes this success to the paternalistic approach of the party in power, the PRR, whose roots are found in the positivist philosophy of incorporation of the working classes in modern society. The party compromised the commercial and industrial sectors.

The change of the head of the municipal government in Porto Alegre, in 1924, despite being from the same party as his predecessor, initiated an era of modernization in the capital. There was a compromise between the party he represented, the PRR, with the positivist elements and the interests of local industry and commerce leaders. The reshaping of Porto Alegre was a strategy to develop the city and to maintain political power. *To ensure the economic growth of the city it was necessary to modernize the urban infrastructure (energy, transports, avenues), to guarantee the political power, maintain the order and neutralize tensions and conflicts* (Monteiro 1995:52) (my translation). This period of renovation and search for an urban modernity is associated with profound changes in the productive and economic structure of the country. From the 1920s on, the agriculture exporting model becomes unfeasible for the capital accumulation of the country. The coffee harvest and the policy of protecting its external commercialization, consumed the entire production surplus and impeded the development of other regions that did not have coffee exporting as their main economic activity. Cleavages in the dominant classes opened up space for the growth of non-agrarian sectors in the conduct of the polity and economy of the country.

The resources for the Improvements General Plan, first proposed in 1914 by the architect João Moreira Maciel and republished in 1927, would come from external loans and from the administrative and tributary reform carried out by the new municipal administration.⁸ The collection of the property tax since 1892, when it passed from the state government to the city government, was the main source of income of the city budget. The need to re-organize the cadastral map of the city (buildings and empty land) in order to collect taxes was vital for the implementation of the improvement plan and also to stimulate the construction industry. In 1925, the reorganization of the cadastral map of the city, following Montevideo's model, established new locations for the taxation of empty land: the closer their location in relation to the city center, the higher the tax to be paid by its owner. In addition, Act no 328, that returned 50% of the property tax of empty land to owners who would erect buildings on those sites within a period of two years, would stimulate the building sector. In the same period a new set of regulations for construction was approved,

⁸ The plan attempted to organize the growth of the city mainly through interventions in the traffic system. The review of the Maciel's Plan coincides with the Agache's Plan for Rio de Janeiro in 1926.

articulating new strategies for the removal of the poor workers housing from the center to the periphery of the city (Bakos 1996).

The tendency during this period was to locate employees close to their working place, establishing proletarian neighborhoods in various cities of the country. There are various examples of such enterprises in Rio Grande do Sul, mainly Pelotas and Rio Grande, cities where industry formed an important sector of the economy. In Porto Alegre the *Fiação e Tecidos Porto Alegrense*, a textile industry, was one of them. The construction of housing, along with some social benefits, were indeed strategies for the control of their employees. Besides the social control, the industrialist had other advantages: capital return through the rent, and retention of skilled labor through access to housing (Pereira 1980).

According to Menegat (2001), during the forty years the PRR (Republican Party) was in power in Porto Alegre and Rio Grande do Sul state (1897-1937), the political administration had two main characteristics:

- a) the municipalization of public services with the goal of benefiting large segments of the population and facilitating the development of commerce and industry (water provision, sewage collection, public lighting, trash collection, traffic, police, education, food control were made public services during this period, offering Porto Alegre more public services than São Paulo and Rio de Janeiro).
- b) the integration of the proletariat into modern society (among other services, their access to adequate housing). Menegat (2001) concludes that the accumulated experience from the interrelations between the municipal state and popular sectors (mainly labor unions) in the beginning of the industrialization and urbanization of Porto Alegre have contributed to the consolidation of a practice of mobilization around urban demands on the part of popular sectors. It also contributed to the development of a more flexible state that was capable of identifying the existence of popular demands and to create tools to meet them.

Throughout this period one can say that there was, if not a change, at least an openness in the political opportunity structure that created incentives to the organization of urban segments to demand improvements in their housing and living conditions. In Chapter 3 the concept of political opportunity structures will be treated

in more detail when relating to the case of Porto Alegre and to the concept of endowment as a means of synergy formation.

Despite these advances, the actions both at public level, mainly through legislative instruments, and at private level, through the construction of housing close to factories, were insufficient to stop growing speculation in land in Porto Alegre. By the end of the 1930s the majority of the working population lived in very precarious conditions paying skyrocketing rents.

The First Land Law in 1850 and the creation of a subsequent network of laws governing access to land attest to the intentions of the elites to maintain their privileges as landowners, also in the urban areas. In Brazil, and in Porto Alegre in particular, despite the concentration of land in few hands, the notion of housing as a right was not widespread and immanent, depending on popular mobilizations that erupted only when living conditions and rental costs became unbearable for poorer citizens. The Socialist Party founded in 1897 and leftist newspapers denounced the precarious housing conditions and demanded action on the part of the state. The numerous workers strikes that erupted in the beginning of the 1900s were not set off by the housing question, however. Workers claimed better salaries and the decrease of rents.⁹ Thus the complaints against the high rents were directly related to low wages and indirectly related to the right of access to cheaper and decent housing. It was only after the 1940s, with the rapid process of urbanization of the country, that citizenship rights, especially social rights, would develop with more strength.

Urbanization is crucial to the development of citizenship. The cities and the activities taking place in their space create a range of demands on the state to provide services. According to Roberts (1996):

Economic growth influences the development of citizenship through the indirect effect of the expansion of the market economy. The growth in wage employment and in dependence on the market for survival has brought to the fore key elements in contemporary citizenship, such as labor rights and social security (Roberts 1996:44).

⁹ Besides the 1917 general strike mentioned above in this chapter, the year of 1906 in Porto Alegre was marked by a workers strike that paralyzed the whole industry for 21 days. The main demand of the strikers was the reduction of working hours to 8 hours at maximum (Linhares 1977). Bak (2000) refers to the 1906 strike as the first collective experience of working class solidarity in Porto Alegre.

In Brazil, in the late 1930s, it was mainly through the Retirement and Pensions Institutes that the state initiated its involvement in the provision of low-income housing, as we will see next.

2.3 LOW-INCOME HOUSING POLICIES 1940-1964: THE STATE STEPS IN

The period from 1940 to the beginning of the 1960s in Brazil was marked by a great migration from the countryside to the urban centers due to an accelerated process of industrialization in the country. This population increase in urban areas was not accompanied by adequate housing and urban service implementation. The workers, with their low salaries, started occupying the outskirts of the cities where they could find cheap and un-serviced land.

In Porto Alegre, the phenomenon of occupation of the periphery by low-income families was only aggravated by the rapid urbanization of the city. From 1940 to 1960 the population of Porto Alegre more than doubled, increasing from 272.232 to 635.125 inhabitants (see Table 2.1) The first census of illegal settlements was undertaken by the municipality in 1951. In that year there were 41 illegal settlements where 3,9% of the population lived. In the beginning of the 1960s this figure increased to 9,8%, reaching 22% in 1996, (see Table 2. 2) when DEMHAB undertook its last survey.

Table 2.1: Population of Porto Alegre: 1950 – 2000

Year	Population	Population Growth (%)
1940	272.232	
1950	394.151	44,78
1960	635.125	61,14
1970	885.545	39,43
1980	1.125.477	27,09
1991	1.263.403	12,25
2000	1.359.932	7,64

Source: IBGE Census 1950,1960,1970,1980,1991,2000

Table 2. 2: Evolution of Illegal Settlements in Porto Alegre: 1950-1996

Year	N.º of settlements	N.º of households	Illegal settl. Population	Total population	% of illegal settl. Pop. /total pop.
1950	41	3.965	16.303	418.864	3,89
1964	56	13.588	65.595	667.397	9,83
1973	124	20.152	105.833	991.900	10,67
1983*	167	39.909	180.489	1.125.477	16,03
1996	390	73.057	284.922	1.288.879	22,11

Source(s): DEMHAB (1999), (*) FEE-METROPLAN (1988)

The 1930s marked the beginning of a process of modernization of the Brazilian economy under the aegis of a strong federal government and the support of the industrial, commercial and financial sectors. This process would foster the development of industry as a hegemonic pole of the economy. During the period of 1930-46 the state incorporated social policies in its activities, including housing, and at a cost that the wage earning urban workers could afford (Pereira 1980).

As a basic condition for the reproduction of the labor force, housing could not be ignored by the state and by the sectors involved in the national project for the development and industrialization of the country. According to Bonduki (1999), high housing expenditures could create a pressure for higher wages and there was a consensus that the private sector was unable to supply cheap and reasonable low-income housing at a profit. Housing becomes, then, a crucial theme for the consolidation of a new era. Private property is a value to be cultivated by the elite and also by the workers. The intervention of the state to enable access to owner-occupied housing to low-income workers is seen as a strategy for the maintenance of the social, political and economic order (Bonduki 1999).

2.3.1 Access to housing and the clientelist heritage: national initiatives

The reformulation of the legislation regarding the Retirement and Pension Funds (Caixas de Aposentadorias e Pensões – CAPs) in 1931 and the creation of the Retirement and Pension Institutes (Institutos de Aposentadorias e Pensões – IAPs) in the period 1933-38 bring social housing to the forefront of the national scene.

After 1931, the CAPs could apply part of their income to construct their building headquarters and housing for their members. Their resources came from contributions from the state, workers and employers and were managed by a collegiate of employees and employers. The IAPs were based on compulsory deposits of the workers of different categories such as commerce, industry and banks. The state had major interference in their management, designating their presidents and upper echelons. Until 1936 the use of their resources on housing programs was more an option of investment than a priority.

In 1937 the Decree no. 1.749 stipulated the conditions for the action of the IAPs in the housing field. It allowed IAPs to allocate up to half of their savings to construction finance. The housing financing system lowered interest rates from 8% to 6%, extended payment periods from 10 to 25 years, and raised the maximum limit of the loan. These measures facilitated the inclusion of lower income workers that had not been benefiting from by housing policies until then (Bonduki 1999).

The same author notes that all the studies of the IAPs point to the existence of political patronage and clientelism in the applicants' selection for the units produced by these institutes. The criteria for application were not clear. The so-called *social housing programs* could benefit any member regardless of his (her) income or professional position. This lack of objective criteria for the selection of applicants benefited those who had easy access to information and to the decision-making cupola.

In Porto Alegre, the IAPs built 3.447 units from 1946 to 1964 (Pereira 1980). In the whole country almost 124.000 units were built. These figures do not include thousands of units financed for the middle and upper classes. Considering the estimated housing deficit of 3.600.000 units at the beginning of the 1950s, production was still insufficient to reduce this deficit (Azevedo and Andrade 1982)¹⁰. Despite some advances, this national policy, through the IAPs, excluded a big contingent of rural workers and also the urban workers linked to the growing informal sector of the economy.

A powerful instrument used by the national government to intervene in the rental housing market was the promulgation of the Tenants Law (Lei do Inquilinato) freezing all rents, in 1942. This measure had a strong impact on the production of housing in Brazil, slowing the pace of rental housing construction and transferring to the state and to the workers themselves the responsibility for producing their own shelter. The growth of *favelas* and illegal subdivisions accelerated during this decade, as it constituted the only alternative for the poor to solve their housing needs.

The Tenants Law also contributed to the decrease of the cost of living in the urban centers. This decrease facilitated the maintenance of lower salaries, benefiting the accumulation of capital in industry. Bonduki (1999:245) points out the various

¹⁰ The authors note that this estimate did not include tenements and illegal settlements, the so-called *favelas* and also that, given different methodologies for calculating the deficit, often official data were contradictory.

facets of the Tenants Law: an instrument for the defense of popular economy; a strategy for the destruction of unproductive urban rentiers; a measure to reduce the cost of reproduction of the labor force; a political economic instrument for the acceleration of industrial growth; a form of legitimization of a populist state. The interests of the various players in different periods contributed to the permanence of this law for 22 years. The overthrow of the populist government in 1964 by a military coup led to a drastic change for housing policy in Brazil.

In 1946, parallel to the Tenants Law, the national government created the Foundation of Popular Housing (Fundação da Casa Popular - FCP), the first nationwide institution in charge of the provision of housing for the low-income population. The FCP project foresaw the centralization of housing production, permanent sources of funding and had a broad view towards the articulation of housing production to urban development. IAPs and CAPs, before the project, had limited impact, only benefiting their members.

Besides utilization of grants and transfers from the National Treasury, FCP would collect its funds through a one percent tax on any real estate transaction, in which the transfer tax exceeded 100.000 cruzeiros¹¹. In 1951, because of inefficiency in the collection of this tax at the state level, the tax was abolished and FCP was incorporated into the national annual budget.

The access to FCP's housing was based on elusive criteria. There was no minimum income required, but the ceiling of 12 minimum wages allowed higher income sectors to dispute the cheap housing provided. The size of the family was a decisive criterion for the selection of candidates. However, selection did not always follow the established rules. Enrollments after deadlines, inclusion of candidates who had not met the criteria, changes in the waiting list and privileges for the ones selected to choose their housing units were not rare. Another indicator of clientelistic pressures was the so-called *technical reserve*, a fraction of the total number of units of each project that was not subject to the formal criteria of selection. In electoral periods this reserve was not enough to fulfill political ends (Azevedo and Andrade 1982:28-30). It was not a coincidence that both the national and Porto Alegre initiatives were launched

¹¹ In 1947, 1US\$ was equal to Cr\$6,8073. (Cr\$ 100.000 = US\$14.690).

in 1946. At this time, the country was experiencing a period of democratization, after seven years of rule by an authoritarian regime.¹²

The FCP, at the national level, and the Service of Housing, in Porto Alegre, were the response of the state to the growing organization and influence of left wing parties among the urban workers, who demanded access to low-income housing and urban services.

Despite these influences, there were no robust and independent organizations that would promote class-consciousness and political change. The intense period of urbanization experienced after the 1940s was a period when the cities were constructed by the efforts of their own inhabitants. Incremental land invasions and self-construction were the urban poor's means to access housing. In order to survive, poor families had to adopt individual household strategies. These structural conditions fostered fragmentation and encouraged vertical rather than horizontal political relationships. Individuals sought patronage and protection from above as a means of guaranteeing what little they had acquired in housing or as a means to obtaining more benefits for themselves and their neighborhoods. Under these conditions, collective neighborhood based strategies to cope with economic difficulties were slow to develop. The incorporation of labor unions in the governing structure, as happened in Brazil in the 1930s, often made them unresponsive to the demands of their members (Roberts 1996). The same author concludes that:

Under these conditions, both political and civil rights were in jeopardy in Latin America for much of the period from 1940 to 1980. (...) There was little organized capacity on the part of the masses to defend or exercise political and civil rights and little interest on the part of the elites. The urban populations increasingly mobilized and politically aware had other priorities in citizenship practice (Roberts 1996:51).

The social mobility that accompanied urbanization and economic development, the key role of the state in these economic transformations and the extension of social security to the economically active population are considered by Roberts (1996) to explain the predominance of social rights in citizenship practice in Latin America during that period, and I think this applies to Brazil too. Social rights, though, were

¹² In November of 1937, supported by the military, president Getúlio Vargas suspended the presidential elections and installed an authoritarian regime (the Estado Novo).

more visible in the education, health and social security sectors than in housing provision.

2.3.2 Municipal housing organizations in Porto Alegre: responses to a growing problem

The authoritarian period of the Estado Novo (1937-1945) resulted in the central government's imposition of non-elected mayors and governors. The city of Porto Alegre experienced the authoritarian face of this intervention in its urban space. The concentration of power and the accumulation capacity of the state impelled the modernization of the city through the increasing density of the central area and the completion of big public works that began in the first decades of the 20th century. Old houses and narrow streets gave way to new avenues that would shorten the distance from downtown to far away neighborhoods. In contrast to this development, the periphery and poor belts grew, being incorporated in the physiognomy of the city. The great flood of 1941 accentuated the problems of the poor inhabitants. The water invaded the working neighborhoods such as Navegantes, the areas in the margins of the Guaíba river and the land along the Dilúvio stream, where a large part of the poor settlements were located (Pesavento 1991).

In 1946, the lack of housing in Porto Alegre constituted an increasing problem for the working class and, as a consequence, illegal settlements began to appear. The municipal government, under the pressure of a coalition of local labor unions, formed a committee to study the situation and again faced the problem of sheltering the poor.¹³ Not until 1949, however, did the municipality formally set up a program, the Service of Housing (Serviço de Habitação), in charge of providing housing for the low-income population. In 1950, the Service of Housing became the Popular Housing Supervision (Superintendência da Habitação Popular), which would supervise and coordinate the provision of low-cost housing for the urban poor. It was directly linked to the mayor's cabinet and it had neither administrative nor financial autonomy. Its main action was

¹³ In a letter directed to the Mayor of Porto Alegre, 12 August 1946, 25 Labor Unions requested the municipal government to take action concerning the housing shortage for the working class. (Workers from RS state, 1946).

the establishment of a committee to study alternative solutions to the housing problem.

In 1951, the committee of Popular Housing Supervision conducted a detailed survey of the squatter population in Porto Alegre. The survey showed that almost 4 percent of the population lived in 41 illegal settlements spread throughout the urban area (see Table 2. 2). The committee also identified access to land as the key issue to solving the housing problem of the urban poor and recommended the city government to include the provision of lots as a priority in its housing policy (PMPA 1951).¹⁴

This survey illustrates the origins, location and physical characteristics of these poor settlements:

Porto Alegre is a city that has grown through the valleys. It is like a big hand with the wrist on one curve of the Guaíba river and the fingers resting among the hills, following the row of houses, running alongside creeks, and spreading out under the shadow of the foothills that border the city. Because of the capital's large size, many empty lots were left un-built. These plots were close to the streetcar lines, which unfolded to reach distant neighborhoods. In those plots, privately and publicly owned, emerged small houses, built overnight, without license and not following street lines. In the beginning there were no problems. However, since the people realized the advantages of living in these shacks, without paying taxes and without being removed by the authorities, there was a construction boom of "vilas de malocas" (The maloca is in Porto Alegre the wooden shack, equivalent to the "favela" in Rio and "mocambo" in Pernambuco). The development of these settlements were so rapid that one of them was called "Vila Caída do Céu" (Fallen from the Sky). In five years, those houses have multiplied so fast, becoming a serious social problem (PMPA 1951:7) (my translation).

There are two interesting aspects concerning construction found in areas close to the river: first there are 56 floating houses, built over old boats; second there are two story houses built over palafittes, on muddy ground. When the soil dries up, the space underneath the house can be inhabited. The sense of humor of their inhabitants called the two sectors as "Vila Emerged from the Water" to one and "Dry Vila" to the other.

(...) The houses in those settlements were very small: each house in average had an area of 17,32 m², corresponding to 4,21 m² per person. (...) Concerning the number of rooms we arrived at the average of 2 rooms per house. As we can observe, the situation is so precarious, that one doubts a family could live in such discomfort. This situation is even aggravated by the fact that 55,78% of this population do not have beds, sleeping on pallets and rags on the floor.

Few families have kitchens (19,74%). The majority (71,44%) uses one of the rooms for cooking. The ones who do not have any space for kitchens prepare their meals on the street, using either a coal brazier or a fire on the ground. (...)The majority (92,2%) of the families does not have access to electricity. (...) The water

¹⁴ Besides this survey, there were no data available in DEMHAB's archives regarding budget, organization, and other actions of the various structures pre-1952.

collection is done in various forms. 73,1% of the families have access to collective faucets; 2,3% get water from private houses, some paying for this access, and others paying the person who carries out the water buckets. Some others collect the water from a private well. There are no sewage lines in any of the places surveyed. The latrine is out of the house (PMPA 1951: 10-11) (my translation).

Parallel to the growth of those illegal settlements, clandestine subdivisions proliferated in the period 1950-64. In general, the clandestine subdivisions occurred in rural areas that were incorporated into the urban perimeter, due to the development of the means of transportation. The clandestine subdivisions involved the actions of various agents: the landowner, the developer, the realtor, the state (through local instances) and the future dweller. Advertising these clandestine subdivisions was usually carried out by the distribution of leaflets at bus stops, work places and stands in strategic points of the neighborhood. To the low-income buyers, more important than the final price of the lots, were the conditions of payment of the lots: no down payment, and installments that could stretch over 5 to 10 years. The feasibility of the whole enterprise was possible because of the total absence of infrastructure and urban services within the land subdivisions. The clandestine juridical condition of these settlements was due to the lack of services, that were required by municipal codes but not re-enforced by the same organs that had formulated them (Valladares 1982).

In Porto Alegre, during the period 1950-64, the incorporation of rural areas in the city through clandestine settlements occurred mainly in the north, between the Assis Brasil and Protásio Alves avenues (see Figure 2.1 for approximate location) (Cassiano *et al.* 1982). In slightly better conditions than the inhabitants of illegal settlements, since they had some land documentation, the dwellers of clandestine subdivisions also suffered from the lack of access to water, electricity, sewage lines and trash collection.

In 1952, with the acceleration of the emergence of new illegal settlements, the city government transformed the Popular Housing Supervision into an independent department, the Municipal Department of Popular Housing (Departamento Municipal da Casa Popular - DMCP) to carry out the recommendations of the committee. The newly created DMCP was in charge of the execution of the city's public housing policy and the coordination of social assistance to the squatter population. The municipal government created the Popular Housing Financing Tax (Taxa de Financiamento da Casa Popular) to form a special fund for the financing of DMCP's

projects. The tax collected 3% of the total cost of every new construction over 150 m².¹⁵ The municipality paid the salaries of DMCP's employees and provided additional funding for special projects.¹⁶

Following the guidelines set up by the former Housing Supervision, DMCP declared large tracts of land as public domain and bought and subdivided them into 300 m² lots. Some of the projects included the construction of 42 m² wooden houses. To decrease costs for the agency and the borrowers, these settlements were not serviced with infrastructure. From 1952 to 1964, DMCP financed 2.440 low-cost houses and 5.190 lots, benefiting 7.630 families in a period of 12 years (Fruet 1991:102). If we consider that in 1964 there were still 13.588 families living in illegal settlements (see Table 2. 2), these measures proved to be insufficient to the growing low-income housing demand. During the same period, the proportion of people living in squatter settlements in the city jumped from 4 % to almost 9 % of the total population (see Table 2. 2).

The initiatives of the municipal government in Porto Alegre, however, did not include FCP resources. From 1946 to 1960, FCP had built a total of 16.964 housing units in Brazil. The spatial distribution of FCP units showed that neither São Paulo, nor Porto Alegre, growing industrial cities, benefited from FCP housing.¹⁷ Technical and administrative constraints, scarce resources, lack of strong political support at the state and city level, and the use of institutions for clientelistic practices contributed to the failure of FCP to build an institutional capacity to respond to the growing demand for its services (Bonduki 1999). Despite the scale of the need and the insufficient response, the period 1952-64 was comparatively more productive than the subsequent National Housing Bank – BNH (Banco Nacional de Habitação) years. Whereas the average production of this thirteen-year period was 587 units per year, during the next 24 years (1965-88) as an agent of BNH, DEMHAB, the Municipal Department of Housing would produce an average of 422 units/year (see Table 2. 13). Concomitant to this relatively higher production of housing and lots, after 1955, under the populist administration of Leonel Brizola, the population's

¹⁵ The tax was actually a compulsory loan from the tax payers to the city, since the government would return the money through a 20 percent discount of the property tax during a maximum period of ten years or the necessary time to pay the debt.

¹⁶ Law no. 982, December 1952.

¹⁷ For detailed discussion of the housing policies and performance of FCP see Azevedo and Andrade (1982) and Bonduki (1999).

demands for basic sanitation, schools and public transportation subsidies were discussed within a Plan of Works for the city. The Plan of Works was to be subsidized by a tax reform proposed by the city government (Menegat 2001:13). Menegat also suggests that the populist experience in Porto Alegre followed and deepened the democratic tradition of dialogue between the state and the popular segments initiated during the positivist administration of the state's capital in the first three decades of the 1900s.

2.4 THE BNH YEARS – 1964- 1986: CONTROL AND ANTAGONISM IN STATE/SOCIETY RELATIONSHIPS

In 1964 a military coup established an authoritarian regime in Brazil. Latin American scholars formulated the bureaucratic authoritarian concept in the beginning of the 1970s to explain the authoritarian and military governments that ruled Brazil from 1964 to 1985. According to this concept:

Bureaucratic authoritarian systems are “excluding” and emphatically non-democratic. Central actors in the dominant coalition include high-level technocrats – military and civilian, within and outside the state—working in close association with foreign capital. This new elite eliminates electoral competition and severely controls the political participation of the popular sector (Collier 1979:24).

The military governments have, after all, repressed the grassroots movements and the exercise of representative democracy, squeezed salaries, widened the already huge inequality of income in the country and spread back-door decision-making in the name of a development strategy and national security (Skidmore 1988).

The BNH years are synonymous with centralized bureaucratic and authoritarian relationships between state and civil society in Brazil. During a time of strong political repression the elites in power considered the organization of the poorer segments of society a serious threat to the stability of the regime. Thus any attempted resistance was bound to fail. Squatter removal and relocation were important parts of the national housing policy of the new military government.

The creation of the National Housing Bank (Banco Nacional de Habitação – BNH) and the centralization of resources and policies enabled the regime to implement

a nationwide removal program. In Porto Alegre, from 1965 to 1975 the municipal government removed 14.400 units, corresponding to 62.800 people. Downtown areas were cleared up, as well as some pockets of invaded land along important avenues linking neighborhoods to the central area of the city. The people removed were mainly relocated in the Restinga Neighborhood, a 142 ha tract of land in the rural southern part of Porto Alegre, purchased with the goal of relocating the displaced population (Fruet 1991). The authoritarian and repressive apparatus, which supported the military dictatorship, not only discouraged negotiation, but also crushed any attempt at resistance.

With the installation of an authoritarian state in Brazil, and suppression of political and individual rights, there was a reorganization of the structure of government, with the centralization of various sectors of the economy under federal control. Initiated in 1946 with the creation of the FCP, the housing sector was restructured through a national and centralized policy, deepening the process of state intervention in housing. The concentration of economic and political power favored the creation of a strong and centralized organ, the BNH, to perform this task. How was the housing finance system organized? Who has mostly benefited from these policies? In the following there are some data to help answer these questions.

2.4.1 BNH structure

In August of 1964, the new military regime created BNH and the Housing Finance System (Sistema Financeiro de Habitação - SFH) to coordinate public housing policies, to stimulate private savings and investment, and to assist the construction industry. From 1964 to 1970 BNH concentrated on the provision of housing units. During the 1970s, however, the bank expanded its work to include urban development projects, particularly the provision of infrastructure to the projects under its aegis. From 1969 to 1976, the proportion of BNH resources devoted to urban development rose from 4 percent to 34 percent (Azevedo and Andrade 1982:86-87)

The choice of the housing sector as the axis for urban policy was threefold. The new housing policies would attempt to minimize tension in the growing urban areas, would emphasize the ideology of homeownership and would increase the number of jobs (in Brazil, the construction industry absorbs a large amount of the unskilled labor force). The establishment and support of a network of private and

public enterprise for financing, collecting resources, and constructing units were crucial for the implementation of the SFH's policies (Maricato 1987:30).

The SFH was divided into two main financing organizations: BNH and the Brazilian Savings and Loan System (Sistema Brasileiro de Poupança e Empréstimo – SBPE). SBPE finance was directed to families earning more than 6 minimum wages, the median market. BNH financed low-income housing to two different markets: popular and economic markets. Housing companies (Companhias Habitacionais - COHABs) financed the popular market (1 to 3 minimum salaries) and Housing Cooperatives (Cooperativas Habitacionais - COOPHABs) financed the economic market (3 to 6 times the minimum salary). The Housing Finance System acquired its resources from compulsory and voluntary savings, the Length of Service Guarantee Fund (Fundo de Garantia por Tempo de Serviço – FGTS) and the Indexed Savings Accounts (Caderneta de Poupança – CP), respectively.

Loans of the popular and economic markets, hereafter called *social* markets, were different from those of the median market. The social market had a cross subsidy, where borrowers with higher incomes paid higher interest rates to compensate for lower rates paid by lower income borrowers. COHABs and COOPHABs charged between 1 percent and 10 percent interest a year depending on the size of the loan. Mortgage loans varied from 20 to 25 years. Loans to higher income brackets charged from 10 percent to 12 percent interest a year with the mortgage loans ranging from 15 to 25 years (Sandilands 1980:148). Table 2. 3 summarizes the structure described above.

Table 2. 3: SFH's structure 1964-1986

Financing Organization	Type of Market	Agent/ Institution	Family Income	Loans		Sources	
				Interest	Length	Compulsory	Voluntary
BNH (social housing)	Popular Market	COHABs	1 to 3 SM (1)	1 to 10% a year	20 to 25 years	FGTS (8%) of monthly wages of workers	CPs paid 6% interest /year and were indexed every 3 months
	Economic Market	COOPHABs	3 to 6 SM (2)				
SBPE (median housing)	Median Market	Private: SCIs /APEs	Over 6 SM (3)	10 to 12% a year	15 to 25 years		
		Public: CEF/CEEs					

Source: Table composed with data from Sandilands (1980)

Notes: SM= minimum wage; SCI = Private Savings and Loans Association; APE = Mutual Savings and Loans Association; CEF = Federal Savings Bank; CEE = State Savings Bank.

(1) The limit was increased to 5 and later to 10 minimum wages (SM)

(2) The limit was later increased to 10 SM.

(3) The bottom limit was later increased to over 10 SM.

Despite the SFH/BNH's compensatory orientation, their programs and policies focused more on the urban middle sector. From 1964 to 1985, only 33% of the units financed by BNH went to the low-income segments (Table 2. 4). The housing policy was oriented to meet the interests of the construction industry, land developers and financial agents. In the housing area the funding reached mostly the upper income market and more and more resources were applied to urban infrastructure and large national projects (Maricato 1987:82).

Table 2. 4: SFH total finance contracts: 1964-1986 (July)

Popular market(1)	Economic market (2)	Median market (3)	Total
1.499.806	788.130	2.179.393	4.467.329
33,6%	17,6%	48,8%	100%

Source: Table composed with data from Azevedo (1988:117) quoted in Souza (1999).

(1) COHABs, PROMORAR, João de Barro (self-help program), FICAM, PROFILURB¹⁸

(2) Cooperatives, Prosindi and others.

(3) SBPE, RECON (construction material finance) and others.

The remainder of this section will focus on the local agencies and the cooperatives implemented by BNH. DEMHAB, as the BNH local agency in Porto Alegre, depicts the functioning of it and how, in certain periods, it has incorporated some of the clientelistic practices of previous national initiatives. The discussion of the COOPHABs shows their authoritarian origins and purposes and all the shortfalls of this experience.

2.4.2 The agent of BNH in Porto Alegre: DEMHAB, a new agency with old practices

It has been noted before how clientelistic practices have permeated the implementation of housing policies in previous populist governments, affecting the right of prospective applicants to low-income housing. In this section we will see that this practice has also remained during military rule, through the example of DEMHAB, in Porto Alegre, where an authoritarian environment and heavy bureaucracy facilitated backdoor decision-making. How was DEMHAB incorporated

¹⁸ See the definition of these programs in next section.

into the BNH system? What has it meant for the investment capacity of the agency and how this new capacity has been used? Who had access to the housing produced?

BNH operated through regional and local agencies - the Housing Companies (Companhias de Habitação- COHABs). COHABs were in charge of building, financing and selling housing units to the target population (families with incomes of 3 minimum salaries or less).¹⁹ In some cases, these public agencies were part of the structure of city governments; in others they were independent agencies linked to the state government. The former were structures that already existed within the municipal government apparatus, and they adapted their goals and responsibilities to implement the new national housing policies. In places where such structures did not exist, BNH created new agencies to carry out the national housing programs. DEMHAB was in the first category, as it emerged from an existing city housing agency, the DMCP. Despite the establishment of DEMHAB in the capital of the state, BNH also created a Housing Company in Rio Grande do Sul (COHAB-RS) to manage and finance low-income housing statewide.

In 1965, DMCP underwent a restructuring because of the emergence of BNH and the Housing Finance System, which formed the spine of the social policies of the newly installed regime. The former DMCP became the Department of Municipal Housing (Departamento Municipal de Habitação-DEMHAB) in order to conform to new institutional rules. The new national housing policy required agencies to manage the design, construction and financing of BNH's projects. In order to fulfill these requirements, from 1965 to 1969 DEMHAB restructured its organization from a multi-service to a specialized agency. In 1969, DEMHAB entered the housing finance system.

As a replacement for the Housing Financing Tax, the city government created the Housing Municipal Fund (Fundo Municipal de Habitação) to generate resources for the implementation of the city's housing policies in 1965.²⁰ The main sources of the fund were the revenues generated by the Social Welfare Tax (Taxa de Assistência Social). The fund received 35% of this tax, which was collected by the city government and transferred to DEMHAB. The municipality maintained the funding for the payroll of DEMHAB's employees. The incorporation of DEMHAB into the

¹⁹ This limit was increased to 5 and later to 10 minimum wages.

²⁰ Porto Alegre, Municipal Law no. 2903, (December 1965).

housing finance system in 1969 added federal funds to the existing municipal resources. The proportion of BNH's resources in DEMHAB's revenues began at 50 percent and reached 90 percent in 1990. Neither the Housing Financing Tax nor the Housing Municipal Fund proved able to generate enough resources to cover the agency's needs for the provision of low-income housing in Porto Alegre.

These initiatives showed the limitations of local governments to generate resources for the provision of low-income housing. The borrowers' financing terms also changed with the transformation of DMCP into DEMHAB. Until 1969, the agency continued using the fixed mortgage system that included a limit of 25 percent of the borrower's income when calculating the monthly payments of the loans for the purchase of DEMHAB's lots and low-income housing. After 1969, DEMHAB adopted BNH's terms and conditions for loans to finance housing units and lots. DEMHAB charged between 1 and 10 percent interest rate a year, depending on the size of the loan. The mortgage loan varied from 20 to 25 years. In 1975 the highest interest rates were reduced from 10 percent to 8.6 percent. BNH also introduced indexing instruments as a means to fight inflation and the liquidation of capital from the housing finance system.

From 1965 till 1986, when BNH was closed, DEMHAB produced a total of 9.907 low-income housing units and lots. This production though was far behind the needs of the poorer urban workers. A survey undertaken by the Municipal Planning Secretariat showed that in 1983, there were 39.909 households in 167 illegal settlements in the city of Porto Alegre (see Table 2. 2).

The access to DEMHAB's housing suffered from the same problems as other housing agencies in the past: the violation of the formal rules of selection. In a previous work (Fruet 1991) I could verify that the principle for selecting families for DEMHAB's units has not changed much since 1965. The criteria for the selection of recipients were based on the income, size of family, and date of enrollment on the waiting list. I also verified that there were frictions between executives and technical staff because of the violation of the formal rules of selection.

Whereas the Social Division had the formal responsibility to establish the criteria and select recipients for DEMHAB's units, executives had the informal power to intervene in the process. The main instrument that DEMHAB's executives used for

considering applicants who would not fit into the established selection criteria was the *technical reserve*.

As explained before, the *technical reserve* was a fraction of the total number of units of each project that was not subject to the formal criteria of selection. Approximately 15 % of the production of housing units and/or lots were under the direct responsibility of DEMHAB's executive, for him to distribute regardless of the conformity of the rewarded applicants to the criteria of selection. The technical reserve was originally established to make more flexible and to speed up selection processes for people who would not fit the established criteria but who deserved access to DEMHAB's units for some reason. The technical reserve has indeed served some exceptional cases, but it has been predominantly used for political favors. From 1975 to 1988, the share of the technical reserve in the total number of units started to grow significantly and the influence of the technical staff on the implementation of the formal selection criteria correspondingly decreased. Technical staff pointed out the date of enrollment on the waiting list and the income of the family as the criteria that executives often did not follow when designating beneficiaries for DEMHAB's units.

Because of the informality of the technical reserve, it was very difficult to obtain data about it. There was, however, one indicator that illustrated the violations of the formal selection criteria that occurred in DEMHAB, mainly from 1975 to 1988. This indicator was the percentage of DEMHAB's units sold to civil servants since 1970. This percentage based on a statistical sample survey undertaken by the agency, varied from 50% in 1976 to 60% in 1987. The civil servant category included federal, state and city employees. Hence, these results do not show the percentage of units sold to DEMHAB's employees in particular, but to civil servants as a whole. Considering that the professional category is not a selection criterion for DEMHAB's units and that around 29 % of the labor force works in the public service in Brazil, the data above suggests abuse of the technical reserve (Fruet 1991:40-42).

The example of the violation of the rules for the selection of applicants in DEMHAB, during the BNH years, shows how applicants were affected in their right to access benefits and technical staff and civil servants in the credibility of their work. The distance between bureaucracy and civil society during military rule contributed to the establishment of this bureaucratized, inefficient and corrupt setting. The practices

within the COOPHABs were not very different, as we will discuss in the next part of this section.

2.4.3 The BNH Housing Cooperatives –COOPHABs: a detour from social purposes

The authoritarian regime installed in Brazil after 1964 intensified the process of capitalist accumulation and pushed out of the political sphere many segments of civil society. One of the factors that guaranteed the new hegemonic strategy was the repression of labor unions, eliminating free collective bargaining between management and labor. The labor unions then, having their major function withdrawn, played the role of assisting services including housing as one of the services offered. The Program of Housing Cooperatives linked to the labor unions had the purpose of compensating unions for the loss of their bargaining power and to ameliorate potential social unrest (Pereira 1980).

Law no. 4.380/64, that created the Housing Finance System, encompassed cooperatives as a form of housing acquisition. That was the first law to regulate housing cooperatives in Brazil. It was, though, subordinated to SFH, contravening the autonomous principles of such organizations.

Only after two years of BNH creation, however, would the Housing Cooperatives Program be implemented. The goal of the program was to facilitate the union worker in the acquisition of his/her own housing. The cooperatives were mutualist associations consisting only of unionized workers. The unions, under the supervision of BNH, should form the cooperative among their members and these should have a family income between 1 and 6 times the minimum salary to be eligible to join the cooperative (Pereira 1980).

As explained before, BNH financing was directed at two different markets: the *popular* market including families earning from 1 to 3 times the minimum wage, and the *economic* market including families earning from 3 to 6 times the minimum wage. The housing cooperatives belonged to the *economic* market. The COOPHABs (BNH Housing Cooperatives) were in charge of the financing of the units. They could

finance 100% of the final cost of construction with a ceiling of 3.500 UPCs²¹ per unit, interest rates varying from 2% to 10% and with 25 years to amortize the debt.

The INOCOOPs (Institutes for the Assistance to Housing Cooperatives) were designed to orient the cooperatives in the whole process of construction. They should assist the cooperatives in the acquisition of land, project design, licensing and inspection of the construction of the units. In reality these cooperatives were totally controlled by BNH, the financial agents and construction firms. As asserted by Peruzzo (1984), the INOCOOPs were created to *harmonize* different interests: the capital, the workers and the state.

The financial agents were introduced in 1971 in the system, when BNH became a second line bank, having no direct dealings with the public. The financial agent (banks and thrift institutions) received and administered the BNH funds and then passed them on to the cooperatives. This mediating role was a burden to the coop members as it included in the monthly payments the cost of such administration. The financial agent, before returning to BNH the amount collected from borrowers, kept these resources for a year, investing them for its own benefit. The financial agent who selected the candidates to the units according to their income, controlled the savings, and calculated the debt and the monthly installment to be paid at the end of construction. The financial agent and construction firms also controlled the leadership of the cooperatives including their staff in the cooperative members' roster (Peruzzo 1984).

Since its implementation, in 1966, the program of housing cooperatives has had numerous changes. These changes altered completely the original purposes of the program. In 1975, BNH through the RD no. 51/75 opened the possibility for real estate developers and constructors to sell built projects to cooperatives. The cooperatives then lost their role as housing providers, since real estate developers would carry out the major part of the future projects. The condition for belonging to a workers union was also withdrawn from the cooperatives' program requirements, opening the path for the inclusion of other sectors with higher incomes in the program. In the same period BNH modified the cooperatives' statutes by not establishing a maximum income bracket as a condition for joining the cooperative. The social

²¹ The UPC (Unidade Padrão de Capital)–Standard Capital Unit - was an indexing mechanism used by BNH until the 1980s that was adjusted quarterly.

character of the program was suffocated by a market approach benefiting financial agents, developers, INOCOOPs and BNH itself (Silva 1992).

Researchers who have focused their studies on the BNH housing coops point out the fallacies of the program, both as not being a true cooperative enterprise and from the point of view of its social purposes and beneficiaries. Pereira (1980), Peruzzo (1984), Silva (1992) and Souza (1999) through study cases in Rio Grande do Sul, Espírito Santo, São Paulo and Rio de Janeiro respectively, share the view that the housing cooperatives program, covered by an ideological veil, not only contributed to the social control of the workers affiliated to these organizations. The program was, in essence, one more instrument for capital accumulation for the construction, real estate and financial sectors.

The SFH financed 487.471 cooperative units from 1964 to 1984, representing 11.2% of the total 4.35 million units financed by SFH during the same period. The state of Rio Grande do Sul had a share of 38.283 cooperative housing built in these 20 years. In Porto Alegre, INOCOOP built 12.742 housing units through 78 different cooperatives in a period of ten years (1967-1977) (see Table 2. 5).

Table 2. 5: Number of Cooperative housing units financed by SFH –1964-1984

Year	Brazil (a) ¹	Rio Grande do Sul (b) ²	% b/a	Porto Alegre (c) ^{3*}	% c/b
1964-1984	487.471	38.283	7,85	12.742	33,3

Source: Table composed with data from: (1) Arretche 1990, (2) Souza 1999, and (3) Pereira 1980
(*) The Porto Alegre data refer to 1964-1977.

2.4.4 BNH alternative low-income housing programs: a response to emerging social movements

The SFH had an expressive importance in the total housing production of the country as can be observed in Table 2. 6. Despite not having met the housing needs of the majority of the population, mainly the lower income segments, the finance of 4,8

million units, 25,8% of the total housing production in a period of 22 years, is not a negligible figure (Arretche 1990).²²

Table 2. 6: Participation of SFH in the construction of housing in Brazil 1964-1986

Years	New housing units built* (millions) (a) ¹	New housing units financed by SFH	
		(millions) (b) ²	(%) a/b
1964-70	2,3**	0,5	17,4
1971-78	5,6	1,5	26,8
1979-80	2,3	1,1	47,8
1981-83	5,1	2,1	41,1
1984-86	2,5	0,2	8,0
1964-86	15,5	4,8	25,8

Source: Table reproduced from Arretche (1990:28).

Notes: (*) All kinds of housing (including shacks, etc)

(**) Estimated by interpolation

But the performance of the bank in the social sphere was critical. Among the total units built during the existence of BNH, only 33,5% were formally destined for the social market (Azevedo 1996) (see Table 2. 4). Their original target population had been excluded from the programs implemented. The detour of resources away from the poorer segments of society, the economic crisis that affected the country during the 1970s and the potential pressure exerted by emerging social movements struggling for shelter and urban infrastructure made the government launch some alternative programs directed at the low-income urban workers. Melo (1989) calls attention to the reformist character of such programs and includes them in a wider set of reforms strategically designed to form the democratic transition conducted by the nucleus of the military regime.

According to Azevedo (1996), the quantitative performance of these alternative programs is quite low, totaling less than 6% of the units financed by the bank. Despite their poor performance, four of these initiatives deserve to be mentioned because of the introduction of different approaches to intervention. Popular participation became the key to the two main goals of these programs: the reduction of production costs through the user's participation in the production of the housing unit and the amelioration of social tension through the relationship established between local governments and the

²² There are some disparities concerning the total number of units built in the period. Whereas Azevedo (1996) uses 4,5 million, Arretche (1990) indicates 4,8 million.

community organizations by the definition of the program's guidelines at local level (Souza 1993).

The PROFILURB (Program for the Financing of Urbanized Lots – Programa de Financiamento de Lotes Urbanizados) was launched in 1975, directed at families earning from 1 to 3 times the minimum salary that had been excluded from the official housing policy from 1967 to 1974. For the first time a program directed the production of urbanized lots, giving to urban land a central position within the housing issue. In 1978 the program was reformulated, adding a sanitary unit to the lot and better financing conditions for the borrower.

The FICAM (Financing for the Construction, Acquisition and Improvement of Social Housing - Financiamento de Construção, Aquisição ou Melhoria da Habitação de Interesse Social) was instituted in 1977 with the goal of consolidating self-help construction as an alternative to the conventional programs. Created in 1979, PROMORAR (Program for the Eradication of Substandard Housing - Programa de Erradicação de Sub-habitação) was directed at families earning less than 3 minimum salaries and the goal was to improve the housing units of the favelas without removing them from their original site (Melo 1989). This program amounted to almost one quarter of the production of the COHABs from 1979 to 1982. Finally, the goal of the JOÃO DE BARRO Program launched in 1984 was to implement self-help construction on a large scale. Its results were very poor indeed. By way of example, in the Metropolitan Region of Porto Alegre only 789 units were built, less than 50% of the projected 2.000 units (Vieira 1990). Table 2. 7 summarizes the programs discussed above.

Table 2. 7: BNH Alternative Low-income Housing Programs – 1975 onwards

Program	Year of creation	Family Income	Financing Goals
PROFILURB	1975	1 to 3 SM	- urbanized lots plus sanitary unit (from 1978 on)
FICAM	1977	1 to 3 SM	- construction materials to stimulate self-help construction articulated with PROFILURB's urbanized lots.
PROMORAR	1979	1 to 3 SM	- consolidation and urbanization of favelas with improvement of housing units.
JOÃO de BARRO	1984	Until 1,5 SM	- self and mutual-help construction on large scale, mainly on small and median size settlements.

Source: Table composed with data from Melo (1989) and Vieira (1990).

In the late 1970s and throughout the 1980s, Brazil's economic crisis deeply affected the housing finance system. The measures imposed by the IMF since 1983 to stabilize the economy and fight inflation caused a severe recession in the whole economy, including the housing and land sectors. The recession affected the housing finance system through a large reduction of its funding sources, causing changes in the terms of mortgage loans and sharply reducing the production of housing units.

The loss of real income caused by the wage policies from 1979 to 1984 deeply affected the Length of Service Guarantee Fund (FGTS), Indexed Savings Accounts (CPs) and loan repayments.²³ The contributions to the FGTS decreased because of the decrease of real incomes. In addition, high unemployment rates caused families to withdraw their deposits for living expenses, sharply reducing the FGTS funds.²⁴ The deposits in the CPs also suffered a significant fall because of the impact of the wage policy on the purchasing power of depositors. Finally, the default rate was enormous, both because of the disparity between salary and mortgage adjustments and because of a national movement carried out by mortgage holders to withdraw their payments in protest against the BNH policies.²⁵

In 1984, in response to the organization of BNH borrowers, the government changed mortgage payments to rates below the price index correction, exempting the borrowers from amortizing the full mortgage. The remainder would be covered by the already existing Fund for Compensation of Salary Variations (Fundo de Compensação de Variação Salarial - FCVS) and the federal budget. While this measure benefited BNH mortgage holders, it threatened the whole housing finance system by increasing its deficit. According to the Federal Savings Bank (CEF) estimates, mortgage payments only covered 15 percent of their real value (Vetter 1989).

In November of 1986, as part of a second economic stabilization plan (Plano Cruzado II), the federal government, now in civil hands, abolished the BNH and transferred its functions to the CEF and the Central Bank. Since then, CEF has significantly reduced loans for both low- and high-income housing.

²³ Vetter (1989:39) mentions that BNH mortgage holders had a loss of up to 60 percent of their real income in the 1979-84 period.

²⁴ The workers could withdraw the FGTS in case of illness, retirement and unemployment.

²⁵ The default rates in DEMHAB reached a peak of 89 percent in 1982 and 1983. These figures oscillated between 80 and 57 percent until 1988, and dropped to 28 percent in 1989. Administrative changes undertaken after 1988 that renegotiated older debts and accelerated the collection of payments contributed to this fall (DEMHAB 1990).

As seen previously, the 1970s and 1980s economic and fiscal crisis and high unemployment rates contributed to a change in the nature of citizenship in Brazil. There was a reduction in the saliency of social rights and an increase in the importance of civil and political rights. Access to land and housing became a basis of conflict between elites and the people.

2.5 NATIONAL LOW-INCOME HOUSING POLICIES AFTER BNH – 1986 TO THE PRESENT: HOUSING IN THE PERIPHERY OF THE STATE SYSTEM

The 1980s were the period of an intense wave of democratization in Latin America. It was also a period when Latin American countries experienced a deterioration of their economies and a general impoverishment of the middle and working class sectors. Brazil faced an acute fiscal crisis and the decline of the import substitution model implemented since WWII. After a gradual process of democratization and of intra-elite compromises, power was removed from the military and a new civilian government was inaugurated in 1985 (Melo 1995). The so-called New Republic marks a change in the political regime that reverberates in the political alliances and on the implementation of public policies. The instability of the political coalitions gradually transforms an initial strategy of major social and economic changes to a policy of accommodation to sector interests. Social policies gave place to a set of actions of an emergency character. In the housing sphere, a thorough debate about the national Housing Finance System culminated in the extinction of BNH, without replacing it with a broad alternative housing policy. Mainly in the first years, the dynamics of the policies adopted were associated with clientelistic arrangements (Melo 1989).

Added to political cleavages and discontinuity in the policies implemented, neo-liberalism becomes *the polity par excellence* advocated by the dominant groups that centralize and formulate social policies. Privatization becomes the solution for the deep fiscal crisis of the Brazilian state. The closure of BNH is part of a process of the state retreat from social areas, such as health, education and housing. There is a transference of responsibility from the state to the organized society behind the

argument of state sponsored participatory policies. Partnership is key to this new approach. The community is not seen as an opponent but as a partner in contrast to previous clientelist and repressive public authorities. This strategy, carried out at national level, stimulated the formation of dwellers' associations sponsored by federal social programs through the Brazilian Assistant Legion (Legião Brasileira de Assistência – LBA) and the newly created Special Secretariat for Community Action (Secretaria Especial de Ação Comunitária – SEAC). In general these movements had different characteristics from popular movements which were originally forged by the articulations of civil society (Gohn 1991). These articulations, as was seen in Chapter 1, were formed during a change in the political culture, based on the notion of a new citizenship and the right to have rights. If at national level this new culture is not translated into effective action, at local level there is much more permeability to interests from the urban popular sectors than before, mainly in those places where progressive parties take power.

This section describes the housing policies promoted by the federal government after the dismantling of BNH. It shows that clientelist practices have prevailed specially during the first administrations. Despite some attempts by later administrations to stimulate the participation of civil society in the definition of housing policies and to re-enforce the role of local governments in the promotion of low-income housing and the support for associative forms for the production of housing, these attempts have proved to have very low impact on the reduction of the housing deficit in the country.

2.5.1 The Programs

In the beginning of the New Republic, with the transfer of power from the military to civil society, the housing sector had low social performance, high default rates, low liquidity of the system, and a nationally organized borrowers' movement. After the formation of a special commission to study the borrowers' claims, the government decided on an increase of 112% in loan payments, below the inflation rate of 246%. If this measure benefited borrowers and diminished default rates, it aggravated the already serious deficit of the system.

The BNH closure, the pulverization of its bureaucracy and the transfer of its functions to the CEF had ominous consequences for the maintenance and/or restructuring of the supply of public housing. The CEF as an institution did not have the tools to plan, formulate and articulate alternative policies capable of addressing the reforms of the system required (Arretche 1996:110).

The restrictions imposed on COHABs to access credit, alleging the need to control the states' and cities' debts, contributed to shrinking credit for land and housing for low-income segments. The SFH deficit, the use of resources of the system for other purposes, the decrease of financing and the rising prices of buildings also jeopardized the access of the median class to housing ownership (Azevedo 1996).

The closure of BNH and the transference of its programs to CEF were done without coping with the serious problems the housing financing system was facing. If during the existence of BNH, the implementation of housing policies was concentrated in one isolated agency in the state apparatus, during the New Republic the implementation of housing policies was confined to weak agencies at the periphery of the state system, without coordination and functional interrelationships. In the period 1985-90, the federal institutions that carried out the housing policies went through a chaotic process of being transferred between various ministries and secretariats.²⁶

During the 1980s and early 1990s the federal government implemented housing programs of a strong supervisory nature, directed to families earning less than three minimum wages. These were programs financed through the Union General Budget (Orçamento Geral da União – OGU), with different characteristics from the programs offered during the BNH period. According to Arretche (1996), these new programs did not emerge as a result of a strategy of complementariness to previous policies, but

²⁶ In 1985, the Ministry of Interior (Ministério do Interior), to where BNH was linked, was substituted by the Ministry of Urban Development (Ministério do Desenvolvimento Urbano –MDU). In 1987, the MDU was transformed into Ministry of Housing, Urbanism and Urban Development (Ministério da Habitação, Urbanismo e Desenvolvimento Urbano – MHU), to where the CEF (substitute of BNH) was linked. In 1988, the MHU was transformed into Ministry of Housing and Social Welfare (Ministério da Habitação e Bem-estar Social – MBES). In 1989, the MBES was extinct and the institutions in charge of the housing policy stayed subordinated to the Ministry of Interior and the CEF, to the Ministry of Treasury (Ministério da Fazenda). In 1990 the Collor government created the Ministry of Social Action (Ministério da Ação Social – MAS), that was transformed during the Itamar Franco government (1992-94) into the Ministry of Social Welfare (Ministério do Bem-estar Social), where functioned the Secretaria Nacional de Habitação (National Secretariat of Housing) (Arretche 1996:110). During the FHC's first administration (1995-1998) the housing organs were linked to the Ministry of Planning and Budget (Ministério do Planejamento e Orçamento –MPO). In 1999, the housing and urban development programs were transferred to the Special Secretariat of Urban Development (Secretaria Especial de Desenvolvimento Urbano –SEDU) directly linked to the president's cabinet.

as a result of total disarticulation of the national housing policy. Since then, the housing policies, inserted in the wider scope of social policies, became restricted to a set of one-off and isolated actions to solve specific problems.

In 1987, the Sarney government (1985-1989), the first of the New Republic, instituted the National Program of Self-help Housing (Programa Nacional de Mutirões Habitacionais) linked to the Special Housing and Community Action Secretariat (Secretaria Especial de Habitação e Ação Comunitária – SEHAC). The SEHAC's program had similarities with its predecessors (PROFILURB, PROMORAR, JOÃO de BARRO) regarding the role of local governments and of the beneficiaries. It functioned with budget funds, without repayment, and targeted families earning less than 3 minimum wages. The program intended to finance 550.000 units within two years. Compared with the COHABs output in the same period (less than 150.000 units) that was quite a bold goal. One cannot deny, however, the impact of such initiative. It is estimated that more than one third of the units financed were not built due to the low level of financing for each unit, the inflationary process and poor use of resources. The non-existence of clear priorities for resource allocation and the absence of mechanisms for monitoring and control of the projects facilitated the emergence of clientelistic practices and use of political influence. At the end of the Sarney government it was extinct (FJP 1995). Melo (1995) also points to the existence of clientelistic practices within this program:

In the case of housing, a highly clientelistic scheme operated by the federal government was created outside the structure of the housing finance system, which had been in operation for 20 years. Unlike the programs under the BNH (then transferred to CEF), the scheme was funded from the federal government general tax revenue, rather than from a revolving fund. It was operated by the Secretaria de Habitação e Ação Comunitária (Housing and Community Action Secretariat) which was set up at the Planning Ministry. This organizational arrangement permitted the kind of flexibility required by highly clientelistic schemes (Melo 1995:354-55).

The Collor government (1990-1992) did not innovate. The allocation of the units built both by the conventional programs and by the alternative ones did not follow the regional distribution recommended by the Council of the FGTS²⁷. The Plan

²⁷ The FGTS, as explained in a previous section of this chapter, had two basic functions: the unemployment compensation and the financing of the national policies of urban development and housing.

of Immediate Action for Housing (Plano de Ação Imediata para Habitação – PAIH) launched in May of 1990 aimed to finance 245.000 units in 180 days. It used FGTS resources, applied 3,5% to 5,5% interest rates and targeted families earning up to five times the minimum salary. The original purposes were not met. The 180 days actually lasted 18 months and there was a decrease in the total number of units from 245.000 to 210.000 because of the increased costs of the houses (Azevedo 1996).

With the impeachment of president Collor, in 1992, Itamar Franco took office with intending to make some changes in low-income housing policies. Besides finishing the construction of 240.000 houses initiated in the Collor administration, the new government created the programs *Habitar Brasil* (Housing Brazil) and *Morar Município* (Municipal Living) intended to benefit low-income families and the population living in environmentally hazardous areas. The programs depended on budgetary items and provisory resources that contributed to their institutional fragility. Both programs proposed the formation of Councils at various levels to manage housing policy, guaranteeing the participation of civil society organizations and also the creation of specific funds for the production of housing, trying to avoid the detour of resources for other types of projects. Despite these advances there was no guarantee of the effective participation of civil organizations in the proposed councils and the government was not successful in forming a federal fund and federal council similar to those proposed at municipal and state levels (Azevedo 1996).

The idea of the federal fund and council was discussed after 1992, when the National Housing Forum was created (Fórum Nacional de Habitação), gathering together numerous civil society organizations and public institutions linked to the housing issue. In this Forum there were three distinct interests: the state bureaucracy bound to the housing policies; the construction industry and the popular movements. Despite their different agendas, these three sectors had in common the search for a new alliance among the various interests involved in the financing, production and use of housing, through the creation of the National Housing Council to administer the housing policy and the creation of a specific fund to finance the housing sector (Azevedo 1996:88). The document that emerged from this forum was blocked even before the vote on it in the National Congress (Cherkezian and Bolaffi 1998). The Urban Reform National Forum, however, was more successful in getting legislation passed. In 2001, after 11 years of the National Congress, parliamentarians approved

the so-called *Statute of the City* (Estatuto da Cidade). This federal law establishes guidelines for urban policy and specifies measures for ensuring the social function of urban property. These tools include compulsory land subdivision and construction, the progressive urban property tax and the payment of expropriation through public bonds. It also creates other urban policy tools, regulates the application of urban *usucapião*,²⁸ introduces the Neighborhood Assessment Impact Study and gives guidelines for the implementation of master plans and for the democratic management of the city.

Among the various goals related to housing and urban development of the first FH Cardoso administration, that began in 1995, were the re-enforcement of the role of the local governments in the promotion of low-income housing and support for associative and cooperative forms for the production of housing. The program *Habitar Brasil* was maintained, prioritizing the urbanization of invaded areas. The Program *Pró-Moradia* was created to benefit families earning up to 3 times the minimum salary through the production of urbanized lots, housing units and basic infrastructure. The *Pró-Moradia* utilized resources from the FGTS. The Credit Letter program (Carta de Crédito) reached a higher income bracket. The Credit Letter in the individual form benefited families with a monthly income up to 12 minimum wages. The Credit Letter in the associative form was designed for the construction of housing units and/or urbanized lots through financial concessions to individuals in unions, associations and cooperatives. This innovation however was not complete. Access to credit did not include the organizations (cooperatives for example) as a legal entity but only individuals within it (DEMHAB 1997).

In 1999 the government suspended the *Pró-Moradia*, depleting the federal resources already allocated to municipal governments. Porto Alegre lost 12 million *reais* during 1999, jeopardizing the implementation of projects already decided on. The Residential Leasing Program (Programa de Arrendamento Residencial – PAR) replaced *Pró-Moradia*. The program offers to low-income families earning until six times the minimum wage, leasing contracts that would permit the borrower to pay monthly 0,6% of the value of the unit, the right to buy it after 15 years of use, paying the remainder of the debt (CEF 2000).

²⁸ The Law of *Usucapião* (art.183 of Constitution) punishes absentee property owners by transferring title of private occupied lands to a productive occupant after a certain period of time. In Appendix 2, I discuss other new legislative tools for access to urban land.

Table 2. 8 summarizes all these programs.

Table 2. 8: Post BNH low-income housing programs: 1987-2001

National Government	Program	Year of creation	Family income	Sources	Goals
José Sarney (1985-89)	PNMH	1987 (till 1989)	under 3SM	National budget	- to finance the construction of 550.000 units through self-help within 2 years.
Fernando Collor (1990-92)	PAIH	1990 (till 1992)	Under 5SM	FGTS	- to finance 245.000 units in 180 days.
Itamar Franco (1992-94)	-Habitar Brasil -Morar Município	1992	under 3 SM	National budget	- construction of houses, urbanization of favelas, sites and services, housing improvements - formation of state and municipal councils and creation of specific funds for housing production
F.H. Cardoso (1995-98)	-Habitar Brasil (continued) -PróMoradia - Carta de Crédito	1995 (till 1999) 1995	same Under 3SM under 12 SM under 20 SM	Same FGTS	same plus urbanization of invaded areas - land regularization and urbanization, construction of housing units, implementation of infrastructure. - individual form – acquisition, construction or housing improvements - associative form – construction of housing units
F.H. Cardoso (1999) to date	Carta de Crédito (continued) -PAR - Nosso Bairro	1999	same Under 6SM Under 3 SM	Same FGTS	- same - leasing and later acquisition of housing units - land regularization and urbanization, construction of housing units, implementation of infrastructure

Source: Table composed with data from FJP (1995) and SEDU (2001).

2.5.2 The Housing Deficit

The housing deficit in Brazil has generated many disparate results given, among other reasons, the lack of data comparability in addition to different conceptions of what is a housing deficit. For the sake of supplying the latest results of housing deficit studies in Brazil, I will rely on a study conducted by Fundação João Pinheiro (FJP), a well known state planning institution, which conducted an extensive study of the housing deficit for the Brazilian government in 1995. This study has served as a point of reference for many related studies since then.

The methodology used by FJP included two basic criteria for the calculation of the deficit: the physical deficiency and/or precariousness of the existing housing buildings and the need to increase the existing stock due to family co-habitation; (more than one family per household). Using Census data from 1991, the study arrived at a housing deficit of 5,6 million units. However, the housing needs would include, besides the deficit, also so called inadequate housing. Inadequate housing is defined by the lack of infrastructure services, the economic conditions of their occupants (high rent expenditure related to income) and excessive housing density (dwellers per bedroom). Taking these definitions into consideration, the figure of 5,6 million jumps to 18,7 million (see Table 2. 9).

Table 2. 9: Housing needs in Brazil –1991

Income Brackets (minimum salaries)	Housing Déficit(a)		Inadequate Units by Density (b)		Lack or inadequacy of infra-structure (c)	
	Families	%	Families	%	Families	%
Until 02	3.481.969	61,97	525.263	21,45		
From 02 to 05	1.419.287	25,26	1.042.827	42,6		
Above 05	717.307	12,77	880.176	35,95		
Without reference to income bracket					10.640.648	100,00
Total of families	5.618.563	100,00	2.448.266	100,00	10.640.648	100,00
Total (a+b+c)					18.707.477	

Source(s): Table reprinted from DEMHAB (1999). The table was composed with data from FJP (1995).

The review of national housing policies during the 1980s and 1990s has demonstrated the dismantling of the system under the aegis of BNH, both from the standpoint of its financial sources and from its institutional integration. According to Arretche (1996), following the extinction of BNH, the establishment of a centralized (in terms of sources of funding) and fragmented (in terms of disconnected programs) new institutional format for the administration of resources destined to the housing sector had a very low performance vis-à-vis the solution of the problems and needs posed by the country's new economic and political order. The federal government showed its incapacity to re-organize the production of public housing and to re-articulate a new national system of low-income housing provision.

In the 1980s and throughout the 1990s, with the re-establishment of free elections and within the context of disintegration of a national housing financing

system, the state and local governments became the main targets of the demands of the organized urban social movements. In response to these demands, to the difficulties of access to federal funding and to the impasse in the formulation of a national housing policy, many state and local governments (either because of compromises with the popular movements or with the private construction and real-estate sectors) made efforts to formulate and implement new housing programs with differentiated financial, legal and institutional formats. In the following, I discuss the policies undertaken in Porto Alegre since the administration of the Workers' Party, in 1989.

2.6 LOW-INCOME HOUSING POLICIES IN PORTO ALEGRE - 1989 TO THE PRESENT: TOWARDS STATE/SOCIETY SYNERGY

The aim of this section is to discuss the present situation of land and housing provision in Porto Alegre as well as housing-related policies implemented during the last decade. The Land Regularization policy, along with a broader participatory practice undertaken by the municipality, has truly improved the quality of living of low-income residents. But it is still far from solving the housing needs of poor dwellers. Land and lack of housing finance continue to obstruct the access of workers to decent housing.

In 1989, the coming to power of PT, a leftist party, in the city administration had a strong impact on the implementation of social policies and also on the relationships established between beneficiaries and government staff. This new approach to participation was also reflected in the administrative structure and the operations of the city agencies. In the case of DEMHAB, the Department of Municipal Housing, the incorporation of experienced community activists in its cadre with the goal of providing technical assistance for the organization of cooperatives was vital to their development. However, the existence of a robust tradition of association at community and labor union levels also played an important role in the emergence of cooperatives.

2.6.1 Land and housing provision in Porto Alegre

Like many other Brazilian cities, Porto Alegre experienced rapid expansion in the last five decades as a result of natural growth and migration. Whereas in 1950 the total population was 418.864, by 2000, this figure had jumped to 1.359.932 (see Table 2.1). The demographic explosion was followed by a scarcity of basic urban infrastructure (water, sewage, electricity and paving) and housing to shelter the increasing population. From 1964 to 1996 the proportion of squatters among the total population grew from 9,83% to 22,11% (see Table 2. 2).

2.6.1.1 Land Provision

The urban expansion of Porto Alegre followed the pattern of the private land speculation associated with the actions of the public sector. The city grew out to the periphery leaving large unoccupied areas in between. In a survey undertaken in 1988, researchers identified 13.714 ha of vacant land within the urban area of Porto Alegre, equivalent to 41% of total urban land (see Table 2. 10, Table 2. 11, and Table 2. 12) (Oliveira and Barcellos 1989).²⁹ The extension of urban infrastructure to the outskirts of the city increased the value of this vacant land, benefiting their owners. The social cost of this private appropriation has been high. It impedes the access to serviced land to low income segments of the population because of their incapacity to pay for this land, pushing them to cheaper, hence remote and un-serviced locations, perpetuating this pattern of occupation.

Table 2. 10: Area of Porto Alegre –1988

Use	Area	
	<i>Ha</i>	%
Urban	32.745,00	66,96
Rural	16.155,00	33,04
Total	48.900,00	100,00

²⁹ In a study of vacant land in Latin American cities, Clichewsky (1999) found similar figures for Rio de Janeiro (44%) and Buenos Aires (32%).

Table 2. 11: Percentage of Urban Vacant Land in Porto Alegre – 1988

Land	Area	
	<i>Hectares</i>	%
Total Urban Land	32.745,00	100,00
Vacant	13.714,25	41,88

Table 2. 12: Type of ownership of urban vacant land in Porto Alegre –1988

Ownership	Area	
	<i>Hectares</i>	%
Public	381,52	2,78
Private	13.332,73	97,22
Total	13.714,25	100,00

Source(s): Tables n.º 2.10, 2.11 and 2.12 were composed with data from Oliveira and Barcellos (1989:33) and from FEE (1988: 93).

Note(s): (1) Urban vacant areas correspond to the sum of unoccupied lots. They do not include parks, roads, etc.
 (2) The recent data about total area and percentages of urban and rural land in Porto Alegre have changed, according to the document “Relatório de Indicadores Sociais de Porto Alegre – Ano II”, issued by the mayoralty of Porto Alegre in 1999. There was an addition to the total area (49.610 ha) and a change in percentages of urban (35.202 ha) and rural (14.408 ha) land. In 1999, urban land corresponded to 77,76% of the total land. In the same year the new Master Plan, the 2nd PDDUA, transformed all the city territory into urban area. Since 1988, there has not been published any systematic data about the occupancy of the urban land, reason why I used the 1988 data to compose the tables about the proportion of urban vacant land. I assume that the proportion of the vacant land in relation to the total has not changed significantly over the last 12 years.

The increase of value resulting from public investment, plus the application of rigid urban legislation that mirrors the living standards of more well-off citizens, cuts off poor families from access to adequate land and housing. The continuous impoverishment of medium and low-income segments caused by high inflation rates, economic recession and unemployment, has deepened social inequality in the last 30 years in Brazil. The BNH, created in 1964, was extinct in 1986 and there was no substitute project. BNH left its imprint in the urban scenario of Brazilian capitals through the financing of private developments and of large works of urban infrastructure. The construction of large housing complexes in the outskirts of Porto Alegre altered the land market and increased the value of big parcels of vacant land. The logic of the Housing Financing System (SFH) privileged the concentration of capital to private agents that should have implemented the development of the construction industry and the production of urban space. However, their

entrepreneurial priorities directed their investments to the acquisition of land with speculative purposes, increasing the price of urban land due to the concentration of ownership in few hands.

2.6.1.2 Housing provision

The formal and informal markets share the provision of housing in Porto Alegre. The formal private market involves developers, construction industry and realtors as the main actors and the government and financial institutions as their supporters. The formal private market mainly serves upper/middle income groups and is responsible for about 69% of the total housing market in the city (SPM 1995). The informal market involves the action of small and medium developers and of spontaneous and/or organized occupations resulting in the formation of respectively clandestine sub-divisions and illegal settlements. Payne (1989) well describes this phenomenon:

The most common means by which such commercial penetration has occurred is for informal private sector developers to acquire land from its original (rural) owners, often on the urban fringe, and to subdivide it for sale to individual purchasers at whatever rate the local market will bear. In doing this they generally circumvent or ignore official standards concerning plot size and levels of initial services provision, in order to achieve a product which low-income households can afford (Payne 1989:2).

In Porto Alegre, as seen in a previous section, illegal settlements have been built by the occupiers since around 1945, standing either on private or public land presenting problems of land tenure and variable degrees of deficiency of urban infrastructure and services. The informal market, comprising these two types of settlements, serves 31% of the city population with incomes up to 5 minimum wages.

2.6.2 Illegal settlements – population and location

The data on illegal settlements is incomplete and disperse. The survey conducted by DEMHAB during 1997 and 1998 fills this gap partially. The survey covered only so-called illegal settlements. The criterion for this classification was the land ownership. Illegal settlements are those whose inhabitants do not own the land and do not have any legal contract that guarantee their permanence in the area. The

survey counted households and not people; 73.057 households distributed in 390 illegal settlements. They used the median of 3,9 people per household, (figure obtained from a previous study) to estimate a population of 284.922 people living in illegal settlements in Porto Alegre (DEMHAB 1999). This survey does not include the 362 clandestine subdivisions identified by DEMHAB in 1997. These subdivisions are currently the subject of a similar study being conducted by DEMHAB.

Until the mid 1970s the pattern of formation of illegal settlements was incremental and spontaneous. Many families that did not have a place to live and could not afford paying rents occupied the city's vacant areas. The organized collective invasions started in the end of the 1970s, as part of the re-birth of urban social movements. The crisis of legitimacy of the military regime with the end of the Brazilian economic miracle (1974) multiplied the claims for urban services and for the return of individual rights. The debate about human rights brought to the fore the right to housing to all citizens. In this context, urban social movements received a strong impulse, increasing the number of collective urban land invasions in the whole country (Panizzi 1993). These invasions happened during weekends, through the construction of units over the division of lots assigned to each family. In most cases there were conflicts during the process of occupation and, in some cases, the authorities have evicted invaders later on.

It is known that there is a commercialization of these units as a means to access the possession of the land, but not the legal property. Many original occupants leave and "sell" their right to possession and/or the improvements (house) built on that land to others in search for shelter. These transactions do not have legal recognition and are part of the numerous irregular means to obtain a place to live in the city. The number and frequency of these transactions in the case of Porto Alegre, though, have not yet been assessed. The study conducted by Gilbert on consolidated self-help suburbs in Bogotá, Colombia is noteworthy. He ascertains that, unlike the housing of the better off, consolidated self-help housing is seldom sold. His general conclusion is that self-help ownership does not offer the same advantages in terms of capital appreciation, as does ownership in higher income areas (Gilbert 1999).

Another type of invasion happened in the end of the 1980s in Porto Alegre and its metropolitan region. In 1987 low-income families invaded a total of 19.444 vacant units of large unfinished housing complexes built in the periphery of cities belonging

to the metropolitan area of Porto Alegre (Medvedowski 1993). In Porto Alegre alone, 8.896 units were occupied (Medvedowski 1993; DEMHAB 1999). These unfinished dwellings were the products of the bankruptcy of private developers and state agents that built these units for a market with incomes varying from 4,5 to 5,5 minimum wages. With the economic recession, the decrease of real incomes and withdrawals from the FGTS, the Housing Financing System collapsed. The bracket of the market these units were designed for could no longer afford to buy them. The income of the invaders varied from 1 to 3 minimum wages. Fourteen years after the occupation of these housing estates, the legal tenure situation of a large percentage of the occupants remains unsolved.

The major concentration of the households in illegal settlements occurs in Region 07 of the OP, with 14,86% of the families. The Regions 03, 05, 07 and 10 comprise 51% of the total households in these settlements (see Figure 2.1). All the housing estates invaded in 1987 are situated in the northern and northeastern parts of the city, Regions 05 and 14 of the OP. These regions concentrate most of the industrial activity, have smooth topography (low flat lands) and border other cities of the metropolitan region, being cut by various important transportation nubs. The regions 03, 07 and 10, where 39% of the illegal settlements' population live, have been occupied mainly since the 1960s and present a quite irregular topography which accounts for their late occupation.

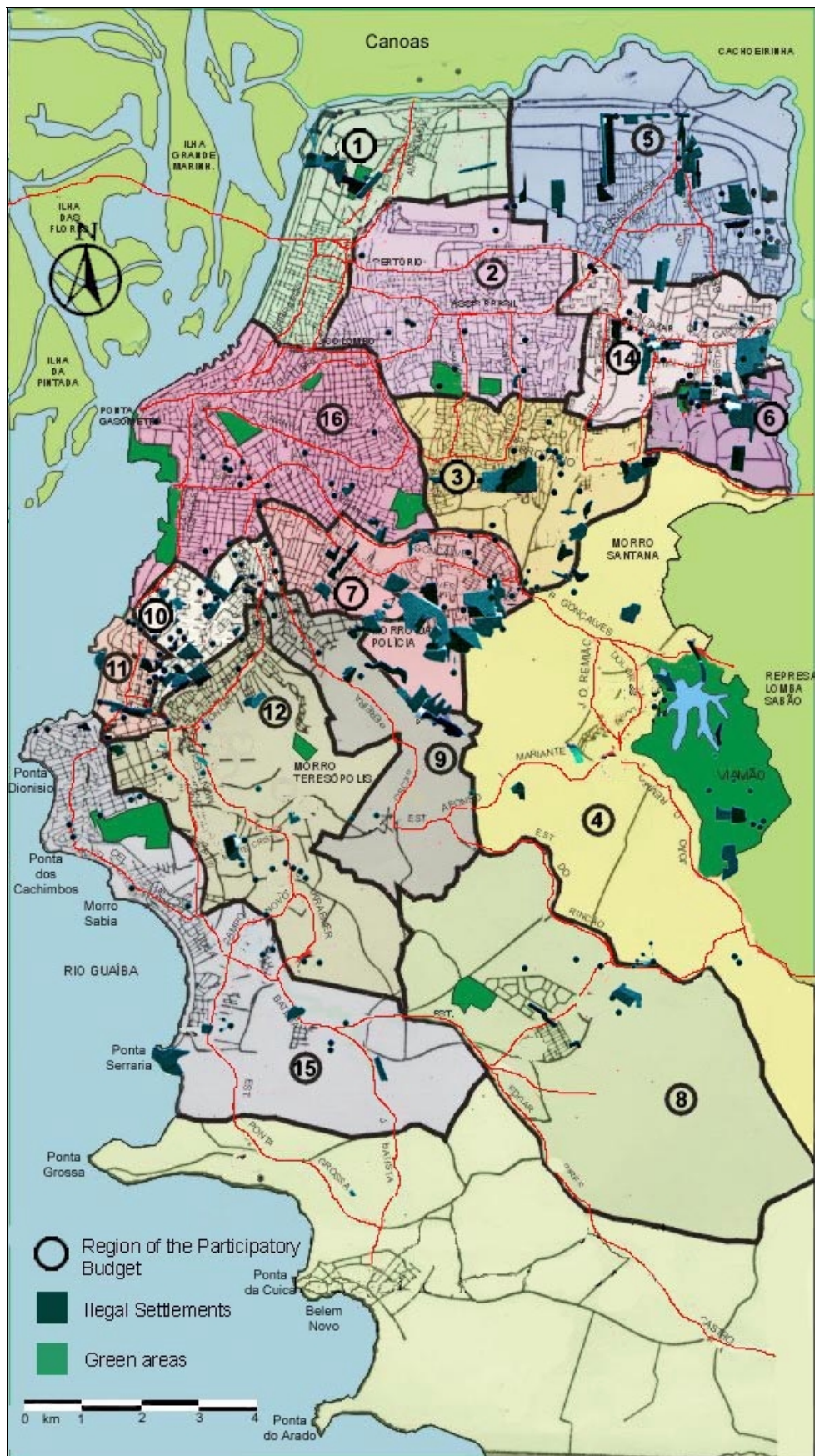


Figure 2. 1 : Location of illegal settlements in the regions of the OP in Porto Alegre, 1998.

2.6.3 Housing Policies in Porto Alegre since 1989

The housing policies implemented in Porto Alegre since 1988 have incorporated many of the principles of the Urban Reform Movement of the 1980s. The year 1988 marks the victory of the Popular Front (Frente Popular - FP) in Porto Alegre's municipal elections. The FP was a coalition of left-wing parties, with the Workers' Party (Partido dos Trabalhadores – PT) in the leading position. As clearly defined by Burns (1998:61), the housing policies of the PT fuse the self-help policies of the 1970s and 1980s with the more open forms of political participation and legal reform advocated by the Urban Reform Movement of the 1980s. The PT's platform includes housing development along with urban development. Housing, as opposed to shelter, encompasses tenure, land, and infrastructure services. Housing policies therefore extrapolate shelter production and incorporate regularization of existing housing, urbanization and granting of tenure.

Land Regularization (Regularização Fundiária) is the cornerstone of Porto Alegre's popular housing programs. Regularization aims at making the illegal city part of the legal city by paving, extending infrastructure lines and granting tenure rights through political, social, technical and legal measures. DEMHAB and other municipal agencies are in charge of implementing the process of Land Regularization that may include the use of legal instruments like *usucapião*, Concession to Right to Real Use (Concessão de Direito Real de Uso – CDRU) and Special Areas of Social Interest (Áreas Especiais de Interesse Social - AEIS).³⁰ Land regularization is a lengthy and complex process that involves both popular participation, through the Participatory Budget and the collaboration of various governmental and non-governmental organizations.

Porto Alegre's housing programs have indeed yielded some successes improving the quality of life of residents, granting Porto Alegre the first place

³⁰ The CDRU is a contract between the municipal government, in this case represented by DEMHAB, and people who have built their dwellings over municipal land. This contract requires the area to be used for housing purposes only and for a limited period of time, 30 years at most. Special Areas of Social Interest (Áreas Especiais de Interesse Social - AEIS) were planned for the production and maintenance of housing for low-income population. They have specific norms for the use and occupation of land, mainly facilitating processes of land regularization. The AEIS may be approved without complex and lengthy procedures.

regarding quality of life among the state capitals of Brazil. In Porto Alegre, only 1% of the population does not have access to potable water, because of their location on irregular settlements or environmentally hazardous areas. Sewage lines reach 82% of the total population. This figure almost doubled in 10 years (in 1989 only 46% of the city's population had access to sewage infrastructure) (PMPA 1999). In the specific field of production of low-income housing, despite important actions carried out by DEMHAB concerning vila resettlements, land regularization and introduction of new juridical instruments such as the CDRU (replacing the buy and sell model), the performance of DEMHAB has been modest. Considering the existence of 73.057 households in illegal settlements in 1996, thus in inadequate conditions, the 7.655 housing units produced in the period 1989-98 is not impressive (see Table 2. 13).

There is not precise calculation of the housing deficit in Porto Alegre. In 1994, city officials estimated a shortfall of more than 50.000 units out of a total of approximately 450.000 real estate units in Porto Alegre, which sheltered a population of 1,26 million in 1991 (De Cesare 1998). Another study whose criteria for the housing deficit in Porto Alegre were based only on the needs generated by population growth within illegal settlements and by the urban development of the city (resettlements from hazardous areas and urban organization) reached a figure of 2.314 units/year (housing and lots) needed to meet the housing needs of the poorer segments of the population (DEMHAB 1997:26). This is a much higher figure than the average production of housing and lots produced by DEMHAB per year in different periods (see Table 2. 13).

Much more striking than the production of housing and lots were the actions taken by DEMHAB related to land regularization (17.588 lots surveyed and 5.832 families benefited by re-urbanization in the period 1989-96 (Barbosa 1998). We should also add to these figures the 5.983 families involved in self-managed cooperative housing, that were stimulated by DEMHAB through the Cooperative Housing Program.

Table 2. 13: Production of houses, apartments and lots, DEMHAB, 1952-1998

Years	Institution	n.º of units	Units/year (average)
1952-64 (13 years)	DMCP	7.630	587
1965-88 (24 years)	DEMHAB	10.136	422
1989-98 (10 years)	DEMHAB	7.655	765
Total of units (47 years)	DEMHAB	25.421	541

Sources: Table composed with data from:

1952-80 Pinho (1980)

1980-90 DEMHAB (1990)

1991-98 PMPA (various years 1991-1998)

There are though some shortcomings in the land regularization policies that jeopardize its success. Burns (1998) thoroughly examines the housing policies implemented in Porto Alegre since 1988 and points out the weaknesses of this policy. In her view, despite the radical improvement of the quality of life of the urban poor in the city, the prohibitive cost of urban land, the concentration of wealth, rigid urban legislation, lack of access to housing finance and the increase of exchange value granted to legal and upgraded land undermine the sustainability of the land regularization policy. There are no studies or effective information systems about who in fact benefit from the policies. The process of gentrification has been neither addressed nor quantified up till now.

There were radical changes in the practices of DEMHAB during the last 12 years since PT took office in Porto Alegre. The shift in attitudes towards community participation in the process of planning and project implementation also impacted on the structure of the agency. One of the changes was the creation of the Community Relations Unit (Unidade de Relações Comunitárias - URC) to break down the highly paternalistic and politicized relationships that have permeated DEMHAB's interaction with the community in the previous decades. The idea of the Community Relations Unit was to make information accessible to DEMHAB's recipients. The technical staff's unwillingness or inexperience in carrying out this educational task generated the need for a bridge between the projects and their direct beneficiaries. The main task of the URC officials, then, was to mediate the work of staff and dwellers' aims (Fruet 1991). As it will be seen in Chapter 3, the role of these grassroots activists was of capital importance for the formation of housing cooperatives in Porto Alegre.

2.7 CONCLUDING REMARKS

The colonial origins of the Brazilian cities, the concentration of land in few hands and the direct connection between land-ownership and access to power have gone hand in hand with the establishment of a centralized and patrimonial society, where deep social and economic inequalities have persisted up to this day. The political culture of the country has mirrored the social structure and has deepened practices of clientelism, patronage, populism, and privatization of politics.

The evolution of the low-income housing policies and provision in Brazil discussed in this chapter has showed the incapacity of the state to meet the ever growing demand for land and housing of poor urban populations. It has also revealed that clientelistic practices in housing provision have cut across different regimes, parties and levels of government. Since the involvement of the state in the provision of public housing, the violation of rules in the selection of recipients and the use of the technical reserve were mechanisms mostly used by those in power to distribute favors in exchange for political support. Porto Alegre has not been an exception. The decrease of clientelistic practices in the field of public housing provision has only occurred in the city, when the rules and criteria for access to urban services were democratically discussed and socially controlled through participatory policies and programs implemented by a progressive party in power.

Since the beginning of the industrialization of the city, the dialogue between popular sectors and the elites in power around urban issues in Porto Alegre has contributed to the consolidation of a more flexible relationship in which, despite the predominance of the elite's interests, there was space for the establishment of channels of negotiation between them. This incipient dialogue was interrupted during the military dictatorship and only resumed after the demise of the authoritarian regime.

The re-establishment of a dialogue between state and organized society was directly related to the process of redefinition of citizenship that began in Brazil in the late 1970s. During the 1980s, parallel to the struggle for political and civil rights, access to housing and other urban services form the core of the claims of organized groups. These claims were recognized and incorporated by the state as rights of all citizens, as expressed in the constitution of 1988, and inscribed in some national

policies with a participatory bias. The recognition of rights, however, does not guarantee their fruition. Citizenship and rights are in a process of construction and change that involve new relationships and institutional formats, which include participatory practices.

The forms of participation engendered by active citizens are based on the creation of new channels and mechanisms of articulation between state and society that open the state to the organized society, replacing old authoritarian and clientelistic practices by the recognition of conflict and negotiation between state and society as decision making methods (Jacobi 2000). The experience of Porto Alegre in the last 12 years with participatory practices, particularly concerning urban issues, has had more results in the improvement of the quality of life of low-income families, with the extension of infrastructure to poor settlements and regularization of land, than in the provision of housing itself.

The program of cooperatives, which will be discussed in greater length in the next chapters of this thesis, was indeed a secondary program, despite the recognition of its importance as a means to organize citizens around the housing issue. It is, in my opinion, the one that has the best chances for keeping low income housing affordable, due to the nature of the enterprise and to the emphasis on collective ownership of units.

CHAPTER 3

THE LOCAL STATE AND THE HOUSING COOPERATIVES IN PORTO ALEGRE

When discussing early experiences with partnerships in urban development in developed countries in Chapter 1, it was seen that they have had little impact in reducing inner-city poverty, neighborhood decay and unemployment. After the 1980s, mainly in the USA, the election of progressive and populist mayors, along with the action of grassroots political reform movements, had more success in articulating and implementing more inclusive policies. The role of international lending agencies also influenced this new approach by stimulating an enabling role of governments through the provision of the legislative, institutional and financial framework for the functioning of private and community entrepreneurship. The transfer of these policies to developing countries though, has not had much success. Despite the neo-liberal agendas and concerns for equity and welfare contained in the envisaged partnership policies, social exclusion and poverty kept growing in urban areas of developing countries.

The implementation of partnership programs in developing countries, as reported by Durand-Lasserve (1987), came up against obstacles of a cultural, political and economic nature (inadequate and irregular income; low savings potential; insufficient mobilization of savings; embryonic financial infrastructure) on the part of community and, in many cases, of government too. The retreat of the state to support social policies and the transfer of responsibilities to implement these policies to local government bodies, without the correspondent transfer of resources, as is the case of

Brazil in the last 12 years, adds to the difficulties in achieving some success in this kind of policy.

Having these criticisms in mind and the fact that, in the beginning of this study, I affirmed that the emergence of self-managed low-income housing cooperatives in Porto Alegre in the 1990s resulted from a joint effort between the municipal government and organized civil society, mainly labor union and community based groups, I asked myself the following questions: to what extent and in what ways can one call this relationship a *partnership*? On what was it built: i.e. what kind of party/local state, what kind of civil society/cooperative and in what way did they interact? How has partnership – as illustrated in the field of housing – linked with *new* thinking and practice with respect to rights and citizenship?

This chapter addresses both sides of the cooperatives and DEMHAB's partnership. Throughout this chapter we will see that in the case of the self-managed cooperatives and DEMHAB, there is a partnership of roles, rather than a pooling of finance. The experiences of public/private partnerships in urban and housing development in the developed world have been mainly based either on solid and economically sound private partners or on non-profit organizations with access to some kind of financial aid. In the case in study, the *private* partner is of another kind. It is a non-state and a non-profit organization, with very limited access to formal credit. The *public* partner is a local housing agency, which does not provide any construction financing to cooperatives as private (despite non-profit) organizations. It does provide, instead, technical assistance and assumes the role of a *mediator* between private interests and the cooperatives. Experiences of successful cooperative housing experiments and/or government/community partnerships have involved the supply of advice and of cheap loans. The experiences of São Paulo and Uruguay, discussed later on this thesis, are examples of such enterprises.¹

If in the previous chapter I discussed state/society interactions from a historical standpoint and through an specific lens – the housing policies and provision - , in this chapter I focus on the present or, rather, on the recent past. The lens, when examining the local state, is broadened to cover the principles that guided the municipal administration under PT's hands and focused again on housing when analyzing the

¹ See Appendix 1.

cooperatives. Because of its contemporary nature, this chapter was constructed mainly with primary data obtained through my fieldwork and my previous experience as a Porto Alegre citizen. Therefore, along with secondary sources, the following discussion will mainly draw on my own observations, on examination of documentary information and on interviews conducted with the actors involved in this interaction. As stated in the introductory chapter of this thesis, the fieldwork was spread over 2.5 years, reflecting the evolution of the cooperatives, of the municipal organs and their interrelationships.

The first section centers on the emphasis on participation and on the inversion of priorities of the PT administration in Porto Alegre. This is the key to the implementation of a democratic decision making process that culminated in the Participatory Budget (Orçamento Participativo – OP) policy and also in the development of organizations and participatory policies in other sectors of urban life. The second section overviews the Participatory Budget policy, discussing its structure, investment capacity, participants' profile and the insertion of the cooperatives in its structure. The third section focuses on DEMHAB as a public partner. It depicts the routine of staff workers, organizational format and the mediation role of the department when dealing with land disputes and negotiations. The evidence shows that DEMHAB, as an arm of the local state, had an important role in the formation of housing cooperatives in Porto Alegre during the last 12 years. The fourth section centers on the development of the housing cooperatives analyzing their origins and growth. The main argument is that, besides the important role of the state in stimulating and setting the conditions for the cooperatives' formation, the existence of previous associative structures and their experiences in the struggles for access to land and housing also had a crucial role in the development of cooperative organizations.

In the last section I discuss the housing cooperatives as an example of a synergistic relationship, using mainly the concepts of *endowment* and *constructability* advanced by Evans (1996) in his analysis of state/society relationships. Chapter 2 gives the historical perspective for establishing the endowment approach to state/society relations in Porto Alegre. The high level of participation of the city's population in civic organizations, the tradition of permeability/openness of elites in power to dialogue with popular sectors and the previous experience of urban social movements in articulating demands regionally and negotiating with public authorities

form the bulk of the argument for the endowment view of synergy. The building of synergistic relationships is, in the short run, exemplified by the relationship established between DEMHAB, a municipal agency and the cooperatives in the period of the 1990s. This is a happy marriage, though not without from difficulties. The following chapters will then discuss these constraints.

3.1 THE LOCAL STATE IN PORTO ALEGRE.

In this section I focus on Porto Alegre's municipal administration as an important partner in the democratization of decision-making process in the city. The analysis of the origins and ideology of the party in power – the Workers' Party (Partido dos Trabalhadores - PT) and its commitment to promote participation and to invert policy priorities may explain why the government has taken such an enabling role, promoting, what I may call a *synergistic partnership*. The Participatory Budget, the broad inclusionary policy implemented by the PT, is described in more depth for the purpose of explaining the place of the housing cooperatives as civil associations within its structure and functioning.

3.1.1 The role of municipalities in Brazil

The political and administrative organization in Brazil comprises the Union, the states, the Federal District (where the national capital is located) and the municipalities. The president, state governors, mayors and national, state and city representatives are directly elected. It is important to note that only after the promulgation of the 1988 constitution were the municipalities defined as federal entities, eliminating the ability of the state and federal governments to interfere with municipal laws. Before 1988 the state of Rio Grande do Sul was the only state to give autonomy to municipalities to deliberate about their organic laws.

The constitution promulgated in 1988 considerably changed the situation of the Brazilian municipalities. It expanded their responsibilities and amplified their autonomy. In addition to preparing urban plans and implementing urban services, local governments now also share with the state and the union the responsibility for the provision of housing for the low-income population. Whereas this share means an

additional burden for local governments, it also means that this decentralization can favor the democratization of decision making processes, given that, previously the formulation of housing policies and programs was centralized in the federal government.

The pressure exerted by organized social movements resulted in some advances related to the right to land in the constitution. These are: the urban *usucapião* (right to the ownership of land (maximum of 250 m²) occupied without interruption and opposition for 5 years or more); the right of popular segments to propose law projects, according to the interest of their city or neighborhood; the right of the municipality to legislate over land use including the application of successive sanctions on owners of empty or underutilized urban land; and the right to popular participation in the formulation and decision-making processes of urban planning (Pereira 1990).

The constitution also included tax reforms that increased the sharing of federal revenues with states and municipalities and enhanced the city's power to raise taxes. It increased the amount of money transferred from the federal sphere to states and municipalities through the States Participation Fund (Fundo de Participação dos Estados - FPE) and the Municipal Participation Fund (Fundo de Participação dos Municípios - FPM). The constitution raised the FPE from 14% to 21,5 % and the FPM from 17% to 20%.² Contrasting with the earmarked character of these resources under military rule, few restrictions were placed on how states and municipalities would use them. The new constitution, however, lacked clarity regarding the distribution of responsibilities among levels of government.

This vagueness allowed sub-national governments to obtain more money without the burden of offering more services or being held electorally accountable for their provision. The federal government has therefore maintained responsibility for providing many of the same services nominally transferred to lower levels, but with fewer resources. As a result, decentralization has contributed to Brazil's overall fiscal deficits (Garman et al.1999:8).

When comparing the decentralization process underway in Latin America the same authors point to Brazil as the most decentralized country in the continent and affirm that

² Transfers from state to municipal levels have also increased the revenue of municipalities. As a result of the 1988 Constitution, the share of the State Sales Tax (ICMS -- Imposto sobre Circulação de Mercadorias e Serviços) transferred to municipalities increased from 20% to 25%.

In contrast to authoritarian rule in Argentina, the Brazilian “abertura” (opening) involved a controlled electoral opening that increased the military’s dependence on political elites at state level. Even prior to democratization, evidence can be adduced of a political dynamic that increased functional and fiscal decentralization, expanded transfers to states and municipalities, and weakened central government control over the use of resources (Garman et al, 1999:6).³

This analysis sheds light on the new status acquired by local and state governments, not only on their increased investment capacity for the implementation of public policies (indeed with increased responsibilities), but also on their relative autonomy vis-à-vis the central government. To prove this assertion I refer to the work of Daniel (1988:28) who points out the pioneer experiences of participatory democracy in the cities of Lajes in the state of Santa Catarina, and Boa Esperança in Espírito Santo state during the 1970s. Daniel (1988) contrasts these experiences with the political orientation of the authoritarian military regime at federal level in that period.

As seen above, municipalities in Brazil have relative autonomy in determining revenue and expenditure. Revenue comes from local sources (taxes and tariffs) or from federal and/or state transfers. Expenditure may be of three kinds: personnel, public services and investment in works and equipment. It is in the last group of expenditures that municipalities may exercise more autonomy, since the budget does not have to identify the works and services to be carried out. However, the local Municipal Council must approve the budget (Santos 1998).

Progressive parties grew to control local administrations, where constituencies demand both the decentralization of the decision-making process and the increase on the provision of urban services. Such local administrations face the challenge of carrying out efficient management, of incorporating the new representative mechanisms into their structure, and of sustaining grassroots participation (Clavel 1986). These were the main challenges of the Workers Party (Partido dos Trabalhadores – PT) when it took office in Porto Alegre’s mayoralty in 1989. The next section will show how important was the tributary reform implemented by PT in recuperating the city’s investment capacity and how this financial sanitation has helped

³ In 1983, 3 years before the end of the military regime, the Passos Porto Amendment was enacted increasing the amount of constitutionally mandated revenue sharing from federally collected taxes to state and municipal governments (Leme 1992:44).

the administration to face local opposition and to negotiate financial investment at national and international levels.

3.1.2 The Workers Party: popular participation and the inversion of priorities

The emergence of the Workers' Party (Partido dos Trabalhadores – PT) in the political arena in 1980 challenged the traditional structure of Brazil's political system of representation and deliberation. The PT, with strong roots in labor and popular movements, was an innovative party, with very committed activists, broad grassroots participation, and considerable party discipline. The PT was created after the 1979 Party Reform (the seventh in the country's history). The military still in power designed this reform to maintain its political base intact and to divide the opposition into several parties.⁴ Among a broad range of opposition groups, the PT gathered the left of the spectrum. Labor leaders, church groups, grassroots organizations, intellectuals, opposition representatives and parts of the left helped give birth to the PT.

Brazilian parties are very fragile if compared to parties in other Latin American countries. The causes of this fragility are their problems of endurance and the frequent ruptures in the party systems.⁵ This party fragility has created problems for democratic governance, has influenced the maintenance of an inegalitarian social order, and has seriously limited the quality of democracy in Brazil. During military rule, when only legislative posts were chosen through elections, all key executive positions were essentially appointed. The main function of parties and politicians was to obtain patronage for their constituencies. If, in the past, Brazilian parties were characterized as pragmatic, personalistic, and non-ideological, which is still true of many catchall

⁴ During the military dictatorship (1964-1985) the country had only two parties: the National Renovating Alliance (Aliança Renovadora Nacional – ARENA), the pro-government party, and the Democratic Brazilian Movement (Movimento Democrático Brasileiro – MDB), the official opposition party.

⁵ Only two parties were created before 1966: the Communist Party of Brazil (Partido Comunista do Brasil - PCdoB), which in 1962 detached itself from the Brazilian Communist Party, and the Popular Socialist Party (Partido Popular Socialista - PPS), created in 1922 as the Brazilian Communist Party (Partido Comunista Brasileiro - PCB) and renamed in 1992. Regarding ruptures in party systems, Brazil has had seven distinct party systems since the 1830s (Mainwaring 1995).

parties, this can no longer be said to apply to the party system as a whole. Brazilian parties differ according to ideology, organization, degree of discipline, cohesion and ties to the state and society. The leftist parties, including the PT, are highly disciplined, cohesive in the congressional arena, and have strong linkages to unions and social movements. PT stands out among the leftist parties because of its commitment to grassroots party democracy. This commitment is made possible by the structure of party nuclei adopted in the PT. Through the nuclei, the base can have input into major party decisions. The nuclei act not only as bridges between the party and its affiliates, but also between the party and civil society (Mainwaring 1995).

These nuclei consist of groups not only associated with the industrial labor movement, but also with Christian base communities, urban social movements, peasant unions, leftist revolutionary groups and human and civil rights activists. Since the emergence of the PT, these groups have organized into numerous national and regional factions (or *tendências*) that have fiercely disputed party ideology and program proposals (Abers 1997). Indeed many of these factions originated in the clandestine leftist groups that joined the PT at its foundation. Hence its organizational history is prior to that of PT.⁶ Mainwaring (1995) raises some of the PT problems when he states that factions of the PT are sectarian, some are ambivalent about liberal democracy and are less democratic than their own discourse. He attributes to PT's internal factionalism its difficulties in working out a relationship between the party and municipal administrations.

Despite the variety of groups, and hence, ideas, influencing the PT's official ideology, there was consensus on some key issues. There was a general commitment to democracy that was translated into two central themes: the *inversion of priorities* of government policy making and *popular participation*. The inversion of priorities was a response to clientelist and authoritarian practices that have historically benefited elite groups. The inversion of priorities called for a more equitable distribution of resources and the use of government policy to benefit the urban poor.

⁶ Circa 1986, one could identify six factions within PT: the Socialist Democracy (Democracia Socialista – DS), Communist Revolutionary Party (Partido Revolucionário Comunista –PRC), Brazilian Communist Revolutionary (Party Partido Comunista Brasileiro Revolucionário – PCBR), IV International Fraction – The Work (Fração IV Internacional – O Trabalho), Communist Revolutionary Movement (Movimento Revolucionário Comunista – MCR), Socialist Convergence (Convergência Socialista – CS), The Proletarian Cause (Causa Operária), and The Left (A Esquerda). All these organizations identified themselves as marxist, marxist-leninist, and in some cases marxist-leninist-trotskyist. All were anti-stalinist (Couto 1995).

3.1.2.1 Participation

Popular participation was a theme that permeated internal debates of the union movement as a means to achieve internal democracy and decentralization within the party and to respect the autonomy of other social movements (Gadotti and Pereira 1989; Abers 1997). The emphasis on participation comes from various sectors in the PT. For the social and labor movements, participation is a necessary condition for effective influence; in the case of left clandestine parties, participation is the political tool to build an utopia; and for the Christian communities, participation is the mechanism that cements community life. Participation is the vehicle to achieve victory (Couto 1995:79).

Since its foundation, PT has had an extraordinary growth and impressive electoral gains. It has run for the presidency of the republic three times, with results that positioned its candidate, Lula, as the major opposition leader. In the 1988 elections, the PT, in coalition with other left parties, won the elections in important cities such as São Paulo, Porto Alegre, Santos, Belo Horizonte, Campinas, Vitória, and Goiânia. In 1994 it won gubernatorial elections in Espírito Santo and the Federal District (Brasília). In 1998, it won the elections for the states of Rio Grande do Sul, Mato Grosso do Sul and Acre. At the end of 2000, PT won the mayoralties of São Paulo (second time), Porto Alegre (for the fourth consecutive mandate), Aracajú, Belém, Recife, and many other medium size cities. In Rio Grande do Sul state, PT elected 35 mayors, that govern 3,5 million people, almost 35% of the state's population (Lima *et al.* 2000:48).

The PT administrations have tried to change the practices of political culture at local levels. These cultures determine the ways civil society and particularly urban social movements interact with the public power. Daniel (1988) reports four kinds of such cultures in Brazil. First, the *coronelismo* relates to the rural areas and to the subjection of the population to the big agrarian landowners. Secondly, there is *populism*, an urban phenomenon, where the access to rights is not perceived as a conquest of the people but rather as a donation from the leader in power. Even after the end of the populist period in Brazil (1930s-1960s), there is still space for populist revisited versions, either conservative or more progressive, given the strong paternalistic heritage that marks Brazilian history. The third type of state/society relationship is *clientelism*, where there is an exchange, a trade between the voter and

the political agent. It is a highly individual-to-individual relationship, where the voter exchanges his(her) political allegiance for a favor given by a member of the local political power. Finally, as a product of the intense mobilization of urban social movements during the late 1970s and throughout the 1980s, *the right to have rights and the collective construction of citizenship* forge a new democratic culture and a new paradigm for the evaluation and legitimization of political power. In this new culture the relationship established between segments of civil society and the state is of opposition and negotiation and not subordination.

As already mentioned, the main challenge of PT and other progressive parties administrations is also to respond to increasing socio-political demands and to implement this new practice with emphasis on the construction of spaces of participation as new public spheres, with the goal of changing the local political culture. In many of the cities where it has come to power, PT has introduced institutional innovations, encouraging popular participation in municipal government. These innovations have included participatory budgets, minimum revenue and scholarship programs. The innovations implemented in Porto Alegre have been by far the most successful and the renowned, nationally and worldwide (Santos 1998).

The reasons for this success are various. Certainly the particularities of Porto Alegre's society have influenced the consolidation of the PT in the city. Porto Alegre has a democratic tradition, a very politicized public opinion and a reasonably strong and participatory community movement, not immune, though, to clientelistic practices. According to a recent survey, the level of participation in civic associations is very high in the Metropolitan Region of Porto Alegre as compared to other regions. Whereas in Porto Alegre 38% of the population are engaged in civic associations, in São Paulo, the second highest proportion, has 29%. In this survey (Santos Júnior 2000:596), the Metropolitan Region of Porto Alegre showed a major difference from the other five regions analyzed (São Paulo, Rio de Janeiro, Belo Horizonte, Salvador and Recife). It gathered together the largest percentage of people affiliated to civic organizations and political parties, the smallest difference in participation between men and women and the highest degree of sympathy for left wing parties.

Moreover, the choice of the PT's administration in Porto Alegre to govern for all citizens, with a priority for the popular segments and not just for the working class, has made the difference. The prevalence of the idea of an administration for all

citizens opened the path to build a government for the majority of the people, with disputes and negotiations, capable of formulating policies and implementing projects for diverse social segments, as well as giving a general direction to the city (Utzig 1996).

3.1.2.2 Inversion of Priorities

The inversion of priorities aimed to benefit the poorer sectors of society through a more equitable distribution of resources and investments. Along with the emphasis on democratic participation and transparency of actions, the cornerstone of the inversion of priorities of the PT government in Porto Alegre was the financial recuperation of the city. The tax reform greatly increased its capacity of investment and hence its goal to benefit the excluded segments of society, those who live in the outskirts of the city. In 1989, when PT came to office, it found that the city was almost bankrupt. Because of a law approved by the previous administration, increasing the payroll of the municipal employees, almost 95% of the city revenue of that year had to be used for the payment of salaries.

The increase in the value of the Urban Property Tax (Imposto Predial e Territorial Urbano - IPTU), one of the two major sources of self-generated income for the municipality, was decisive for the revenue recuperation of the city.⁷ The tax reform was based on the principle *the one who has more, pays more*. The IPTU reform, project presented by the executive power and approved by the legislative, instituted, in practice, the progressive tax, determining the value to be paid in accordance with the location and the characteristics of property. Homeowners would pay less than absentee land owners. This was designed to combat land speculation: equitable taxation would make possible sustainable urban planning. As seen in Chapter 2, the progressive tax had already been used in Porto Alegre before. Firstly in the 1920s, when the reorganization of the cadastral map of the city, made it possible to establish new bases for the taxation of empty land located close to the city center. Secondly, in the 1950s, when a populist municipal government implemented tax reforms to subsidize social investments.

⁷ The average annual property tax payment in 1973 was US\$137,00 and by 1989, it decreased to only US\$29,00. After the tributary reform, in 1992 the average payment of the annual property tax had increased to US\$ 74,00 (Verle and Müzell 1994:17).

The real increase in revenues, however, would only occur in 1991, when a reassessment of land values came into effect, increasing property tax revenues by 144%. Another important change in the municipal tax revenue was the alteration in the allocation of the Services Tax (Imposto Sobre Serviços de Qualquer Natureza - ISSQN), the other major source of self-generated income for the municipality. For basic services such as health, education and transportation, the tax rates were lowered, whereas for more profitable services rates were increased. The result was a more than 40% increase in ISSQN intake in 1990 (Cassel and Verle 1994).

The inversion of priorities is an option that means a drastic reduction of the deficit of urban infrastructure in the most needy regions of the city and at the same time to invest in works essential to the development of the city as a whole. In the vision of the PT government of Porto Alegre the search for this point of equilibrium implies to maintain the investment in the poorer neighborhoods based on the priorities defined by the city's population, and also to select the kinds of policies that will improve the quality of the future performance of the city and the quality of life (Utzig 1996). In the next section I focus on the experience of the Participatory Budget implemented in Porto Alegre since 1990 as an attempt to reach this equilibrium, and how the self-managed housing cooperatives have participated in this process.

The roots of the Participatory Budget are to be found both in the party, through its commitment to democratization and inversion of priorities, and in the active urban social movements, through their aspirations and practices. Menegat (1995), in her study of the genesis of the Participatory Budget in Porto Alegre, points out the importance of the regional articulations of the social movements and their role in the foundation of the Union of the Dwellers Associations of Porto Alegre (União das Associações de Moradores de Porto Alegre – UAMPA) in 1983. She regards these organizations as a space for the expression for their struggles for autonomy and the democratization of the national and local administration.

Among the priorities established by the I Congress of UAMPA, which gathered 324 delegates from 51 neighborhood associations, there are two of special importance: the participation of the popular segments in the definition of the municipal budget and

the Municipal Councils.⁸ The first and second congresses (the second held in 1986) expressed the popular movements' aims of democratizing the city administration and also awareness of the importance of intervening in the definition of the municipal budget as a form of guaranteeing the effectiveness of their proposals. Menegat (1995) concludes that

More than general struggles around specific items like housing or education, the popular movements in Porto Alegre discovered that the definition of the municipal budget was important for all sectors of the movements and for all the regional articulations (Menegat 1995:111).

In July of 1989, the first meeting between the new PT administration, through the Municipal Secretariat of Planning (Secretaria do Planejamento Municipal – SPM) and community leaderships, was held with the goal of organizing the forms of popular participation for the definition of the municipal budget for 1990. Until then the Secretariat of Planning had the status of the *brain* of the government, centralizing through the Master Plan, the budget to carry out the economic, social and urban development of the city. The opening of the formulation of the municipal budget to representatives of the popular sectors met enormous resistance from the SPM's technical staff, used to technical and top-down planning practices (Menegat 1995).

Students of the Participatory Budget in Porto Alegre agree that it started in a confusing way, without clear criteria and methodology (Abers 1997; Menegat 1995; Santos 1998; Fedozzi 1997). The lack of experience of both state and society in implementing such a new practice, the political culture of clientelism and the lack of resources for investment all contributed to a general failure in the implementation of the OP in its first year. The recuperation of the financial and investment capacity of the municipality was crucial to the success of the OP. As we have seen before, this recuperation was initiated in 1990 through the combination of expenditure control, a municipal fiscal reform and larger federal and state transfers permitted by the 1998 constitution (Santos 1998).

The executive's response to the frustrating start of the OP also included radical political and administrative changes. A debate carried out at party level achieved a consensus around the strategy for the city administration. This strategy was heavily

⁸ The previous municipal administration (Alceu Collares, 1985-88) from a populist party, (PDT) had the goal to implement Sector Municipal Councils (Health, Education, etc.) with the participation of civil associations.

influenced by the conception of strategic planning advanced by Mattus, one of Salvador Allende's ministers.⁹ The foundations of this strategy were permeated by principles of the democratization of the state and of its relationship to civil society. As a result, the coordination of the OP was taken from the SPM and directly linked to the mayor's office through two new organs: the Planning Cabinet (Gabinete do Planejamento – GAPLAN) and Community Relations Coordination (Coordenação de Relações com a Comunidade – CRC). The GAPLAN assumed the budget and global planning of the municipal government, coordinating the actions of the various secretariats and departments. The CRC that previously belonged to the Government Secretariat, was also shifted to the mayor's cabinet. Its main goal was to formulate the policy of the state/community relationships, privileging the activities of the municipal budget (Menegat 1995; Santos 1998). The creation of these two organs, with complementary functions, was crucial for launching the experience of the OP.

3.2 THE PARTICIPATORY BUDGET

The evolution of the housing cooperatives in Porto Alegre during the 1990s is linked to the process of the Participatory Budget as a new form of civil society intervention in the construction of the urban environment. The need to solve real problems (lack of urban services, lack of secure tenure, lack of transportation, education and health services) has motivated people to organize and adhere to this space of participation. Considering that the Participatory Budget constituted the instance of participation where many of the cooperatives' demands were met, the provision of more detailed information about its structure, functioning and participants profile becomes a necessary part of this study.

3.2.1 What is the Participatory Budget?

The most visible manifestation of community participation in Porto Alegre is the Participatory Budget (Orçamento Participativo – OP) implemented by the Popular

⁹ Menegat (1995) and Fedozzi (1997) call the attention to the influence of authors like Mattus (1989), who developed the notion of strategic planning, and Rivera (1989) concerning health planning, had on the members of the Secretariat of Government during that period.

Front (Frente Popular –FP) after it won the municipal elections in 1988.¹⁰ The OP facilitates the participation of citizens and organizations in the discussion and on the elaboration of the city's annual Plan of Investments. The aim of the OP is to better redistribute public revenue towards the more under-privileged regions of the city and also to democratize the relationship between state and civil society. The transparency embedded in the process helps to combat clientelism and patronage.

The growing level of popular participation in the process is one indicator of the success of this initiative. From 780 people involved in 1989 to 14,776 in 1999 (see Table 3. 3) the OP gained credibility and national and international recognition. In 1996, during HABITAT II, Porto Alegre was chosen as one of the 40 best practices of municipal administration because of the innovative character of the Participatory Budget. Many Brazilian cities ruled by different parties and other foreign ones from diverse countries such as Angola, South Africa, Germany, Argentina, France and Spain have Porto Alegre as a reference in their attempts to implement similar programs.¹¹

In the academic arena, many theses and papers have been produced analyzing the Participatory Budget. In her thesis, Abers (1997) analyzes the problems of implementation of policies related to co-optation, clientelism and participation in the process of the participatory budget. In studying three different programs implemented in Porto Alegre (the OP being one of them) which had in common the objective of reducing poverty and inequality by enhancing participation and democratization, Matthaeus (1995) verifies that Porto Alegre, in the Brazilian context, is one of the more advanced cities in introducing participatory strategies. He concludes, however, that the programs studied do not amount to the introduction of participatory

¹⁰ The FP was a coalition of left wing parties including the Workers Party (Partido dos Trabalhadores-PT), the ex-Brazilian Communist Party (Partido Comunista Brasileiro-PCB), today the Popular Socialist Party (Partido Popular Socialista – PPS) and the Brazilian Socialist Party (Partido Socialista Brasileiro-PSB). After the 1988 elections the FP has gained all the municipal elections in Porto Alegre. The second mandate (1993-96) the front was expanded with the inclusion of Green Party (Partido Verde – PV). In the 1996 elections the Popular Front was constituted by PT, PPS and PC.

¹¹ In Brazil two other capitals ruled by PT administrations have adopted similar practices: Belém and Belo Horizonte. Recife, Aracaju (when ruled by different parties) and Rio de Janeiro (also under other party rule) have implemented some participatory practices as well. In Rio Grande do Sul, seven municipalities have included the Participatory Budget in their decision making structure (Caxias do Sul, Gravataí, Viamão, Alvorada, Palmeira das Missões, Santo Cristo and Erechim). In 1999, after winning the state government elections, PT started the participatory budget at a state level in Rio Grande do Sul and Mato Grosso do Sul. Outside Brazil, Buenos Aires and Montevideo city governments are actively implementing the Participatory Budget.

democracy. Instead they have introduced elements of consultation and participation into the representative democratic system. Pinto (1998) studies the incidence of civic behavior in the experience of the Participatory Budget in Porto Alegre, analyzing the institutional role of the OP in the production of this conduct and the values that inform cooperative behavior. Menegat (1995) makes a thorough retrospective analysis of the historical conditions that explain the success of the OP, analyzing mainly the evolution of the community movement, labor unions and party articulations that culminated in this innovative participatory experiment.¹²

Numerous articles by foreign authors make available to the international academic community a process that had already gained recognition within the national academia.¹³ These studies are not only broad, since they deal with all aspects of a budget (planning, management, and project implementation), but also center on the process of empowerment of less privileged groups and in the relationship between state and civil society. There are also some specific analysis about participatory processes in the field of housing in Porto Alegre during this period. Buonocore (1997) studies the experience of the housing cooperatives in Porto Alegre as means to reach a plentiful citizenship and a better quality of life. Burns (1998) analyzes housing policies implemented in Porto Alegre during the 1990s, but does not focus specifically on participatory practices and their impact on the implementation of such policies. Allegretti (2000) centers his analysis on the impact of the OP on the local state interventions in the field of low-income housing and regularization processes. The present study, then, adds to this body of literature, focusing on the OP not as the main actor, but as an important co-operating performer.¹⁴

3.2.2 Investment Capacity

In the first years of its implementation, the Participatory Budget had to tailor its plans to the scarce resources of the municipal administration. In 1989, when the PT took office, the financial situation of the city was chaotic, with the lowest revenue in

¹² Among others, the works by Schmidt (1993) and Fedozzi (1996) also analyze in depth the process and implications of the Participatory Budget.

¹³ See Zaajier (1995), Abers(1998), and Santos (1998).

¹⁴ A more detailed description of the functioning of the Participatory Budget is found in Appendix 3, in this thesis.

20 years, a considerable amount of debts to be paid and 95% of its revenue compromising the payroll of civil servants (Campello 1994). The process of financial sanitation, whose cornerstone was the tax reform undertaken from 1990 onwards, and the effects of the promulgation of the 1988 Federal Constitution, that increased the sharing of federal revenues with states and municipalities, increased the financial capacity of the city administration. While in 1989 the proposed investment represented 3.2% of the total expenditures of the municipality, ten years later this percentage had grown to 21% (see Table 3. 1).

During the first 10 years, the priorities of investment have been mainly in four sectors – basic sanitation, improved roads, land regularization and housing. The order of priorities has changed each year, but these basic urban services remain to be achieved for the majority of population (Augustin 1994; PMPA/GAPLAN 1999) (see Table 3. 2). The first priorities of the Participatory Budget in the years 2001 and 2002 were respectively, roads and housing.

Table 3. 1: Proportion of Investments approved by the Participatory Budget in the Total Expenditures of the Municipal Government of Porto Alegre

Year	Proportion of Investments (%)
1989	3,20
1990	10,00
1991	16,30
1992	17,00
1993	9,84
1994	22,67
1995	30,70
1996	20,41
1997	20,32
1998	19,90
1999	21,05
2000	15,12

Source: Until 1992, Augustin (1994:58); 1993-2000, PMPA/GAPLAN (various years).

Table 3. 2: Percentage of the three first priorities of the total Participatory Budget Investments 1991-2000

YEAR	TOTAL PARTICIPATORY BUDGET INVESTMENTS	PRIORITIES						TOTAL 1+2+3	%	DATE
		1st	%	2 nd	%	3 rd	%			
1991	Cr\$ 2.038.902.126	Basic Sanitation 787.016.221	38,6	Street Paving 222.240.332	10,9	LandRegulariz.& Housing 5.014.104	0,2	1.014.270.656	49,7	4/1/1991
1992	Cr\$ 72.430.000.000	Street Paving		Basic Sanitation		LandRegulariz.& Housing 1.340.852.923	1,9			3/31/1992
1993	Cr\$ 553.000.000.000	Basic Sanitation 254.380.000.000	46,0	Street Paving 111.706.000.000	20,2	LandRegulariz.& Housing 50.323.000.000	9,1	416.409.000.000	75,3	1/1/1993
1994	CR\$ 4.780.058.000	LandRegulariz.& Housing 723.794.529	15,1	Street Paving 734.481.220	15,4	Basic Sanitation 1.906.240.141	39,9	3.364.515.890	70,4	7/1/1993
1995	R\$ 130.839.612	Street Paving 14.160.000	10,8	LandRegulariz.& Housing 6.980.000	5,3	Basic Sanitation 29.030.000	22,2	50.170.000	38,3	6/30/1994
1996	R\$ 104.314.050	Street Paving 15.940.000	15,3	Basic Sanitation 28.304.733	27,1	LandRegulariz.& Housing 5.624.000	5,4	49.868.733	47,8	7/1/1995
1997	R\$ 140.167.310	LandRegulariz.& Housing 21.985.714	15,7	Street Paving 10.600.000	7,6	Basic Sanitation 36.557.000	26,1	69.142.714	49,3	7/1/1996
1998	R\$ 148.675.539	Street Paving 14.840.000	10,0	LandRegulariz.& Housing 13.894.833	9,3	Basic Sanitation 37.077.867	24,9	65.812.700	44,3	7/1/1997
1999	R\$ 174.530.469	Basic Sanitation 39.266.113	22,5	Street Paving 14.098.000	8,1	LandRegulariz.& Housing 13.155.000	7,5	66.519.113	38,1	7/1/1998
2000	R\$ 128.747.371	LandRegulariz.& Housing 12.680.000	9,8	Street Paving 11.420.200	8,9	Health 7.522.312	5,8	31.622.512	24,6	7/1/1999

Obs1: The fourth priority for the year 2000 was Basic sanitation with R\$ 31.356.874, totaling 24% of the OP Budget.

Obs2: From 1991 to 2000 there were two currency changes in Brazil: from Cruzeiros (Cr\$) to Cruzeiros Reais (CR\$) in 01/08/1993 (Cr\$/1000=CR\$); and from Cruzeiros reais (CR\$) to Reais (R\$) in 01/07/1994 (CR\$/2.750=R\$).

Source(s): Table composed with data from Augustin (1994:58) 1991-1992 and PMPA /GAPLAN (1993-2000).

3.2.3 Who takes part in the Participatory Budget?

Over ten years, people's attendance at the meetings and assemblies of the Participatory Budget (OP) has steadily increased. Table 3. 3 shows the attendance at the first and second rounds of regional and thematic assemblies separately. It would not be possible simply to add the attendance of the rounds per year, because there is not data available to check whether the same people participated in the two rounds of both types of meetings. It is possible though, to sum the attendance of the thematic and regional meetings per round each year, since they have different constituencies and hence adding them together would be irrelevant.

If we take the last column of Table 3. 3 *total number of participants* and look at the larger numbers per year, irrespective of whether the figures are first or second round of discussion, we will see that whereas in 1990, 628 people attended the OP in one of its rounds, in 1999 this figure had jumped to 14.607 people. It is important to note that these numbers do not include the preparatory meetings for the regional assemblies and the intermediary meetings between the first and second rounds. Government officials estimated that around 35.000 people were involved in the process of discussion of the OP during the year 1998 (Olegário Filho 1999).¹⁵

Table 3. 3: Attendance at the First and Second Round Meetings of the Participatory Budget in Porto Alegre (1990-1999)

Year	No. of Participants					
	Regional Assemblies		Thematic Plenaries		Total	
	1 st Round (a)	2 nd Round (b)	1 st Round (c)	2 nd Round (d)	1 st Round (a+c)	2 nd Round (b+d)
1990	348	628			348	628
1991	608	3.086			608	3.086
1992	1.442	6.168			1.442	6.168
1993	3.760	6.975			3.760	6.975
1994	2.638	7.000	598	1.011	3.236	8.011
1995	6.855	4.966	1.640	806	8.495	5.772
1996	6.574	3.574	1.079	714	7.653	4.288
1997	8.183	3.725	2.903	1.213	11.086	4.938
1998	9.573	4.134	2.206	532	11.779	4.666
1999	11.667	5.077	2.940	871	14.607	5.948

Source: CIDADE 1999^a

Note: The Thematic Plenaries were created in 1994.

¹⁵ The total number of participants in 2000 and 2001 were 14.408 and 16.612 respectively (CIDADE 2001).

In 1998 the Municipal Government of Porto Alegre (Prefeitura Municipal de Porto Alegre – PMPA) along with CIDADE, a local non-governmental organization, carried out a survey of the profile of participants in the OP. Similar surveys had been made during 1993 and 1995. In 1993 the research undertaken by GAPLAN emphasized the socio-economic profile and the type of associative ties of the participants. In 1995, in partnership with two NGOs, the investigation was broadened to the field of the political perceptions of the participants.¹⁶ In the last survey, in 1998, a major concern was to investigate the participants' knowledge level of the OP and their involvement with the process (CIDADE 1999).

The most striking finding of this last survey is the major presence of women in the Participatory Budget meetings. Whereas in 1993 women represented 46,7% of the participants, in 1998 this figure increased to 51,4% of the total number present in the various instances of participation of the OP. This corroborates testimonies of housing cooperative's members who say that

*The women participate more. The husbands are grabbed to the meetings.*¹⁷

The subject of the Participatory Budget is a woman. She:

Regarding the interviewee's profile, and having the percentage concentration as a basis, we find a more than 34 years old married woman, earning until 4 minimum wages, with elementary school education, unskilled manual worker of the private sector with a labor journey between 40 and 44 hours a week. Motivated by demands, she knows more or less the OP functioning, but doesn't know the difference between Thematic and Regional assemblies. She believes that the participation defines the policies, public works and services of the Porto Alegre Municipal Government and recognizes that her community has already been benefited through the OP. She trusts the representation of delegates and councilors as well as the information and elucidation given by the municipal government. Being a active member of the dwellers association, she has participated in the OP in previous years, but has not been chosen as a delegate or councilor yet (CIDADE/CRC 1999:13) (my translation).

Regarding income, almost 57% of the participants earn up to four times the minimum wage and 30% have incomes of twice the minimum wage.¹⁸ Compared to

¹⁶ The partners in the survey were CIDADE, FASE –Porto Alegre and Rebecca Abers, then a Ph.D. student from the University of California.

¹⁷ Tânia M. A. da Silva, RENASCER member, interview by author, 30 November 1996, Porto Alegre.

¹⁸ During 1998, the minimum wage in Brazil varied from R\$ 120 (January thru April) to R\$ 130 (May thru December). In April it was equal to US\$ 105 and in December to US\$ 108.

the income levels of Porto Alegre as a whole, the OP participants have higher salaries, since 52,6% of the city's families earn twice the minimum wage (PMPA 1999). Almost 60% of the participants have completed elementary school, and half of the participants are married.

Almost 50% of the participants work more than 40 hours a week. This shows that long journeys to work do not impede attendance at numerous meetings and assemblies that are part of the Participatory Budget process. Almost one fourth of those surveyed are unskilled workers. Thirty percent of the participants work in the private sector and 19% are self-employed. Another significant finding is that 67% of the participants belong to civil society organizations. Among all organizations, the Dwellers Associations gathers together the largest number of people. Along with the number of participants, the number of organizations that attend the OP has steadily increased, from 800 in 1990 to almost 2,000 in 1998. The continuity of participation in the OP is a sign of the constitution of a relatively stable public of the Participatory Budget. The research indicates that 60% of the people surveyed have participated in the OP process in previous years.

The motivations to attend the Participatory Budget meetings are concentrated (53%) on demands related to the neighborhood, land settlement and to issues related to the community in general. These more local demands may explain the higher numbers of participants in Regional Assemblies compared to Thematic Plenaries (see Table 3.3). Another important finding of this survey is the knowledge level of the participants about the rules, criteria and functioning of the Participatory Budget. Half of the people know little or do not know the rules of the OP, and 49% do not know the difference between a Thematic and a Regional Assembly. Ten years of experience have not overcome the numerous barriers to build an aware citizenship. Despite the difficulties that still persist, it is undeniable that the Participatory Budget is a new public space of participation, a space that seeks to include in the decision-making process of the city those who have been historically excluded both from the elaboration and from the benefits of the urban environment's construction.

3.2.4 The Thematic Plenaries and the Cooperatives

In 1994 the initiative of the municipal government, with the approval of the Budget Council, to create the Thematic Plenaries promoted a more global approach to

the process, that until then was very regional. The critics of the opposition and the media classified the OP policy as a *rice and beans* policy. They argued that the OP solved urgent problems of lower income population and did not address the city as a whole. The OP neglected other social sectors – middle classes, business groups and trade unions. The evaluation of the PT government of the OP experiment supported some of the external critics. The creation of the Thematic Plenaries in 1994 and the City Congress held in the end of 1993 were a concrete response to such criticisms (Santos 1998).

The Thematic Plenaries increased the scope of participation in the Participatory Budget, improving the quality of the debates and giving participants the opportunity to envision the development of the city in a more strategic perspective. This body permitted other organized sectors to join the process. The Self-managed Housing Cooperatives were one of these sectors.

In 1994, the first year of the implementation of the Thematic Plenaries, the participation of the housing cooperatives was remarkable. In a survey carried out by the municipal government, from a total of 259 people linked to NGOs attending the second round of the Urban Development and City Organization Plenary, 242 belonged to housing cooperatives (PMPA/SMC 1997:44). The Thematic Plenaries opened a space for the participation of the newly formed cooperatives, which could not be represented in the Regional Assemblies, given their incipient organization and, in many cases, undefined geographical location. Despite this, massive attendance at the Thematic Plenaries in the first year, it was not until 1996 that the cooperatives would have many of their demands met.¹⁹ That year the participation of cooperative delegates to the plenaries guaranteed the assignment of R\$ 350.000 (US\$ 347.567 rate 01/07/1996) for financing 154 urbanized lots to the cooperatives for the year 1997. The cooperatives were responsible for the distribution of these lots. In subsequent years, the cooperatives have obtained in the OP similar amounts to finance the implementation of urban infrastructure in areas of their property.

In this section I have presented the experience of Porto Alegre through the Participatory Budget, a state initiated program and the insertion of the housing cooperatives in this process. It is part of a broader top-down policy aimed at

¹⁹ See in next sections more details about the internal organization of the Forum of Cooperatives and its demands.

benefiting poorer segments of the city and democratizing the decision making process. The next section will deal with another part of the local government that has also had an important role in the formation of the housing cooperatives in the city: the Municipal Department of Housing (Departamento Municipal de Habitação – DEMHAB).

3.3 DEMHAB – STATE SUPPORT FOR THE SELF-MANAGED HOUSING COOPERATIVES

In November of 1989, at the beginning of the first PT administration in Porto Alegre, DEMHAB promoted the seminar *Housing Cooperatives Nowadays*. The main objectives of the seminar were to evaluate cooperative housing programs in recent years and to study the legal changes caused by the new constitution related to housing issues, in order to verify the viability of adopting the cooperative system as one alternative to the municipal housing policy. The target public of the seminar was the professional staff of the municipal administration, labor union representatives and community leaders.

This seminar marked the first step undertaken by the city government to include cooperative housing programs in official municipal shelter policies. Representatives of the Federal Savings Bank (Caixa Econômica Federal - CEF), and other cooperative organizations such as the Institute for Orientation for Housing Cooperatives (Instituto de Orientação às Cooperativas Habitacionais – INOCOOP) and the Cooperatives Organization of Rio Grande do Sul State (Organização das Cooperativas do Estado do Rio Grande do Sul – OCERGS) were also present at the meeting.²⁰ Despite an established consensus about the advantages of housing cooperative programs to combat housing shortage, given the reduction of costs and high potential for community organization (DEMHAB 1989), it was not until 1991 that DEMHAB would take concrete actions to implement such programs. The goal of implementing a cooperative program for organized worker members was explicitly stated in a DEMHAB report submitted to the mayor in that same year.

²⁰ Previous housing cooperative organizations in Brazil, the COPHABs, are discussed in Chapter 2 of this thesis.

It is necessary to look for alternative forms of housing provision for low-income workers, who earn from 3 to 5 minimum wages.(...)

To structure the Housing Cooperative Program we are having contacts with various labor unions, not only to assess the repercussion of this initiative, but also to seek subsidies for the program. (...) We have already had positive answers from some organizations (metalworkers, metro workers, railroad workers and telephone workers), who have immediate interest in the realization of this goal, that is, the formation of housing cooperatives (DEMHAB 1991) (my translation).

Some months after the release of this document, in August of 1991, DEMHAB established the Labor Union Housing Forum (Fórum Sindical de Habitação - FSH), hereafter referred to as FSH, with the goal of searching, along with labor unions, for alternative solutions for the urban workers' shelter problem. Its first meeting gathered 20 people, 9 from DEMHAB and 11 representing 7 labor unions.²¹

According to a 1996 report, FSH did not have a clear working dynamic, lacked clear definitions of its nature and function, being one more space for discussion and distribution of some housing units financed by CEF/FICAM and destined by DEMHAB direction to the labor unions (Buonocore 1997; FSH 1996). The FICAM program (Program for the Financing of Construction or Improvement of Social Housing - Programa de Financiamento da Construção ou Melhoria da Habitação de Interesse Social) was first implemented in 1977, as an attempt by the now extinct BNH²² to reach poorer segments of the population earning up to 3 times the minimum wage.²³

During 1991 DEMHAB obtained federal financing for one thousand housing units through the FICAM program. From these, DEMHAB allocated sixty to the labor unions in Porto Alegre. To distribute the units, DEMHAB called on the city workers unions and also two Federations of Workers, the Unified Workers Central (Central Única dos Trabalhadores – CUT) and the General Workers Central (Central Geral dos Trabalhadores – CGT). Forty units were located in the northeastern part of the city,

²¹ FSH, Minutes, (Porto Alegre, 13 August 1991).

²² As seen in Chapter 2, in November of 1986, as part of an economic stabilization plan (Plano Cruzado II), the federal government abolished the BNH and transferred its functions to the Federal Savings Bank (Caixa Econômica Federal – CEF) and to the Central Bank of Brazil (Banco Central do Brasil - BC).

²³ In Chapter 2, I describe the various low-income housing programs implemented by the national government during the last three decades.

the Chácara da Fumaça neighborhood, and twenty in the southern part of Porto Alegre, in the Harmonia Condominium. These units were distributed among sixteen unions.²⁴

At the end of 1991 the first two cooperatives were formed in Porto Alegre, Cooperativa Habitacional Jardim das Estrelas and COOHABEN. These cooperatives, however, had their origins in the community movement and not in the labor unions. The first union-based cooperative was founded in March of 1992, the CARRIS Cooperative, that gathered together workers from a municipal authority that provides public transportation in the capital. Only one year later, COOMETAL was founded, consisting of workers from the metal industry (see Table 3. 5).

Undoubtedly the growth of housing cooperatives in Porto Alegre resulted from a strategic move of the municipal government to extend its programs to segments other than the community movements. The goal was to create programs for families belonging to slightly higher income brackets (3 to 5 times the minimum wage) to avoid high default rates and also gear these programs to segments with some previous organizing experience. The labor unions fulfilled these two criteria. It is not for nothing that the newly created forum was called the Labor Union Housing Forum.

*At that time, the vision of the linkage between citizenship and unions grounded the consolidation and the political sustenance of the latter. The “citizenship-union” that contemplated housing, health and other than salary demands, was seen as a alternative for the growing emptying process of those organizations and a way to foster the workers participation. The cooperatives offered a double advantage: they stimulated the workers organization and also their autonomy. The role of DEMHAB was to support the organization and structure of the cooperatives. The technical matters were to be met by the private initiative.*²⁵

3.3.1 Engagement of DEMHAB’s workers in organizational assistance

The 1993-96 DEMHAB’s administration formed a special co-ordinating body to stimulate the formation of housing cooperatives. The Cooperative Co-ordination was formed by people linked to the community and labor union movements. Five of

²⁴ FSH, Minutes (Porto Alegre, 8 October 1991). There are no details about which criteria were adopted for the distribution of the units.

²⁵ Selvino Heck, DEMHAB Planning Coordinator, interview by author, 11 September 1996. Porto Alegre.

its seven members belonged to labor unions and two came from the Ecclesiastical Community Bases (CEBs).

*One characteristic of this group was that nobody was familiar with housing, but only with organization and popular education issues. Only after 1994 the technical body of DEMHAB joined the group. Some cooperatives did not have resources to hire a technical assistance team and DEMHAB started to provide this service to the coops.*²⁶

The experience of this initial group in community activism was at the time more important than their familiarity with the housing and land issues. The formation of cooperatives demanded organizational and educational skills to stimulate people to participate in this new endeavor. This organizational support was translated into various forms.

The intricate bureaucracy to initiate the process for the cooperative legalization was shaped jointly by DEMHAB officials and coop members. The 1993-96 municipal administration made a significant investment in the formation of human resources. There was agreement between DEMHAB and the Center for Documentation and Research of the University of Vale do Rio dos Sinos (Centro de Documentação e Pesquisa da Universidade do Vale do Rio dos Sinos – CEDOPE/UNISINOS)²⁷ on a line of research. The focus was to be on cooperatives and rural and urban development, launching a series of courses directed at the members of the newly formed housing cooperatives. During 1993 and 1994 CEDOPE administered five courses, reaching an average of 70 housing cooperative members each. The courses aimed to prepare people to form and develop housing cooperatives in the metropolitan region of Porto Alegre and were directed mainly to leaders of the cooperative movement. In a period of three years there were two municipal and three state meetings of the housing cooperatives,²⁸ besides regional seminars and a Technical Assistance Group meeting.

According to members of the Cooperative Coordination, this coordination had complete autonomy within DEMHAB. Where possible, it did not work with rigid

²⁶ Rafael Gonçalves, Coordinator of DEMHAB Cooperative Coordination (1993-96), interview by author, 23 October 1996, Porto Alegre.

²⁷ DEMHAB/UNISINOS, Convênio para realização de cursos de cooperativismo, (Porto Alegre, 15 April 1993).

²⁸ Municipal meetings: June /1994 and April 1996. Regional meetings: May/1995, July/1995, November/1996.

procedures and performed its functions in a more informal way. This approach hastened results and DEMHAB acquired visibility outside its domain. Despite not being a priority program, it was the one that mobilized people the most.²⁹ The former DEMHAB director confirmed this approach.

*I had experience in the private sector and had my notion of administration, on how to seek results and, also, freedom of action. In the public sector everything has to be registered, stamped, and reviewed by numerous persons and I did not respect that. I tried to avoid errors and the responsibility is mine. Until today, the Municipal Accounting Court has not accepted these procedures.*³⁰

The formation of a special coordination body in DEMHAB and the hiring of seven community activists to foster the organization of housing cooperatives demonstrated that the municipal government put considerable effort into the formation of coops in Porto Alegre. According to people working in NGOs, that assisted the cooperative movement, there was a stimulus and also a veiled pressure exerted by DEMHAB to form cooperatives. That was the pre-condition (to be organized in a cooperative form) to begin a dialogue with the government. The emphasis on a cooperative form over a dwellers association, for example, was that the former, as a legal organization, could shoulder the responsibility of contracting the financing of projects and construction. A dwellers' association could not assume these responsibilities given its limited civil and judicial character. Despite this advantage over dwellers associations, later in this thesis I discuss the difficulties cooperatives have faced in obtaining financial resources as juridical organizations.

The cooperatives are more complex forms of organization than associations or societies. Why do people form a cooperative and not an association? The economic dimension makes the difference. In a cooperative all members will contribute to form a common patrimony. The linkages and obligations have to be well defined: methods of entry into and exit from the organization; how increasing property values are estimated; evaluated; how is financing dealt with; how the property regime is defined; how shares are paid for, bought and sold. All these elements must be foreseen in the bylaws of the cooperative. So, since its creation, the cooperative has a level of

²⁹ Luiz Carlos Volcan, member of DEMHAB Cooperative Coordination (1995-96), interview by author 31 October 1996, Porto Alegre.

³⁰ Helio Corbellini, DEMHAB Executive Director (1993-96), interview by author, 28 October 1999.

complexity, that is not easy to achieve. It needs a higher level of organization and of political maturity. The dwellers association, by contrast, has not so many juricial and organizational requirements for its constitution. The steps to create a small business or an association are less elaborate than those necessary to create a cooperative. According to specialists, another obstacle is the lack of skilled lawyers and accountants that master the process of creation and maintenance of a cooperative (Bucci and Saule Jr. 1994).

The concentrated effort on the formation of housing cooperatives yielded good results. From 1993 to 1996 thirty eight new housing cooperatives were formed in Porto Alegre. The increase in numbers however was not matched by the resources that would make feasible the realization of the coops' projects. The difficulties faced by coop members are treated later on in this chapter.

The third administration of the Workers' Party (1997-2000) in Porto Alegre implemented a change in the Cooperatives' Coordination in DEMHAB. For the community activists of the first phase a more technical staff was substituted. A lawyer, a cooperative specialist, a community organizer and two interns formed the new team to support the cooperative movement. This group was later reduced, with the departure of two persons. Because of the victory of PT in the gubernatorial elections of 1998, the need for experienced cadres to work in state secretariats lead to the dismemberment of working teams in the municipal government, and, in some cases, there were no substitutes to fill the empty positions. After 1998, there was indeed a slowdown in the pace of the creation of new cooperatives.

3.3.2 The mediation role of DEMHAB and technical assistance

The approach chosen by DEMHAB for the resolution of land disputes between occupants and owners was to play a mediation role. As mediator, the municipal authority stimulated the formation of cooperatives as alternatives for the occupants' acquisition and regularization of the land. Bargaining the land price with the owner, threatening expropriation and guaranteeing the transaction between the cooperative and the landowner were strategies used by DEMHAB during those negotiations.

*DEMHAB suffered a great pressure from inhabitants of occupied areas, who were being threatened by eviction law-suits. These law-suits had been in court for five, ten years and could be sanctioned at any time. It was a social problem that could not be ignored. Then we started working with the occupants, organizing them in a cooperative form, even being aware that they would face many difficulties to develop the whole project, the construction. But the very fact of organizing those people in a cooperative system for acquiring the land, it avoided a dozen evictions to occur. If you make a survey, in the last 4 years there were very few evictions from private areas in Porto Alegre. Our actions ended up being beneficial both for the occupants and for the owners of those areas. Because of the occupations, those zones had lost much of their market value, and the negotiation with the occupants could become a good solution for both.*³¹

It will be seen later, in Chapter 6, that the cooperatives originating in land invasions had more difficulties to thriving and in paying the debts incurred in land purchasing agreements.

Apart from the organizational issues, DEMHAB's technical assistance to newly formed housing coops was crucial for their development. The design process for construction and even the search for alternative sources of financing was provided by DEMHAB to those coops whose membership earned less than three times the minimum wage. This assistance, however, was given by other DEMHAB divisions, working in conjunction with the Cooperative Coordination.

3.4 THE HOUSING COOPERATIVES: ORIGINS AND DEVELOPMENT

This section centers on the development of the self-managed housing cooperatives over the last twelve years in Porto Alegre. It is divided into three parts. In the first part, I make a brief overview of the development of dwellers associations and labor unions in Porto Alegre during the last 20 years. For a better understanding of the emergence of the housing cooperatives in the urban scenario, and within the array of local public policies implemented during the 1990s, it is important to understand the evolution of social movements in the capital, particularly of community associations and labor unions. These form the matrix of the cooperatives program in Porto Alegre.

³¹ Carlos Pestana, DEMHAB Executive Director (1999-2000), interview by author, 18 May 2000, Porto Alegre.

The second section examines the process of consolidation of these cooperatives, their insertion into the Participatory Budget and the identification of the restrictions to the use of its resources. The cooperatives' strategies to deal with the high cost of urban land are also discussed as an important issue within the process of development of these organizations. In the final part of this section, with data gathered from the examination of DEMHAB and the cooperatives documents, I outline the general features of the housing coops in Porto Alegre.

3.4.1 Origins of the self-managed housing cooperatives in Porto Alegre

It is not an easy task to trace the trajectory of community and labor union movements in Porto Alegre, since until 1980 there was not much systematic material written specifically about them.³² However, in the last twenty years there has been a body of academic literature that has focused on the subject, with more attention and detail, filling the gap in the field of new urban social movements in the metropolitan region of Porto Alegre. Guareschi (1980) studied urban social movements through the struggles of the neighborhood associations, focusing on their autonomy, independence from political parties and articulation with the workers' movement. Ferretti (1984) analyzed the retraction of urban social movements in Porto Alegre in the beginning of the 1980s, centering on their transforming and specific features. Moura (1989) researched the limitations of the action of the Popular Councils established in 1986 in Porto Alegre as a new form of popular participation in the city administration.³³

Menegat (1995) and Baierle (1992), when discussing the new forms of citizens' participation in the governance of cities, bring to the fore an historical perspective and argue that the success of this new practice in Porto Alegre is much related to pre-existing forms of civil associations. Abers (1997) makes a thorough analysis of the Participatory Budget process focusing on three problems that often undermine state initiated participatory policies: implementation, inequality and co-optation.

³² Concerning the origins of dwellers associations, Menegat (1995:52) cites the paper "Levantamento histórico dos movimentos, organizações, e reivindicações da população favelada", with no date and author indicated belonging to FASE's archives, a non-government organization, as an important source that documents the history of dwellers associations in Porto Alegre.

³³ See also Rosa Ribeiro (1985) and Dvoranovski (1990) on the matter of urban social movements in Porto Alegre and its metropolitan region..

With the exception of Guareschi (1980), who mentions previous and isolated consumer cooperative experiences in some areas of Porto Alegre, and Abers (1997) who tackles, among other things, the issue of planning, policy implementation and its relationship with the construction industry, these studies do not deal with the matter of housing specifically. However, they approach their research themes dealing with concepts of autonomy as opposed to clientelism and cooptation in civil society's relationship with the state. The notion of the construction of social capital within the urban social movements that emerged in Porto Alegre in the last twenty years permeates most of these studies.

3.4.1.1 Dwellers Associations – from clientelistic to combative organizations

The first Dwellers Association of Porto Alegre was founded in 1945 in the Navegantes neighborhood, an industrial district located in the northwestern part of the city. During the 1950s, dwellers associations sprung up along with Porto Alegre's rapid urban expansion. The development of new settlements combined legal and illegal forms. The approval of Law no. 1.233 (1954), that regulated the parceling and commercialization of urban land, caused a growth of illegal and clandestine subdivisions. The requirements for the implementation of infrastructure elevated prices and excluded lower income families from access to legal land (Debiaggi 1978).

The municipal government and the Industry Social Service (Serviço Social da Indústria – SESI) supported many of the newly founded associations and sponsored their congresses, establishing a practice of exchange of favors with the leadership in return for political support from the beneficiaries. In response to this overall practice, in 1962, in the Northern part of the city, again in an industrial area, emerged the Inter-district Assessor and Claimant League (Liga Interbairro Reivindicatória e Assessoradora – LIBRA), an association that defended its autonomy from the state. Its goal was to enforce the weak Federation of Neighborhoods' Association (Federação Rio-grandense de Associações Comunitárias e Amigos de Bairro - FRACAB) founded in 1959. LIBRA proposed a humanistic and anti-paternalistic participation and defended greater exchange with other popular organizations such as labor unions, student organizations and mothers' clubs (FASE n.d.).

After the military coup in 1964 there was a general retraction of political activism. It was not until the end of the 1970s that this new urban form of association, with autonomy and independence from the state as their slogans, would re-appear in the social arena. These new associations could be described as combative, opposing old clientelist forms. Combative associations, as defined by Abers (1997), promoted broad-based resident participation, defended solidarity, equality and basic rights and resisted co-optation by politicians and state officials.³⁴

During the long period of political repression, when any kind of association was considered a threat to the stability of the regime, there was, however, seminal work being done by the church through the Ecclesiastical Community Bases (Comunidades Eclesiais de Base – CEBs). Progressive sectors of the Brazilian catholic church, influenced by the deliberations of the II Latin American Episcopal Conference which took place in Medellin, Colombia, in 1968, directed their action to the poor and oppressed people. *Morally outraged at the abuse of human rights and dignity, catholic priests engaged in the advocacy of not only the spiritual, but also the political and economic needs of the poor* (Hagopian 1996:254). The action of the catholic clergy inspired by Liberation Theology stimulated the formation of groups in which, through discussion of their experiences at home, at work and in other social environments, the poor inhabitants of informal settlements identified their needs and built their identities as citizens with rights to a better quality of life. It was through the collective discussions in the CEBs that the participants identified the Dwellers Associations as adequate public spaces to unify and organize their claims for better living conditions (Menegat 1995:70).

Baierle (1992) reconstitutes the history of struggles of Porto Alegre community organizations in terms of their regional articulations. The territorial basis of organized dwellers constituted a point of reference for their inhabitants and would later influence the division of the city into the 16 Regions of the present form of the Participatory Budget. At the end of the 1970s and during the 1980s, three regions of Porto Alegre, namely the Grande Cruzeiro, Lomba do Pinheiro and Zona Norte established combative associations that would build strong autonomous structures of popular organization. These associations organized around struggles for land, basic sanitation, water provision, schools and public transportation.

³⁴ In Chapter 1, I make a brief overview of the urban social movements in Brazil in the last thirty years.

Adding to these three, there were other regional articulations that would only mature after the Workers' Party administration took office in Porto Alegre, in 1989. These were the regions Glória, Partenon, Leste, Cavahada, Restinga and Eixo da Baltazar. The process of mobilization and debate for the municipal elections in 1988, conflicts between the municipal government and *vilas* settled on areas of environmental preservation, the invasions of land and of unfinished public housing estates³⁵ sparked their organizational potential.

Table 3. 4 summarizes these regional articulations.

The reestablishment of the Federation of Neighborhood Associations, FRACAB, in 1977 through the election of a new leadership proclaimed independence and autonomy from the state. The foundation of the Union of the Dwellers Associations of Porto Alegre (União das Associações de Moradores de Porto Alegre – UAMPA) in 1983 signaled the formalization of self-governing structures that conglomerated individual and regional bodies to carry out their aims and demands. FRACAB would later assume the articulation of community associations at the state level and UAMPA would concentrate on the organization of Porto Alegre's dwellers organizations.

The regional characteristics of the various councils, unions of *vilas*, and articulations had not only a geographical basis but also a political, social and cultural identity. The unification of grassroots organizations around urban conditions through these regional demands widened the perception of the different needs from local solutions to negotiated and broader purposes (Menegat 1995).

These experiences during the 1980s were of substantial importance for all levels of civil society organizations in the coming years. It would be during the 1990s that, along with the construction of the Participatory Budget, and in line with the idea of new practices of direct participation in the political decision-making process, that sector organizations would also be fostered. The self-managed housing cooperatives were one kind of such organizations.

³⁵ As mentioned in Chapter 2, during 1987, low-income families invaded a total of 19.444 incomplete units in the metropolitan region of Porto Alegre (Medvedowski 1993). This invasion of incomplete units belonging to public and private sector was the first time in the city history.

Table 3. 4: Porto Alegre' s Regional Articulations of Dwellers Associations

Regional Articulation	Year of Creation	Number of Associations involved	Location	Origins
Union of Vilas of Grande Cruzeiro	1979	16 out of total of 23	Southeast	- struggles for land, basic sanitation and schools
Union of Vilas Lomba do Pinheiro	1982	14 out of total of 20	East	- struggles for water provision and public transportation
Popular Council of Zona Norte	1987	10 out of total of 18	North	- struggles for public schools, urban betterments, control of a community center.
Popular Council of Eixo da Baltazar	1987	5 out of total of 21	North	- invasions of land and of unfinished public housing estates.
Popular Council of Glória	1988	10 out of a total of 14	Southeast	- conflicts originated by settlements located on environmentally protected areas.
Popular Council of Zona Leste	1989	3 out of total of 12 (later all involved)	East	- mobilization and discussion for the municipal elections.
Community Council of Cavallhada	1982	6 out of total of 28	Southeast	- mobilization and discussion for the municipal elections
Council of Restinga	1988	5 out of total of 9	South	- influence from activists linked to leftist parties (PT and PDT).

Source: Table composed with data from Baierle (1992).

3.4.1.2 Labor Unions – from co-optation to the new unionism

In addition to the urban social movements and the work of dweller associations the labor movement was of major importance in the process of democratization of Brazil in the last twenty years. This key role and the influence of labor unions on the formation of housing cooperatives in Porto Alegre, justifies a short analysis of the movement's trajectory in this section.

Gohn (1994:36) demarcates two phases of the community movements in Brazil: the resistance phase during the 1970s, articulated in specific local struggles mobilizing and aggregating various opposition sectors to the military regime; and a second phase after 1980, when party reform³⁶ occurs and the church's role as the only place that aggregated popular participatory demands in the periphery, ends.

³⁶ From 1964 until 1979, when the government carried out a party reform, there were only two parties in the political system: the Alliance for National Renovation (Aliança Renovadora Nacional-ARENA) representing the government; and the Brazilian Democratic Movement (Movimento Democrático Brasileiro-MDB) representing the opposition to the regime. In 1979, ARENA changed its name to PDS (Partido Democrático Social – Democratic Social Party), to MDB was added the word Party, PMDB, and other parties emerged in the political arena. The PT (Partido dos Trabalhadores – Workers Party) was founded in 1980 gathering various left tendencies and progressive sectors of PMDB.

Along with the community movement, the recently formed opposition parties created new spaces for citizens' participation, as did the *new unionism* that aimed to supplant corporatist forms of labor organization in Brazil's industrial sector. These movements had an important role in challenging the authoritarian regime and the strong Brazilian state.

The elaborate corporatist structure established by Getúlio Vargas during his long period in central power (the *Estado Novo*, 1937-45), co-opted unions, sponsoring and supporting representative associations before they were able to emerge spontaneously, and manipulating them through the control of their finances. The Labor Code (Consolidação das Leis do Trabalho – CLT), consolidated and revised after 1943, required registration of every aspect of unionism and working conditions, including a syndical tax, labor courts and of the minimum wage. All workers' benefits, including *thirteenth-month salary*, child allowances and unemployment compensation, were granted by the government and not gained through labor-management struggles. The dominance of the central government in economic policy-making and the regulation and manipulation of employers' and workers' associations undermined unions and helped the state to control dissent and co-opt opposition (Ames 1973: 27-29).

The labor movement emerged as a key political actor in the Brazilian transition to democracy. During the 1970s, workers began to express opposition to the military regime's economic policies that were depleting the incomes of salaried workers. In 1978 metalworkers of São Bernardo do Campo, in the metropolitan region of São Paulo, sparked the first workers strike that rapidly spread throughout the country. Proponents of the *new unionism* advocated free negotiations between management and labor without government interference. They also introduced out a new model of trade unionism by carrying out grassroots organizing with the goal of strengthening unions at factory level. In 1983 the Unified Workers Central (Central Única dos Trabalhadores – CUT) was formed and since then it has had a prominent role on the Brazilian labor scene (Rodrigues 1995). CUT and the Syndical Force (Força Sindical) are today the two most important confederations of trade unions in Brazil.

The Brazilian trade union movement has changed in the last thirty years. In the 1970s and 1980s it had an important role in the political arena with the union struggles against the military dictatorship and in strikes at regional and national levels. In the

1990s this accumulated experience served as the basis for its relations with business and state for safeguarding workers rights, employment and wages. According to Ramalho (1999),

Some unions have developed a general understanding of the close link between establishing worker rights in the factories (representation, stability, and a reduction in the working day) and broadening gains in democracy and civil rights within wider society (unemployment insurance, training, and flexible retirement) (Ramalho 1999:171).

Union workers have also extended their action beyond corporatist matters and started to deal with community issues related to public transport, education, health and housing. The concept of the *citizen-labor union* was based on the vision that the worker was also a citizen who needed housing, health, education and leisure services. This concept has been adopted by many union activists during the last decade. At the beginning of the 1990s, however, CUT had no clear policy on these issues. The support given by the workers' federation was mainly due to the participation of some specific unions and/or through the members of their executive bodies, who had previous experiences in other sectors and in self-management practices. The experience of the housing cooperative of the metalworkers of Porto Alegre-COOMETAL - illustrates this trend. The newly elected leadership created the Housing Nucleus that, in 1993, formed COOMETAL with 500 members.

In the late 1970s the opposition to collaborative and authoritarian labor unions, the so-called *pelegos*, had grown along with the urban social movements.³⁷ In Porto Alegre, bank staff and metal workers were the most organized. In 1974 the bank workers held their first massive assembly since 1968, when political and civil rights were threatened. On their agenda were the next legislative elections. In 1979, another sector, the construction workers, went on strike demanding a wage increase of 80%. This strike, without the backing of the leadership of the union, which was considered *pelego*, amassed around 50.000 workers and had widespread popular support, including the community movement and the opposition party.

³⁷ *Pelegos* was the adjective given to leaderships and trade unions that would confront neither business nor government, softening their relationship under a cooperating veil. They were considered by the opposition as political henchmen. *Pelego* is the sheep skin which is placed between the rider and the saddle, wool side up, to soften the harshness of the ride.

During the 1980s the articulation between the workplace and the dwelling space was a gradual process that consolidated the need for common interventions by both community and union movements in the struggle for social change and to safeguard democracy and civil rights.

3.4.2 Growth and consolidation of the self-managed housing cooperatives

Between 1993 and 1996 38 new housing cooperatives were formed in Porto Alegre. At the end of 1999 there were 60 consolidated housing cooperatives in the capital. As mentioned in Chapter 2, in a recent survey, DEMHAB counted 73.057 households located in illegal settlements in Porto Alegre. Of this total, 5.983 families (8,2%) are involved in housing cooperatives. Despite the small figure, this percentage is not despicable, given its steady growth and the organizational potential of cooperative entrepreneurs.

Since their formation, the housing cooperatives in Porto Alegre had three distinct origins: those based on labor unions; those based on communities and those based on occupation. The main differences between the **community-based** and **occupation-based** cooperatives, since both may be considered as having the same origins as products of the urban social movements, is the type of cohesion and physical location. In the **cooperatives born out of land occupations**, their members had already occupied an area and formed the cooperative with the purpose of obtaining property titles to the invaded land. This need convinced them to join the organization. There was no general commitment to the cooperative as such. Hence the occupation-based cooperatives have more difficulties in enduring. In general people living under such conditions earn very low incomes; are not linked to the formal market; lack formal schooling and frequently such communities have a history of difficult relationships with public authorities.

In many cases the **community-based cooperatives** were formed through the existing community association of a certain area of the city. The majority of the members live in the same neighborhood, many may live on scattered invaded lots, others pay rent or occupy the back of the lot of a relative. They organize around common goals and save for buying a piece of land where all can build the housing

units in a cooperative way. The wage level varies from up to four times the minimum wage.

The **labor union based cooperatives** have distinct characteristics. The income level is higher and has a wider salary range (3,5 to 10 times the minimum wage). Because of their origin, their members have generally had previous organizational experience and are more autonomous from government tutelage. Many of them were able to pay for technical assistance, contrary to most of the other two types of cooperatives.

By the year 2000, of a total of 60 cooperatives, only 12 were labor union based. Considering that the program was originally designed for the unionized workers, I wondered what could explain this.

The idea of forming housing cooperatives spread out on many fronts. Not only labor unions but also other groups got involved in the debate about the feasibility of forming housing cooperatives. These segments had also previous organizational experience, mainly in the community sphere. At the end of 1994, the massive presence of community based cooperatives participating in the Labor Union Housing Forum (FSH) forced the change of its name to Self-managed Housing Cooperatives Forum (Fórum das Cooperativas Habitacionais Auto-gestionárias - FCHA) hereafter referred to either as FCHA or the Forum of Cooperatives. When asked about the predominance of community over labor union coops, a former DEMHAB director attributed the fact to the influence of the Participatory Budget (OP).

I believe it is the influence of decision-making process of the OP. The labor union movement still has a very small participation in the OP.(...) This movement is passing through a complicated phase: reflux, emptiness, unemployment and people choose to participate through the regions where they live, through the community associations and not through the union. ³⁸

The change of name not only symbolized the inclusion of community-based sectors into the initially union-dominated forum, it was also part of an attempt to disengage the FCHA from DEMHAB. The coordination of FCHA that until 1994 had been carried out by DEMHAB workers, was also transferred to coop leaders. Since the beginning of 1993 the meetings of the FCHA have been held in the headquarters of

³⁸ Carlos Pestana, DEMHAB Executive Director (1999-2000), interview by author, 18 May 2000, Porto Alegre.

a labor union located in the central area of the city. Besides dissociating physically from the government, this location helped FCHA members in attending meetings and assemblies.

3.4.2.1 Access and restrictions to the Participatory Budget resources

The cooperatives' ingress to the Participatory Budget (OP) process through the Thematic Plenaries in 1994 was crucial for the consolidation of the existing cooperatives and for the dissemination of their experiences. The debates in the course of the meetings set criteria and defined internal rules for access to OP resources. However, there were other serious difficulties. The consolidation of the housing cooperatives in Porto Alegre involved growing consciousness of their limitations. The recognition of the difficulties imposed by urban legislation and the need to strengthen ties with other organizations has set the tone of the Forum's actions since then.

Despite their insertion in the Participatory Budget process since 1994, it was only in 1997 that the cooperatives had access to OP resources. The plan of investments for that year included R\$ 350.000 (US\$ 347.567)³⁹ for the implementation of infrastructure works on land owned and/or occupied by the cooperatives. In 1997 the OP's Investment Plan totaled R\$ 140.167.310 (20,3% of the total expenditures of the municipal government). From this sum, R\$ 21.985.741 (15,7%) were allocated to land regularization and housing (see Table 3. 2). The R\$ 350.000 designated for the cooperatives was only 1,6% of total land and housing expenditure for that year.

The Forum of Cooperatives was in charge of distributing the resources among the cooperatives. The discussion of the internal rules for the use of the OP resources resulted in criteria with a heavy emphasis on participation as a means to access funds.

The criteria were as follows:⁴⁰

- Level of participation in the Forum of Cooperatives;
- Level of participation in the Thematic Plenaries;

³⁹ Dollar rate as of 01/07/96.

⁴⁰ Forum of Cooperatives, Minutes, (Porto Alegre, 15 October 1997).

- Level of Participation in the preparation of the Municipal Conference on Housing;
- Planning for immediate design and construction;
- Seniority of the cooperative;
- Type of cooperative (preference for self-management coops)⁴¹;

Two years later, in 1999, there was a consensus between the cooperatives and DEMHAB on the rules for the repayment of the loan. The loan should be repaid in five years with an interest rate of 3% per year, following the Price Table, with a monetary correction according to the Municipal Reference Unity (Unidade de Referência Municipal – URM). The cooperative's land would be used as security and non-payment of the debt would entail forfeiture of the loan.

There are however restrictions to the use of OP resources. Cooperatives that have not finished paying for their land do not have access to OP finance for the implementation of infrastructure. One of the requirements for being included in the annual Plan of Investments is to have the property title of the area, what is only achieved after repayment of the debt. This constitutes a problem mainly to the occupation cooperatives that have extended their land payments over longer periods of time. In the following I discuss the difficulties and the strategies employed to deal with the high cost of urban land in Porto Alegre.

3.4.2.2 Strategies to cope with the high cost of urban land

The desire to own a home is very strong and widespread among all social classes in Brazil. If until the 1940s the *rental housing model* was predominant, the *homeownership* was the model preferred in subsequent decades. The promulgation of a series of laws protecting the tenants, initiated with the Tenancy Law in 1942, discouraged investors from building for rental purposes. On the other hand, in the ideological plan, the diffusion of the view that only homeownership would give social and economic security, contributed to the consolidation of owner-occupied housing as the best option for family savings. The homeownership ideology, particularly among

⁴¹ Here self-management coops include community and union based cooperatives, being occupation coops placed on a secondary position in their internal classification.

the low income segments, would be reinforced by BNH, when it was created in 1964. Since then, Brazilian housing policy has been geared to access to individual owner occupation. Owning a house or a piece of land was a kind of insurance against the uncertainties of the future, especially in a country with high inflation rates, frequent unemployment cycles, and precarious social security. The ownership of a house gives status, facilitates economic relations and opens doors to loans and credit. It is a safe investment and defends the owners from inflation and the state's arbitrary interventions in the real estate market (Taschner 1987).

The land issue continues to be a serious impediment to the development of housing cooperatives in Porto Alegre. In Chapter 2, I depicted the land situation in Porto Alegre, where, according to a 1989 survey, 41% of the total urban land was vacant. This vacant land largely remains in private hands. From the total vacant land, 97% belong to individuals and corporations (See Tables 2.11 and 2.12 in Chapter 2). Despite these findings, for cooperatives, lack of access to land is less serious than it used to be. This slight, but still important, improvement may be due to the conjunction of two factors: the collective savings capacity of the families involved in the cooperative movement and some changes in urban legislation.

Obviously poor families only can afford to buy cheap land. The southern area of Porto Alegre is the one that offers large and inexpensive areas where small farms and leisure areas have been located. The price of land is lower because these areas are environmentally protected, with low density housing of limited size.⁴² Besides that, most of these places are not serviced with infrastructure. Nearly 50% of the housing cooperatives have sought and bought land in the southern part of the city (see Figure 3. 1).

Though warned by city authorities of the obstacles to cooperative housing in these areas, many cooperatives buy environmentally protected tracts of land because they can afford them. The legal ownership of land becomes more important than the potential problems faced by the cooperatives in acquiring building permits in the future. Besides the difficulties of project approval, there is also tension between these cooperatives and environmental protection organizations. The supervisor of the urban

⁴² These limitations are due to the Floor Area Index, which is the ratio between the construction area and the plot area. This ratio added to other urban indices, like the occupancy index determine the development potential of a piece of land.

development division recognizes the problems generated by this kind of land occupation.

*This is the key problem. The cooperatives buy land that is not suitable for occupation. They want to house the maximum number of families to lower costs and later find out that this is not possible, either because the minimum lot area is bigger than in other parts of the city, or because there are water streams, trees and vegetation that have to be preserved according to federal legislation. Here in Porto Alegre the environmental movement is very strong and we are pressed by both sides.*⁴³

As of May of 2000, 45 out of a total of 60 cooperatives have already bought their land without any kind of financing, using only their own savings. From 1992 to the beginning of 2000, 158 hectares have been bought for a total of 5,45 million dollars (see Table 3. 5). The average price has been US\$ 34.452,00 per hectare, and the total spending of each family approximately US\$ 1.108,00. Considering that, at that date, the average income of the majority of the families varied from 1 to 3 times the minimum salary, (US\$ 79,00 to US\$ 238,00) these savings meant that coop members could not afford other basic goods because they had to pay for their coop shares.

The support of DEMHAB as intermediary in the negotiations between landowners and the cooperatives has also helped the negotiations succeed, as prospective sellers felt more confident to negotiate with organizations that had the support and recognition of the municipal government. Previous savings and payment by installment facilitated low-income earners in paying their debts. But there have been cases of default, mainly within the occupation cooperatives.

There have been some advances as cooperatives guarantee access to land. But the vicious circle of land speculation and occupation of the periphery and protected land has not been broken, burdening public expenditures and indirectly benefiting land speculators.

3.4.3 General characteristics of the housing cooperatives

Table 3. 5 and Figure 3. 1 were constructed with data gathered from the Cooperatives Coordination in DEMHAB through each cooperative's files and through

⁴³ Cláudia D'Amásio, Urban Development Supervisor (1997-2000), Secretariat of Urban Planning, (SPM), interview by author, 16 May 2000, Porto Alegre.

interviews with staff workers. It shows a picture of the cooperatives in Porto Alegre, their size, seniority, the land tenure situation, location, area occupied, and average family income in the beginning of 2000. The lack of data on such matters as average family income and land tenure situation (whether the cooperative had acquired land or not) reflects the situation/organization of this important information in DEMHAB. The files were incomplete and dispersed.⁴⁴ Irrespective of these hindrances, the data available was enough for indicating some trends about the coops' evolution.

The first interesting finding is that of the 60 cooperatives, 25 originated in land invasions, 23 are community based and only 12 are union based cooperatives. Considering the labor union origins of the Forum of Cooperatives, there was an inversion in the proportion of union and occupation cooperatives. This can be explained by the overall Land Regularization policy implemented by DEMHAB in the last 10 years, stimulating the organization of dwellers into cooperatives as a way of regularizing their land. Of the 25 cooperatives originating in invasions, 19 are settled on private land. The most striking finding is that 16 out of the 19 have already acquired their land. Many indeed are still paying the land in installments but were successful in negotiating this with the landowner. There was no information concerning the time the land had been occupied. Of the 6 cooperatives occupying public land, only 3 had acquired the Right to Real Use (CDRU).

Of the 60 cooperatives, 45 have already acquired a total of 158 ha, mobilizing US\$ 5,45 million and benefiting 4.915 families. This sum means that each family has saved US\$ 1.108 on average. The data on median family income is incomplete, but the available information suggests that there is a income difference among the three types of cooperatives. The members of the invasion cooperatives earn on average from 1 to three times the minimum wage. The community based cooperatives bring together families with a variety of incomes, ranging from 1 to 8 times the minimum wage. The union based cooperatives have higher brackets, consisting of families that earn, on average, from 3,5 to 10 times the minimum wage.⁴⁵

Another important factor to look at, still related to the family income of the coop members, is the time spent to buy the land. Again here I am working with

⁴⁴ In 2001, this situation had changed. For updating some data, I asked for information to DEMHAB and got an immediate response with a very organized database about all cooperatives registered in the agency's cadastre.

⁴⁵ The minimum salary in May of 2000 was R\$ 151,00 (US\$ 82,51).

incomplete data. From the total of 60 cooperatives, 17 either did not buy the land or did not have this information available. The remaining 43 show that 55% of the total of coops take up to 3 years to effectively buy their land. There are cases of cooperatives that take six years to complete negotiations.

Regarding the size of the cooperative, 60% have from 20 to 80 members, 20% have from 81 to 160 families and the remaining 20% varies from 161 to 400. The size of the cooperative may be a two edged sword. On one hand more people are able to pool a great amount of resources. On the other hand there is a need for larger tracts of land to accommodate all the prospective residents. The area/price ratio versus resources available will then determine the location, density and spatial solutions adopted.

Looking at Figure 3. 1, it is evident that the cooperatives are concentrated in the southern and eastern zones of the city. Regions 8, 9, 12, 13 and 15 of the OP concentrate 40% of the coops. There are also larger number of cooperatives located in regions 6, 7 and 10. Lower land prices of environmentally protected areas have caused these concentrations in the southern neighborhoods of the city. The problems caused by these choices have been introduced in this section and will be treated at greater length in Chapter 6.

The data available did not include information about the phase of construction and the form of financing (self-financed or other) of the housing units. According to testimonies of DEMHAB staff, it was only after 1997 that some cooperatives initiated the construction of dwellings.

The analysis above shows that the cooperative program carried out by DEMHAB has indeed contributed to the formation of self-managed housing cooperatives. But there has been more progress in land purchasing than in the construction process of these organizations. Through the case studies of a community and labor union based cooperatives we will then analyze in more depth the obstacles and achievements of this partnership.

Table 3. 5: Self-managed Housing Cooperatives registered in DEMHAB in Porto Alegre

May 2000

Nº	COOPERATIVES	ORIGIN	N.º ASSOCIATES	DATE OF FOUNDATION	AREA (M2)	PRICE IN US\$	DATE OF ACQUISITION	LOCATION		FAMILY INCOME (MINIMUM * WAGES)
								ADDRESS	OP REGION	
01	Coop. Hab. JD. das ESTRELAS	Invasion/ (private)	80	29/09/91	39.600,00		12/06/92	J. Batista/ Cristiano Kraemer	12	1 to 3,5
02	COOHABEN – Cooperativa Habitacional Belém Novo Ltda.	Community	112	10/10/91	1.742,40	55.504,16	10/07/97	Estrada Gedeão Leite	13	1 to 3,5
03	CARRIS- Coop. Hab. Dos Funcionários da Cia. CARRIS	Labor Union	40	31/03/92	1.742,00	55.504,16	10/07/97	1.º Setembro, 26 Dezembro, 1.º Março / Sto. Alfredo -	07	1 to 3,5
04	COOBOM- Coop. Habitacional dos Bombeiros da Brigada Militar Ltda.	Community	90	02/07/92	96.763,68	37.841,30	24/08/92	João Antonio da Silveira / Pça. Cecília Monza	08	3 to 6
05	COMBEL- Coop. Hab. Mista Nova Belém Ltda.	Community	36	24/08/92	15.000,00	313,28	02/04/93	Lomba do Pinheiro	04	1 to 3,5
06	Coop. Hab. Moradores da Vila STO. ANTÔNIO	Invasion (private)	70	14/02/93	10.946,69+ 3.097,51	218.400,10	26/03/99	D.Teodora/E. Neugebauer	01	1 to 3,5
07	COOMETAL- Coop. Prod. Manut. Hab. Metalúrgicos de Porto Alegre	Labor Union	350	05/03/93	122.337,00	156.000,00	29/04/93	Estrada João a Severino, 670	14	3,5 to 10
08	VIGICOOP- Cooperativa Habitacional dos Vigilantes	Community	66	27/03/93	34.848,00	32.300,00	27/12/95	São José- Sta. Teresa / Nove de Junho	07	3 to 8
09	COOTEEPA- Coop. Hab. Trab. Estabelec. Ensino Rede Privada Porto Alegre	Labor Union	28	15/05/93	22.000,00	18.000,00	25/10/94	Lomba do Pinheiro	04	3,5 to 10
10	Coop. Hab. CHAC. FUMAÇA Q158	Invasion (public)	100	21/07/93	22.770,00 10.560,00	CDRU 314.338,57	01/07/97	Estr. Martin Félix Berta / Rua 26 de Março	06	1 to 3,5
11	Coop. Hab. SANTANA do AGRESTE	Invasion (private)	150	21/08/93	27.200,00	131.866,73	01/08/96	São Guilherme / 9 de Junho- Partenon	07	1 to 3,5
12	COOHARE – Coop. Hab. RENASCER	Community	95	26/09/93	15.846,82	CDRU 1995	01/10/95	Mário Quintana- Av. Deodoro/ Manoel Marques	06	1 to 3,5
13	Coop. Hab. VALE VERDE	Invasion (private)	50	27/09/93	13.113,90	17.280,00	18/10/95	Estr. do Rincão – Belém Velho	09	1 to 3,5
14	Coop. Hab. COLINA do PRADO	Invasion (private)	250	20/03/94	148.359,87	In negotiation		Beco do Carvalho	03	1 to 3,5
15	COOHADIPE – Coop. Hab. Diretor Pestana	Invasion (public)	153	05/04/94	267.548,00	In negotiation		D.Teodora / A.Pestana	01	1 to 3,5

Nº	COOPERATIVES	ORIGIN	N.º ASSOCIATES	DATE OF FOUNDATION	AREA (M2)	PRICE IN US\$	DATE OF ACQUISITION	LOCATION		FAMILY INCOME (MINIMUM WAGES)
								ADDRESS	OP REGION	
16	COOTRAJOR- Cooperativa dos Trabalhadores em Jornalismo	Labor Union	23	07/04/94	23.574,00	89.285,71	21/01/98	Zona Sul -Vicente Monteggia	12	3,5 to 10
17	COOHADOMA- Coop. Hab. D. Malvina	Invasion (Motel)	40	09/04/94	2.420,00	In negotiation		Rua D. Malvina - Sta.Teresa	10	3,5 to 10
18	ABEMEVIC- Associação de Construção	Community	28	23/04/94	1.742,00	CDRU		Av. Manoel Marques, Q161	06	
19	COOHAMPA- Coop. Hab. Dos Municípios de Porto Alegre	Labor Union	38	09/06/94	2.860,00			Est. Campo Novo-	12	
20	Coop. Habitacional ALDEIA dos SONHOS	Community	32	20/08/94	19.349,00	111.464,96	01/08/95	Vicente Monteggia, 2000 /Zona Sul	12	
21	COOHMASPA- Coop. Hab. Municípios da Área da Saúde de Porto Alegre	Labor Union	25	23/09/94	3.630,00	22.264,00	28/12/95	Rua Dolores Duran, 1280 - Lomba do Pinheiro	04	
22	Coop. Hab. VILA NOVA ESPERANÇA	Invasion (public)	198	04/11/94	25.000,00	CDRU(?)	22/10/98	Baltazar de Oliveira Garcia	14	1 to 5
23	COOHALPI- Coop. Hab. Alpes do Pinheiro	Community	250	18/11/94	110.000,00	277.731,84	23/02/95	João O . Remião - Lomba do Pinheiro	04	3,5 to 10
24	COOHACID - Coop. Hab. Moradores da Cidade de Deus	Community	25	14/12/94	5.000,00	47.186,00	20/01/97	Estrada Gedeão Leite, 780 / Chácara Sto. Antonio		1 to 5
25	SOBRADOS – Coop. Hab. Sobrados da Zona Sul	Community	36	18/12/94	16.509,50	92.003,48	14/05/98	Rua Júlio D. Souza, 339 / Hípica	15	1 to 10
26	COOPLETE- Cooperativa Habitacional Residencial Leste	Community	32	20/12/94.	5.860,00	82.397,00	28/05/97	Rua Athos Lopes Maisonave, 33 / Beco do Nunes	03	1 to 8
27	Coop. Hab. RESTINGA ZONA SUL	Invasion (private)	25	23/12/94	3.289,00	48.308,00	11/07/95	Passo do Salso /Estr. Chácara do Banco	08	
28	COOHAPAZ- Coop. Habitacional Moradores Chácara da Paz	Invasion (private)	107	Before 1995	31.982 ,00	50.520,00	07/11/94	Rua João Couto / Dr. Vergara - Belém Velho	09	1 to 3,5
29	COOHATEPA- Coop. Hab. Trabalhadores em Educação de Porto Alegre	Labor Union	51	18/01/95	17.680,00	92.764,00	1997	Est. João Passuelo	12	3,5 to 8
30	COOPHJUSTRA- Cooperativa Habitacional da Justiça do Trabalho	Labor Union	24	29/04/95	5.100,00	224.250,00	01/96	Rua Afonso Arinos, 291 - Camaquã	12	
31	Coop. Hab. PASSO DO SALSO	Invasion (private)	108	17/05/95	50.000,00	69.675,00	05/07/95	Est. Edgar Pires de Castro	08	
32	Coop. Hab. JD. ESPERANÇA	Community	70	20/08/95	32.883,00	68.555,00	05/09/97	Estrada Gedeão Leite	15	1 to 8
33	Coop. Hab. COQUEIROS	Invasion (Motel)	61	26/08/95	302,40	218.294,01	12/05/97	Sta.Teresa- Bco.Inglês/Bco Comércio	10	

Nº	COOPERATIVES	ORIGIN	N.º ASSOCIATES	DATE OF FOUNDATION	AREA (M2)	PRICE IN US\$	DATE OF ACQUISITION	LOCATION		FAMILY INCOME (MINIMUM WAGES)
								ADDRESS	OP REGION	
34	COOHAMPA – Cooperativa Habitacional Metropolitana de Porto Alegre	Community	397	27/08/95	222.831,00	400.000,00	23/07/99	Av. Protásio Alves / Leste Vila Safira	06	2,5 to 8
35	SOBRANORTE II – Coop. Hab. Autogestionária Sobranorte II (ATEMPA2)	Labor Union	27	28/10/95				Rua Prof. Paula Soares, 1515 / Bairro Jardim Itú	02	
36	Coop. Hab. ILHA DO SOL	Community	49	08/11/95	18.677,24	77.922,08	29/06/98	Rua Araranguá / Serraria	15	
37	COOHNE- Coop. Hab. Núcleo Esperança	Invasion (private)	44	01/02/96	6.600,00	121.359,00	01/11/97	Campo Novo- Rua Rio Grande, 119	12	
38	COOPSOL – Coop. Hab. Solidariedade	Labor Union	30	13/04/96	13.650,00	46.666,66	22/01/99	Estr. João Passuelo, side even, 320 m from Estr.Furnas	12	1 to 8
39	Coop. Hab. PORTO DOS CASAIS	Community	320	01/05/96				Estr. Retiro da Ponta Grossa,427	13	1 to 8
40	COOTRAPOA – Cooperativa dos Trabalhadores de Porto Alegre	Community	116	06/06/96	44.500,00	209.723,00	01/02/97	Av. Prof. Oscar Pereira, 7450 / Antonio Borges	09	
41	Coop. Hab. MORADA do SOL	Community	24	01/07/96	2.094,58	148.837,21	16/06/97	Baltazar de Oliveira Garcia,703	14	1 to 8
42	COOPELLO- Coop. Hab. Ello Dourado	Invasion (private)	252	28/07/96	70.330,00	408.007,62	02/02/97	João Oliveira Remião/ Afonso Lourenço Mariante	04	
43	COOTRABANCE- Coop. Hab. Trav. Banco Central	Invasion (private)	36	21/10/96	9.064,70			Rua Banco da Província	10	
44	SEMACOOP - Cooperativa Habitacional	Labor Union	21	10/03/97	21.500,00 (26/03/99	Monte Cristo, 945	12	
45	Coop. Hab. MANCHESTER	Community	25	22/06/97	40.000,00	60.622,03	29/03/99	Rua Dolores Duran, 2211 Lomba das Tamancas	04	
46	COOHAMPRO- Cooperativa Habitacional Moradia Própria Ltda.	Invasion (private)	190	19/09/97	25.938,00	579.890,00	1998	Rua José Marcelino / Vila Valneri Antunes	06	
47	COOPEMG – Cooperativa Habitacional Max Geiss	Invasion (private)	70	21/11/97	13.032,72	94.886,66	19/03/99	Bernardino Silveira Amorim, 3.919	14	
48	CHAPATRAL- COOP. Hab. Trabalhadores Rodoviários Autônomos de Porto Alegre	Community	62	01/01/98	2.675,80			Estrada do Campo Novo	12	1 to 8
49	COOPHSAM – Coop. Hab. Semeando Amanhã	Invasion	60	10/02/98	13.480,00	In negotiation		Rua Orfanotrófio	10	
50	COOPSAL – Coop. Hab. Do Morro da Cruz São Luiz Ltda.	Invasion (private)	100	15/02/98	35.000,00	78.397,00	02/05/98	Rua Nove de Junho, after 1.790 / Partenon	07	
51	COOHAVIDA – Coop. Hab. Vida Nova	Invasion (private)	132	30/05/98	19.420,00	254.391,00	10/03/99	Rua José Marcelino – Chácara da Fumaça	06	

Nº	COOPERATIVES	ORIGIN	N.º ASSOCIATES	DATE OF FOUNDATION	AREA (M2)	PRICE IN US\$	DATE OF ACQUISITION	LOCATION		FAMILY INCOME (MINIMUM WAGES)
								ADDRESS	OP REGION	
52	CCOHAVAPE – Coop. Hab. Vale das Pedras	Invasion (public)	280	19/08/98	100.000,00	In negotiation		João de Oliveira Remião, 6.285	04	
53	COOHAMAQ – Coop. Hab. Mário Quintana	Invasion (private)	190	18/07/98	26.400,00	320.973,00	1999	R. Martin Félix Berta	06	
54	COOPNUNES – Coop. Hab. Clara Nunes	Invasion (private)	409	02/12/98	160.187,00	134.820,24	20/01/99	Estr. Edgar Pires de Castro, 5.000	13	
55	COOHACRUZ – Coop. Hab. Sta. Cruz Cidade de Deus	Community	20	20/12/98				Cavallhada	12	
56	Coop. Hab. 1.º DE MAIO	Community	22	01/05/99				Sarandi	05	
57	COEMA – Coop. Hab. Funcionários CSMM/Brigada Militar	Community	120	16/05/99	60.000,00	44.900,00	10/06/93	Est. João Antonio da Silveira, 2.601	08	
58	Coop. Hab. TIRADENTES -Brigada Militar e Segurança Pública	Labor Union	70	11/06/99						
59	COOPERCAM – Cooperativa Habitacional Camaquã	Invasion (public)	90	06/08/99	137.812,00			Rua Prof. João Pitta Pinheiro, 615	12	
60	Cooperativa Habitacional União Social	Community	26	07/08/99	54.2666,00	35.135,00	06/12/99	Rua Encantadora, 640	07	
	TOTAL		5.983		2.300.247,89 (230 ha)					
	TOTAL land acquired and corresponding price and families involved		4.915		1.581.540,12 (158,15 ha)	5.448.582,80 (US\$)				

Source: DEMHAB – Cooperatives Coordination. 1999/2000,Report.

DEMHAB/Forum of Cooperatives. 1995b. Report of II Encontro estadual das Cooperativas Habitacionais Auto-gestionárias. 8-9 July, Porto Alegre..

Obs: The blank cells in the Table denote the unavailability of that specific data.

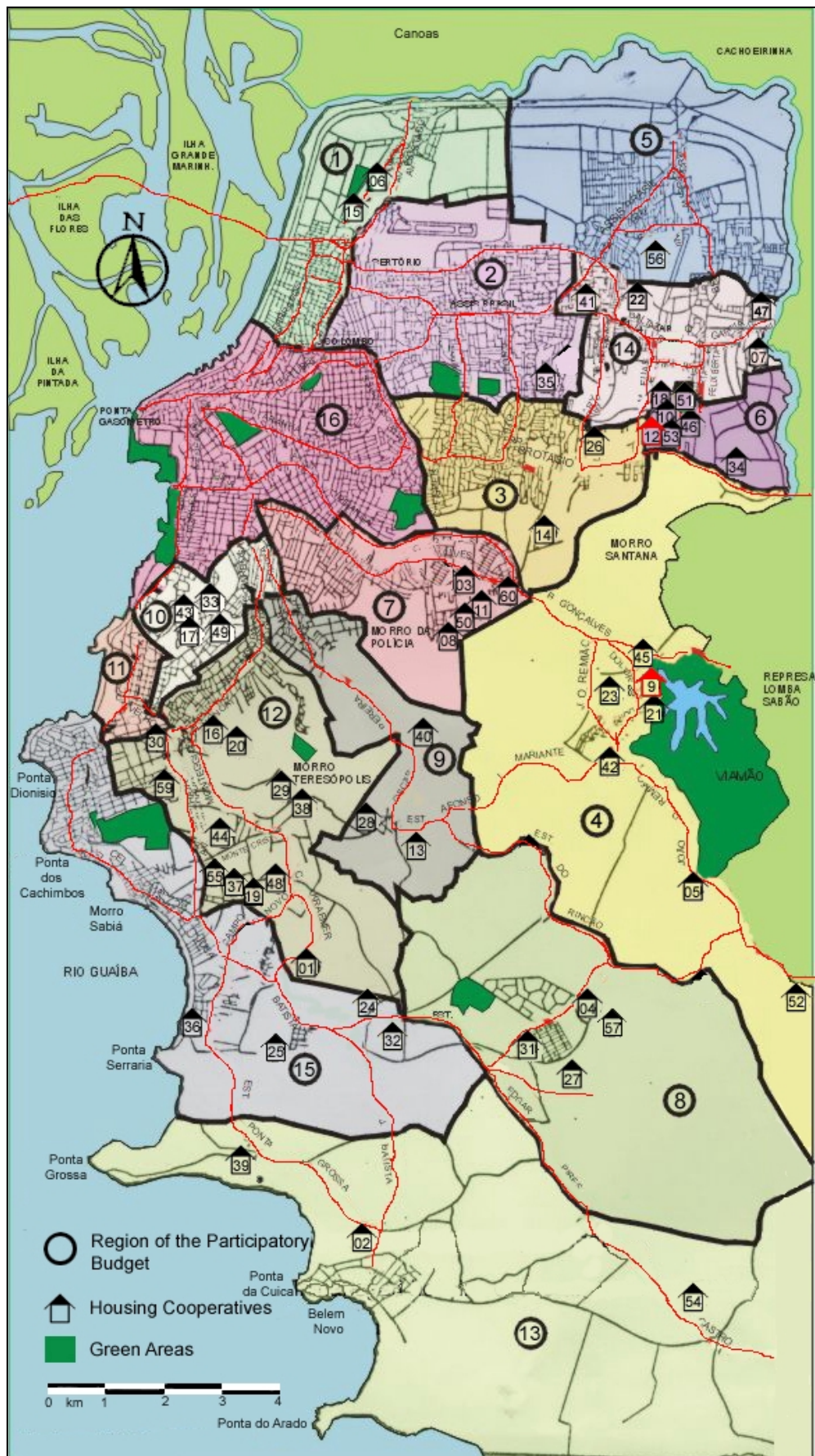


Figure 3. 1: Location of the housing cooperatives in the regions of the OP in Porto Alegre.

3.5 PORTO ALEGRE – A CASE OF “SYNERGISTIC PARTNERSHIP” ?

This final section aims to relate these findings to some of the concepts discussed in Chapter 1, mainly state/society relationships and the issues and historical perspective raised in Chapter 2 and in the previous sections of this chapter. At the same time the following discussion lays the basis for answering the first set of questions posed at the beginning of this work: how have state/society interactions shaped the development of the housing cooperative organizations and what influence have they had on the implementation of housing and urban policies at local level?

The state in society and synergy approaches share the idea that under certain conditions state/society relations can be mutually empowering. I have argued that both approaches may be applied to Porto Alegre and that the city has experienced a synergistic relationship that has been mutually enforced by state and society in the last 12 years. This synergistic relationship has also influenced the formation and development of the housing cooperatives throughout the last decade. I will base my argument particularly on the conditions that have facilitated the emergence of state/society synergy, suggesting that, in the case of Porto Alegre, there was a mix of *endowment* and *constructability* in the ways the housing cooperatives developed, along the lines of the broader participatory experiment carried out through the Participatory Budget.

Evans' (1996) endowment view of synergy focuses on the importance of pre-existing features of the society and polity that are relatively difficult to build in the short run. A prior stock of social capital, the form of the political regime, the character of political institutions may be viewed as endowments that can facilitate or hinder the emergence of synergy. I base the endowment view of synergy in Porto Alegre on three main issues: a) the high level of participation of the city's population in civic associations; b) the tradition of permeability/openness of elites in power to dialogue with popular segments; and c) the previous experience of urban social movements in articulating demands regionally and negotiating with public authorities. The last two factors are put forward by Menegat (2001) in her research on the trajectory of the actors involved in the democratization process underway in Porto Alegre in the last 12 years.

a) The high level of participation of the city's population in civic associations –

It was mentioned before that the Metropolitan Region of Porto Alegre, in comparison to other regions of the country, has the highest proportion of people engaged in civic associations (38%). In addition to the highest percentage of people affiliated to civic organizations and political parties, it also had the smallest difference in participation between men and women and the highest degree of sympathy for left wing parties (Santos Júnior 2000). Another issue that corroborates these data is that 67% of the participants in the Participatory Budget belong to civil society organizations. The Dwellers Associations are the ones that consist of the largest numbers of people. Considering the housing cooperatives, the predominance of community based and labor union origins over the occupation cooperatives is a sign of the prevalence of previous associational ties among the members of these cooperatives.

b) The tradition of permeability/openness of the elites in power to dialogue with popular segments -

In Chapter 2, through an overview of housing policies, I have highlighted Menegat's (2001) argument, that the elites who have controlled the administration of the municipal power in Porto Alegre from the beginning of the century until the military coup, had developed a unique tradition of dialogue between the state and civil society on urban and housing related issues. This dialogue, if it has not solved the enormous housing and urban problems, has planted the seeds of a more equitable relationship. The positivist era in Porto Alegre in the first three decades of the 1900s, followed by the populist years that lasted until 1964, when the authoritarian regime was installed, showed a gradual process of conflict and negotiation that would only be experienced after 1985, during the process of re-democratization of the country.

We believe that, in the end of the populist period, the relationships between political parties, municipal administration and urban popular segments, have reached in Porto Alegre, a level of democratization superior to other Brazilian capitals. We could add, yet, that given the different interests of the alliances formed within the populist block, the popular classes learned how to preserve their interests, building their own identity (Menegat 2001:14) (my translation).

The recurrence of the use of a progressive land tax in different periods (1920s, 1950s and 1990s) by different parties in power to finance social investments exemplifies the permeability of the state to social demands and expresses the results of social pressure exerted through re-elaboration of traditions and experiences historically

shared (Menegat 2001). Soares (1999) also affirms that the cities of Recife, Belo Horizonte and Porto Alegre were the ones where successful experiences in participatory democracy reached higher levels of systematization, given their previous tradition of dialogue between state and organized society. Tarrow's work corroborates these views. Tarrow (1994:18) cites the anthropologist David Kertzer who says that *collective action is not born out of organizers' heads but is culturally inscribed and communicated. The learned conventions of collective action are part of a society's public culture.* Tarrow (1994:19) adds that there is a *repertoire of contention* and that *each society has a stock of familiar forms of action that are known by both potential challengers and their opponents – and which become habitual aspects of their interaction.*

It is valid to say then, that the present participatory practice translated in the Participatory Budget and correlated actions that have been experienced by Porto Alegre's citizens, have their roots in prior experiences of negotiation between the local state and popular organizations, which have been accumulated and re-elaborated over some decades.

- c) The previous experience of urban social movements in articulating demands regionally and negotiating with public authorities –

The overview of the regional articulations of community associations organized in Popular Councils in the last 20 years in Porto Alegre (see

Table 3. 4) corroborates the advance of a collective strategy of action on isolated initiatives. Besides the articulation among Dwellers Associations themselves, these have also interacted with other kinds of associations (Mothers Clubs, Samba Schools, Sports Associations) to struggle for urban services like education, as was the case with the Popular Council of Zona Norte. These practices have given to civic associations more power to negotiate with public authorities. Concerning the housing cooperatives, the Forum of Cooperatives, despite being initiated by the municipal government, it has developed into a space where cooperatives with different origins join forces in competing for public resources.

The issues discussed above indicate that both the consolidation of the Participatory Budget and the emergence of the housing cooperatives in Porto Alegre are brought about by two factors. A prior stock of social capital, represented by a relatively robust civil society, but also the successive interactions between organized

segments of society and the elite in power that gradually forged a certain openness in negotiating conflicts and demands. This permeability however has functioned in a reactive way. The same segments that had their demands negotiated, and sometimes fulfilled, had never participated in the elaboration of either housing or other sectors' policies. Such participation only occurred effectively after PT took office and implemented a more inclusive policy that had a catalyst effect on other sectors of urban life.

Constructability in the synergy approach advocates the possibility of building synergistic relations in the short run through institution building and organizational change even under difficult circumstances (Evans, 1996 b). Migdal *et al.* (1994) suggest that a state's relative effectiveness depends on the degree to which the forms of state/society relations are interwoven. Tarrow (1994) argues that changes in the political opportunity structure create incentives for collective action. All these concepts apply to Porto Alegre under the PT administration over the last 12 years. The commitment to bottom-up decision making, internal democracy and empowerment of civil society facilitated the construction of synergistic relations between state and society at general levels, through the Participatory Budget and at specific levels, through the housing cooperatives.

The role of the state, and I may label it, an enabling state, was fundamental to the effectiveness of these participatory experiences in Porto Alegre. Huber *et al.* (1997) also point out the direct relationship between state action and civil society organization.

It is fundamentally mistaken to view the relation between state action and the self-organization of society as a "trade off" – the more of the one the less of the other. To the contrary, associations in civil society have tended to grow, both in the United States and in Europe, as the state took on new tasks in society. The self-organization of subordinate classes, too, stands everywhere in a relation of mutual reinforcement with state social policies (Huber et al. 1997: 328).

Abers (1997) uses Skocpol's (1985) conditions that allow autonomous action on the part of state actors for explaining the success of the Participatory Budget implemented in Porto Alegre.

The last two chapters have shown that in Porto Alegre the local administration acquired a substantial amount of decision-making autonomy in the area of capital expenditures because each of Skocpol's conditions were, at least to a certain extent, fulfilled. The several hundred appointed employees that carried out the bulk of participatory organizing were the "loyal and skilled officials." The ability of the government to raise revenues created the "financial resources". The structure of local government in Brazil, made even more autonomous with the 1988 Constitution, provided "operational autonomy" (Abers 1997:156).

Whereas these conditions were indeed fulfilled in the case of the Participatory Budget policy, I cannot say the same for the housing coops. Only the first condition, the creation of loyal and skilled officials, was fully achieved, mainly through the involvement of the experienced team of community activists in the formation of new cooperatives. DEMHAB's dependence on federal resources for the implementation of housing related programs impedes it from significantly scaling up some of its programs, as is the case with the cooperatives program.

During the period 1993-96, 38 new cooperatives were formed. Not only the housing coops increased out in numbers, as there was a significant investment on the formation of human resources both within DEMHAB's cadre and among cooperatives' membership. The establishment of courses and workshops to prepare people to organize and live in cooperatives constituted a concentrated effort to construct social capital and scale up the reach of the cooperatives as an option for low-income housing provision. Evans (1996b:1130) notes that the combination of strong public institutions and organized communities is a powerful tool for development and that more crucial than prior endowments of social capital *is the question of scaling up existing social capital to create organizations that are sufficiently encompassing to effectively pursue developmental goals*. It appears that there was effectively a growth of organizations to carry out cooperative housing, but external constraints, such as access to credit menaced the quality of this growth.

At this point it is important to mention the significance that the knowledge of successful experiences had in influencing people's perceptions in believing in the potential of cooperatives as feasible entrepreneurs, even under unfavorable conditions. The source of inspiration and models referred to, not only in the literature but also by numerous people involved in the housing cooperative movement in Porto Alegre

during the last decade, were undoubtedly the experience of the self-managed housing cooperatives in Uruguay and the FUNACOM housing program in São Paulo.

These two experiences had in common the commitment of community organizers and an enabling state, as was the case in Porto Alegre, plus access to financial resources for the realization of cooperative projects. In Uruguay, the 1968 Housing Law (Ley 13.728 - Plan Nacional de Vivienda) became a landmark to regulate the housing cooperative system. This law resulted from the struggle among the various interest groups involved in housing production: the construction industry, the real estate sector, labor unions and the state itself. The most important factors were the implementation of subsidies to low-income housing and the creation of new mechanisms and legal measures to promote housing construction through cooperatives, social funds and private initiative (FUCVAM 1995).

The São Paulo Low Income and Self Management Housing Program (FUNACOM/FUNAPS COMUNITÁRIO - Fundo de Atendimento à População Moradora em Habitação Sub-normal⁴⁶) was a program implemented by the municipal government of São Paulo during the PT administration from 1989 to 1992. This program was implemented by the Housing Superintendency of São Paulo Municipality (Superintendência de Habitação de São Paulo - HABI) emphasizing self-management and community participation. It was the main housing program set up by the municipality and it achieved very good results concerning costs and the quality of the units built. FUNACOM financed building materials, land acquisition and development for low-income groups. The program channeled funds directly to the families through their community associations and in some cases, to cooperatives too. In four years FUNACOM financed the construction of 10.800 units (Denaldi 1997).⁴⁷

In Porto Alegre, DEMHAB's lack of major financial resources sufficient to finance construction has impeded a more substantive support for the development of self-managed housing cooperatives and scaling up the reach of this program. The Uruguay and São Paulo experiments show the importance of cheap loans to reach a scale compatible with the need. As was said before, the partnership between the coops

⁴⁶ The FUNACOM was financially linked to FUNAPS, a fund created in 1979 and directed to low-income families for housing improvements and construction. FUNAPS had a strong clientelistic and assistance bias not seeking cost recovery. The FUNAPS was then reformulated by the PT administration making feasible the construction of housing units through self-help and self management practices. The FUNAPS and FUNACOM will be referred hereby as FUNACOM.

⁴⁷ For more detail on these two experiences, see Appendix 1.

and DEMHAB has been mainly a partnership of roles rather than a pooling of finance. The Cooperative Coordination team's relative autonomy from bureaucratic constraints, pro-poor minded staff, a supportive political environment and the preponderance of committed and honest leadership within the community, have all contributed to the development of this partnership.

The next two chapters will focus more specifically on the conditions under which the community and labor union based housing cooperatives have emerged; what contextual constraints and internal obstacles they have faced and how they have dealt with these obstacles.

CHAPTER 4

RENASCER - A COMMUNITY BASED COOPERATIVE

The history of RENASCER Cooperative Housing tells of the struggle and persistence of a group of people bonded by a common goal: to build their houses in a cooperative way. Only eight years after its foundation they saw the houses they wanted rise from the ground. The houses were neither the size they wanted, nor the type of ownership they wanted but the 95 houses were certainly the product of their effort and perseverance. In January of 2001 construction was finished and the families moved in.¹

*The participation (in the cooperative) is proving to people that it is possible, that it yields good fruits. And mainly the perseverance, because had I not had the confidence on what I was doing, I had given up in the middle of the way, because it is much trouble for us to get where we are now.*²

This chapter centers on the RENASCER history as a community based cooperative. This history is told from the stand point of some of its members, from the examination of the cooperative's and DEMHAB's documents and also from the point of view of DEMHAB's staff and of some NGO members. As stated in the methodological section, the use of multiple data sources and various types of data are the grounds for the validity of our findings and interpretations.

¹ Arlete dos Passos Volino, RENASCER Treasurer, telephone interview by author, 21 August 2001.

² Arlete dos Passos Volino, RENASCER Treasurer, interview by author, 30 October 1999, Porto Alegre.

There is, however, an emphasis on the point of view of the members who form the cooperative. The emphasis on the cooperative, as an organization and on its members, as actors, is intended to grasp the rich facets of how these organizations are formed and how they are sustained. The knowledge of this internal dynamic and of the members' perceptions, which shape individual and collective actions and strategies, helps us to understand how the interactions between the cooperative and DEMHAB have taken place, and what kind of influence these relationships have had on the coops as institutions and on the policies carried out by the local agency.

Cooperatives are based upon the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility, and caring for others. The nature of the enterprise and the emphasis on collective ownership turn cooperatives into vehicles for the construction of social capital, as defined in Chapter 1. They are part of a new web of relationships and organizations that form what Coraggio (2000) calls, an urban popular economy. This new economy implies the development of an accumulated knowledge by popular agents, facilitating the emergence of new proposals and entrepreneurial thinking with the goal of rescuing successful collective experiences that have contributed to the achievement of better conditions of life. This new economy is also responsible for reviving social utopias that would mobilize the political will and require strong state support for the development of such enterprises. Cooperatives, in this scenario, play a role in implementing collective endeavors and building an active citizenship through the struggle for a common requirement, access to decent housing.

The aim of this chapter is to identify what conditions and elements facilitated and/or obstructed the process of formation and development of RENASCER as a community based housing cooperative and the process where cooperative members were able to achieve a high level of cohesion, participation and responsibility. The study shows that RENASCER has incorporated a participatory emphasis in its modus operandum. This has benefited it both internally, through the engagement of more people in its activities, and externally, as a tool to achieve its demands in the Forum of Cooperatives and in the Participatory Budget. Despite the participatory emphasis and the cultivation of cooperative values, RENASCER members recognize free riding among associates and mistrust of the cooperative's resource management as problems

to be overcome. Cooperative values, despite their socializing and inclusive goals, have not been easily achieved in the construction of the organization.

I divided the chapter into three main sections. The first section gives an overview of the origins and development of the cooperative, their struggles and endeavors. It follows a chronological order of events for the reader to be able to depict the actual story. Negotiations on land, access to infrastructure and to construction finance are depicted through the successive interactions between the cooperative and various state institutions and bureaucracies. The second section addresses the question of how a cooperative form of collectivity has functioned and reached a high level of participation and organization. Within this section I analyze more thoroughly the structure of the organization and its membership. The strategies for stimulating participation and the role of leadership are also addressed as important factors for the development of the organization. The final section examines RENASCER history from the standpoint of its associates, bringing to the fore their perceptions of the cooperative, and how they have identified and faced difficulties in the construction of their organization. This perspective on the internal features of the cooperative uncovers the existence of rent-seeking and mistrust. It also reveals the awareness of their limitations in dealing with bureaucratic matters and urban legislation. The recognition of the limitations and barriers to be overcome, however, has not prevented the development of the cooperative. Despite all the problems that occurred, the cooperative developed into a robust organization, and after eight years its members were able to occupy their newly built houses.

4.1 THE ORIGINS AND DEVELOPMENT OF THE COOPERATIVE

The RENASCER Cooperative Housing had its origins in the urban community movement. In the beginning of the 1990s the association of the Chácara da Fumaça region, in the northeastern part of the city, mobilized people who lived on invaded land to struggle for its regularization. The squatters in the region comprised 22 settlements and a total of 2.442 households. Fourteen (14) of these settlements occupied public land. Of the remainder eight, five (5) stood on private land and three (3) on mixed public-private areas (DEMHAB 1999). During the decade, five cooperatives were

formed in the region as a means to legalize the tenure of land. RENASCER was one of the first to be organized.

On September 26 1993 the cooperative was formed, bringing together 35 people at its inaugural assembly. Before this date, 183 families had signed a list showing interest in participating in the cooperative. Seven years later, in 2000, the total number of associates increased to 95, with a waiting list of 108 people. These figures suggest that access to housing is vital and is the focus of many of the actions of the Chácara da Fumaça dwellers. Furthermore, the housing cooperatives are the most advanced kind of organization ever experienced by their members.

The concept that fosters such structures requires high level of cohesion, participation, responsibility and solidarity. Hirschman (1988), when referring to the development of a fishermen cooperative in Colombia, highlights these requirements. He reports that previous common experiences forged community and also a vision of change, preparing people for joint endeavors that required much greater sophistication and persistence.

The formation of a fishing cooperative requires, in comparison, a complex process of working out rules and procedures and of acquiring new knowledge and collaborative habits (Hirschman 1988:11).

These principles have to be forged in a society that is ruled by the opposite kinds of values, where there is little stimulus to the socialization of activities, work and gains. In addition, there are the hardships poor families face in their daily struggle for survival. So it is not surprising that many people drop out in the middle of the process. Over the years RENASCER lost many members because they did not believe that the cooperative would thrive. Despite these departures many others persevered, and remained in the organization. At the beginning of 2000, 41% of its members had been admitted prior to 1996, showing a reasonable rate of seniority within the cooperative (see Table 4. 1).

In the Chácara da Fumaça area there are two kinds of housing cooperatives. There are the community based cooperatives, that have previous savings, where the land is legally acquired before being occupied and the construction of the houses is carried out using their own resources or by means of finance from public lending institutions. Then there are the “occupation” cooperatives that first occupy an area and

in a subsequent phase collectively buy the occupied land with their savings. RENASCER fits in the first category. Its members lived in the Chácara da Fumaça neighborhood and had different tenure situations. Some paid rent, others shared a lot with other families living in a rent-free dwelling. Relatively few lived in other invaded settlements.

Since its organization as a cooperative, the members of RENASCER had in mind to acquire a piece of land owned by DEMHAB in the Chácara da Fumaça area. They pointed out Block 167 as their main choice for future acquisition.³ This piece of vacant land was part of DEMHAB's land bank, had an area of 1.5 ha and was not served by urban infrastructure. One year after the cooperative's formation, there was a demand by part of its members to squat on that area. Many families faced rising rents and could not afford to keep paying them. Some people raised the possibility of occupying the area and building a temporary dwelling behind the plots they wanted, even before they had land tenure security. However, this occupation did not occur, as the families realized that it was not worth it moving into precarious dwellings and later on to move out the area for the final construction of their houses.

Despite their aim of buying this piece of land, the members of RENASCER were not aware that, because of legal requirements for selling public land, DEMHAB could not trade it without public tender. In this kind of situation, low-income cooperatives would not have a chance competing with private entrepreneurs. The alternative to this impasse was the use of a legal instrument, the Concession to Right to Real Use (*Concessão de Direito Real de Uso – CDRU*), to ensure RENASCER access to Block 167. The CDRU is a contract between the municipal government, in this case represented by DEMHAB, and people who have built their dwellings over municipal land. This contract requires the area to be used for housing purposes only and for a limited period of time, 30 years at most. The CDRU may be renewed and in Porto Alegre's case, the dweller has to pay a monthly sum equivalent to 7,5% of the family income (Alfonsin 1997). Only at the end of 1995 did RENASCER get the right to use Block 167 of Chácara da Fumaça, after almost 3 years of petitions and negotiations with the municipal government.

³ Cooperativa Habitacional RENASCER Ltda, Assembly Meetings Minutes Book (Porto Alegre, 19 June 1994).

Until then, DEMHAB had only given promises of solving the problem, without concrete results in sight.

4.1.1 1995 - The conquest of the right to use Block 167 of Chácara da Fumaça

It took RENASCER three years to obtain the Right to Use Block 167 of Chácara da Fumaça. This process required much time and effort by its members. An empty area belonging to the state and surrounded by other illegal settlements was in danger of being occupied at any time. Their first action to guarantee Block 167 from invasion by potential settlers was a petition sent to the mayor asking the city government to give the Right to Use of the area to the cooperative. This document was sent in January of 1994.

In June of the same year DEMHAB launched the *Criteria for Housing Cooperatives' Eligibility for Construction Financing or Acquisition of DEMHAB's land*. The goal of this set of criteria was to identify the types of cooperatives that could manage such an enterprise. Because of such high demand, it was necessary to establish principles of exclusion and a priority list of who would be considered first. These guidelines were defined in conjunction with the Forum of Cooperatives. Here I list the established selection criteria:

The candidate cooperatives should:

1. Be a self- managed housing cooperative with the goal of building social housing and to promote the cooperative culture, ideal and practice.
2. Be legally formed, registered and accredited by DEMHAB.
3. Participate in the Forum of Cooperatives, attendance and seniority being taken into account.
4. Present a project justifying the request.
5. Present documented savings, from the participants' own resources to be deposited for a period of at least 6 consecutive months. When acquiring land, prove its capability of paying for it in the period of:
 - 36 months for cooperatives whose members earn from 1 to 3 SM;
 - 24 months for cooperatives whose members earn from 3 to 8 SM;

6. Demonstrate its interest in the area through a general assembly decision: Cooperatives located in areas owned by DEMHAB should have preference over others.
7. Prove that all members of the cooperative had no financial obligations to either DEMHAB or to SFH (Housing Financing System).
8. Have the support of a technical assistance team. Those with average income between 1 and 3 SM could request technical assistance from DEMHAB's technical body.

After posting the selection criteria, DEMHAB listed all areas available for cooperative projects and gave the cooperatives 10 days to show interest in any area. RENASCER confirmed its interest in the Chácara da Fumaça block through a specific application. The Forum of Cooperatives was in charge of examining all documents and deciding on the matter. In the Forum's meeting of August 23 1994, three months after the cooperative's candidacy, the commission who analyzed the documents declared that all applicants were able to negotiate with DEMHAB, except the ones located in environmentally hazardous areas.

It is important to note that this whole process of land negotiation and establishment of criteria for eligibility was brought about after numerous meetings, discussions and debates among various sectors affected by urban and housing policies. The government itself had no clear idea of how to deal with the matter. An example of this was the answer DEMHAB's Executive Director gave to RENASCER associates when asked about the price and conditions of payment for the acquisition of the Chácara da Fumaça's Block 167. He answered that everything would depend on RENASCER efforts and that DEMHAB would discuss a valuation that would be acceptable to both parties.⁴ At this point DEMHAB was assuming that it would sell the land directly to the cooperative.

As a public agency, DEMHAB cannot sell land to cooperatives without public tender. The alternative for regularizing occupied public land or to allocate it to social housing has been application by CDRU. The CDRU (Concession to Right to Real Use) was granted to RENASCER at the end of 1995. It would take three more years

⁴ Cooperativa Habitacional RENASCER Ltda, Assembly Meetings Minutes Book (Porto Alegre, no date), 4.

for the cooperative to obtain resources for the implementation of infrastructure and the construction of the units.

The Right to Real Use already existed in the Brazilian Civil Code (art. 742/745). In 1967 the Law by Decree n. ° 271 opened the use of this right to individuals and legal bodies to apply for it for other purposes (Alfonsin 1997). It was a form of leasehold used to cede public land to civil organizations or enterprises for purposes determined by contract. The intention was not to legalize land use. Since 1982, at its Congress in Campinas, the Movement for the Defense of Favelados (Movimento de Defesa dos Favelados - MDF) adopted the CDRU as a preferred form for legalizing landholding in favelas (Assies 1994). Porto Alegre included the CDRU as a legal tool for the regularization of public land after the promulgation of the 1988 federal constitution, through its Municipal Organic Law (Lei Orgânica do Município), approved in 1990.

As seen previously, the 1988 new federal constitution expanded the powers and responsibilities of the municipalities, which now share with the state and the union the responsibility for the provision of housing for the low-income population. The tax reforms that increased the share of federal revenues of states and municipalities enhanced the city's powers to raise taxes and implement programs for the provision of low-income housing.

The Organic Law of Porto Alegre, (art. 200-207) details the urban development and legal tools to fulfill the *social function of the city* defined as the right of access to all citizens to basic conditions of life, determining the use and occupation of municipal land in accordance with the *social function of property* and promoting the democratization of the use, occupation and property of urban land. The CDRU was later regulated through the Complementary Laws 242/91 and 251/92. CDRU's main features are:

- Beneficiaries: people living on municipal land, who do not own any other property.
- Date of occupation: before January 31 1989.
- Use of the area: only for housing purposes.
- Maximum occupation: 150 m².
- The concession is to cost 7.5% of the family income.

- The concession is given to the man and the woman. In case of separation the parent who is the legal guardian of the children will keep the right of use.

The Organic Law of Porto Alegre is one of the most advanced in Brazil in terms of urban development. It encompasses the idea of social function of property, opens the possibility for the formation of a Land Regularization Program and recognizes the problem of land concentration and accumulation in private hands as a cause of the exclusion of families from access to land and housing. It also has a gender focus when it gives to man *and* woman the right of use or concession, irrespective of their civil status.

4.1.2 1996 - Access to infrastructure implementation

The massive participation of RENASCER members in the Participatory Budget process during 1996 guaranteed the urbanization of the area. In the Thematic Plenaries of the Participatory Budget, representatives of the cooperatives obtained the urbanization of 154 lots in land owned and/or occupied by the cooperatives. There was then negotiation between four eligible cooperatives. In a document signed by eight of them, it was agreed that 90 out of the total number of lots would be assigned to RENASCER.⁵

Why did RENASCER get the majority of the lots? It is important to note that the solidarity links among the cooperatives and the recognition of the needs of the poorest people set objective criteria for this selection. The four cooperatives chosen to dispute the urbanization decision were the ones with the highest level of participation within the Forum of Cooperatives. Two were union based and the other two community based cooperatives. Three of them already had tenure or access to the Concession of the Right to Use (CDRU) the land. From those with guaranteed access to land, RENASCER had the lowest income brackets. The four cooperatives were COOMETAL, COOTEEPA, RENASCER and STO. ANTÔNIO⁶ The level of income and the type of land tenure constituted criteria for the decision taken.

⁵ See the Document “Acordo para execução de demanda do Orçamento Participativo de 1996”, Forum of Cooperatives (Porto Alegre, 5 November 1996).

⁶For details about income levels and land purchase see Chapter 3, Table 3.5 Self-managed housing cooperatives registered in DEMHAB – May 2000.

The location of the cooperative in the Chácara da Fumaça area may also have influenced the decision. A large part of DEMHAB's land bank is located in that section of the city. In 1985, during authoritarian rule, the municipal government acquired a 52 ha tract of land in the Chácara da Fumaça neighborhood. The goal of the mayor at the time was to transform the area into one suitable for settling low-income families. Considering the physical characteristics of the place, it can be considered a very suitable area, because of the firmness of the soil and the topography of the land make flooding unlikely. In the second semester of 1986 the first families were removed from a river bank area in the central city to the Chácara da Fumaça. Some blocks received infrastructure and in the beginning of the 1990's Chácara da Fumaça became an attraction magnet for people seeking secure land to live on (PMPA/SMC 1999). In less than a decade the neighborhood's demography exploded. Along with this growth, various organizations, community associations and cooperatives were formed. RENASCER is one of the twenty-one associations active in the area today.

The idea that Chácara da Fumaça would become a repository of evicted people was also the way that the older inhabitants of the area understood it. In a cooperative assembly with the presence of DEMHAB's technical staff and its Executive Director, the resettlement of a favela from the North part of the city to Chácara da Fumaça was discussed. The president of the Dwellers Association complained that DEMHAB was using the area to resettle all people that lived in invaded areas in Porto Alegre.

*We do not want more invasions, we want organized projects.*⁷

There is great pressure on space in Chácara da Fumaça and even RENASCER lost one third of its original land to the Foundation for Social and Community Education (Fundação de Educação Social e Comunitária – FESC). This land was used for allocating homeless families. The houses built were of very low quality, almost shacks, and this worried the future residents of RENASCER.

*We are fighting with the government for them to improve these houses. There is this part built by DEMHAB (Vila Mirim), there will be the cooperative there. All of it built by DEMHAB and this part here has only wooden shacks. It is ugly here.*⁸

⁷ Cooperativa Habitacional RENASCER Ltda, Assembly Meetings Minutes Book (Porto Alegre, 28 January 1995) 6a.

⁸ Arlete dos Passos Volino, RENASCER Treasurer, interview by author, 30 October 1999, Porto Alegre.

Even before achieving land tenure security, the cooperative members discussed about what kinds of dwellings they wanted. After various meetings, the choice of attached two story houses with 2 and 3 bedrooms was unanimous.

*The units should not be so little that our families would not fit into them.*⁹

After the assignment of the Right to Real Use of Block 167 to RENASCER, DEMHAB presented a project of 36m² apartment blocks to be built in the area. The assembly rejected this project because the apartments were considered to be too small. The association of ownership with land is very strong among low-income families. The possibility of enlarging a house is very attractive, either for housing the family more comfortably or as a way of increasing the monthly income through the renting of rooms. Despite the size of the lot, a house permits more control as to its design, completion and the use of space. A house can grow gradually, as the family grows, can ameliorate the family's economic circumstances and acquires more exchange value with the improvements made (Bonduki 1999). It was expected then, that the cooperative members would reject the construction of apartments, instead of houses. Bollafi (1983) contests the preponderance of houses over apartments, asserting that the single family housing model and low-density land occupation increases the cost of infrastructure (paving, electricity and water and sewage lines) and also the cost of land. Likewise, he argues that there is no ideal solution and, when seeking a choice between vertical and horizontal solutions, the cost of land and of infrastructure should be considered.

The preferences of the people interviewed, though, corroborate Bonduki's assertions, showing that cultural values sometimes override rational and technical decisions.

*I don't like apartments. I have never lived in one. I have to step out the door and touch the ground. It has to have a yard, do you understand?*¹⁰

⁹ Cooperativa Habitacional RENASCER Ltda, Assembly Meetings Minutes Book (Porto Alegre, 7 August 1994) 6.

¹⁰ Raimundo Cardoso, RENASCER president, interview by author, 13 May 2000, Porto Alegre.

*I prefer a house because of my plants and my dog. If I want to plant a tree, I cannot in a apartment. Besides that, I need space for my children.*¹¹

*A house is more comfortable. Now I live in an apartment and my upstairs neighbor walks and makes noise early in the morning. In a building there are too many restrictions. And it is good to have a yard to be able to sit under the sun.*¹²

4.1.3 1997 – Access to construction finance

The route to the construction of the houses was long and arduous. Five years have passed since the foundation of the cooperative and nothing concrete had been done regarding the construction of the units. The access to land and infrastructure had been guaranteed for the past four years because of the persistence and high level of participation of the members. The aim of RENASCER, as a cooperative, was to provide equitable housing for everybody.

*As a cooperative, everybody should be equal, with the same rights, with the same things. Then we were discussing with Verle (DEMHAB's Executive Director 1997/98) and he agreed to include the cooperative in the Pro-Moradia Program. (...) This is what we want, houses all together, to build together, to stay equal, for not having problems, difference.*¹³

In October of 1997, DEMHAB included RENASCER in the Pró-Moradia Program.¹⁴ As seen in Chapter 2, the Pró-Moradia was a federal program with resources from the FGTS (Length of Service Guarantee Fund), from the various levels of government and from the borrowers' payments. The target population was families earning up to 3 SM. The program financed the urbanization of land, infrastructure implementation, housing construction and the acquisition and/or establishment of urban plots. There was a maximum borrowing limited per family, depending on the kind of project.

¹¹ Elaine Aquino da Silva, RENASCER member, interview by author, 13 May 2000, Porto Alegre.

¹² Mariclaí Xavier, RENASCER member, interview by author, 12 May 2000, Porto Alegre.

¹³ Arlete dos Passos Volino, RENASCER Treasurer, interview by author, 30 October 1999, Porto Alegre.

¹⁴ A more detailed account of the negotiation process will be given in Chapter 6, when discussing the relationship between the cooperatives and the municipal government.

In the case of RENASCER, DEMHAB financed the implementation of infrastructure and the construction of the units for those who chose to remain as CDRU beneficiaries. For those who chose to acquire the unit, DEMHAB added the value of the land to the final cost of the house. The agency made individual contracts with each of the cooperative members. Of a total of 95, 42 chose the CDRU. These 42 families, who earned less than 3 times the minimum wages per month, started paying a monthly fee of R\$13,00 (US\$6,7)¹⁵ in January of 2001 for the right to use the unit. After 10 years of payment they would have the option to buy the house. The amount paid will be updated and charged to as downpayment. The other 53 families acquired the units through a formal contract with DEMHAB.¹⁶ The monthly payment does not exceed 20% of the family income and the interest rate is 5.5% per year.¹⁷

The total cost of the unit, including land, construction and infrastructure costs totaled R\$ 13.876,00 (US\$ 7.116,00) in January of 2001. From this amount, R\$3.166 (US\$ 1.623,00) or 22.8% corresponded to the land value of each parcel.¹⁸ According to construction indexes for the popular market, a 32m² house, at that time, would have a construction cost of R\$ 10.496,00 (US\$ 5.382,00), without including the land and infrastructure costs.¹⁹

Despite not having been built in a cooperative form, each family becomes either a CDRU beneficiary or an individual owner. The savings of the cooperative have been used for improvements of the site (fencing, construction of a community center) and maintenance of public facilities.

The final project allocated a 32m² unit in a 4x20m-(80m²) plot for each family (see Figure 4. 1). Construction requires structural re-enforcement to the foundations to allow the inhabitants to add a second floor to the house. (see Figure 4. 4) The houses were built in brick and mortar (see Figure 4. 6) and comprised a living room, one bedroom, bathroom and kitchen (see Figure 4. 7). The allotment of the units to the families was carried out after the completion of the construction to avoid eventual

¹⁵ Exchange rate January 2001: US\$1,00 = R\$ 1,95.

¹⁶ Arlete dos Passos Volino, RENASCER Treasurer, telephone interview, August 21 2001.

¹⁷ For the sake of comparison, housing programs for medium class families in the same period had an interest rate of at least 12% a year.

¹⁸ The 1,5 ha piece of land was priced for R\$ 300.000,00 (US\$ 153.846,00), according to information given by the Cooperative Coordination of DEMHAB, through a telephone interview with Lídia Benfatto, DEMHAB staff member, 5 September 2001.

¹⁹ The Basic Construction Cost (Custo Unitário Básico – CUB) is calculated each month based on the average cost of construction material and labor.

disputes. The infrastructural works and the construction of the units began in May of 1999. The whole construction was finished in January of 2001.²⁰

The eight years between the foundation of the cooperative and the completion of construction forged a permanent and balanced relationship between RENASCER and DEMHAB. This relationship was built through successive petitions, meetings and applications for the use of Block 167. The relationships was also built up through the participation of RENASCER and DEMHAB in other forms of participation such as the Participatory Budget and the Forum of Cooperatives and through the assistance of DEMHAB in the initial stages of formation and in the design of the cooperative's units. There was a direct and horizontal contact between DEMHAB as institution and RENASCER as a cooperative organization. These contacts took place through an active representation (coop leaderships and public officials) and in, some instances, through direct participation of all people involved in this relationship. The cooperative assemblies, with the attendance of DEMHAB's technical staff, and sometimes of the executive director, are one example of these direct contacts. These different formats of representation and participation guaranteed the legitimization of the process, avoiding the establishment of a client-type of interaction. This relationship has not been without conflicts, when both state and organization had different positions concerning, first, the method of acquisition of land, and later, the standards and size of housing units.

Before starting the construction of the houses, the cooperative faced another problem related to its land. Some families coming from the same region invaded the area. They remained 4 months before DEMHAB evicted them. The majority of the invaders had a plot in another public area. This invasion discouraged people from remaining in the cooperative, as many did not believe the cooperative would recover the land. The year of this invasion coincided with the highest rate of departure from the cooperative. In that year there was a turnover of 33% of its members. Even after this setback, why did people remain in the cooperative? Given the uncertainty as to the outcome of negotiations and the danger of losing their land, why did RENASCER members remain in the cooperative? What elements encouraged them to persist? What were their aspirations and hopes?

²⁰ During the year of 1999, the federal government canceled the Pró-Moradia Program, along with other urban programs. This measure did not affect RENASCER but jeopardized other cooperatives settled on

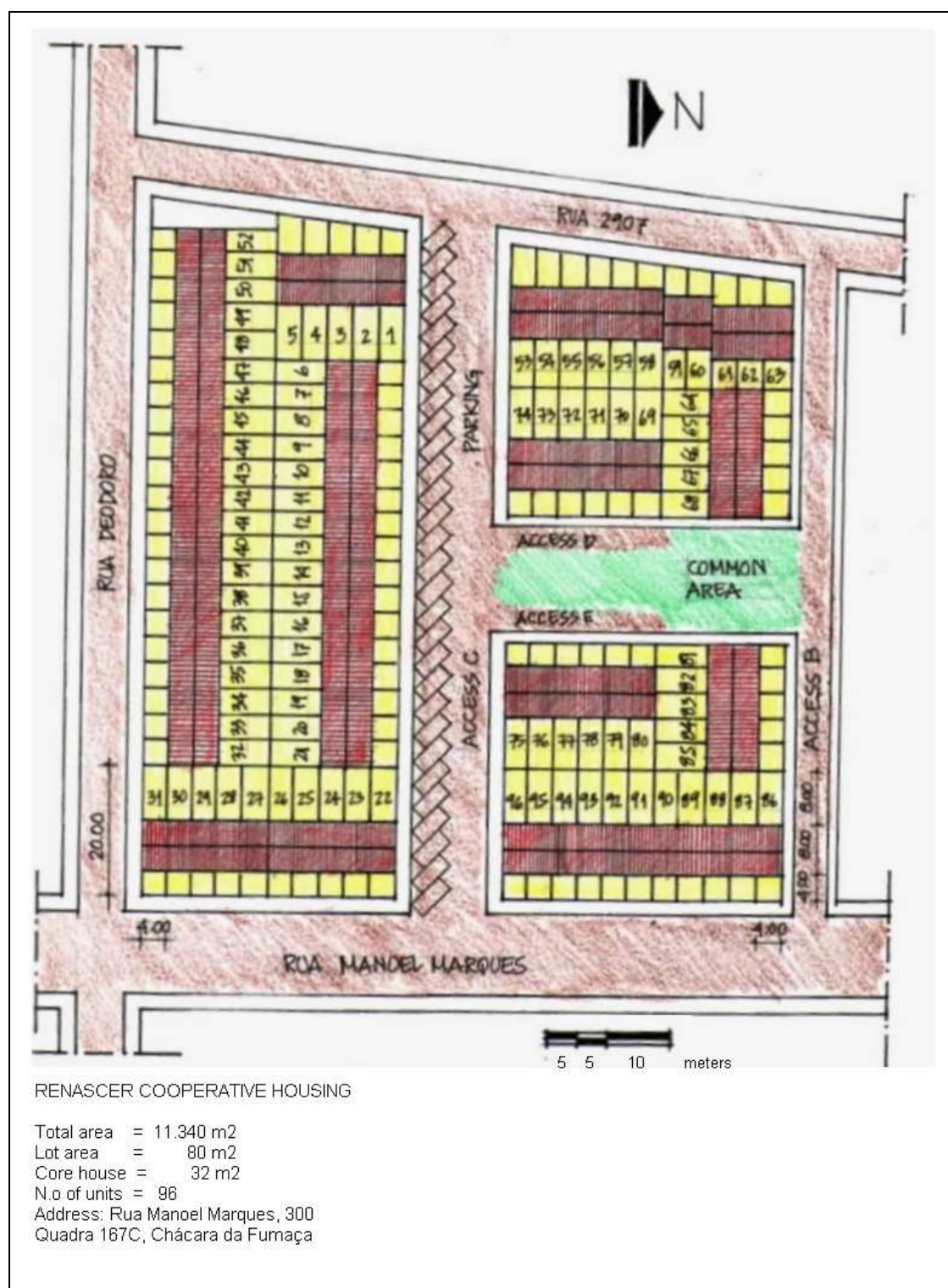


Figure 4. 1- Plan of RENASCER site

public land that had already been included in Pró-Moradia, counting with the suppressed funds.



Figure 4. 2: General View of RENASCER construction site and the common area, from Access D . Photo by author, May 2000



Figure 4. 3 Entrance to RENASCER construction site. Photo by author, May 2000.



Figure 4. 4: View of construction site 2907 street. Photo by author, May 2000.



Figure 4. 5: View of houses facing the common area of RENASCER. Photo by author, May 2000.



Figure 4. 6: View of the terrace houses in brick and mortar. Photo by author, May 2000

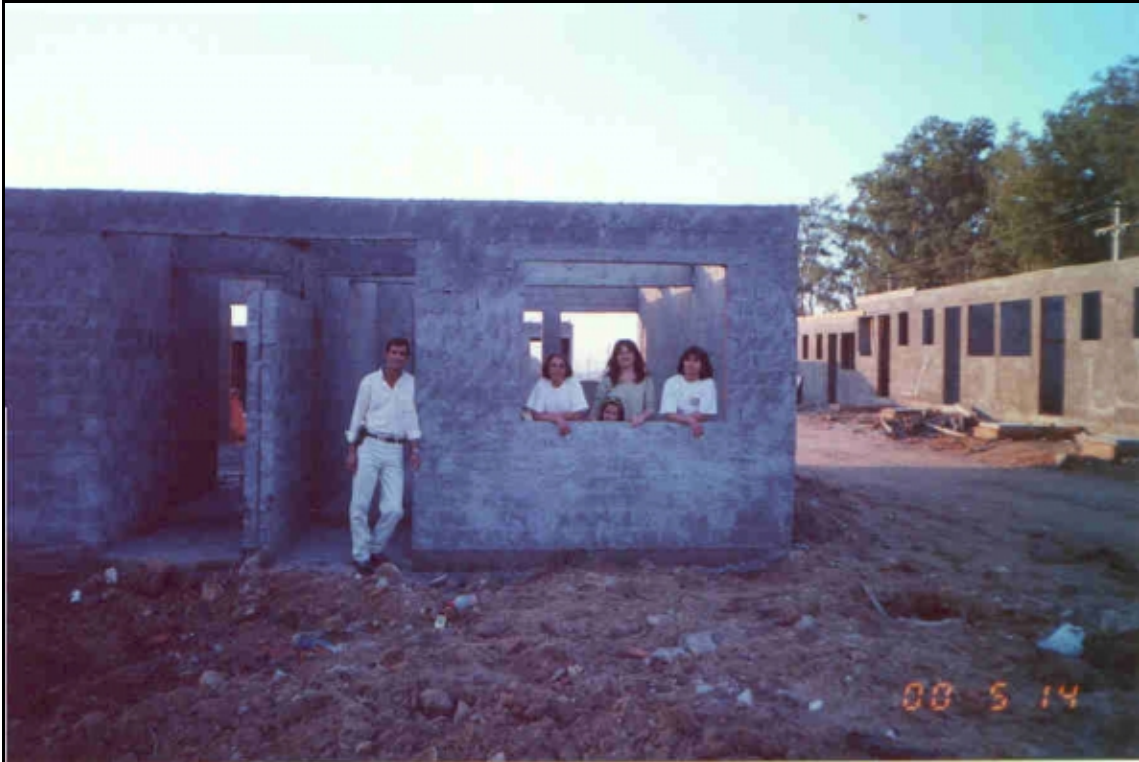


Figure 4. 7: The president, treasurer and coop members at the construction site. Photo by author, May 2000.



Figure 4. 8: Looking to Access C. Photo by author, May 2000.

4.2 THE PEOPLE AND THE PROCESS OF ORGANIZATION

By pooling resources, people who entered RENASCER believed they could carry out a joint project. The difference between their individual savings and the price of land was too big to be achieved on their own. Whilst many had always lived in low-income areas, either renting or occupying part of a relative's land, others had suffered a decline in their economic status. Their salaries were not sufficient to cover the rising taxes and the cost of renting simple houses in what were now very affluent neighborhoods of the city.

My family, husband and two kids, we used to rent a house in the Caçapava Street. We have been here for 3 years, borrowing a house from my sister²¹

Here in Porto Alegre, I have never had a house, my house. I have either paid rent or lived in the back of my in-laws lot. But now I want something that is mine.²²

First I lived in my father-in law's lot; afterwards I got divorced and had to rent a place. But I have never had something mine. The cooperative is for getting rid of the rent, it is for the ones that are houseless.²³

4.2.1 Who are the members of RENASCER?

I am from São Borja. I came here because work is very scarce there. Many people have left there, like my neighbors and sisters. (...) Now I work as a house cleaner. (...) I came when I was 16 years old (1986) and stayed with an aunt. Afterwards I rented a place. When I met my husband, we moved to my mother-in-law's house. I have been living with them for 10 years. (...) We have 3 children, and now I want to have my house.²⁴

Do you want to know where I came from? I came from Encruzilhada do Sul. I came to Porto Alegre in 1974, in my twenties, to work. Because it was very bad there. (...) I am a bricklayer and work autonomously. But my initial profession was as a metal worker. I have worked for 18 years on that, and when the work started to get bad, I quit. (...) First I lived in the back of my

²¹ Arlete dos Passos Volino, RENASCER Treasurer, interview by author, 14 November 1996, Porto Alegre.

²² Elaine Aquino da Silva, RENASCER member, interview by author, 13 May 2000, Porto Alegre.

²³ Raimundo Cardoso, RENASCER president, interview by author, 13 May 2000, Porto Alegre.

²⁴ Elaine Aquino da Silva, RENASCER member, interview by author, 13 May 2000, Porto Alegre.

*father-in-law's land. After I got divorced I rented a place again. I have never had my house, and here it will be mine.*²⁵

*I am an adopted child and have always lived in Porto Alegre, in a house in the Auxiliadora neighborhood. I got married very early, when I was 18 years old (1982). We lived a period with my mother-in-law, another time with my father-in-law and afterwards we rented an apartment in Jardim Ipú neighborhood. The rent was too expensive and we decided to buy an apartment. Because we did not have enough income, I was not working at that time, we added my mother-in-law's wage to the family earnings to be able to get the CEF loan. And I agreed to put the apartment in the name of my ex-husband's mother, in order to have a house. (...) After we got divorced, I stayed for 5 years in the apartment, and after that she claimed the property of the place and I had to leave. Now I pay rent.*²⁶

(Obs: Mariclai works as a telephone operator in the public sector and has three kids, all teenagers)

Table 4. 1 gives us valuable information on which to draw a profile of the members of RENASCER. This table was built with data gathered from the registration files of the cooperative. It provides information about origins, age, gender, civil status, family size, employment situation and family income at the date of the registration of members in the cooperative. It lacks however, educational data, such as years of formal schooling of the membership. This kind of information was not available in the cooperative's records.

Most of the cooperative members (60%) migrated from small cities and rural areas of the Rio Grande do Sul state to the capital, searching better jobs. These origins were also revealed during the interviews when asked about their preferences between houses or apartments. The need to be close to the ground and to be able to grow plants and have animals was mentioned not only by all the interviewed members, but also by other informal contacts.

The slight predominance of female (52%) over male members is noteworthy and follows the same trend of the proportion of the participants of the Participatory Budget (see Chapter 3). Another interesting finding is the predominance of small families among the members of the cooperative. Seventy percent of the families consist of three people or less. The fact that, from the 45% of the members who

²⁵ Raimundo Cardoso, RENASCER president, interview by author, 13 May 2000, Porto Alegre.

²⁶ Mariclai Xavier, RENASCER member, interview by author, 12 May 2000, Porto Alegre.

declared they were single, only one fourth belong to one-person households. indicating either that many live with relatives or that formal marriages are not the rule.

The family income of the cooperative members ranges from 1 to 7.5 times the minimum wage (Salários Mínimos - SM)²⁷. Fifty six percent of the families though earn until 3 SM and only 10% earn more than 5 SM. The family income in RENASCER reflects the income distribution of the city as a whole. In Porto Alegre, two thirds of the population earn from zero to 3 SM (PMPA 1999). Being a community based cooperative RENASCER presents a varied range of jobs. Around 70% of its members work in the formal sector, both in the private and public sector. The other 30% are self employed and this means irregular sources of income.

The most prevalent jobs (23%) are related to unskilled activities like cleaning, housekeeping, cooking and general services (janitors). Among the people who work independently there are dressmakers, tailors and salespersons. Very few work in the construction sector: only two bricklayers and two painters. There are also only 4 people linked to the industrial sector. Only 20% of the people have clerical jobs, which require higher levels of school attendance. The analysis of the data suggests that the major part of the cooperative's members are in low income jobs that require low levels of education.

The low income earned by the coop's members was exacerbated by their housing costs. Despite the fact that half of the families had lived either on invaded land or in ceded dwellings, thus not spending much on their houses, the other 44 families had to pay around 50% of their income on rent. Irrespective of their actual tenure situation, the horizon a cooperative offered its members of achieving security of tenure and better housing was very down to earth and appealing, even though, in the case of low income families, they had a long wait. A long term commitment requires time and energy. It is noteworthy that half of the cooperative members, most of them head of households, are below 40, when they still have enough vitality to face such an enduring enterprise.

²⁷ Brazilian Minimum wage in January of 2002 was of 180 reais, corresponding to US\$ 76 (Exchange rate: R\$ 2,36 = US\$ 1,00). In dollars, the salaries of RENASCER members ranged from US\$ 76 to US\$ 570.

Table 4. 1: Housing Cooperative RENASCER Ltd. – COOHARE – Members in May/2000

N.º	Registry N.º	Birth Date	Origin(1)	Gender	Civil Status	Family Size	Employment	Family Income (2)	Admission Date
01	001	1951	Porto Alegre	F	Married	04	Housewife/Auton.	5,8 SM	26/09/93
02	003	1963	Alegrete	F	Single	03	Secretary/school	2,5 SM	26/09/93
03	007	1970	São Borja	F	Single	02	Teller/Supermarket	3,0 SM	26/09/93
04	008	?	Porto Alegre	F	Divorced	02	Clerk/School	2,5 SM	26/09/93
05	009	1953	Porto Alegre	F	?	03	Clerk/Firm	3,0 SM	26/09/93
06	032	1959	Alegrete	M	Single	04	Painter/Self employed	3,0 SM	26/09/93
07	045	1973	Porto Alegre	M	Single	01	Motorcycle Driver	3,0 SM	26/09/93
08	048	1970	Porto Alegre	M	Married	04	Salesman/Self employ.	4,6 SM	26/09/93
09	050	1958	São Gabriel	M	Married	03	Bricklayer/Self employ.	2,5 SM	26/09/93
10	052	1960	Porto Alegre	F	Single	03	Housecleaner/Self emp.	2,0 SM	26/09/93
11	058	1953	Encruzilhada S.	M	Married	03	Bricklayer/Self employ.	5,0 SM	26/09/93
12	059	?	Cachoeira Sul	M	Married	02	Retired	1,7 SM	26/09/93
13	043	1963	São Sepé	M	Married	04	Metalworker	2,1 SM	10/10/93
14	054	1963	Passo Fundo	M	Married	03	Fireman/Military	5,0 SM	05/11/93
15	057	1959	Uruguaiana	M	Married	04	Janitor/building.	2,8 SM	05/11/93
16	039	1973	Porto Alegre	F	Single	01	Civil servant	2,0 SM	10/02/94
17	047	1964	Porto Alegre	F	Divorced	04	Civil servant	7,5 SM	13/03/94
18	061	1957	Garibaldi	M	Married	04	Salesman/Self employ.	7,0 SM	10/04/94
19	062	1935	Camaquã	F	Widow	01	Cook	1,3 SM	19/06/94
20	064	1954	Rio Negro/PR	M	Married	04	Mechanic/Self employ.	3,0 SM	19/06/94
21	069	1973	Porto Alegre	M	Single	02	Administration Clerk	2,3 SM	03/07/94
22	079	1973	Cachoeira Sul	F	Married	02	Self employed	4,2 SM	04/12/94
23	087	1964	Porto Alegre	F.	Single	02	Secretary/Firm	2,0 SM	11/06/95
24	089	1973	Porto Alegre	M	Single	01	Janitor/firm	2,5 SM	10/09/95
25	093	1933	Mafra/SC	F	?	01	Retired	1,0 SM	? /12/95
26	092	1974	Porto Alegre	F	Single	01	Salesclerk	3,5 SM	18/12/95
27	094	1950	Cachoeira Sul	F	Married	03	Dressmaker/Self empl.	2,0 SM	18/12/95
28	095	1966	Porto Alegre	M	Single	03	Technical/firm	3,5 SM	28/01/96
29	096	1954	Garibaldi	M	Married	03	Self Employed	5,0 SM	28/01/96
30	097	1936	Passo Fundo	M	Married	03	Janitor/house	6,0 SM	28/01/96
31	099	1942	Cachoeira Sul	F	Widow	07	Cook helper	2,3 SM	28/01/96
32	103	1944	Camaquã	F	Divorced	01	Dressmaker/firm	2,5 SM	28/01/96
33	105	1951	Garibaldi	F	Single	02	Salesman/Self Employ.	4,6 SM	28/01/96
34	106	1960	Porto Alegre	F	Single	01	Nurse helper.	4,0 SM	03/03/96
35	111	1964	Torres	F	Married	03	Elevator operator	2,0 SM	07/07/96
36	114	1943	Cachoeira Sul	F	Widow	02	Janitor/School	1,5 SM	11/08/96
37	115	1954	Mostardas	F	Single	04	Quality Inspect/Factory	3,4 SM	01/09/96
38	116	1952	Faxinal Soturno	F	Divorced	04	Governess/House	6,2 SM	01/09/96
39	117	1960	Viamão	F	Married	03	Laboratory Worker	4,0 SM	06/10/96
40	125	1976	Porto Alegre	F	Married	02	Salesclerk	2,0 SM	01/08/97
41	124	1973	Porto Alegre	F	Single	01	Cleaner	1,2 SM	01/08/97
42	123	1975	Não-me-toque	M	Single	02	Clerk/firm	2,9 SM	15/09/97
43	153	1944	Porto Alegre	F	Single	02	Housekeeper	1,2 SM	15/12/97
44	136	1957	Santo Angelo	M	Married	03	Self employed	2,0 SM	11/01/98
45	150	1974	Rio Janeiro/RJ	F	Single	02	Housewife		11/01/98
46	138	1940	Erechim	F	Divorced	04	Housekeeper	2,3 SM	11/01/98
47	140	1943	Restinga Seca	M	Married	02	Cabinetmaker	2,7 SM	11/01/98

N.º	Registry N.º	Birth Date	Origin	Gender	Civil Status	Family Size	Employment	Family Income	Admission Date
48	127	1952	Passo Fundo	M	Married	05	Printer	6,2 SM	11/01/98
49	137	1971	Restinga Seca	F	Single	02	Housekeeper	1,4 SM	11/01/98
50	131	1957	Porto Alegre	F	Single	05	Nurse Helper		11/01/98
51	152	1962	Santo Angelo	M	Divorced	03	Driver	3,3 SM	11/01/98
52	132	1949	Santa Catarina	M	Married	04	Retired	4,4 SM	11/01/98
53	151	1974	Sapucaia do Sul	M	Married	02	Street cleaner	2,5 SM	11/01/98
54	128	1942	Uruguaiana	M	Married	03	Doorman	2,0 SM	11/01/98
55	134	1963	Porto Alegre	F	Single	01	Intern	2,2 SM	15/01/98
56	147	1957	Porto Alegre	F	Married	07	Housekeeper/Self emp.	2,1 SM	16/01/98
57	139	1968	Porto Alegre	F	Married	03	Salesclerk	2,2 SM	16/01/98
58	141	1967	Torres	M	Single	03	Clerk	4,2 SM	04/02/98
59	155	1944	São Borja	M	Divorced	02	Driver	5,8 SM	15/03/98
60	143	1972	Três de Maio	M	Single	02	Crane Operator	2,3 SM	15/03/98
61	144	1973	Alegrete	M	Married	03	Shipping Clerk	3,5 SM	15/03/98
62		1978	Porto Alegre	M	Single	01	Self employed	5,8 SM	15/04/98
63	148	1971	Porto Alegre	M	Single	03	Self employed	3,1 SM	17/05/98
64	145	1936	Encruzilhada Sul	F	Widow	05	Cook	2,7 SM	19/05/98
65	157	1968	Cerro Grande	F	Single	04	Housekeeper	1,0 SM	14/06/98
66	163	1962	Porto Alegre	M	Married	06	Painter	2,3 SM	15/06/98
67	159	1968	Rodeio Bonito	F	Single	02	Self employed	1,0 SM	15/06/98
68		1969	Alegrete	F	Divorced	02	Clerk	4,0 SM	15/07/98
69	154	1970	Caxias do Sul	F	Single	02	Housekeeper	1,7 SM	16/08/98
70	161	1960	Novo Hamburgo	F	Single	02	Housekeeper	5,4 SM	13/09/98
71	160	1949	Porto Alegre	F	Divorced	04	Operator	2,6 SM	13/09/98
72		1972	Cruz Alta	M	Single	05	Bill Collector	3,2 SM	15/12/98
73		1964	Porto Alegre	F	Widow	02	Housecleaner	2,0 SM	15/12/98
74		1968	Porto Alegre	M	Single	03	Tailor	3,5 SM	15/12/98
75	149	1969	Alegria	M	Single	03	Self employed	?	15/01/99
76		1955	Bagé	F	Divorced	02	Salesclerk	3,1 SM	15/01/99
77	146	1959	Santa Maria	M	Divorced	03	Contractor	?	16/01/99
78		1971	Porto Alegre	F	Married	03	Janitor	2,0 SM	16/01/99
79		1971	Porto Alegre	M	Married	03	Shipping clerk	2,7 SM	16/01/99
80		1978	São Sepé	M	Single	01	Metalworker	6,2 SM	16/03/99
81		1971	Porto Alegre	M	Single	02	Janitor	2,0 SM	13/06/99
82		1940	Jaguarão	F	Divorced	02	Retired	1,0 SM	11/07/99
83		1963	Santo Angelo	F	Divorced	05	Self employed	1,1 SM	11/07/99
84		1966	S. Lourenço Sul	M	Single	04	Butcher	2,9 SM	15/08/99
85		1959	Porto Alegre	F	Single	02	Clerk	3,3 SM	16/08/99
86		1974	Porto Alegre	F	Single	06	Pensioner	4,4 SM	11/09/99
87		1977	Porto Alegre	M	Single	01	Clerk	3,3 SM	12/09/99
88		1946	Porto Alegre	F	Single	02	Housekeeper	1,5 SM	17/10/99
89		1972	Bagé	M	Single	03	Worker/factory	2,9 SM	13/12/99
90		1978	Alegria	M	Single	01	Self employed		15/12/99
91		1970	Porto Alegre	F	Single	01	Salesclerk	3,2 SM	16/01/00
92		1959	Porto Alegre	M	Divorced	02	Salesclerk	2,0 SM	13/02/00
93									15/04/00
94									15/04/00
95									15/04/00

(1) The city names not followed by an acronym (e.g. PR,RJ) are located in the state of Rio Grande do Sul.

(2) The family income is given in minimum wages (Salário Mínimo - SM). The minimum wage in May of 2000 was R\$ 151,00 (US\$ 83,00).

Obs: The blank cells denote the lack of available data.

Based on data from May of 2000, up to that date, RENASCER had accumulated around R\$ 142,000 (US\$ 77.595)²⁸ in a period of six and a half years. The average savings capacity of RENASCER was then R\$ 21.846 (US\$ 11.937) per year. If this average was maintained, by January of 2001, when construction was completed, RENASCER would have a total of R\$ 161.980 (US\$ 83.066)²⁹. According to the value of R\$ 300.000 (US\$ 153.846) attributed to RENASCER's land in January of 2001³⁰, it would have been impossible for the cooperative to buy the land on sight, even with seven and a half years of savings.

These approximations only show that the time needed to pool enough resources to buy un-serviced land in the outskirts of the city is quite long, even for organizations such as RENASCER. This is not very encouraging, considering that after having access to the land, the settlers have either to petition the municipality the authority for the right to implement infrastructure or to bear these costs themselves and, at the same time, build their own houses.

Landholding in few hands is characteristic of Porto Alegre. As mentioned in Chapter 2, in a survey conducted in 1988 researchers showed that 41,88% of the city's urban land was vacant (see Table 2.11). Of the total vacant land, 97,22% were in the hands of private owners (see Table 2.12). The hundred biggest landowners owned almost half of all vacant urban land. Corporations own the more valuable land, and the opposite is true of individual owners (Oliveira and Barcellos 1989). A single company, Companhia Predial Agrícola, owns the private land of the Chácara da Fumaça area (as well as the tract bought by DEMHAB in 1985). This corporation has held large areas of land in the outskirts of the city since the end of last century. It was, and continues to be, a strong landholder that speculates on the increasing value of this forgotten area. For more than 80 years this firm speculated in this land.

²⁸ Exchange rate: R\$ 1,83 = US\$ 1,00 in May of 2000.

²⁹ Exchange rate: R\$ 1,95 = US\$ 1,00 in January of 2001. Here I used the period of 89 months (September 1993 –January 2001) and an average savings of R\$ 1.820 per month to reach the R\$ 161.980 figure.

³⁰ Exchange rate: R\$ 1,95 = US\$ 1,00 in January of 2001.

4.2.2 The importance of homeownership

The embeddment of the individual property culture has prevented many people from engaging in such collective enterprises as cooperative housing. In the first years of RENASCER, the lack of information and understanding about common types of ownership has caused conflict and mistrust, often resulting in resignations from the organization.

*The collective property is not well accepted, because is not well understood.*³¹

*The issue of collective property needs to be more explained. It is not well understood.*³²

*The new members are more “raw”, when talking about collective property.*³³

*The idea of common property is accepted by the ones that stayed in the cooperative. People are aware that there will be costs in a collective system.*³⁴

The type of land and housing ownership has also been the cause of conflict between unionists and community leaders within the Forum of Cooperatives. Whereas the unions defended collective ownership, many community based segments struggled for individual ownership of the land. However, the realization that the cooperative way was a viable means of regularizing illegal land was of major importance in convincing those originally opposed to the idea. This same resistance was found in the official bureaucracy of lending institutions, who argued that it would be easier to collect payments from individuals than from cooperatives.

The approach of the municipal government towards land issues has also influenced the gradual acceptance of collective property as an option to solve land tenure problems. The mediation approach adopted by the PT government, opened the way for negotiations between occupants and the owners in cases of invasions of private land and facilitated the search for a viable solution in cases of occupations of public lands.

³¹ Carine de Oliveira, RENASCER member, interview by author, 30 November 1996, Porto Alegre.

³² Tânia M. Antunes da Silva, RENASCER member, interview by author, 30 November 1996, Porto Alegre.

³³ Iracy, RENASCER member, interview by author, 30 November 1996, Porto Alegre.

³⁴ Arlete Volino, Treasurer of RENASCER, interview by author, 14 November 1996, Porto Alegre.

In the case of RENASCER, its members were struggling for land that belonged to the state and not to a private owner. Their high level of organization and participation, and the supportive approach of the municipal government towards the solution of illegal settlements and the provision of low-income housing, helped RENASCER's members to achieve their goals of obtaining the right to use that piece of land. The size of the cooperative was also a factor that may have influenced the associates' long periods of membership of the organization. Considering their high level of participation, RENASCER with its 95 members, had some advantages over smaller cooperatives in an environment in which level of participation is the key to decision-making and resource allocation. The organization had more potential for political pressure through the number of delegates in the Participatory Budget assemblies. It could also pool savings and cover eventual defaults by those hit by unemployment or other economic problems.

The trademark of RENASCER has been its high level of participation. How did they achieve this level? What was its organizational capacity? What was the role of the leadership in the process? Who were their allies and opponents? In next section I address issues related to these questions.

4.2.3 The organization

It was stated previously in this thesis that the emergence of housing cooperatives in Porto Alegre during the 1990s had been influenced by two main features. One was the political willingness of the municipal government to involve citizens in public decision-making processes. The other was a tradition of organizational work both in the community and at the level of labor unions.

The emphasis on the democratization of local government decision-making and on self-management strategies as opposed to mere community participation has influenced the approach of ordinary citizens to participation in organized structures. This intense participatory experience built on an active citizenship in which the citizen is not a client or a patient but the subject of the improvement of his(her) quality of life. The organization of RENASCER as a cooperative association is an example of this participatory emphasis, and its strengths and weaknesses reflect the pursuit of these goals.

4.2.3.1 The structure of RENASCER and strategies for stimulating participation

The RENASCER statute clearly states among its objectives *the provision of adequate and at cost housing, granting to its members the right of exclusive use of the housing units and the collective use of the common parts* ³⁵, and, most important, *the contribution to the fostering of the housing cooperative ideal and practice and to the self-management work among its associates*. The document also mentions the cooperative's potential to link up with other cooperatives to form a federation and with that, a confederation. The cooperative associate must occupy the unit for his/her residence, and is forbidden to rent or transfer it to others. The rights and obligations of deceased members are, according to the law, transferred to their heirs. The capital of the society is divided into assessed shares. The value of the share was CR\$ 1,00 in September of 1993. Each member must subscribe 500 shares when admitted to the cooperative. The associate will acquire his/her corresponding participation in the total value of the unit built.³⁶ The main conditions required to become a member of the cooperative are:

- documentary evidence of low income and housing need;
- the associate or a family member's possibility to contribute the labor hours required for the progress of the construction work;
- capacity to contribute monthly to meet the cooperative's shares;
- not to possess residential property.

The General Assembly is the decision-making organ. Attendance at assemblies is very high. According to the minutes, and also to testimonies of the Treasurer and President, about 90% of members have attended the assemblies. In the second cooperative assembly it was decided that the members who failed to appear on three consecutive meetings would be summarily expelled from the cooperative. This was a way to stimulate attendance and participation in all cooperative activities. Considering the existence of long waiting lists of people wishing to enter the cooperative, such a

³⁵ Cooperativa Habitacional RENASCER Ltda, Estatuto Social (Porto Alegre, 26 September 1993).

³⁶ In the date of its foundation, the cooperative monthly share was established in CR\$ 750,00 (US\$ 6,75) corresponding to 8% of the minimum wage. Six years later, in 1999, the share had increased to 14,7% of the minimum wage, corresponding to R\$ 20,00 (US\$ 10,80). The payment of the shares was done monthly during the assembly meetings. Each family paid to the treasurer, who deposited all the collected shares on a bank account.

threat of expulsion functioned as a social control of the quality of participation of its members.

The question that arises here is how were cooperative members able to achieve high levels of cohesion and participation? At first sight it may appear that people participated for fear of exclusion. The testimonies below show that participation and perseverance come together in the pursuit of a place to live and also that the process itself, paraphrasing Hirschman (1988), forged a vision of change, preparing people for joint endeavors that required much greater sophistication and persistence. It is significant that none of the interviewed people have had any previous experience of participation before entering the cooperative.

*I knew about the cooperative through my neighbor. She told me that there was a group meeting in Chácara da Fumaça. I went to the meeting, introduced myself and started to participate. I stayed in a waiting list and when a person quit I got his place. That was in 1994. (...) It was through the cooperative that I started to know how it worked, that I started to participate. (...) When you start to participate, you get more knowledge, people start to help each other. At work, I participate more of the events they promote. (...) Many people did not believe on it. I did because I had no doubt it was serious. I had confidence on Arlete (the treasurer) because she is very engaged and she is a leader.*³⁷

*The cooperative was formed when we held a meeting, in 1993. Few people met, active people, you know. And we formed the cooperative and continued struggling, struggling and now we are getting where we wanted, Thank God! (...) We talked and we concluded that a cooperative was a means to get a house where to live. (...) I have never participated in a cooperative before. I joined it because I was curious, you know. And I stayed.*³⁸

*I came to the second meeting. I came to check what was this cooperative about. Then I started to participate and I am here since 1993. (...) I have never had the idea of quitting, because I think this is a means to have a house. Everything is too expensive and it is difficult to purchase a house, all of a sudden. (...) I entered the cooperative without knowing how it would function. As time passed by we got organized and discovered how it was.*³⁹

³⁷ Mariclai Xavier, RENASCER member, interview by author, 12 May 2000, Porto Alegre.

³⁸ Raimundo Cardoso, RENASCER president, interview by author, 13 May 2000, Porto Alegre.

³⁹ Elaine Aquino da Silva, RENASCER member, interview by author, 13 May 2000, Porto Alegre.

4.2.3.2 The size of RENASCER: an asset for resource allocation and a back-up for default rates

The structure of the cooperative is divided into an Administrative Council and a Fiscal Council. Despite having three times more members than COOTEEPA, RENASCER has a much simpler administrative structure, with fewer people involved in the management of the cooperative. According to the statute, 16 out of 95 people are involved in the administration of RENASCER in each body.

The size of the cooperative was a subject of criticism by the Executive Director of DEMHAB, when attending one of its assemblies. He thought that the cooperatives should be smaller, and that RENASCER was too big, with 90 associates, jeopardizing its administration.⁴⁰ The director's worries could be valid, given the difficulties of poorer segments to organize themselves. But in the case of RENASCER, its size did not influence the performance and the active participation of its members. I would even argue that its size, along with its level of cooperation, constituted an asset for the recognition of their demands in other instances of decision-making. This is also recognized by some of its members.

*I have always participated, mainly in the meetings and when the cooperative needed to gather enough people for voting in the Participatory Budget. We went because we knew it was our obligation. The attendance in numbers was important. For cooperatives to get resources, we needed to have a minimum number of participants from each cooperative.*⁴¹

After the beginning of construction, in May of 1999, the default rate decreased significantly. Late payments were from the ones who joined the cooperative later on and could not pay the shares immediately. There are no written rules about how to deal with default. Whereas COOTEEPA has well defined sanctions, RENASCER is very vague in its rules concerning late payments. The statutes mention among the members' obligations the *subscription and integration of the assessed shares*. They do not set rules and fines for overdue payments.

Considering the low income level of its associates it is understandable that any type of fine and or sanction would exclude those facing difficulties in meeting their

⁴⁰ Cooperativa Habitacional RENASCER Ltda, Assembly Meetings Minutes Book (Porto Alegre, no date [1994]) 4.

⁴¹ Mariclai Xavier, RENASCER member, interview by author, 12 May 2000, Porto Alegre.

payments on time. Again, the size of the cooperative favored tolerating defaults, since the sum of individual contributions was enough to support any eventual default in the payments of the shares. Another reason was that, until then, the cooperative had not had any kind of major expenses. Their desire to acquire the Block 167 in Chácara da Fumaça had been frustrated because of the public status of the land. The land issue was solved through a contract of use with the municipal government. After the completion of construction, RENASCER has used the collective savings to improve the common areas and to start the construction of a community center. Because of the debts assumed by half of the families and the Right to Use guaranteed by the other half, the burden of debts was indeed transferred from the collectivity to individuals.

Maybe, during the next phase, it will be necessary to establish more defined rules for overdue shares, given the financial responsibilities the cooperative will face for the construction of the community center and the maintenance of public areas. The issues that deserve further examination are the maintenance of the organization as a cooperative and the maintenance of the affordability of the units, given that half of them were actually bought by the coop members on an individual basis. This discussion will be raised in Chapter 6, when analyzing both RENASCER and COOTEEPA's relationship with the municipal government.

4.3 THE CONSTRAINTS

As with any kind of organization RENASCER has problems, conflicts and misunderstandings. The perception of these constraints by the people interviewed show that they are aware and willing to talk about problems and how they have faced them. The conjunction of external requirements and internal limitations exacerbates the difficulties to be overcome. On various occasions and according to various reports the excessive state bureaucracy added to the lack of specific cooperative training is pointed out as a big obstacle for the cooperative. Rent-seeking within the cooperative, competition among community associations in the same neighborhood, and mistrust of the management of cooperative resources were also identified by coop members as problems for the functioning of the cooperative.

4.3.1 Internal limitations versus state bureaucracy

The excessive bureaucratic requirements and the lack of skills and formal schooling may together be hazardous for the evolution of a cooperative. This difficulty is not only detectable in the first phase of formal establishment of the cooperative but also at other stages of its development.

*We need more information about cooperative laws and practices, because the bureaucracy is too big and every day appears a difficulty we have to solve, but few people know the solutions. Our associate needs basic cooperative education that until now is given by the President and the Treasurer, who seek this education and transmit it to the others. Everything is very expensive and our resources are few.*⁴²

This statement was delivered by RENASCER during the 1st Municipal Meeting of Housing Cooperatives in 1994, when the cooperative had just been formed. In 1999, in a detailed survey conducted by the State Housing Secretariat (Secretaria Especial de Habitação – SEHAB), RENASCER's report mentions again the *bureaucracy imposed by DEMHAB* as their main external problem, after the beginning of the construction of the units.⁴³

*See, I will tell you that it is not easy. We took seven years to get where we got. It is not easy, we have to be persistent and there is too much bureaucracy. It has to be like the other wants.*⁴⁴

*The organized people, it seems it is more difficult to get things. (...) It is easier to invade the area and run after the infrastructure, than to make everything right, like we did. There was a time that some people wanted to invade the area. We did not let them do that, because we wanted quality. We did not want to wait and go and ask for water, electricity, sewage, in the OP.*⁴⁵

*Look at the Vila Mirim case, here. They were living on a high class area, over the street that needed to be opened for the construction of big buildings. In four months they were resettled, living in their own houses, some already selling them, and I am here, waiting for mine for seven years! (...) I believe that when things are being done in the right way, it is lengthier, mainly when we depend on them (the government).*⁴⁶

⁴² Cooperativa Habitacional RENASCER Ltda, Report for the I Encontro Municipal de Cooperativas Habitacionais Auto-gestionárias de Porto Alegre (Porto Alegre, 18 June 1994).

⁴³ See (SEHAB 1999).

⁴⁴ Raimundo Cardoso, RENASCER president, interview by author, 13 May 2000, Porto Alegre.

⁴⁵ Arlete Volino, Treasurer RENASCER, interview by author, 13 May 2000, Porto Alegre.

⁴⁶ Elaine Aquino da Silva, RENASCER member, interview by author, 13 May 2000, Porto Alegre.

These testimonies highlight the contradiction between the land policies adopted and the difficulties imposed on organizations that try to follow the legal procedures and requirements of urban policies. Without dismissing resettlement policies that are undoubtedly necessary, it appears that, despite state support for the development of cooperatives, much has yet to be done concerning more flexible regulations for recognized socially-oriented enterprises. More has been done to react to established situations, (land occupations, clandestine subdivisions, etc) than to prevent these situations from occurring.

Notwithstanding the high degree of mobilization found in RENASCER, the obstacles dictated by urban and juridical procedures for legalization of cooperatives have hindered the internal development of the organization. Non-profit organizations are formally recognized in the Brazilian civil code as private corporations, that may have economic ends and non-economic goals. The latter are divided into foundations and associations. A cooperative is an association with non-economic goals. To register an association, an inaugural general assembly of members must approve a charter and elect a board, and prepare minutes of the inaugural meeting. The legal existence of non-profit legal corporations begins with the filing of the charter or articles of incorporation or registration with the agency holding jurisdiction in such cases, the Registration Office for Corporations (Landim 1997). The registration procedures for an association as a cooperative may be unduly bureaucratic. The successive administrative barriers are a disincentive to seek legal recognition, especially for those who lack formal schooling and have little experience in dealing with authorities and excessive bureaucratic procedures.

Some authors point to the enormous difficulties faced by communities in the developing world in carrying out these kinds of activities. Past experiences of non-profit initiatives have shown that the absence of technical know-how and capable management to secure adequate planning, financing and supervision on the part of these organizations are responsible for the failures of such enterprises. Adding to that, it is very difficult for low-income households to raise or deploy financial and technical organizational resources (Lewin 1981). However, more recent work indicates that many Third World NGOs have succeeded in making available to individuals or community organizations funding and technical advice for the improvement of their housing conditions (Arrossi *et al.* 1994).

In RENASCER as in many other community-based cooperatives that could not afford to pay for technical advice, the role played by DEMHAB in their initial stage was vital for their organizational survival. The elaboration of the statutes and all documentation for the cooperative's initial registration was assessed by DEMHAB's staff. Despite periods of conflict, there was space for negotiation and cooperation within the process, resulting in a positive partnership for both DEMHAB and RENASCER as it will be seen later, in Chapter 6.

4.3.2 Internal conflicts and leadership roles

The awareness of the existence of renting out by some members and also of competition between community associations in the same neighborhood did not jeopardize the cooperative as a whole. There were many ways that members participate (or not) in the cooperative's activities. Generally, their participation was based on professional skills, insertion into the labor market and also on their schooling.

*When I go to the meetings I help to make the receipts and to receive the payments of the members. Usually Arlete is conducting the meeting and needs someone to check and update the shares of everybody. To handle the money is a responsibility and it is a form of participating, too.*⁴⁷

*I, for example, I am the president and the site works supervisor. I have to be here every Monday. Every Monday, between 8h30 and 9 o'clock I am here. The engineer and architect, they come at this time and we talk and see how the works are going. The construction is well done, following the pattern, but it is taking too much time.*⁴⁸

Among the members interviewed there was also a certain degree of skepticism concerning the commitment of all members in the cooperative's duties. When asked about the possibility of building their houses on a self-help basis, they were unanimous in saying that it would not work.

It would not work because not everybody would come. Few people would work for everybody. You know, a cooperative is a cooperative, but there are always the ones that don't participate, either because of lack of time or

⁴⁷ Mariclai Xavier, RENASCER member, interview by author, 12 May 2000, Porto Alegre.

⁴⁸ Raimundo Cardoso, RENASCER president, interview by author, 13 May 2000, Porto Alegre.

*because of a previous commitment. Then we chose a building firm. The firm is there everyday, is being paid for that and the construction goes faster. I have always thought that if I got the land, I would build my house. But we are a cooperative, and there are people who would not be able to build at once, fast, the same pattern of construction. But a construction firm will build all the same, all houses equal and everybody will pay the same.*⁴⁹

*For example, she would be able to build, I would not. She would build a house and I would build a shack on her side. Do you understand? We wanted to have a pattern, a quality.*⁵⁰

Through the interviews I have also detected some conflicts regarding the management of the cooperative's resources. Sometimes regular participation is considered by others, inside and outside the cooperative, as a way of getting personal advantages. The example of the treasurer is significant. The same person has been the treasurer since RENASCER's foundation.

*In the first electoral slate I assumed the treasurer function, because I worked in the accounting field.*⁵¹

*I am the coordinator now and treasurer. I coordinate it because I initiated everything, then I stayed as coordinator. But many people agreed that I should stay as treasurer. It should not change because it was working well. The president should change, but not the treasurer. Some people criticized me because my husband had changed his car (he is a salesman), and said it was with the money of the cooperative. They raised the question in the assembly and the majority was against my leaving. Every six months I render accounts and in the end of the year I deliver the year balance, the tax revenue of the cooperative and the Fiscal Council writes a report.*⁵²

The president has also been re-elected for the second time.

*They have chosen me because I am one of the first members of the cooperative. I am always here, struggling, always in the meetings. Then I stayed. After the end of the mandate they wanted me to continue. And I am here, until today.*⁵³

⁴⁹ Elaine Aquino da Silva, RENASCER member, interview by author, 13 May 2000, Porto Alegre.

⁵⁰ Raimundo Cardoso, RENASCER president, interview by author, 13 May 2000, Porto Alegre.

⁵¹ Arlete dos Passos Volino, RENASCER Treasurer, interview by author, 14 November 1996, Porto Alegre.

⁵² Arlete dos Passos Volino, RENASCER Treasurer, interview by author, 30 October 1999, Porto Alegre.

⁵³ Raimundo Cardoso, RENASCER president, interview by author, 13 May 2000, Porto Alegre.

The role of leadership in community associations is recognized by scholars and activists as of great importance for the continuation of the movement. Before or during the process of the formation of an association a group of leaders almost always emerges. Some of them have ties with political parties, the church or assisting bodies. Other community leaders emerge during the implementation stage. These leaders play an important role, both in the formation of associations and in their process of organization (Denaldi, 1997).

In RENASCER, the pattern of the members' permanence in executive positions has been of two electoral periods and there are cases of people holding the same positions for 3 consecutive mandates. The key positions of president, treasurer and fiscal council have been the ones with more permanent people. If this fact at first sight may cause some mistrust, it also has its own explanations. Tendler (1988) in a study of Bolivian cooperatives argues that entrenched leaderships may have positive aspects such as entrepreneurial experience and drive and also a social role in the community. Rotation of leadership among same persons, solidarity bonds and common interests and the permanence of very committed persons in leadership posts were essential to the survival of the cooperative during periods of uncertainty. Adding to that, the lack of people prepared to deal with bureaucratic matters and with specific skills that will help in the management of the cooperative, and the cost and time involved in the formation of new cadres with such qualifications may explain the permanence of some of the cooperative officials in their positions.

The permanence or not of the same people as officials was also much debated within the Participatory Budget (OP). One argument in favor of re-electing councilors was based on the fact that one year was too short a time to get acquainted with and to master all the complex operations of the OP. The counter-argument, that prevailed, was that keeping people in the same positions would discourage the acquisition of knowledge and new skills and hinder the emergence of new leadership. As Santos (1998) argues, in the popular movement the re-election of representatives is often regarded with suspicion, the fear that re-election might lead to a new breed of professionalized elected officials easily prey to the old populist, clientelist system. In RENASCER, they have followed the first path, of hoping that experience and

accumulated knowledge would be more important than the emergence of new leadership.

The role played by the treasurer has exceeded her accounting skills. She proved to be an active participation in the Forum of Cooperatives too. In previous years, she has represented the cooperatives in the Thematic Assemblies of the Participatory Budget. She has been also involved in the Regional Assemblies, representing the region where she lived and sat on the State Council of Housing as the cooperatives' delegate. When interviewed, her vision of the Forum of Cooperatives was very concise and realistic. She was actively involved in the Forum's meetings, being the secretary of the organization. Other members also recognized her leadership.

*The cooperatives today are dispersed because everything is too lengthy in time. If the person does not have perseverance, and does not believe on what he/she is doing, he/she gives up in the middle of the way. In the Forum participate the coops that have been together for a long time, the ones that have been working together. They are around fourteen (14) cooperatives out of the total of fifty-eight (58). The new ones, they don't want to join the Forum, they are either afraid or they have some problems, because they don't fit the criteria we established long time ago. Then we are forming a group to try to revitalize the Forum, calling the cooperatives again, showing what has to be done, how we work, and that each cooperative is independent, nobody will meddle in each others' problems.*⁵⁴

*She is a very committed person. I told her: look, we owe our houses to you. Because we see that she participates, goes to the meetings, struggles for what she wants. I like her way of being. She has guts, and this is important.*⁵⁵

*She is the head of the cooperative. She is the one who runs back and forth, goes to meetings, brings to us everything she hears, everything that was said, everything she has said.*⁵⁶

RENASCER is one of the four cooperatives that formed the Central of Cooperatives in Porto Alegre in 1998. This initiative was based on two major goals. The first was to have a legal representation and identity for participating in decision-making bodies, mainly to influence policy-making and to raise questions about the allocation of resources for the consolidation of existing cooperatives and establishment of new ones. The second was related to the rationalization of human and financial

⁵⁴ Arlete dos Passos Volino, RENASCER Treasurer, interview by author, 30 October 1999, Porto Alegre.

⁵⁵ Mariclaui Xavier, RENASCER member, interview by author, 12 May 2000, Porto Alegre.

⁵⁶ Elaine Aquino da Silva, RENASCER member, interview by author, 13 May 2000, Porto Alegre.

resources and reduction of costs to assist cooperatives in legal, social, accounting and technical matters. Along with these goals, the cooperative activists also attributed the weak participation of cooperatives in the Forum of Cooperatives to their perception of the cooperatives' dependence on DEMHAB. In their view, the formation of this central body of cooperatives will definitely cut the umbilical chord binding the cooperative to the governmental arena.

4.4 CONCLUDING REMARKS

RENASCER has struggled and survived as a cooperative for eight years before achieving the goal of building its own houses. The lack of other options and the belief that it was a viable way of solving their housings problems determined the high level of participation of RENASCER members. Also the work of key persons was essential to success.

The political will of government to carry out participatory processes and support low-income cooperative organizations was in keeping with the inversion of priorities implemented by the municipal government. The search for a non-state and public identity has permeated the actions and demands of the coop.

The empowerment of coop members, through increased self-confidence about new skills and experiences, and of the organization as a whole, through the establishment of networks and the accomplishment of the goal of building their houses, are the most evident positive outcomes from this collective initiative. The network of social interaction inside and outside the cooperative enabled its members to pursue their goals. Concomitantly, state support for the consolidation of cooperatives and the steady attendance of RENASCER at all public forums open to associational participation strengthened its status as an organization. There was indubitably the formation of social capital within an overall enabling environment.

There are still major challenges to meet. DEMHAB faces the task of scaling up this kind of experience. RENASCER faces the challenge of sustaining and strengthening participation, to maintain the cooperative as an organization and to guarantee the affordability of the units produced. The individualization of loans for the construction of half of the dwellings and the weak state action to avoid upward filtration may endanger the affordability of the units in the future.

CHAPTER 5

COOTEEPA - A LABOR UNION BASED COOPERATIVE

And I told my kids that I had joined the cooperative and that we would get our house, because we didn't have money to buy a small property. We are going to live in a community that is ours, our land. Let's go ahead. I have not vacillated. It was, and it is my responsibility. And thank God, I am reaching my goal.¹

In May of 2000, Maria de Lourdes had just begun to build her house through an individual loan for the acquisition of construction material from the Federal Savings Bank (CEF). In August of 2001, eight years after the formation of COOTEEPA, 20 out of the 28 members were already living in their new houses built on the cooperative's land.² After many difficulties that impeded them from building on a community basis, the COOTEEPA members decided to collectively implement infrastructure in the area and to erect their houses individually.

Among the various forms of civil society organizations, cooperatives embody many of the potential conditions for the formation of social capital. The cooperative values of solidarity and self-responsibility encourage people to act collectively in the pursuit of their goals. A labor union based cooperative, as is the case with COOTEEPA, contains previous associational ties and a history of struggles for better salaries and working conditions. During the 1990s, the incorporation of housing, as a new field for the unions' interventions, expanded the notion of labor union's actions beyond corporatist matters. The perspective of a different kind of participation in the

¹ Maria de Lourdes da Motta, COOTEEPA member, interview by author, 12 May 2000, Porto Alegre.

² Luiz Gambin, Administrative Director of COOTEEPA, telephone interview, 28 August 2001.

union - the common struggle for housing - brought to the organization people who had never been involved in any type of collective movement, creating a new social network - the cooperative - inside the union itself. There was an interweaving of goals, expectations and experience that bound people together and gave them tools for identifying needs and limitations, as well as strategies for overcoming barriers to the achievement of their goals.

This chapter aims at unveiling how this process came about. It focuses on the development of COOTEEPA as a union based cooperative. Its objective is to understand by which it was established and developed, its characteristics and what conditions facilitated and/or obstructed the development of the cooperative. In the same way as the previous chapter, this chapter centers on the cooperative as an institution and as an association of people, analyzing both angles from the standpoint of its members, leaving for Chapter 6 a more detailed discussion of the interrelationship between COOTEEPA and the municipal government.

The chapter is based on interviews, direct observation and examination of the cooperative's and DEMHAB's documents. As mentioned in the introduction to this thesis, the interviews were conducted in different periods: 1996, 1999 and 2000. The interval of 2.5 years between the two main fieldwork trips was crucial for the results of this study. The stage of development of the cooperative had changed enormously during this period. This study suggests that the process of formation of a cooperative, in the specific context of Porto Alegre, needs a rather long time to mature before reaching the stage of the construction of the housing units, the main goal of the organization. It also shows that internal conflicts and mistrust exist, even in highly cohesive environments. Another important finding was that major differences in income levels among the members did not impede the lowest wage earning families from remaining in the cooperative.

The chapter is divided in three sections, similar to Chapter 4. The first centers on the emergence and growth of COOTEEPA, discussing the various stages of the cooperative's development and the reasons for the strategies chosen along the way. COOTEEPA, like RENASCER, had a sequential pattern of formation: leadership formation and recruitment, savings and land acquisition, infrastructure implementation and construction of the units. The second section covers the organizational aspects and how they have influenced the development of the cooperative. In this section I also

discuss in more detail the role of leadership and of technical assistance, as key to the growth of a housing cooperative, and the case of COOTEEPA, which could afford paying for such assistance. The last section deals with the way cooperative members perceive their organization and what tensions and constraints they have identified during the establishment of the cooperative. The existence of free riding and the contradiction between principles and practice are still of concern to COOTEEPA members. Huge income differences among its membership were initially perceived as a cause for disruption of the cooperative. The discount of the monthly share directly from the payroll of the associate's employer and the strict observance to the rules of the statutes regarding debts helped COOTEEPA to overcome income differences and to avoid high default rates, maintaining in the cooperative a socio-economic heterogeneity.

5.1 THE ORIGINS AND DEVELOPMENT OF THE COOPERATIVE

In the beginning of 1993, after the participation of some of its members in the meetings of the Labor Union Housing Forum (Fórum Sindical de Habitação – FSH), the labor union of workers in private educational institutions in Porto Alegre (Sindicato dos Trabalhadores em Estabelecimentos de Ensino de Porto Alegre – SINTEEPA), started a movement among its members to form a housing cooperative. Besides visiting private educational institutions in which many of its members worked, the labor union sent a letter to all members living in Porto Alegre calling for a meeting to discuss the possibility of forming a housing cooperative.

SINTEEPA did not have exact data about how many people were paying rent, but did have knowledge of the crushing weight of housing rents in the monthly budget of its workers. The people interested in the formation of the cooperative organized some activities (meetings, pre-registration and discussions about the theme), which culminated in the May 15, 1993 assembly. The goal of this assembly was to establish a housing cooperative, to debate and vote on the statutes of the new organization and to elect the first cooperative's officials. The housing cooperative was named Housing Cooperative of the Workers of Private Educational Institutions in Porto Alegre (Cooperativa Habitacional dos Trabalhadores em Estabelecimentos de Ensino de Porto Alegre - COOTEEPA), hereafter referred to as COOTEEPA.

The collection of cash for shares in the cooperative only began in July of that same year, when COOTEEPA was registered at the Registration Office for Corporations, the legal institution organ where all cooperatives must be registered to acquire legal status in accordance with Brazilian cooperative legislation. The value of the share was fixed at 20% of the workers' basic salary. At the time, this percentage was equivalent to US\$ 44.60³.

Forty five people attended COOTEEPA's inaugural assembly. By May of 2000, the cooperative had registered 152 people. Many people left the cooperative because of job loss, impatience with the slow process of obtaining concrete results and because they had solved their housing results during that time. In May of 2000, 28 families formed the cooperative. In 2001, this number was increased to 30, as a strategy to obtain resources, through the new members coop shares, to build a community center.

5.1.1 1994 – Purchase of the land

In October 1994, one year after start collecting the shares, COOTEEPA bought a 2.2 ha. parcel of land located in the northeastern part of the city in the so called Agronomia neighborhood. The land cost R\$15.228,00 (US\$ 18.000,00)⁴ and was paid on sight. It is important to note that the land was not serviced with infrastructure. Agronomia lies in a low density part of the city and until thirty years ago was agricultural land (see Figure 3.1 in Chapter 3)). The choice of the area was based on a survey made among the members of the cooperative. As many of the coop members worked in an adjacent neighborhood, Agronomia was chosen because of its location and also because of affordable land prices.

During 1994, after a selection process involving the participation of five technical assistance teams, COOTEEPA members chose a firm to assist the cooperative during the project and construction phases. The architects proposed a 114 m² two story unit on a 4,5x26m lot. In September 1996 the construction price was calculated to be R\$ 25.810,00 (US\$ 27.083,00) per unit. This price was 62% of the

³ The share was Cr\$ 2.800.000 in July of 1993. The exchange rate for that month was 1US\$ = Cr\$62.773,236. The basic salary of the SINTEEPA workers was of 3 minimum wages, equivalent to US\$ 221,00. (One minimum wage = Cr\$ 4.639.800 = US\$ 73,91)

⁴ Exchange rate in October of 1994: US\$ 1,00 = R\$ 0,846.

basic construction cost (Custo Unitário Básico - CUB)⁵. The houses would cost around R\$ 64.708,00 (US\$ 67.900,00) if built on a commercial basis.⁶ In 1996 COOTEEPA had 41 members.

Since March 1997 COOTEEPA has had 28 members. Each two lots were amalgamated (9x26m) and the families chose to build their houses on a self-financing basis.

*In the end of 1997 we abandoned the row houses project. We abandoned this vision of equal houses and we worked with a vision that we should divide the lots, implement the infrastructure collectively and build the houses on an individual basis, according to each family's financial conditions. The cooperative would be in charge of providing water, electricity, sewage lines and paving. Each lot, fraction of land would have the infrastructure and then each one would be able to develop his/her housing according with "the size of his/her legs". And this is what is happening today.*⁷

*Because of the problem with the land title, we decided to build our houses individually, according to our possibilities. If we had got the construction financing it would have been easier, the same pattern. Then we chose this solution, because people needed to live in some place. And the cooperative was formed for a long time and nothing was happening in terms of the houses. That was an option that worked, I think.*⁸

Despite the existence of a members' loan implemented by CEF, the so called Associative Credit Letter (Carta de Crédito Associativa), COOTEEPA members could not apply for construction finance in the formal market because of the legal situation of the land. When the cooperative bought the land, it had not yet been demarcated as it constituted a small part of a larger property. Despite the legally requirement, the area was not recorded at the Real Estate Registry Office as an individual piece of land. The fact that the cooperative does not have a definitive and individual land title, prevents its members from applying for construction loans with financial institutions, since land is taken as a collateral for any loan supplied by the banks.

⁵ Each month, the construction sector establishes an average square meter construction cost based on a price composition of various components of the construction industry and cost of labor.

⁶ Exchange rate in September of 1996: US\$ 1,00 = R\$ 0,953

⁷ Luiz Gambin, Administrative Director of COOTEEPA, interview by author, 25 October 1999, Porto Alegre.

⁸ Marinês Geovani Soares, COOTEEPA member, interview by author, 13 May 2000, Porto Alegre.

5.1.2 1996 – Infrastructure implementation – the change of strategy

COOTEEPA began a savings fund for infrastructure construction works in December of 1996 as a strategy to deal with the lack of access to construction financing. Their members decided to start saving and at the same time to try to solve the problem of the legal status of the land. COOTEEPA gave itself a deadline of one year to try to solve the problem. After that, its members felt they should change their approach to the construction of the units and accepted a self-financing strategy. In one and a half years COOTEEPA members saved enough money to hire a contractor for putting in water, electricity and sewage lines, as well as for constructing and paving the streets. The cost of infrastructure was R. 131,00 (US\$ 126,00) per month⁹.

The urban project designed by the technical assistance team did not require major changes. The occupation pattern of the land was not altered, since there was a reduction in the number of members and an enlargement of the area allocated to each family. The lot area increased from 117m² to 234 m² and the number of cooperative members declined from 55 to 28 (see Figure 5. 1). The first house built was occupied on May 15, 1999, exactly six years after COOTEEPA's foundation.

COOTEEPA passed through different phases in the course of time. As to savings and costs the acquisition of the land occurred smoothly. However, the legal situation of the area was not properly considered by COOTEEPA and had ominous consequences for the next phases.

Before buying the land, COOTEEPA tried to negotiate with DEMHAB the acquisition of another area in the same neighborhood, where there was a DEMHAB project for settling families who had been displaced from hazardous areas. The Forum of Cooperatives and the Director of DEMHAB, at that time, agreed that DEMHAB would set aside for the cooperatives part of each parcel of land on which the agency had developed a project. The Forum of the Cooperatives was the organ to decide which cooperatives would benefit from this agreement. The negotiations on this did not take place because COOTEEPA preferred buying the area the cooperative owns today.

⁹ Exchange rate in December of 1996: US\$ 1,00 = R\$ 1,04.

Another possibility explored by COOTEEPA was its inclusion in the Investment Fund of the Integrated Program for Social Improvement (Fundo de Investimentos do Programa Integrado de Melhoria Social - PIMES). PIMES was created in 1989 by the state government as a means to compensate for the failure of the federal housing policy since the closure of BNH. This program assembled many state secretariats and had the goal of improving the living conditions of the urban poor. It concentrated municipal, state and federal resources as a rebuttal to World Bank (WB) and Inter-American Development Bank (IDB) resources to invest in poorer areas of cities with more than 10.000 inhabitants. Its main goals were: land regularization; implementation of infrastructure; construction of new houses and improvements; basic sanitation; and the establishment of health and daycare centers. The municipal administrations and community associations were to be the main executive agents of the program. Despite its broad goals, this program had a very modest impact on the improvement and provision of low-income housing in the state (Barbosa 1997).

DEMHAB was in charge of the implementation of the PIMES program in Porto Alegre. It targeted families earning from 3 to 5 SM. The construction of the units included self-help methods. At the end of 1993, COOTEEPA identified 25 families among its associates, who fulfilled these criteria and summoned them to a meeting. The negotiations with DEMHAB around the PIMES program lasted more than a year and were unsuccessful. There was a problem with deadlines that were not met by DEMHAB. Some families who would benefit from this program remained in COOTEEPA, but many others left the cooperative¹⁰

It was mentioned before that after the failure to obtain financing for the construction of the units, due to the irregular situation of the land title, the cooperative changed its strategy. Despite the possibility that COOTEEPA would have the required infrastructure carried out with the help of the Participatory Budget, its members decided that, independently of the source of funds, the cooperative should assume the costs of infra-structural construction. This proved to be a wise decision since, in legal terms, the municipal government cannot invest in private areas, such as those owned by cooperatives. Debates between representatives in the Participatory Budget meetings agreed that public investments made on cooperative's land should be paid

¹⁰ COOTEEPA, Assembly Meetings Minutes Book (Porto Alegre, 1993, 1994 and 1995).

back to the municipality over a period of five years (with an interest rate of 3% per year and monetary correction according to the Municipal Reference Unit (Unidade de Referência Municipal – URM) to become a rotational fund to be used by other cooperatives. In reality, the government acted as a financial agent, lending to cooperatives the necessary funds to implement urban services at low interest rates.

In the spirit of this new strategy, at the beginning of 1997 all members agreed to pay a R\$ 115,00 (US\$ 109,00)¹¹ share during the year 1997 with the goal of constructing the infrastructure in the area and setting the conditions for each member to start the construction of his/her housing unit. To continue with the implementation of the project it was essential to define the precise number of members in the cooperative. There had been a significant decrease in the cooperative's assembly participation since the failure to obtain a construction loan through the Associative Credit Letter of CEF, and also an increase in late payments.

The general assembly decided that, for people to remain as coop members, they should fulfill some specific requirements. Only the ones who until 31 March 1997 had confirmed their decision to stay in the cooperative and the ones who until 31 March 1997 had paid at least one infrastructure share and had negotiated the payment of overdue shares, would remain as coop members. There was also a re-definition of criteria for readjustment of the shares. These criteria established a fine of 2% a month, monetary correction of 0.10% a day and payment due on day 8 of each month. The statutes determined that members who delayed payment on their shares for more than 90 days would be excluded from the cooperative, except in special circumstance that had been communicated to the cooperative's administration.

After the deadlines stipulated by the assembly, the number of associates decreased to 28 people. The area of the lot was increased from 117 m² to 234m². One year later, in 1998, the lots were distributed among the cooperative members. The assembly established criteria based on seniority and participation in case of interest of more than one person for the same lot. For each item were attributed points as follows:

- Participation in the cooperative's assembly meetings – 60
- Work done and participation in external events as a COOTEEPA member – 20

¹¹ Exchange rate: US\$ 1,00 = R\$ 1.05, in March of 1997.

- Time as a COOTEEPA member – 20

The influence of the Participatory Budget principles on COOTEEPA's criteria for access to the lots should be noted. Both used level of participation as a *sine qua non* to decide who gets what. The process of definition of the distribution of the lots was regarded as positive by the members, considering that it allowed them to discuss each one's participation in the cooperative's activities and also because it recalled the history of COOTEEPA's formation.¹²

5.1.3 1997 – Construction of the units – a self-financing option

This new approach caused changes in the conception of the housing units. The construction of one unit on each lot would be permitted and the design of the house would be determined by the cooperative member, but had to follow all the technical criteria decided by the assembly. The technical assistance team informed COOTEEPA about the urban project and this resulted in a detailed set of rules and guidelines for the occupation of the area. These rules included height of fencing, required setbacks, projection of construction and height limits.

Fencing: side fences: 1.80m; front fence: up to 0,40m of brick, any kind of *transparent* material, like metal bars etc. of up 1.80 m.

Housing Construction: Horizontal Projection of construction could occupy 60% of the lot area.

Maximum height of the house: 8 m.

Front setback: 4 m.

Balcony: 1,20m overhang

Side setback: 1.50 m.

Back setback: 3 m.

Pets: only cats and dogs

This sudden *freedom of choice* had different responses in terms of payment for construction. Some used the construction material loans from CEF. Others built their houses gradually, depending on their savings, extra-earnings and with some loans from

¹² COOTEEPA Assembly Minutes Minutes Book (Porto Alegre, 14 March 1998).

family and friends. Because of the variation in incomes, there were differences in terms of materials, size and furnishing (see Figure 5. 6).

In a study about low-income housing in a Colombian city, Gough (1999) finds similar strategies the way low-income households finance the construction of their houses. She argues that *housing strategies vary according to a household's resources and networks and that the housing process itself offers implicit opportunities for maintaining financial control* (Gough 1999:119). Gough adds that many households combine different strategies for obtaining finance, with a predominance of informal methods for raising funds, and that the acquisition of formal loans was not very common.

The strategy of those with lower wages has followed the pattern of first building a temporary dwelling (in wood) on the back of the lot, moving into it, and extending the house gradually to the front using better materials (brick), when the family budget allowed (see Figure 5. 3). In 1999 there were 7 families living in the cooperative and 3 others in the process of construction. In August of 2001 there were 20 families living in the cooperative. Members who have joined the cooperative recently had to pay 80% of the total shares before being allowed to build their houses.

The individual construction over a cooperatively-owned land poses some questions to the future appreciation of the cooperative's shares and capital. According to Hamdi *et al.* (1989:44) a cooperative is a form of collective ownership where owners buy shares in a corporation that owns a building or land. Owners get exclusive leasing rights to the unit they occupy, but they do not hold title to their unit as condominium owners do. A Limited Equity Cooperative (LEC) has the same ownership/tenure relationship as conventional cooperatives, except that the shareowner agrees to the restriction that the resale value of the shares is limited by a formula for a specified period of time. The formula is designed to encourage families to live in the house and to prohibit speculation. Miceli *et al.* (1994:40) also stress the role of LECs in providing affordable housing through a limited appreciation of membership shares, arguing that LEC members should not receive gains that are attributable to outside subsidies.

COOTEEPA now functions partly as an LEC, keeping some characteristics of a conventional housing cooperative. In March 2001, during an assembly meeting, its members decided to update the capital of COOTEEPA. It was decided that each

member's share corresponded to R\$ 13.139,00 (US\$ 6.287,00)¹³ and that, in any transaction involving the housing unit, the member should negotiate with the cooperative the value of that share included in the total value accrued to the unit. Neither the rate of appreciation of the cooperative share nor the rate of appreciation of the housing unit were clearly defined.¹⁴ As seen above, the definition and refinement of the ownership/tenure relationship in COOTEEPA has been redefined at each stage of its development.

During its eight years of existence, it has become evident that COOTEEPA has had a highly independent trajectory from DEMHAB. Before the acquisition of the land, there had been an attempt to negotiate some of DEMHAB's land, but this option has not been taken up by the cooperative. DEMHAB has indeed assisted the coop in organizational and bureaucratic issues in its initial stage, but this assistance became unnecessary after the hiring of a technical assistance team. One year after its foundation, COOTEEPA was able to hire a professional team that helped the cooperative in technical matters and in the search for construction loans. The land title situation, however, caused a shift in strategy of the cooperative that chose to build the houses on a self-financing basis. The relationship COOTEEPA has established with the municipal authorities has mostly been through the bodies in which the cooperative participates, mainly the Forum of Cooperatives and the Thematic Plenaries of the OP.

5.2 THE PEOPLE AND PROCESS OF ORGANIZATION

Knowing the origins, family size, working relationships and salaries of the people who form a cooperative helps one to draw a profile of the organization. However, more interesting was to know about their residential history, what motivated them to join the cooperative and why they remained in the cooperative after so many uncertainties about the realization of their goals. This section summarizes data about the members of COOTEEPA and introduces the residential history of some of its members.

¹³ Exchange rate: US\$ 1,00 = R\$ 2.08, in March of 2001.

¹⁴ Luiz Gambin, Administrative Director of COOTEEPA, telephone interview, 28 August 2001.

5.2.1 Who are the members of COOTEEPA?

I am from Santo Ângelo. I came to Porto Alegre in 1963. (...) I was looking for a better life. My mother, my relatives all had already left. (...) I rented a house with my former husband. We had three children. After marrying my second husband, we moved to Glória (a neighborhood of Porto Alegre) and built a house on my husband's family land. We lived there for 20 years. I had other two children there. When the family sold the property, we rented a house in Vila Nova and stayed there for 4 years. (...) After my husband died, I had to move out and worked as a maid in a house with my two younger children. Then we lived for two years in my brother's house. After getting a job, I rented this place. I have been in this house for 9 years already.¹⁵

I was born in Tres Passos and came to Porto Alegre when I was eight years old, with my family. We had a house. We lived in the back of my mother's lot, my husband and two children. (...) When I left my mother's house, we rented a place and it was very difficult to pay the rent.¹⁶

The data contained in the registration files of the cooperative were a rich source of information for the profile of its membership at the time people joined COOTEEPA. Table 5. 1, built with data gathered from COOTEEPA's files, provides information about the origin, age, gender, civil status, family size, employment situation and family income of the cooperative associates. As with RENASCER files, they lack information on educational records.

Less than 30% of the cooperative's members are from Porto Alegre. The majority come from small towns in Rio Grande do Sul state. The rural origin of the cooperative members can also be seen in the way they use common land for planting vegetables. It was decided, though, that these gardens should only be used for subsistence purposes (see Figure 5. 7). Concerning age, 61% of COOTEEPA's members are under 40 years old, quite a young profile. Unlike RENASCER, there is a slight predominance of males over female members. Despite having registered 152 people in a period of six years, more than half of COOTEEPA's members (57%) were admitted to the cooperative in the first three years of its existence.

The families that form the cooperative are also small. Almost 70% of the households consist of only two people. The majority of the members, 57%, declared

¹⁵ Maria de Lourdes da Motta, COOTEEPA member, interview by author, 12 May 2000, Porto Alegre.

¹⁶ Marinês Geovani Soares, COOTEEPA member, interview by author, 13 May 2000, Porto Alegre

themselves to be single. Of these, 81% belong to households with two or more people. Regarding civil status, COOTEEPA follows a trend similar to RENASCER, where many single people either live with relatives or are not formally married. All cooperative members are employed and linked to the formal economy. There are no self-employed people in COOTEEPA. Almost 80% of the associates work in schools and universities, either in administration or teaching positions. Only 10% of the members have low-skill positions (janitors, elevator operator).

The kinds of jobs COOTEEPA members hold are reflected in their higher average income. The scope of family income is quite broad in COOTEEPA, ranging from 3 to 16 times the minimum wage (Salário Mínimo – SM). More than half of the families earn from 5 to 12 SM, having much higher earnings than the average income of Porto Alegre, where two thirds of the population earn from 0 to 3SM (PMPA 1999).

Table 5. 1: COOTEEPA - Housing Cooperative of the Workers of Private Educational Institutions in Porto Alegre – Members in May/2000

N.º	Registry N.º	Birth date	Origin (1)	Gender	Civil Status	Family Size	Employment	Family Income (2)	Admission date
01	001	1956	Maquiné	M	Single	02	Newspaper clerk/PUC	16,0 SM	15/05/93
02	039	1955	Bagé	M	Single	02	Office Clerk/PUC	3,5 SM	08/07/93
03	061	1940	Encruzilhada Sul	F	Widow	02	Elevator Operator/PUC	2,7 SM	26/07/93
04	062	1939	Sto. Angelo	F	Divorc.	03	Janitor/School	4,0 SM	26/07/93
05	083	1968	Tres Passos	F	Single	04	Reception/School	6,9 SM	31/07/93
06	086	1966	Porto Alegre	M	Single	04	Secretary/PUC	15,3 SM	24/08/93
07	087	1942	Porto Alegre	F	Divorc.	02	Secretary/PUC	7,8 SM	31/08/93
08	089	1967	Santiago	M	Single	01	Secretary/PUC	5,0 SM	28/09/93
09	102	1955	Estrela	M	Single	02	Professor/PUC	25,0 SM	25/07/94
10	107	1967	Porto Alegre	F	Married	03	School Supervisor	10,0 SM	20/12/94
11	110	1965	Itapecemirim,	M	Married	02	Newspaper clerk/PUC	7,5 SM	29/12/94
12	117	1966	Porto Alegre	F	Single	01	Teacher/UNISINOS	12,8 SM	11/01/95
13	129	1971	Sta. Maria	F	Single	02	Secretary/PT	8,0 SM	12/06/95
14	134	1957	Arroio do Meio	M	Married	02	Coordinator/Mitra	7,5 SM	25/07/95
15	141	1962	Soledade	F	Married	04	Clerk/CAMPI	10,7 SM	24/10/96
16	142	1961	Esteio	F	Single	02	Secretary	10,7 SM	28/10/96
17	143	1967	Seberi	M	Single	02	Newspaper clerk/PUC	10,0 SM	10/03/97
18	144	1968	Marau	M	Single	02	Professor/School	5,0 SM	03/10/97
19	145	1974	Ivorá	M	Single	03	Supervisor	7,2 SM	05/12/97
20	147	1964	Porto Alegre	M	Divorc.	02	Administration Clerk	4,4 SM	29/04/98
21	148	1944	Porto Alegre	F	Married	04	Retired	18,3 SM	29/04/98
22	149	1971	Viamão	F	Single	03	Nurse Helper	10,0 SM	08/05/98
23	150	1948	Jaguari	F	Widow	04	Civil Servant	10,0 SM	13/05/98
24	151	1972	Frederico West.	M	Married	02	Clerk	7,7 SM	18/05/98
25	152	1951	Porto Lucena	M	Single	02	Construction Foreman	6,2 SM	24/11/98
26	005	1957	Porto Alegre	F	Divorc.	02	Academic Assistant	8,8 SM	??/??/99
27	011	1962	Camp. Missões	M	Single	01	Clerk	9,5 SM	19/08/99
28	022	1977	Porto Alegre	M	Single	02	Professor	11,8 SM	03/09/99

Notes: (1) All the cities which do not have a “/” followed by an acronym (e.g. PR,RJ) are located in the state of Rio Grande do Sul.

(2) The family income is given in minimum wages (Salário Mínimo - SM). The minimum wage in May of 2000 was R\$ 151,00 (US\$ 83,00).

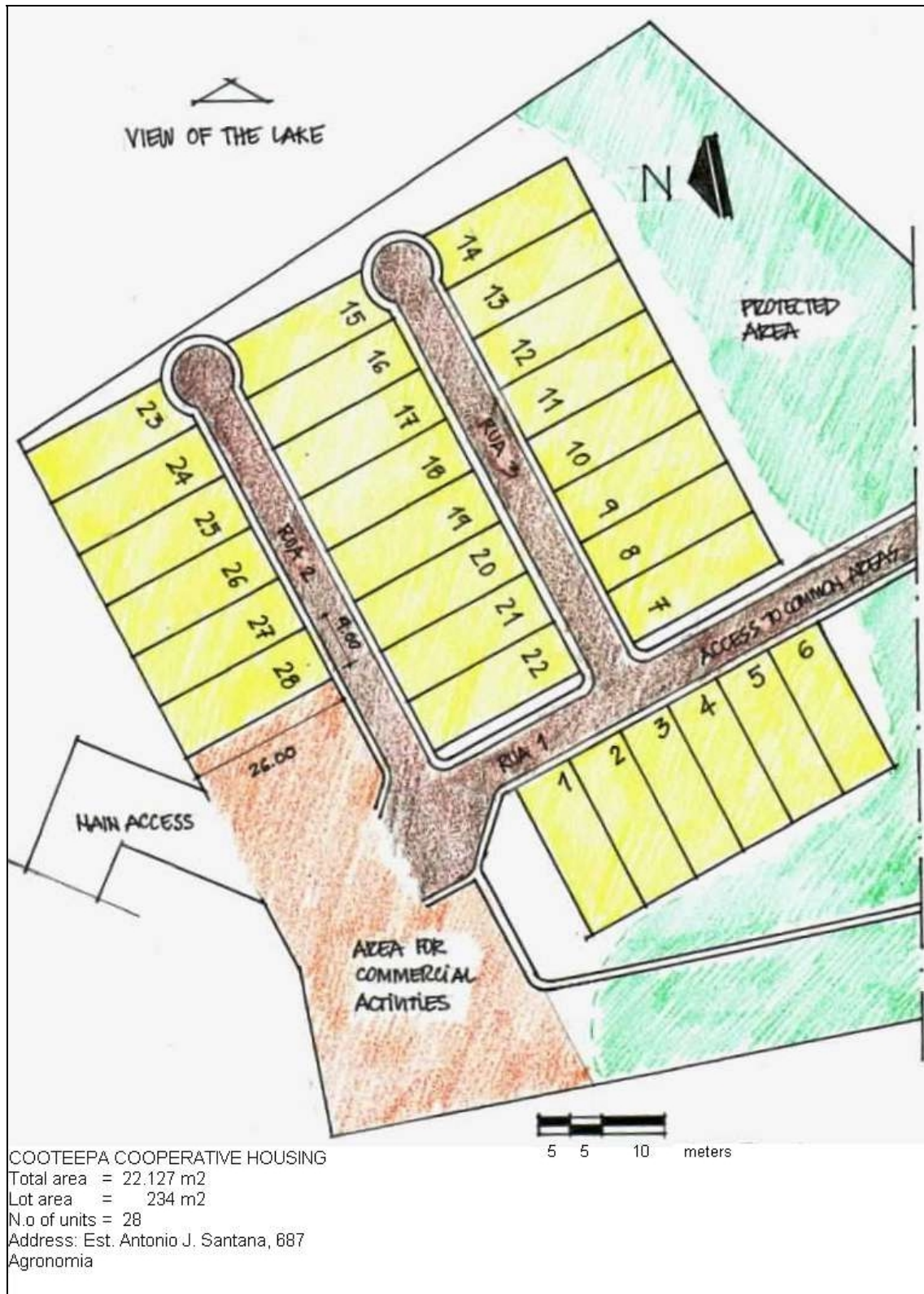


Figure 5. 1 : COOTEEPA site plan



Figure 5. 2: View of COOTEEPA's site with units being built. Picture taken from Street 1 looking to the lake. Photo by author, October 1999.



Figure 5. 3: Wooden houses and construction of brick houses. Photo by author, October 1999.



Figure 5. 4: Paving and electricity lines. Photo by author, October 1999.



Figure 5. 5: Entrance to COOTEEPA's site. Photo by author, October 1999



Figure 5. 6: Differences in sizes and building materials. Photo by author, October 1999.



Figure 5. 7: Vegetable planting in the backyard of a house in COOTEEPA's site. Photo by author, October 1999.



Figure 5. 8: On the back, preserved area within COOTEEPA's site. Photo by author, October 1999.

5.2.2 Structure of COOTEEPA, institutional capacity and participation.

According to the original statutes, the main objectives of COOTEEPA were *planning, building and maintaining the housing complex, granting to its members the exclusive right of use, fruition and property of the dwellings and the non-private use of common goods. The housing units will be delivered for indefinite time by contract of use, fruition and property.* Other goals also included the organization of *cooperative services that fulfill the members' needs and that contribute to the growth of the cooperative's capital and to the improvement of the socio-economic profile of its constituents.*¹⁷

To be a member of the cooperative one had to be employed by a private educational institution in Porto Alegre¹⁸, to subscribe to the social capital shares, to be approved by the Administrative Council and to sign the registration book. Among the members' obligations is the use of the individual unit only for residential purposes. The rights and obligations of deceased members are transferred to their heirs, according to the law.

The division unit of the capital is the assessed share, whose value was CR\$ 1.000,00 in July of 1993 (US\$ 0,016). The member would be able to integrate his/her shares in various installments. It was not clear in the statutes whether there was a minimum amount of shares that should be bought by the associate to become a member. When asked about this, COOTEEPA's administrative coordinator admitted it was not defined and that it characterized the cooperative as an open capital organization.

*We started our savings and named it a share, because it had the same value to everyone, independently from each one's salary. The result will be that everyone will have an equal land fraction, with the same collective area, with the same kind of infrastructure. All this had a cost of approximately R\$ 7.000,00 (US\$ 3.721,42) per person. This will be the capital share each associate will have in the end. And this is equal to everybody.*¹⁹

As a cooperative we have to define a criterion to integrate the capital share. Our idea is when we finish the costs with infrastructure and the total expenses we will be able to establish this. Another thing we have to define is

¹⁷ COOTEEPA, Estatuto (Porto Alegre, September 1997).

¹⁸ In 1997 the statutes were changed allowing people who were not linked to the labor union and/or to the educational field to become a cooperative member.

¹⁹ Luiz Gambin, Administrative Director of COOTEEPA, interview by author, 25 October 1999, Porto Alegre.

the criteria to update the value of the shares. We only say that one share is worth it one real (R\$ 1,00).²⁰

The General Assembly is the decision-making organ. It may be summoned by any of the administrative organs, the Fiscal Council or by 10% of the associates. The minimum quorum is 2/3 of the associates on first call, half plus one on second call and a minimum of 1/3 of the members on third call. The attendance at the assemblies has varied over the years. The year of the foundation of the cooperative was the one with the highest attendance, an average of 75% participation. In 1996, when the members had their construction finance denied the assemblies had an average rate of attendance of 40%, the lowest in 8 years. After the reduction in the number of members from 56 to 28, average attendance has stabilized at around 60%.²¹ Why did these people stay and struggle for the realization of their goals?

The need for housing and the awareness that a collective form of action was the only option they had to achieve their goals was one factor. Another was the willingness to persist and confidence in their leadership:

I am an old member of COOTEEPA, I was at the foundation assembly. Many people left, lost their jobs and had to use their savings for other important things. I continued, firm as a rock, since I got in. (...) I stayed because of my persistence and confidence that the cooperative would work. I had much confidence, and still have, because now my dream is coming true.²²

When we told other people that we were part of a cooperative, they did not believe it would work, but I did. There were times that we questioned ourselves whether we would get a house, but we could not see any other option to conquer things the way we wanted. We could even have bought a plot, far away, but this was not what we wanted. We wanted another way of living for our children, and after the conviviality in the coop we had a great expectation for another form of life.²³

Despite a high average rate of participation, though with some oscillation, the daily work of the cooperative was carried out mainly by the director of the cooperative and a few other people. The link of the cooperative with the labor union, and hence the advantages the coop had in terms of availability of infrastructure and human

²⁰ Luiz Gambin, Administrative Director of COOTEEPA, interview by author, 25 October 1999, Porto Alegre.

²¹ Data gathered from COOTEEPA's Assembly Meetings Minutes Book (1993-1999).

²² Maria de Lourdes da Motta, COOTEEPA member, interview by author, 12 May 2000, Porto Alegre.

²³ Marinês Geovani Soares, COOTEEPA member, interview by author, 13 May 2000, Porto Alegre.

resources to help administer the organization, released people from the administrative work and other responsibilities. The bulk of participation was directed at the assembly meetings and discussion of cooperative tasks, to fundraising activities and to participation in other decision-making bodies such as the Thematic Plenaries of the Participatory Budget.

*I have never had any coordination position. The participation was in the assemblies, parties, raffles. I did not want to participate because I did not know much about cooperatives. And I had difficulties with my working schedule and my children.*²⁴

*I have always participated in the meetings, I have worked in the organization of parties to fund raising. I have always participated. I am a participant member. (...) I have recently participated in the State Meeting of Cooperatives. (...) Tomorrow my son will go there to help to clean the common area. It functions like this. And afterwards it will be easier, because we will be living there.*²⁵

Apart from the General Assembly, the structure of the cooperative was divided into General Council, Administrative Council, Fiscal Council, Project and Construction Council and an Electoral Council. According to the original statutes, 41 people (!) were involved in the administration of COOTEEPA in each body if all the Councils were to be functioning. Considering that the cooperative had 83 associates at that time, almost 50% of them would be involved in its administration. These statutes became inadequate for the contemporary cooperative and were changed in September 1997. According to COOTEEPA's administrative coordinator, this was a kind of beginners' *democratism*. All the models were like that and they seemed to be the best and should be followed. The main changes inserted in the new statutes concerned the rules for the admission of new members and for the structure and functioning of the cooperative: a) new members: people other than workers of the Private Educational Institutions might become members of COOTEEPA, if they were recommended by other members and approved by the Administrative Council b) structure: of the six existing councils, three were eliminated, the General Assembly, the Administrative Council and the Fiscal Council remained. The Administrative Council has a 2 year mandate and includes: Administration Coordinator, Treasurer, Secretary, Projects and

²⁴ Marinês Geovani Soares, COOTEEPA member, interview by author, 13 May 2000, Porto Alegre.

²⁵ Maria de Lourdes da Motta, COOTEEPA member, interview by author, 12 May 2000, Porto Alegre.

Construction Coordinator and Education Coordinator. There are three 3 substitutes. The Fiscal Council consists of councilors and 3 substitutes.

The functioning of a cooperative is not simple. It involves many activities and commitment from those who carry out the work. The oscillation in the level of attendance over the years reflected the difficulties the organization faced and also revealed those ones who had confidence that it would thrive. People who had never participated in other forms of association learned what it meant to be in a cooperative.

*It was through the visit of Gambin to my school, when he went to interview people about problems in the work place, that I knew about it and had the opportunity to join the cooperative. I joined it because I needed a house. (...) I have never participated in a cooperative. (...) We had much orientation, many speeches, many meetings, many things.*²⁶

*I knew about the cooperative through our labor union. In a meeting they have once a year in our school, the union's representative told us about the cooperative. I joined the coop three months after the foundation. I got interested because I have two small children and I didn't have a house. And I could not see other alternative. I have never participated in a cooperative, I didn't have any idea of what it was. Then I joined it, I got information about it and I thought that it was an interesting form, a new form of conquering things. If the government does not provide housing, we had to get together to realize the dream(...) I have never been a person to get involved in community things. I have always been individualist. I think that the change happens gradually and also from the moment you start living in the cooperative. Because, before everything was theory, even with all the work of knowing what is a cooperative, but to practice it is when you really feel what a cooperative is. Now if you want to do something, you will not do it for yourself, but you have to see what will be good for your neighbor, don't you?*²⁷

The role of leadership in cooperative organizations has already been discussed in Chapter 4. As stated before, entrenched leaderships may have a positive role in an organization. COOTEEPA's case is similar to RENASCER. The same person has been the president since the foundation of the cooperative. Only two other people have stayed in the same position for two consecutive periods while all the other leadership positions have changed. COOTEEPA's president has experience of community activism and is an active member of the Labor Union he belongs to. According to the people interviewed, his leadership is much appreciated by the other coop members, though his permanence is considered suspicious by outsiders.

²⁶ Maria de Lourdes da Motta, COOTEEPA member, interview by author, 12 May 2000, Porto Alegre.

²⁷ Marinês Geovani Soares, COOTEEPA member, interview by author, 13 May 2000, Porto Alegre.

*The president is everything there. He and this directory, they are excellent. And he has always been our organizer, adviser, everything. For me he is important there. (...) Look, I guess that the housing cooperative, the people have to unite themselves. The union and a good coordinator, this works. If there isn't a person who understands, who tries to study about the cooperative, then it doesn't work.*²⁸

*Many people don't believe in others, especially when money is involved, and it was a big quantity of money. And many people have said to me: you are paying for something you don't know if it will work. This guy, they were referring to the president, he must be taking advantage of the situation. And I said: I don't think so, I don't see him as someone who will steal my money.*²⁹

5.2.3 Role of Technical Assistance

The role of technical assistance has been recognized by communities, public authorities and academics as a key issue for the sustainable development of cooperative organizations. The involvement of technical assistance organizations may occur at various levels, from assistance on organizational and structural matters to advocacy for public policies and the design and management of housing.

During the 1980s in Brazil, Reschke (n.d.) emphasizes the importance of technical assistance teams in the emergence and growth of community organizations when struggling for access to urban services. She points out three reasons for community organizations to demand for this kind of assistance: a) community activists regarded state officials as part of the ruling elite, thus defending the elite's interests and not those of the poor; b) in their relationships with the community organizations, state officials have always used a very technical and hermetic language, which was not accessible to lay people; and c) in hiring technical assistance teams which were identified with their cause, community organizations aimed at not only being able to negotiate with the state, but also to build their own proposals for intervention.

In their article about the experience of developing countries' NGOs working with housing finance, either as direct providers or as intermediaries, Jones and Mitlin (1999) highlight the lack of sufficient technical assistance teams to support the scale of community initiatives that emerge in response to innovative housing programs where

²⁸ Maria de Lourdes da Motta, COOTEEPA member, interview by author, 12 May 2000, Porto Alegre.

²⁹ Marinês Geovani Soares, COOTEEPA member, interview by author, 13 May 2000, Porto Alegre.

loan finance is granted directly to communities. The authors cite the example of Manila, in the Philippines where most NGOs concentrated their efforts on 10 of the 2.000 squatter settlements in the city. In the USA, where non-profit organizations have become central to the delivery of affordable housing in the past 20 years, this need is also felt. Even in cities where such organizations are more robust, the institutional network of state and local governments, intermediaries, universities, community colleges, consultants, trade associations and community development corporations coalitions that assist non-profit associations with technical, financial, construction and organizational issues, is unable to offer the level and consistency of support that non-profit organizations deem necessary (Schwartz *et al.* 1996:394).

In Brazil, during the last decade, there have been similar difficulties. In 1993, whereas there were about 30 technical support teams giving assistance to self-managed housing developments in São Paulo (Lopes *et al.* 1993), there were only about 5 in Porto Alegre to assist the emerging housing cooperatives. These Technical Assistance Teams, hereafter referred to as TATs, were mainly multi-professional organizations that provided technical assistance from the formation, organization and legalization of the cooperative to the planning, design and construction of the units.

Contrary to other cooperatives, COOTEEPA chose to hire a team just for carrying out the technical issues of the project and construction of the housing units. The choice of the TAT resulted from a long process of discussion. After two months, in a General Assembly at which each member voted, the TAT was selected.³⁰ The process of selection of the Technical Assistance Team, revealed a high level of consciousness regarding their needs and goals.

*The criterion we adopted was: what are we unable to do and to look for as a solution? One of the teams offered a global assistance (social and educational assistance, courses and projects). It was not what we wanted. Another one included the services of a lawyer. Only this one offered exclusively technical services and projects and stipulated a cost for that. What have we decided? We have to contract a specific service. We do not want an assistance team that will guide the directory. We need to contract a specific service not a global one.*³¹

³⁰ COOTEEPA, Report for I Encontro Municipal de Cooperativas Habitacionais Auto-gestionárias de Porto Alegre (Porto Alegre, 18 June 1994).

³¹ Luiz Gambin, Administrative Director of COOTEEPA, interview by author, 25 October 1999, Porto Alegre.

The cooperative adopted a very pragmatic strategy. It was clear to COOTEEPA that they should not spend more than what they needed at the time. Lawyers, formation courses, social workers, would be discovered and paid for as needed and not as a once and for all expenditure.

According to the testimonies of both COOTEEPA members and the TAT itself, its role was basically a technical one. The engineer and architect would program, design, make budgets, and present and discuss their proposals. The cooperative would make the decisions, based on information provided and on their needs. There were no problems of overrepresentation concerning TAT and COOTEEPA. In the vision of the administrative coordinator, there was a professional relationship between the two organizations, with a cooperative approach. One example of this cooperative approach was the TAT's initiative, after the conclusion of the services contracted, in preparing a booklet to help COOTEEPA associates to plan the construction of their houses, given the cooperative's decision to carry out the actual construction themselves. In this booklet, all the construction costs were listed in order to facilitate the making of a budget, having the Construction Basic Cost (CUB) as a reference. But this was not the view of another member interviewed. According to him that was not a professional relationship, because the boundary between services and payments was not clear.³² What was a cooperation approach to the cooperative administrator, was a lack of professionalism to the associate. But this view was not shared by the other members interviewed, who did not raise any objections to the work of the TAT.

5.3 INTERNAL CONSTRAINTS

COOTEEPA also faces difficulties and conflicts within its organization. Like other cooperatives, the conjunction of external obstacles and internal limitations exacerbates the difficulties to be overcome. Despite a growing involvement of members in cooperative activities, many reports and interviewees still point to the lack of understanding of the meaning of cooperative principles, added to the dominant ideology of individualism, as causes for the lack of participation. Hence, many members see the lack of participation as one of the main constraints COOTEEPA has

³² Ednilson Bonfim da Silva, COOTEEPA member, interview by author, 04 November 1996, Porto Alegre.

to overcome as a cooperative organization. Internal tensions within the cooperative were also identified by coop members as problems for the functioning of the cooperative. Despite a low default rate, income differences were mentioned as a potential difficulty not to be overlooked within the organization.

5.3.1 Cooperative principles and participation

The International Cooperative Alliance (ICA 1995) created in 1895 defines a cooperative as an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise. Cooperatives are based upon the values of democracy, equity and solidarity. As mentioned before, cooperative members believe in the ethical values of honesty, openness, and social responsibility. The members' participation in cooperative activities is crucial for the development of an organization that aims at following these principles.

In the first years of the cooperative, the awareness of different levels of participation and engagement among the members of COOTEEPA was expressed by members interviewed and in a report delivered at the First Municipal Meeting of Self – managed Housing Cooperatives in June of 1994.

*The majority of the people work and study. The issue of participation has been discussed in some seminars about cooperatives. Less than 50% of the associates have an active participation. Usually the contact is done through the phone, when it is necessary to decide something immediately.*³³

*We make a great effort to involve all the members in all cooperative activities, but not all participate actively. (...) We may assert that around 50% of the members have an active participation in the activities. The others are not so constant and some are totally neglectful. However, we are sure to affirm that the ones who participate understand better what is a cooperative, and this number is growing steadily.*³⁴

The effort to stimulate a more active participation in COOTEEPA did not affect people evenly. There were still people who did not participate and others

³³ Neli Maria Teixeira, COOTEEPA member, interview by author, 05 November 1996, Porto Alegre.

³⁴ COOTEEPA, Report for I Encontro Municipal de Cooperativas Habitacionais Auto-gestionárias de Porto Alegre (Porto Alegre, 18 June 1994).

who expressed their difficulty in following and understanding all the actions decided collectively, despite showing a deep confidence on the leadership of the coop.

*I don't understand much, but for what I see the cooperative is doing well. I have confidence in the administration, despite not understanding much. I am a little afraid of the expenses that will still come.*³⁵

Over the years, there was indeed a gradual growth in participation, both in quantity and in quality. Some of the members recognized the improvement of the level of participation and how it has contributed to a process of individual growth and self-reliance.

*But now, I see that I have to participate more, because there are some things that I don't agree with, that have to be different. I think that now I am participating more, I am losing that fear of speaking. I had a vision that if the coordination has brought something to be decided, that was what I had to approve. Before I had this vision.(...) I believe that it was the experience that changed this vision.*³⁶

It is not possible to measure individual trajectories and different levels of participation of all members of the cooperative in this study. It is valid to say, however, that the people interviewed perceived themselves as active members, recognizing the importance of all members' involvement for the development of the cooperative.

There are numerous reasons that make people participate, or not, in a collective endeavor. According to Tarrow (1994), as seen in Chapter 1, common purpose is an important reason why people join in movements. He argues that only deep-rooted feelings of solidarity or identity, allied to the recognition of participants' common interests, will set in motion social movements. In COOTEEPA, the drive to solve their housing needs and the perception that a cooperative was a viable means for attaining their goals certainly motivated people to participate. In the perception of informants, the existence of some freeriders among its members, though undesirable, did not jeopardize the cooperative as a whole.

³⁵ Marina R. Silva Marques, COOTEEPA member, interview by author, 13 November 1996, Porto Alegre.

³⁶ Marinês Geovani Soares, COOTEEPA member, interview by author, 13 May 2000, Porto Alegre.

5.3.2 Tensions among members

The development of COOTEEPA as a cooperative does not mean that there are no tensions among its members. In the first years, to increase the cooperative's budget, the members carried out fundraising activities. These activities did not have a great impact on COOTEEPA's budget and had controversial effects on its membership. While social and fundraising activities contributed to the improvement of interpersonal relationships among its members, it also caused some conflicts when people did not render accounts of their fundraising tasks.³⁷

The question of people's integrity when financial management is involved is of great importance in a cooperative. Leaders often face the mistrust of members or external people because of the very fact that they handle resources that do not belong to them. Past and present examples of corruption in all levels of society and in private and public spheres in Brazil contribute to this general mistrust on the part of members of any organization. The organizational and crosschecking procedures adopted by COOTEEPA for the financial management of its resources largely exempted the leaderships from this kind of mistrust on the part of coop members. But it raised concern among people not linked to COOTEEPA as was seen above.

Some members point out the existence of individual egotism and personal gain as problems for the functioning of the cooperative function. But they also recognize a process of collective learning as a result of the difficulties faced.

*I see that even with this attempt to search for a common goal, there are some who want individual benefits. They want to have things in common because it interests them individually. (...) But I think we are learning a lot. The incidents that have occurred showed what was wrong and what was correct, where we have to change. And they showed that it is not just one person who knows everything, who makes mistakes.*³⁸

5.3.3 Income differences and default rates

There are two groups of associates: one with participation experience and the other without it. There is also a huge income and school education heterogeneity. In a cooperative there are two dimensions: associative and economic. COOTEEPA is very well in the associative dimension.

³⁷ Neli M. Teixeira, COOTEEPA member, interview by author, 05 November 1996, Porto Alegre.

³⁸ Marinês Geovani Soares, COOTEEPA member, interview by author, 13 May 2000, Porto Alegre.

*Economically speaking, there is a market versus associative contradiction in COOTEEPA.*³⁹

Large income differences in a cooperative may jeopardize its development because the capacity to pay differs considerably. In the initial stages of COOTEEPA, the heterogeneity of income and school education were perceived by some members as constraints and potentially disrupting features. Despite these concerns, differences in family incomes did not menace the cooperative as a whole. However, financial difficulties faced by some families have provoked their exit from the cooperative. Notwithstanding, the families earning the lowest incomes in COOTEEPA in the year 2000 (see Table 5. 1) have joined the cooperative in its foundation year.

The default rate and late payments are a crucial question in any organization working with tight budgets and low paying capacity. Respect for the statutes and rules regarding late payments helped COOTEEPA to face these obstacles. According to the cooperative by-laws, members who had more than 90 days overdue shares would be excluded from the cooperative, except in the case of special circumstances communicated to the cooperative administration. Debates in the assembly meetings also established more detailed rules, especially regarding overdue payments. These rules changed overtime, mainly because of changes in the Brazilian economy. When COOTEEPA was founded, inflation was very high and the mechanisms to face it were to apply monetary indexes to avoid devaluation. So, In July of 1993, late payments would be charged a 10% fine, besides the daily monetary correction of 1/30 of the General Index of Market Prices (Índice Geral de Preços de Mercado - IGPM)⁴⁰. Another mechanism used by COOTEEPA to avoid late payments, was to deduct the monthly share directly from the payroll of the associate's employer. This device could be used in COOTEEPA because all its members were linked to the formal sector and belonged to the professional labor union.

Since its foundation, the default rate in COOTEEPA has been low. Until the year 2000, after the reduction of the number of members from 56 to 28, only 3 people left the cooperative because of late payments which were caused mainly by financial difficulties and unemployment.

³⁹ Ednilson Bonfim da Silva, COOTEEPA member, interview by author, 04 November 1996, Porto Alegre.

⁴⁰ The IGPM in July of 1993 was 31,25% (Mensário Fiscal 1993).

5.4 CONCLUDING REMARKS

COOTEEPA as a labor union based cooperative has taken an independent path from DEMHAB to achieve its goals, contrary to RENASCER, a community based cooperative. The higher savings capacity, the support of the union infrastructure and the role of its leadership was of major importance for this trajectory. These conditions were also responsible for the possibility of contracting technical assistance to carry out the coop's projects. The sound economic performance of COOTEEPA was due to the competent work of the cooperative's coordination and to the strict observation of the collectively established rules. The need to solve their housing problem, the awareness that a collective form of action was the only way to achieve their goals and trust in their leadership explain the permanence of the members in the organization.

The construction of the cooperative involved active commitment from its members and between the cooperative and other organizations. The actions of DEMHAB, as a supporter of cooperative formation, facilitated the development of COOTEEPA. If COOTEEPA relied on DEMHAB structure for the initial steps of its formation, thereafter it has taken an autonomous path, both in the financial and institutional spheres. The cooperative, through its own agency, articulated its autonomy from the state, empowering its members and the organization itself. The collective ownership of land, the entrepreneurial initiatives of saving and managing the implementation of infrastructure, and finally the construction of the units on a self-financing basis are concrete achievements for the improvement of the living conditions of the people involved in the cooperative. Whether the individual construction of the housing units will make them hard to afford remains to be seen. The experience of COOTEEPA points towards new bases for participation in society and for the construction of a new public non-state sphere of social control and accountability.

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CHAPTER 6

STATE/SOCIETY RELATIONS IN PRACTICE: THE HOUSING COOPERATIVES, THE MUNICIPAL GOVERNMENT, AND EXTERNAL CONSTRAINTS

Since 1988, after the approval of the new Federal constitution, local governments have acquired an important role in the implementation of public policies. They faced the challenge of fulfilling increased responsibilities. This challenge was even greater for those progressive administrations with accountability to constituencies that demanded both the decentralization of the decision-making process and the provision of urban services.

In the case of Porto Alegre, the implementation of the Participatory Budget (OP) has been the policy with the greatest impact in the daily lives of poorer citizens. Along with this new kind of public administration was the intention of changing the political culture, followed by claims (from various quarters) that this did occur. In the case of community organizations, these claims included a shift from a culture of protest and confrontation to a culture of conflict and negotiation. This change was expressed at all levels of the process: among regions, within regions and organizations and between state institutions and organized citizens. As Santos (1998) suggests, the experience of the OP configures a model of co-government for sharing political power by means of a network of democratic institutions geared to reaching decision through deliberation, consensus and compromise.

This new form of co-government, of sharing power and responsibilities, had also an impact on the daily administration of public agencies. In the case of

DEMHAB, when the Popular Front won the elections in Porto Alegre in 1988, the new administration implemented drastic changes in the department. These changes reflected the new philosophy of the agency regarding its interaction with the community. Whereas previous administrations had predominantly individual-to-individual relationships with the community, since 1988 relationships between organizations have been stressed. This emphasis has meant the prioritizing of community associations' demands over individual requests, and the creation of channels of participation for the community in the process of implementing projects. One example of this interaction was the community associations' participation in the selection process of recipients for projects implemented by DEMHAB in areas where the associations were located. One example of this was the creation of a Community Relations Unit to facilitate the flow of information and to build a bridge between technical staff and project recipients (Fruet 1991). Another was the establishment of the Coordination of Cooperatives to assist established groups to organize the formation of cooperatives. These initiatives were important for the new pattern of relationship adopted by DEMHAB.

This chapter focuses on the state/society interface in Porto Alegre, through the cases of RENASCER and COOTEEPA. It looks at the relationships established by the two coops with the municipal authorities, mainly with the housing (DEMHAB) and planning (SPM) agencies, analyzing their strategies and exploring what changes have happened over time. It also looks into claims of changing political culture, as seen from the perspective of the two case study cooperatives, discussing in greater detail how the changes took place and with what effects. In sum, the chapter aims to provide the basis for the answers some of the questions posed at the beginning of this thesis: What have the coops done in order to benefit from and contribute to the overall enabling environment? How have these interactions shaped the development of the cooperatives organization? What influence have they had on the implementation of housing and urban policies at local level?

The study suggests that the cooperatives investigated had a common strategy of relationship with the public sphere and emphasis on internal participatory decision-making and on a high level of participation in all external channels open to the involvement of such autonomous organizations. The cooperatives worked in a very practical way to compete for resources to reach their initial goals of acquiring land and

building their houses. They discovered a generally supportive environment within the municipal sphere that facilitated the construction of a firm relationship. The interactions between cooperatives and local agencies, however, proved to be sometimes difficult, unveiling conflicts and impasses between cooperatives and public officials. RENASCER, a community-based cooperative claiming tenure of public land, faced more difficulties than COOTEEPA, a labor union based cooperative which had greater independence vis-à-vis municipal authorities. Notwithstanding, the process of participation that shaped these interactions had effects on the development of both individual members and the collectivity, enhancing self-reliance and the understanding of democratic procedures within the organization. However, the impact on housing and urban policies had mixed results. Whereas there were important advances mainly at local level, there is still much to be achieved at other levels of government, especially concerning collective access to construction financing.

The chapter starts with a summary of the conditions that have facilitated the building of relations between the state and the cooperatives at local level. The next two sections of the chapter center on the relationships between RENASCER and COOTEEPA, with DEMHAB and other municipal organs respectively. They mainly discuss the frictions that arose in these relationships and what strategies the cooperatives have chosen to face them. The focus on conflict demonstrates that: a) interaction is taking place, b) relations are not smooth and predictable and therefore not so clientelistic, and c) people are ready to talk about problems and reveal their perceptions and strategies to face them.

The existence of collective interlocutors, in this case the cooperatives and a state, in this case DEMHAB, which does not require political, administrative nor financial dependence creates the conditions for breaking with traditional practices of clientelism, patronage and populism. With these actors and in a participatory and democratic space of interaction, the relationship between state and society admits political tension, with inherent differences and conflicts, as part of a decision-making process. This new dynamic not only collides with client-like practices but also with the logic and technical rationality of the public administration and service provision. The evidence of conflict concerning the *modus operandi* of the public administration in DEMHAB has demonstrated that there are no longer client-like practices in the relationship between the cooperatives and DEMHAB.

The main causes of friction were technical versus social dimensions of decisions; lack of clarity on the strategies for land negotiations on the part of DEMHAB; excessive bureaucracy; lack of coordination between municipal organs and the non-recognition of the cooperatives as public non-state organizations. Despite overcoming these difficulties, cooperatives continue to face adverse conditions for their development. To conclude this chapter, the final section outlines the constraints cooperatives have confronted and others that still have to be challenged. Among the last, the lack of access to collective construction financing continues to be the bottleneck for the development of low-income housing cooperatives in Porto Alegre.

6.1 FACILITATING THE FUNCTIONING OF COOPERATIVES

In a recent study of local housing policies in the 43 largest cities in Brazil during the 1993-96 period, Cardoso and Ribeiro (2000) point out the new pattern of decentralized and locally initiated housing policies found in many Brazilian municipalities. They also highlight the variety of actions taken and their impact on some of the cities analyzed. From the thirteen cities in which more in-depth analyses was carried out, Porto Alegre stands out among the various housing programs implemented as the only city offering a cooperative program and a mediation committee. As emphasized above, the role of DEMHAB was crucial for the organization and development of the housing cooperatives. The partnership built imprinted quality and dynamism to this movement.

In Chapter 3 we have seen that this supportive approach was translated through some DEMHAB's initiatives and enhanced through the inputs from the cooperatives themselves. Over the last decade, these initiatives have included: a) access to all necessary information for the organization and development of a cooperative; b) administration of courses, workshops, seminars on cooperative principles and legislation, self-management, and housing policies; c) technical and organizational assistance to cooperatives formed by low-income families (those earning up to three times the minimum wages); d) the search, in conjunction with the cooperatives, for access to the CEF financial programs; e) creation of a mediation committee for assistance in land disputes and negotiations.

On their part, the majority of the cooperatives have organized their members and, despite their low income constituency, have been able to develop a high savings capacity. These savings have made possible the acquisition of land, the hiring of technical assistance teams and the participation of their members in activities for improving their information and educational levels. Besides material gains, the savings capacity entails an option for the cooperatives' autonomy and consolidation (Buonocore 1997).

In the case of RENASCER and COOTEEPA, the partnership built between DEMHAB and the cooperatives involved highly engaged people on both sides: the Cooperative Coordination workers and the coop leaderships. Pro-poor minded staff, a supportive political environment and committed and honest leadership worked as catalysts for the establishment of this partnership of roles.

Both cooperatives took around eight years to finish building their houses. Irrespective of the time taken, the maintenance of the cooperatives and the achievement of building their houses were significant endeavors. It is known that successful enterprises are not exempt from difficulties. Precisely what make them successful are the strategies they choose to overcome obstacles. Analyzing the constraints RENASCER and COOTEEPA found in their relationships with public authorities and in other arenas of interaction, helps us understand how changes have happened and what effects they had on the partnership process as a whole.

6.2 RENASCER AND DEMHAB – THE CONSTRUCTION OF A RELATIONSHIP

In a decision-making process, consensus building is complex and there are plenty of conflicts. Technical versus social dimension of decisions, financial limits, the need for transparency and for a good flow of information and difficult relationships between community representatives and the executive power were some of the issues that have generated frictions between RENASCER and DEMHAB. These localized tensions helped motivate coop members to use participation as a tool for legitimizing their demands. This section depicts the kinds of conflicts that arose and the cooperative's strategies to face them.

6.2.1 Frictions between RENASCER and DEMHAB

Notwithstanding an overall enabling approach on the part of the municipal government towards participatory processes in the last 12 years, experience has shown that this empowerment approach was not readily adopted by many of their staff. The contradiction between theory and practice, mainly when technical issues are at stake, has been mentioned in several studies of the relationships between public officials and members of a community in the implementation of participatory housing policies and programs (Desai 1996; Barr 1995; Yap 1989). These authors stress the tendency of technocrats to assert the exclusiveness of their expertise and their unwillingness to ask for the opinions and advice of laymen and, in many cases, illiterate people. They assert that in empowering processes, there is a need to recognize and work with the authority and capacity of citizens. *It requires no less skill of professional staff but, in terms of their perceptions of themselves and their role, there is almost a need for de-schooling* (Barr 1995:130).

Despite the good relationship between RENASCER and DEMHAB, over the years cooperative members have experienced some tense situations, mainly with technical staff of DEMHAB. The arrogance of DEMHAB's technicians was mentioned as a motif for friction. There were complaints from cooperative members about attitudes of the agency's officials when meeting with the cooperative.

*We had problems with a DEMHAB staff who was tactless when dealing with an invasion in the area.*¹

Besides these testimonies, the lack of tact of technical staff in dealing with lay people was also reported in the minutes of the assembly convoked to approve the project designed by DEMHAB for the Pró-Moradia Program. On that occasion, many coop members contested the size of the lots and units, finding they were too small for their needs. The engineer explained that the money was only enough for ground floor houses and the land was the one designated by DEMHAB for that goal. He added that the project would not be changed merely because that was what the cooperative wanted. Some members started arguing with DEMHAB's staff because of his rude way of answering their questions. One member stated that *the cooperative is not only*

¹ Carine de Oliveira., RENASCER member, interview by author, 30 November 1996, Porto Alegre.

one more settlement of DEMHAB. It is something new that may work. The engineer was inflexible: *This is the project and we will not change it. Either you accept it, or you lose it.* Many coop members got angry at the engineer's attitude. After voting on the matter, the majority accepted the project the way it was. Some protested and said they would leave the cooperative. Finally the project was approved.²

This short description of the assembly is a summary of very detailed minutes, showing the tension and different views of the members and DEMHAB's staff at a specific phase of their relationship. The remarkable fact here is that this kind of conflict could have been avoided if the planning process of the housing units had had more effective participation on the part of RENASCER. The issue of community involvement in planning, design and decision-making on low-income housing projects has received a fair amount of scholarly attention over the last two decades. Many authors point out the difficulties in implementing a project, in recovering costs and in meeting the needs and demands of a target group without the initial involvement of those for whom the settlements are intended (Goethert and Hamdi 1988; Yap 1989, Nientied *et al.* 1990; Russel and Vidler 2000). The evidence suggests that the design process of RENASCER housing project was more a consultative than a participatory one revealing a gap in the evolution of the cooperative's interaction with DEMHAB.

The executive director of DEMHAB, when asked about the conflicts caused by resistance to change among the department's staff, presented the issue from the standpoint of the agency's workers.

*I know very well the municipal administration. I think that, in general, DEMHAB's staff is very dedicated to the work in our department. Here is a very difficult place to work, because the capacity to meet the needs is smaller than the demand. There is a constant tension. It is very difficult to face it daily. Every single day there are 2, 10, 100 people asking for solutions of their housing problems. It is very stressful. There is also another side. When you solve a problem it is very rewarding. The structure of DEMHAB is not flexible, it has to be modernized. DEMHAB does not have an adequate structure to meet this growing demand. In this administration, the demand grew 7 to 8 times. We are regularizing more settlements. We are building more houses.*³

² Cooperativa Habitacional RENASCER Ltda, Assembly Meetings Minutes Book (Porto Alegre, 23 October 1997).

³ Carlos Pestana, DEMHAB Executive Director (1999-2000), interview by author, 18 May 2000, Porto Alegre. There was indeed a growth of the average production of units per year, since PT took office in 1989 (see Table 2.13 in Chapter 2).

The difficulties of the change of the professional culture of the technical staff of the executive in Porto Alegre have been noted elsewhere. In an article about state support for self-help processes, Vieira (1990) points out that more than specific professional knowledge, technical staff needs competence in dealing with community organizations and managing conflicts generated in activities of that nature. Santos (1998), in an in-depth analysis of the OP, suggests that the technical staff has been increasingly submitted to a profound learning process concerning communication and debate with laymen. He adds that the capacity to make themselves (the technical staff) understood has improved more than the capacity to listen.

The second type of friction detected was related to the lack of clarity and of a good flow of information between DEMHAB and RENASCER concerning the cooperative's land situation. The examination of the cooperative assembly minutes and members testimonies showed their dissatisfaction with the bureaucracy and the long time it took to DEMHAB to define the criteria for ensuring the cooperative's access to Block 167.

It was noted earlier in this thesis that, initially, the government itself did not have a clear idea of how to implement access to land in the case of RENASCER. Land regularization is actually a quite complex process, given the involvement of a third party, the legal authorities. Tenure regularization programs are often lengthy and expensive. Whereas the municipal government mediates land negotiations between owners and invaders in the case of private property, and applies legal mechanisms that benefit dwellers in the case of public land, the legal authorities make the final decision on the matter. One of DEMHAB's executive directors emphasized this constraint.

In the Olívio Dutra's administration (1989-1992) one gave the wrong idea that land titling would be issued by the mayoralty. This is a very serious mistake, because the justice is the one to legalize land, indeed. Then I had much trouble trying to explain to many communities that this was not the right vision. (...) The municipal government would carry out the topographical surveys, the studies for urban viability, but only the justice would decide on the matter of tenure.⁴

Another fact, that corroborates the complexity of land regularization vis-a-vis the incapacity of DEMHAB to deal with the question alone, is the variation of the land

⁴ Helio Corbellini, DEMHAB Executive Director 1993-96, interview by author, 28 October 1999, Porto Alegre.

and housing regularization theme in the Participatory Budget's (OP) priorities. In ten years of OP, land and housing regularization were on the top of the agenda only three times (1994, 1997 and 2000) (see Table 3.2 in Chapter 3). The delegates of the 16 regions when not placing land and housing on the top of priorities may have showed their dissatisfaction with the pace of DEMHAB's response to their claims. In ranking basic sanitation and street paving first, the OP delegates proved to have a pragmatic view, as they knew that realization of their demands involved less uncertainty on these issues (CIDADE 1998).

Other conflicts regarding the relationships between cooperative members and public officials related to the perception DEMHAB had of RENASCER. Cooperative leaderships were resentful of being treated by DEMHAB as any other housing project, and not as a cooperative.

And our cooperative would like to be as any other cooperative, but we cannot be equal because we are a land and housing project from DEMHAB. That is the way we are treated there, they don't separate. (...) We are a cooperative, we have saved for six years, and many members besides paying their coop shares, have still to pay rent.⁵

Like COOTEEPA, RENASCER claims recognition of its identity as a non-state, but public organization, and requests different treatment from the state. This goal has proved to be difficult to achieve, as it will be seen later in this chapter.

6.2.2 Strategies for building a relationship: the emphasis on participation

A trademark of RENASCER has been its high level of participation. In Chapter 4, I argued that its size, along with its level of internal participation, constituted an asset for the recognition of the coop's demands in other instances of decision making. Internal participatory decision-making gave RENASCER's demands some legitimacy. Since its formation, the cooperative has been involved in the decision making structure at municipal and state levels.

⁵ Arlete dos Passos Volino, RENASCER treasurer, interview by author, 30 October 1999, Porto Alegre.

Some authors point to group autonomy and group participation as key factors for the development of housing coops. Group autonomy concerns the ability of the group to make independent decisions, and group participation concerns the legitimacy of the decision making structure itself. Both concepts are not precisely measurable; they are rather a matter of degree. In operational terms participation *means the degree to which an identifiable tenant group is involved in meetings convened to deal with collective issue* (Foley and Evans 1994:403). This may be assessed in terms of the proportion of the group attending meetings, and also of the extent to which members interact either orally or in writing. There are also other ways in which participation occurs, such as tasks being assigned to different people, attendance at courses, members' inputs to various internal committees. The above mentioned authors also argue that, however participation is measured, it is possible to rank coops or particular tenant groups along an ordinal scale of higher to lower participation. Such a criterion permits us to distinguish between different groups. According to them, for most purposes, a high level of participation means an average attendance at plenary meetings in excess of 70%, and a lower limit of 25% attendance indicates a low level of participation.

At the municipal level, RENASCER attended the meetings of the Forum of Cooperatives and actively participated in courses, parties and congresses promoted by the Forum. Since its creation, in 1991, the Forum of Cooperatives has convened on average 12 times a year, and sometimes its members were summoned to 20 meetings a year. From the examination of the minutes of the Forum, I could verify that RENASCER had attended almost 100 percent of the Forum's activities, since 1993 when the cooperative first joined this organization.⁶ During this period, RENASCER was represented at the Forum of Cooperatives in other cases of decision-making.

A case in point was the caravan that went to Brasília, in October of 1999, to meet with the Council of the Length of Service Guarantee Fund (Fundo da Garantia por Tempo de Serviço - FGTS) and with directors of the Federal Savings Bank (Caixa Econômica Federal – CEF). These bodies control the financing of low-income housing and urban programs. Leaders of RENASCER, representing the Forum of Housing Cooperatives, joined the group composed of state representatives of various

⁶ From 1993 to May of 2000, RENASCER missed 4 meetings of the Forum of Cooperatives (Minutes of the Forum of Cooperatives, various years, Porto Alegre).

parties, the state and the municipal Housing Secretariats, as well as other community leaderships.

This group delivered a document with a project called Pro Self-managed Cooperative (Pró-Cooperativa Auto-gestionária). Five years before, the same document had been presented and discussed in the National Housing Secretariat in Brasília. The document, jointly outlined by the Forum of Housing Cooperatives and DEMHAB, was based on previous programs that used the resources of the FGTS. The innovation was to allocate resources directly to cooperatives, as *juridical persons*, as non-profit organizations and not to *physical persons*, as individuals, as did the existing programs directed to low-income populations. Furthermore it established the cooperative as the final owner of the enterprise, assigning to members the usufruct rights to the housing units and/or of the urbanized lots. The program benefited families earning up to 12 SM.⁷ According to RENASCER's representative at the meeting, there was some progress compared to the previous attempt.

... The other time we went there, discussed, but we did not get anything. The document was put in a drawer and nobody gave any explanation. This time they set a working group to analyze the document and will come to Porto Alegre for a second meeting in November of this year (1999).⁸

RENASCER members have also participated in the regional and thematic assemblies of the Participatory Budget. Since 1994, when the thematic plenaries were created, its members have participated with an average of 3 delegates a year. RENASCER, like other cooperatives originating in the community movement, with a territorial basis and not with professional ties, also took part in the OP with delegates in the regional assemblies. In 1999, 92 associates attended the first round of the regional meetings of the OP and elected 4 delegates for the regional assembly.⁹ So, besides the specific demands regarding cooperatives, they also struggled for the implementation of schools, health centers, street paving and infrastructure in their neighborhood. At state level, RENASCER has participated in the State Participatory

⁷ See the document Pró- Cooperativa Autogestionária – Programa de Atendimento Habitacional através de Cooperativas Habitacionais Autogestionárias, FSH/DEM HAB, (Porto Alegre, 1994).

⁸ Until March 2002, when this thesis was being written, this meeting had not happened.

⁹ Arlete dos Passos Volino, RENASCER treasurer, interview by author, 13 May 2000, Porto Alegre.

Budget and has recently got some funding for helping in the construction of its cooperative community center.¹⁰

Besides the OP channels, RENASCER leaders, and occasionally all its members, also exerted pressure on DEMHAB via frequent visits and meetings with the agency, to reiterate their demands. There was clearly a major effort to achieve their goals through the resources they had: their mobilization potential.

The discussion above may suggest that RENASCER had an instrumental perspective of participation: the view of participation as a means to an end. The belief that participation could lead to successful outcomes did indeed motivate people to participate in the cooperative and, via the cooperative, in other decision-making bodies. However, in chapters 4 and 5, addressing the evolution and internal characteristics of RENASCER and COOTEEPA, the testimonies of the people interviewed have shown that the process also had an educative perspective. They regarded participation as a means to self-development, promoting new values, attitudes, skills and knowledge among the participants themselves.

6.2.2.1 Participation vs. clientelism

Throughout this thesis it has been noted that, in Brazil, clientelistic practices have, at all levels, historically permeated the provision of low-income housing by the state. Besides the non-observance of established selection criteria, the *technical reserve* (a fraction of the total number of units of each housing project that was not subject to the formal criteria of selection) has been a common instrument used by politicians to distribute rewards in exchange for political support. Together with these clientelist practices, a long history of incremental land invasions and constructing housing themselves is the way used by poor families to solve their housing needs. This history has fostered fragmentation and encouraged vertical rather than horizontal political relations. Those vertical relationships have been established either individually or through the leaders of community organizations. These leaders invariably have the capacity to bargain with officials and politicians, to argue and question decisions and have outside contacts with influential people and politicians (Desai 1996). During the 1970s, the emergence of combative community

¹⁰ Arlete dos Passos Volino, RENASCER treasurer, telephone interview by author, 21 August 2001.

organizations started changing this political culture and practice, opposing clientelism and co-optation.

The top-down origins of the broad participatory policy implemented in Porto Alegre, and of the emergence of the self-managed housing cooperatives themselves, raise questions as to whether the clientelistic practices described above would not appear even in such a democratic and participatory environment. I use the example of RENASCER to examine this issue. The inclusion of the cooperative in the Pro-Moradia program in the OP and the access the RENASCER leadership had to DEMHAB, suggest that the relationship built between the cooperative and DEMHAB has been based on norms of trust and horizontal networks socially established, rather than on patronage and clientelism.

Like RENASCER, other cooperatives and community associations were included in the Pró-Moradia program. These projects have been presented to the OP as DEMHAB's institutional demands. Does this imply a kind of clientelist relationship between DEMHAB and the cooperatives? Would clientelism result from the easy access RENASCER leadership had to DEMHAB officials? The following sections indicate that the criteria used by DEMHAB to include RENASCER in the Pró-Moradia program followed the same principles that guide the OP, namely the level of participation and the transparency of the internal decision making process. They also show that the access RENASCER leadership had to DEMHAB was the product of years of meetings, audiences and, sometimes, confrontation.

6.2.2.1.1 Inclusion of RENASCER in the Pró-Moradia Program – the institutional demand.

The tool used by DEMHAB to include RENASCER in the Pró-Moradia Program was the so-called *institutional demand*. The institutional demand is the allocation of resources for projects to which DEMHAB gives priority, the allocation of a percentage of the institution's budget to specific plans. It is the margin of flexibility the administration has for presenting proposals for implementation. These resources come from the FGTS, have to be managed by DEMHAB, and invested in public land.

Would the institutional demand be *old wine in new bottles*? Here I refer to the *technical reserve* used by past executive directors to promote patronage within DEMHAB. Recalling what has already been explained in Chapter 2, the *technical*

reserve was a fraction of the total number of units of each project developed in DEMHAB that was not subject to the formal criteria of selection. The technical reserve was originally established to provide flexibility and to speed up selection processes for people who, for some reason, did not fit the established criteria, but who deserved access to DEMHAB's units. The use of the technical reserve for clientelist practices was recurrent both at local and national levels. In the past, as seen in Chapter 2, a major part of national housing programs' units, like FCP and IAP, have been allotted to people who had connections with politicians and officials, irrespective of their income and housing needs.

The decision taken by DEMHAB's administration to include RENASCER in its institutional proposals was based on very clear and public criteria that rewarded the level of involvement and participation of a non-profit organization in the civic arena. It did not take the form of a patron-client individual relationship, but a collective institutional connection. The administration of PT (Workers Party), after taking office in Porto Alegre in 1989, installed a new modality of governing that aimed at guaranteeing popular participation in preparing and carrying out the municipal budget and hence the distribution of resources and the definition of investment priorities. Santos (1998) defines the Participatory Budget (OP), as

A form of public government that tries to break away from the authoritarian and patrimonialist tradition of public policies, resorting to the direct participation of the population in the different phases of budget preparation and implementation, with special concern for the definition of priorities for the distribution of investment resources (Santos 1998).

The institutional demand used by DEMHAB's directors was not proposed by the citizens but by the agency itself. It has been approved by the Council of the OP and followed its principles, especially regarding the linkage of participation to resource distribution and transparency, some of the basic features of OP. The transparency of the process accounts also for its legitimacy among other cooperatives since, in addition to RENASCER, other cooperatives have been included in the Pró-Moradia Program.¹¹

The relationship between organized civil society and the municipal government in Porto Alegre developed during the last thirty years, in a process of gradual evolution

¹¹ In 1999, the cooperatives D. Malvina and Coqueiros received funding from the Pró-Moradia Program for improvements and enlargement of 40 and 50 housing units, respectively (PMPA/GAPLAN 1999).

from antagonism to acceptance and support. This relationship was forged during a period of great changes in the national socio-economic and political scenario. The emergence of progressive local administrations has contributed to the consolidation of this favorable environment. Despite their social commitments, leftist parties in power also have electoral interests and act accordingly. These interests are well known to coop members. The party political positions of leadership and members of the cooperative vary, but all have a certain skepticism and also pragmatism vis-à-vis party politics.

*Unfortunately, all is politics in life, and I think that the mayoralty supported us because there are elections coming by. This we cannot deny. But it is good that there are elections, otherwise we would never get the finance for the construction of the houses, because we are waiting for that for a long time.*¹²

*Every year is the same. Promises we get a lot. But we cannot say that is 100% bad, neither 100% good. (...) I vote in anyone because all are the same. In my opinion politicians are a mess. They promise things, but do nothing. Then I vote in anyone, PT, PMDB, PDT. It doesn't matter, I don't like it much.*¹³

*I don't have a party. I vote on the quality of the person. I will not deny that I voted on PT. In my opinion, I guess they have done something for the vilas. Something they have done. And you know, the economic crisis, there isn't money. There is a world crisis. You see the city, the state. Whoever gains the elections will have to continue. There are not funds, at least for us, for the small ones, because for the big ones, there is much.*¹⁴

*The people in the cooperative, they don't get involved in politics.(...) I have been involved for seven years. I have contacted many parties, I talked, I tried to know their ideas. Today I can say that if the cooperatives are functioning is because PT is there. Other parties would not have done it.*¹⁵

6.2.2.1.2 RENASCER leadership's access to DEMHAB

Since its emergence, RENASCER has developed through its leaders good relationships with DEMHAB's staff, despite some conflicts depicted above. The

¹² Mariclai Xavier, RENASCER member, interview by author, 12 May 2000, Porto Alegre.

¹³ Elaine Aquino da Silva, RENASCER member, interview by author, 13 May 2000, Porto Alegre.

¹⁴ Raimundo Cardoso, RENASCER president, interview by author, 13 May 2000, Porto Alegre.

¹⁵ Arlete dos Passos Volino, RENASCER Treasurer, interview by author, 13 May 2000, Porto Alegre.

mediation between DEMHAB and the cooperative members was carried out mainly through its treasurer and president.

What I have today is almost a friendship with DEMHAB's staff, because I have access and I can talk to them. The people from the region (Chácara da Fumaça), they get angry because they seldom get to set a meeting with DEMHAB.¹⁶

Would the easy access RENASCER's leadership had to DEMHAB constitute a form of clientelistic relationship? The new state/society relationship forged during the last decade in Porto Alegre, with its emphasis on transparency, accountability and ample participation would contradict such an assumption. The patron- client relationship has been prevalent in squatter settlements in the developing world and also in Brazil. The supply of political favors to neighborhood leaderships in exchange for political support during electoral times was the rule and not the exception. In such neighborhood associations there was also a *lifetime* president, acting on his own and not elected. As Abers (1998) argues

With the emergence of participatory budgeting, the new route to obtaining improvements in the neighborhood is assembly decision making. Neighborhood leaders must be able to mobilize people to win delegate slots in the big assemblies and must work hard over the course of the year in the long process of negotiating priorities (Abers 1998:50).

During the 1970s urban social movements emerged in the Brazilian cities, mainly demanding access to urban services and land tenure security. Characteristic of these movements was a new approach to citizenship: the realization of their demands was not a favor from the state but an obligation and a right of citizenship. The confrontation lead to a change in the previous relationship between the state and the community.

As a result of a renaissance of urban social movements and their forms of representation, new arenas of participation emerged in Porto Alegre alongside the official structures of popular representation. The Unions of Vilas, and Popular Councils were intermediary forums where Dwellers Associations, Mothers Clubs, Soccer Clubs, religious groups and other forms of association achieved participatory space. These forums acquired a new character when the Participatory Budget was

¹⁶ Arlete dos Passos Volino, RENASCER Treasurer, interview by author, 30 October 1999, Porto Alegre.

implemented by the Popular Administration lead by the Workers Party. When participation was not linked to the party system and there were new mechanisms of representation and participation from the various regions of the city, the residents of the urban periphery could then develop a new pattern of political activity. This experience proved to be the materialization of a mutual maturing and learning process for both government and citizens (Baierle 1994).

RENASCER is an example of this new kind of relationship in which active citizens and organizations without party linkages and the state jointly decide on city investments, changing priorities to the benefit of the most needy urban sections of the urban population. Whether the high level of mobilization in RENASCER after the realization of their major goal, the construction of the units, will be maintained cannot be determined given the recent completion of the houses.

Some studies of community mobilization in squatter areas show that there is a transition from a militant leadership to a moderate one when security of tenure increases and when settlements win acceptance from the authorities (UNCHS 1982:96). Denaldi (1995) in an article about local government and community participation in Diadema, São Paulo, states that many Neighborhood Councils or Slum Commissions break up after completion while others continue to participate indirectly in municipal affairs. In studies of the Participatory Budget in Porto Alegre, Abers (1998) notes that many participants leave the process when their needs are fulfilled but many others persist and go on to participate in other neighborhoods or engage in city-wide issues. Santos (1998) quotes the Mayor Tarso Genro when he says that it is common for a region to stop participating after its demands are met, returning in subsequent years when noticing that investments were not made in their absence from the process. In a recent survey of the Participatory Budget conducted jointly by an NGO and the municipal government, the figures indicate that 60% of the participants of the OP have joined the process in previous years (CIDADE/CRC 1999).

It is difficult to predict what will happen to RENASCER in the future. At the last contact I had with them, the leadership declared their interest in implementing professional courses for income generating activities, after the construction of the community center.¹⁷ Even considering the drawback of not building their houses

¹⁷ Arlete dos Passos Volino, RENASCER Treasurer, telephone interview by author, 21 August 2001.

collectively, the learning process the cooperative members underwent during the arduous path to the realization of their goals undeniably consolidated their organization and their citizenship status.

6.3 COOTEEPA AND DEMHAB – AN INDEPENDENT RELATIONSHIP

Contrary to RENASCER, the trajectory of COOTEEPA has been of almost total independence from DEMHAB. Their higher savings capacity, the support of the infrastructure of the labor union and the role of union technical assistance were crucial for this autonomous path. The cooperative's relationship with DEMHAB was smooth, given their level of independence. Bureaucracy and lack of coordination between municipal secretariats constituted COOTEEPA's main complaint in its relationship with public authorities. Its autonomous path did not deter COOTEEPA from maintaining a high level of participation in other decision-making structures, struggling for the recognition of the cooperatives as socially oriented enterprises.

6.3.1 Frictions between COOTEEPA and municipal agencies

If the relationship with DEMHAB has been peaceful, there have been some problems and complaints with other municipal secretariats, mainly regarding bureaucracy and lack of coordination among municipal agencies. The unresolved titling situation of the area impeded COOTEEPA members' have access to construction finance and revealed to them the tortuous path of bureaucracy in public agencies.

One of the steps required by the judicial authority for the process of individualization and registry of land title was a declaration, based on topographical survey, from the adjoining neighbors that COOTEEPA's area actually had the dimensions described in the land title. The owner of one of the bordering areas was the municipality of Porto Alegre. The first difficulty faced by COOTEEPA was to discover which of the municipal organs should issue this document. After solving this puzzle, they had also to fulfill a series of bureaucratic requirements before acquiring this declaration. Finally the document was issued, one year after the initial petition.

The delay in solving bureaucratic matters and the lack of coordination between public agencies is recognized by the public officials themselves.

*The structure of the municipal government is assembled in secretariats and departments. They are autonomous, and we have many difficulties when some task involves different agencies. A process of a land subdivision, a condominium or a cooperative passes through various secretariats. Each one analyzes one aspect of the project. Our role at SPM (Secretariat of Urban Planning) is to collect information and afterwards to articulate them in a single procedure. (...) We are now in a process of administrative reformulation, linked to a loan from IDB (Inter-American Development Bank). We are identifying working procedures with problems, to implement changes. One of these procedures, that we have identified in SPM, is the projects approval.*¹⁸

Another reason for complaint by COOTEEPA was the municipal government's lack of recognition of its identity as a non-state, but public organization, which would entitle it to different treatment by the state. After the decision to build their houses on a self-financed basis, COOTEEPA was fined by the Municipal Secretariat of Public Works (Secretaria Municipal de Obras e Viação - SMOV) for illegal construction.^{19 20} The cooperative appealed, arguing that its members could not afford to wait for a land title regularization process that had been delayed by the municipality itself. After many audiences with the SMOV coordination, the fine was suspended.

The members of COOTEEPA were aware of the danger of being fined for building their houses without official permission but they decided to take that risk. They could not no longer afford to wait for a solution to the title deed problem. This strategy of building houses without official permission has been used by many cooperatives that buy areas with land use restrictions, as will be seen in the final section of this chapter.

6.3.2 Strategies for building a relationship

Like RENASCER, COOTEEPA has emphasized participation in decision-making structures and political pressure on the executive and legislative municipal

¹⁸ Cláudia D'Amásio, Urban Development Supervisor, Secretariat of Urban Planning, interview by author, 16 May 2000, Porto Alegre.

¹⁹ The documentation for getting a building permit, includes the individual registry of the land in the Real Estate Registry Office. As explained before, COOTEEPA does not have this document.

²⁰ COOTEEPA Assembly Meetings Minutes Book (Porto Alegre, 12 September 1999).

bodies as strategies for achieving their goals and building a relationship with the public sphere.

At municipal level COOTEEPA has actively participated in the Forum of Cooperatives and in the Thematic Plenaries of the OP. Until 1997, the cooperative's attendance to the Forum's meetings was almost 100%. After 1998, this decreased to 55%.²¹ This same trend was found in its participation in the Thematic Plenaries of the OP.

Examination of COOTEEPA's assembly minutes showed that its participation in the OP was more intense between 1994 and 1996. The assembly of August 6 1994, appointed 4 people to participate in the thematic discussions of the Participatory Budget. After 1997, the Participatory Budget Plenaries were acknowledged in the cooperative's assemblies but no members were chosen to represent COOTEEPA in these meetings. Its low level of participation was revealed during other assemblies, but there was no action taken to improve their attendance at the OP process. One may ask why this was so. One reason might have been the shift in COOTEEPA's attitude towards construction financing. The decision to follow a more independent and self-sustained path for the production of the housing units has channeled the work and attention of the associates on their individual goals. They had realized that it was difficult to get collective financing for infrastructure and for housing construction via public means.

Some authors analyze the fluctuation of levels of participation in one organization such as a cooperative as part of the process itself and not as a sign of failure. Foley and Evans (1994:409) suggest that the *pattern to which the group will eventually settle down will be a mix of "alert" and "inert" members. (...) A mix of alert participants and inert members in any case will produce greater efficiency than a situation of permanent (and exhausting!) activity or complete apathy.* Students of collective action and social movement also acknowledge the various phases of collective mobilization. Tarrow (1994) calls them cycles of protest that rise because of the opening of political structures and fall because of changes in the same structure. Whereas Tarrow confers an external explanation for levels of participation, scholars like Melucci (1985) see collective action as a mix of latency and visibility.

²¹ Forum of Cooperatives, Minutes (Porto Alegre, 1993-2000).

The interchange of these two poles allow people to feed networks and organizations with resources of solidarity and cultural frameworks that will provoke visibility. Thus, COOTEEPA's withdrawal from participation in the Forums' meetings was, in reality, a strategic move to make the movement a more consolidated organization.

Another way of COOTEEPA's interaction with the public officials was to invite them to participate in some of the cooperative's meetings. On several occasions DEMHAB's executive director and staff from the Cooperative's Coordination attended COOTEEPA's meetings to discuss the agency's housing policies. The issues varied from policy implementation²², land suitability to buying and building houses.²³

The cooperative was also very agile in organizing its members to exert pressure on the City Council and city administration to approve legislative changes to benefit the cooperatives and hasten bureaucratic procedures. In the assembly meeting of October 19 1996, the members of COOTEEPA raised the possibility of struggling for a legal project establishing cooperatives as non-state public bodies. They viewed it as a tool to guarantee previous victories in the legislative arena, namely the Tax on the Transference of Real Estate (Imposto sobre Transmissão de Bens Imóveis - ITBI). It is noteworthy that the ITBI Law²⁴, that gave to cooperatives in Porto Alegre the right to reduce this tax from 3% to 0.5% of the value of the transaction, had been contested by private entrepreneurs who had claimed the right to make this reduction on their businesses.

The relationship between COOTEEPA and other municipal agencies has been of autonomy and independence, both financially and institutionally. COOTEEPA has then channeled its mobilization potential to other forms of participation, struggling for legislative changes that benefited the development and viability of self-management housing cooperatives.

6.4 EXTERNAL CONSTRAINTS TO THE FUNCTIONING OF COOPERATIVES

The cases of RENASCER and COOTEEPA have shown that, despite an enabling approach on the part of the municipal authorities and a vigorous organization

²² COOTEEPA Assembly Meetings Minutes Book (Porto Alegre, 03 July 1993; 17 September 1994).

²³ COOTEEPA Assembly Meetings Minutes Book, (Porto Alegre, 11 June 1994).

²⁴ This law was sanctioned on 19 May 1994.

on the part of civil society, the construction of a partnership of roles, such as the one depicted here, needs time and effort. Both partners have to change a civil service culture of resistance to innovation and risk taking, and to change civil organizations' understanding of the constraints of the public sector. It has also shown that, contrary to liberal views, a partnership of roles reinforces the responsibilities of the state to protect the wider public interest and particularly the needs of most vulnerable groups; in this specific case, the various types of housing cooperatives.

The experiences of the cooperatives in the new mechanisms of representation and participation at various instances at the municipal level and their interactions with public agencies, suggest a mutual learning process for citizens and officials. Notwithstanding these advances in relations between state and society, there are still many barriers to be overcome. In this section I address more specifically the external constraints faced by the cooperatives in various stages of their development. These constraints are not only on a macro level, related mainly to legal issues, but also on a micro level, related to disagreements among the cooperatives themselves.

6.4.1 Conflicts between types of cooperatives

As seen in Chapter 4, during the first years, relationships between unionists and community leaders within the Forum of Cooperatives were not entirely satisfactory. The main cause of conflict was over the type of land ownership the cooperatives should adopt. Whereas the unions defended collective ownership, many, but not all, community based groups struggled for individual ownership of the land. This same resistance has been found in the official bureaucracy of lending institutions that argued that it would be easier to collect payments from individuals than from corporations such as housing cooperatives. A former DEMHAB executive director has also mentioned the initial preference for individual ownership:

What many of the housing cooperatives deeply want is to separate ownership. They want the property title. It is private property in our culture, and I respect that. It is very strong. I mean that one wants a document, mainly the occupants of invaded areas.²⁵

²⁵ Helio Corbellini, DEMHAB Executive Director 1993-96, interview by author, 28 October 1999, Porto Alegre.

Despite the initial resistance to collective ownership of the land and housing, those who had originally opposed the idea later accepted this issue. The main reason for this gradual acceptance by the opponents of collective property was the realization that the cooperative way was a viable means of buying and regularizing the illegal occupation of land. Since the PT took office in 1989, the approach of the municipal government was clear. It would not expropriate urban land, but it would mediate negotiation between the invaders and the owner in case of invasions of private land. This decision of the municipal government was based on the fact that the amount paid as reimbursement to landowners for expropriation processes of rural and urban land in Brazil, has historically had disastrous impacts on municipal and state budgets. A recent study of the Metropolitan Region of São Paulo, Moreira (2001) shows that seven of its municipalities had land expropriation debts equivalent to 80% of their total revenue for the year of 1999. The author points out irregularities in the evaluation methods, the inclusion of cumulative interest rates and inadequate juridical and administrative procedures as some of the causes for the astronomical sums of these indemnities. It is understandable then, that the new government in Porto Alegre, tried to avoid incurring such expenses. A DEMHAB director confirmed this:

*We did not have money and did not use the expropriation tool. Because here in Porto Alegre, years ago, there was the practice of a landholder to let people occupy a plot and afterwards to receive a reimbursement for the land. We cut it off, we definitely did not do it.*²⁶

The strategy to deal with land occupations was to play a mediation role between landowners and the occupants. As was seen in Chapter 3.

Another cause of conflict between community-based and labor union-based cooperatives was about the percentage of savings the cooperative should have before applying for credit in a lending institution. As seen in the beginning of this chapter, on two different occasions (1995 and 1999) the Forum of Cooperatives and DEMHAB presented a document proposing the *Pro Self-managed Cooperative Program* to the Housing Secretariat in Brasília. The program used resources from the FGTS and allocated resources directly to cooperatives as *juridical persons*, as non-profit organizations and not to *physical persons*, as the members of the cooperatives.

²⁶ Helio Corbellini, DEMHAB Executive Director 1993-96, interview by author, 28 October 1999, Porto Alegre.

Furthermore it established the cooperative as the final owner of the enterprise, assigning to the members usufruct rights to the housing units and/or the urbanized lots.

When discussing this document, the Labor Unions proposed that the cooperatives should have a minimum of 5% savings of the amount to be financed. Some community leaders argued that previous savings should not be a pre-condition for obtaining finance. Finally the labor unions' proposal was adopted in the document. This decision was influenced by the recognition that many lending institutions, besides requiring collateral, do not finance the whole construction cost, requiring the borrower to have a percentage of the resources needed.

Whereas the conflicts described above have been overcome over the last years, the differences between the occupation cooperatives on one side, and the labor and community based coops on the other, have still to be worked out.

Members of labor unions and community-based cooperatives refer to themselves as self-management cooperatives, in contrast to the occupation cooperatives. The latter are viewed differently by other cooperatives and also by DEMHAB staff.

The cooperatives are formed with good members, but in the invasions one does not choose the associates.²⁷

The self-management cooperatives they look for us when they have a more serious problem, when they need our help with other municipal secretariats. This is our work with the self-management coops. But the work with the occupation coops is more demanding. They are very dependent on DEMHAB, since we do typing a memo, preparing documentation to register in the Registration Office for Corporations, elaborating by-laws, minutes, in sum, everything. Our work is very constant with the occupation cooperatives.²⁸

The perception of occupation cooperatives as a problem originated in the "First Seminar on Occupation Cooperatives" in 1998, to discuss their organization, alternatives for the cooperatives located on hazardous areas, criteria for access to funds, default rates and delays in the regularization of projects. The main difficulty for these cooperatives is the issue of land tenure. When located on private land, they can either negotiate the price and payment conditions with the owner, using DEMHAB as

²⁷ Forum of Cooperatives, Minutes (Porto Alegre, 15 October 1997).

²⁸ Lídia Benfatto, DEMHAB Cooperative Coordination staff member, interview by author, 26 October 1999, Porto Alegre.

an intermediary, or implement the action of *usucapião*.²⁹ When located on public land, the municipality may *rent* the occupied area to the residents for a period of 30 years. Until 2000, the majority (19 out of 25) of the occupation cooperatives in Porto Alegre were located on private land (see Table 3.5 in Chapter 3). Because of land prices and low family incomes, many cooperatives have negotiated a longer period of payment with the owners. The default rates have been a serious problem within these cooperatives, mainly due to unemployment and economic recession. With all these problems, the occupation cooperatives have barely survived during this period as a DEMHAB staff relates:

*The unemployment hits hard and the default rates are very high. We then give alternatives on how to get more resources: dinners, raffles, those things to get more money. We have not lost any occupation cooperative. We have even talked to the owners, to be more accessible, to give more time, because times are difficult.*³⁰

Chapter 3 showed that the cooperatives which have not finished paying for their land, did not have access to the financing of the OP for the implementation of infrastructure from the Thematic Plenaries. One of the requirements for being included in the annual Plan of Investments is to have the title deeds and demarcation registered in the Real Estate Registry Office. This is only achieved after the repayment of debt. Many of them, though, have tried to solve this problem by participating in the Regional Assemblies together with other organizations struggling for the urbanization of the area in which the cooperative is located. Urbanization (paving roads, laying out streets and installing power lines, water, and sewerage) is part of the municipal program of Land Regularization (Regularização Fundiária) undertaken by the municipal government. As part of a lengthy process, urbanization, despite the fact that it does not ipso facto entail land tenure, considerably improves the living conditions of the inhabitants of these settlements.³¹ The formation of cooperatives in occupied areas is then a pragmatic option adopted by residents to carry out the improvement of the

²⁹ As mentioned before, the Law of *Usucapião* (art.183 of Constitution) punishes absentee property owners by transferring title of private occupied lands to a productive occupant after a certain period of time.

³⁰ Lídia Benfatto, DEMHAB Cooperative Coordination staff member, interview by author, 26 October 1999, Porto Alegre.

³¹ Land Regularization is a process that aims to legalize the permanence of populations of occupied areas and improve their quality of life by bringing institutional recognition through the full process of political, social, technical and judicial action (Burns 1998).

area and hence of their own living standards, in a relatively short period of time, under the auspices of the Land Regularization program.

6.4.2 Legal Restrictions

Despite the emphasis cooperatives and government officials put on the lack of access to construction financing, either individually or collectively, as the main difficulty faced by housing cooperatives today, there are other relevant issues that influence the survival of these organizations. Urban legislation and state bureaucracy also interfere in the functioning of a cooperative, affecting the ways coops and government interact. Frequently, some of these constraints have been the cause of friction between government and coops. For the sake of systematization and a better understanding of the nature of these constraints, I discuss the legal restrictions to the functioning of cooperatives in more detail in the course of this section.

6.4.2.1 Urban legislation and state bureaucracy

The excessive bureaucracy in the public authorities that legalize and approve land subdivision and construction projects has been a constant complaint raised by cooperative members. Insistence on relaxing the technical criteria for land subdivisions to meet the real needs of the low income urban population has been on the cooperative movement's agenda for many years. In 1997, in a meeting between the Forum of Cooperatives and the mayor, the mayor promised to form an inter-secretariat committee to hasten the procedures for the approval of cooperative projects.³² Despite these efforts, the situation has not improved. Rigid rules and long processes of project approval have caused disruption in some cooperatives and/or lead to frictions between cooperatives and segments of public authorities. Illegal construction by cooperatives and consequent sanctions has lead to confrontations between cooperatives and public agencies. The tensions between technical criteria and social needs have emerged when low-income cooperatives face the challenge of approving projects in areas where there are major restrictions on land use.

The reasons for the delays in the approval of cooperative projects have been

³² Forum of Cooperatives, Minutes (Porto Alegre, 14 May 1997).

mainly related to the inadequacy of land for high density residential use, problems with land titles and the provision in the procedures to make exceptions in special circumstances. A specific explanation of these three issues provides more detail for the following discussion of the effects these restrictions have had on the relationships between coops and technical staff and shows that much has yet to be done to overcome the obstacles in planning and technical practices and to provide land and housing to the urban poor.

Inadequacy of land for high density residential use - The high cost of land is directly related to this issue. As seen in Chapter 3, low-income cooperatives have systematically bought environmentally protected land because of its low cost. In most cases, this land is unsuitable for high density residential use because of the need for the protection of aquatic life, vegetation, woodlands, rock outcrops and other landscape features. Many of these coops, aware of this limitation, have purchased preserved land, hoping to regularize its use and construction after the consolidation of the occupation of the area. There were cases where 80% of the plot was environmentally protected and declivity was above 35%, making the construction of infrastructure for the provision of services too expensive. In these situations, the process of acquiring approval of land subdivision for future construction permits has involved a pilgrimage to different public organs at municipal, state and federal levels taking ages to resolve. Because of the excessive delay, many cooperatives start constructing their houses illegally.

Poor land titling - Frequently cooperatives legally purchase part of a larger area, which has not yet been demarcated and properly registered. COOTEEPA is a case in point. The process of the property demarcation and titling involves the agreement of all owners of the larger area within which the land has been purchased. This is a lengthy and costly operation which, for this reason, has not been previously attempted. Poor titling may paralyze the approval of land sub-division, restraining the owner from continuing within the legal licensing system and exacerbating the conflict between the cooperative and municipal agencies.

Lack of legislation for accepting special circumstances - There are only two circumstances in which the subdivision of urban land can be approved: the normal routine and the Special Areas of Social Interest (Áreas Especiais de Interesse Social - AEIS) routine. These areas were planned for the production and maintenance of

housing for low-income population. They have specific norms for the use and occupation of land, mainly facilitating processes of land regularization. The AEIS may be approved without complex and lengthy procedures. The governments' use of the AEIS aims to regularize consolidated occupations as demanded either by the community or by DEMHAB. The AEIS is thus a *reactive* program and not a *pro-active* one, given that it legalizes already occupied areas. The cooperatives that have bought land either with titling problems or subject to rigid urban and environmental legislation, cannot be included in the AEIS category. Hence such circumstances are considered as normal routine processes, not subject to special treatment. This lack of flexibility and the incapacity to consider such cooperatives as social enterprises with a public interest has not been tackled by the municipal administration, jeopardizing the development of cooperatives in Porto Alegre. City officials have recognized this:

*We had cases where the cooperative had followed all the procedures, but could not get an approval because of the bureaucratic difficulties. I really think that the bureaucracy of the state machine hinders everything.*³³

*If you have a situation of an occupied area, the level of requirements is less rigid than the ones in an empty area. The cooperative will be treated as any other private enterprise. The rules are the same and the process is very lengthy in time. It takes, in average, two years for a land subdivision project to be approved.(...) This administration has got many advances, but I believe that on this issue, it has to advance much more.*³⁴

The issues described above show that there are possibilities for flexibility in the approval of cooperative projects, (such as the application of AEIS instruments to empty areas destined to the construction of low-income housing, cooperatives inclusive). But such flexibility is far less evident when environmentally protected areas are at stake.

In cities like São Paulo and Rio de Janeiro, a large part of the illegal settlements are located either in environmentally fragile areas – the banks of lakes, rivers and streams, steep hillsides, mangroves – or in environmentally protected land. These areas, because of restrictive land use and hence low market value, become the only

³³ Rosane Z. Almeida, Coordinator of the Land Subdivision, Secretariat of Urban Planning, interview by author, 16 May 2000, Porto Alegre.

³⁴ Carlos Pestana, DEMHAB Executive Director (1999-2000), interview by author, 18 May 2000, Porto Alegre.

option for sheltering a big part of the urban poor population. These occupations endanger land and water resources and health conditions generate conflicts. On the one side are the interests of the occupants of these areas, and on the other side, the preservation of a collective good, the health of the general population (Braga 2001). Despite the municipal government initiatives to resettle *vilas* located on environmentally protected and hazardous areas, this is still a problem in Porto Alegre. The resistance of the planning agencies to approve cooperative projects that menace protected areas is, indeed, an attempt to prevent this kind of conflict from occurring.

Whereas planners and technical staff are playing their role in the defense of the public interest, they are also frustrating long lasting expectations of cooperatives trying to reach their goals. This generates other kinds of friction and induces illegal construction. The distance between proposed policies and the reality of the utilization of urban space is responsible for the tensions between technical staff and cooperative organizations.

In the particular case of Porto Alegre, which has a tradition of urban planning³⁵, it is noteworthy that the initial resistance offered by the technical staff of its planning agency in accepting the broader participatory policy implemented by the OP, and in changing established rules. Despite notable advances towards the integration of popular and technical knowledge, and the translation of this integration into policies, like the 2nd Urban and Environmental Development Master Plan (2nd PDDUA), approved in 1999³⁶, much yet has to be done to overcome the dilemma between urban policies and practices and the social needs of low-income segments.

³⁵ Porto Alegre was the first Brazilian capital to have a Master Plan, which dated from 1959. Before that, there were other attempts to organize the growth of the city mainly through interventions in the traffic system. After the 1959 Plan, there were two major plans approved: the 1st Urban Development Master Plan (1st PDDU) in 1979; and the 2nd Urban and Environmental Development Master Plan (2nd PDDUA), in 1999.

³⁶ The 2nd PDDUA approved in the end of 1999, has recently been implemented, reason why there aren't elements for the evaluation of its performance and impact on the city environment. The concepts it was based and the guidelines it established, however, foresee more optimistic outcomes in terms of both the participatory process and the physical impact. Simpler rules, readjustment procedures, openness to partnerships, and social control characterize the new Master Plan of Porto Alegre. Its major goals include the creation of a dynamic and participatory municipal management system, the introduction of tools to stimulate and induce the compliance of the social function of the city and the private property, and the simplification of the law.

6.4.2.2 Lack of access to construction financing

Since their formation, access to construction credit has been the Achilles heel of the housing cooperatives in Porto Alegre. After the purchase and/or regularization of land, the cooperatives face the problem of how to implement the infrastructure and how to build their houses.

The major problem is the access to the construction financing. There is a “boom” until the projects phase. The political issue that the government must put a heavy effort is: to make flexible rules for the access to construction financing.³⁷

The average time for cooperatives reaching the construction phase is 3 to 4 years. This delay is in reality a limitation, given the urge for the solution of the housing question. The cause is the construction financing. The PT (Workers Party) administration envisioned a partnership where the cooperatives would convey the land and projects and the construction financing would be procured through a political struggle at federal level. This generated an expectancy that has not been met. The cooperatives awaited for the federal financing that has not happened.³⁸

The COMATHAB is reviewing the criteria of the Participatory Budget, because the municipal legislation obstructs the process of construction of cooperatives.^{39 40}

The testimonies above show that the lack of access to construction finance has been a drawback since the emergence of the cooperatives and that it has not yet been solved. Since 1997, the supply of infrastructure has been partially solved through the Participatory Budget resources, which may be used by cooperatives that have their land title properly registered and projects ready to be implemented. The cooperatives' access to those resources was acquired through their participation as an organized block in the Participatory Budget process in previous years. Despite this new facility, many cooperatives that already have their land situation resolved, have had difficulties

³⁷ Selvino Heck, DEMHAB Planning Coordinator, interview by author, 11 September 1996, Porto Alegre.

³⁸ Edenilson Bonfim da Silva, CAMPI (NGO) Assistant, Former member of DEMHAB Cooperative Coordination (1993-1995) and COOTEEPA member, interview by author, 04 November 1996, Porto Alegre.

³⁹ Forum of Cooperatives, Minutes (Porto Alegre, 14 May 1997).

⁴⁰ COMATHAB is the Municipal Council for Access to land and Housing (Conselho Municipal de Acesso à Terra e Habitação – COMATHAB) See Appendix 2 for a more detailed account of COMATHAB.

in using these funds because of inadequacy of the area for the proposed occupation, as described in Chapter 3.

Hence the issue of the finance for the construction of the units remains unsolved. In Chapter 2, I mentioned that official lending institutions have systematically denied credit to cooperatives on a collective basis, alleging operational difficulties in avoiding high default rates. Previous and numerous cases of misuse of public funds by false cooperatives, with veiled commercial purposes, have caused the Federal Savings Bank to be unwilling to lend money to cooperatives as a collectivity. In a meeting of the Forum of Cooperatives a coop member expressed this view well:

*There is a prejudice against housing cooperatives. They are seen as places for speculation, for stealing money.*⁴¹

At national level, the only kind of credit being used by housing cooperatives is the Credit Letter (Carta de Crédito) in the associative or group form. In May of 1996 the CEF opened financing programs for *group credit*, designed for cooperatives and other kind of associations such as condominiums. The pressure exerted by the cooperative movement on the legislative front resulted in the CEF's *group credit* option. The program, however, established as the ultimate borrower the individual member and not the cooperative. Despite some facilities in terms of interest rates⁴² the individualization of the access to credit jeopardized the advantage that collective savings could offer. In most cases different incomes and credit situations within the same cooperative caused division within the group as some were able to fulfill the requirements dictated by CEF and others were not.

At state level, with the creation of the Secretariat of Housing (Secretaria Especial de Habitação – SEHAB) in 1999, after the victory of the Workers Party in the gubernatorial elections in Rio Grande do Sul, housing cooperatives acquired importance among the various state programs implemented within the secretariat.

⁴¹ Forum of Cooperatives, Meeting (Porto Alegre, 8 May 2000).

⁴² The program contemplated family incomes from 1 to 12 times the minimum wage, with interest rates from 3% to 9% per year, depending on the family income. The loan covered 95% of the cost at maximum, according with the total value of the investment. The maximum number of financed units would be 100 for construction and 50, when including the acquisition of the land. The maximum value to be financed was R\$ 31.500,00 per unit (Values in May/1996 = US\$ 31.658,29).

In the beginning of 2000, the Housing State Council had already approved the change in the State Housing System (Sistema Estadual de Habitação–SEH)⁴³, authorizing cooperatives to acquire resources for construction. The SEH introduced new concepts compared to the SFH model. In 1995, when it was created, the SEH conceived a mix of financial resources, and, added to the production of units, SEH envisioned the regularization of land and the production of social rental housing. It included different social sectors in its decision-making organs. The self-managed housing cooperatives acquired a place in the Housing State Council beside other civil society organizations. Its participation in the Housing State Council was crucial for the change of the SEH that included self-managed cooperatives as beneficiaries of future loans. These changes, though, have not yet been implemented.

6.4.3 The search for a non-state and public identity

Because they are new in the civic arena, self-managed cooperatives face problems of identity within the public realm. Such cooperatives are non-profit and non-private organizations but are not public entities either. Notwithstanding their social characteristics they cannot receive any public resources or any kind of special treatment. To overcome these limitations, the cooperative movement in Porto Alegre, as articulated by a City Councilor, elaborated a Law Project that tried to deal with this problem. The project basically establishes criteria for cooperatives to have access to public and private funding.⁴⁴ Since its first proposal, in 1993, the project was discussed and amended by the cooperative movement. In 1997 it was presented again, but has not yet been included on the Council's agenda. In the end of 1999, a parliamentary front to support cooperative organizations was formed with the goal of helping the cooperatives to hasten the inclusion of the project in the representatives' agenda.

We have always claimed for the need of the cooperatives to be recognized as a non-state public enterprise, and to be treated by the state

⁴³ The SEH was created in 1995 by the state of Rio Grande do Sul, after the extinction of COHAB/RS. The SEH is in charge of financing and subsidizing the construction of popular housing and/or urbanized plots to urban and rural populations with a family income up to 5 times the minimum salary.

⁴⁴ Law Project. n.º 0010/93 presented by City Councilor João Motta, to the Porto Alegre Municipal Council in 1997, with amendments.

*differently from a private business... The Brazilian law is based in the matrix of the public and private property and does not have space for a third sector. We think this to be a mistake.*⁴⁵

*There is the need (of the government) to differentiate between a real estate developer and the cooperatives that build with the unique goal to provide shelter. The cooperatives are the project of the future against neo-liberalism.*⁴⁶

Despite the progressive orientation of the PT administration in Porto Alegre, the resistance to give cooperatives special treatment, was spelled out by the executive director of DEMHAB, using similar arguments employed by the CEF, when denying collective credit to cooperatives.

*In practice, it is very difficult to establish some facilities for housing cooperatives. One can open a loophole and instead of a low-income cooperative, there will be a big entrepreneurship disguised like a cooperative that will get all the benefits. This is a challenge, to create the conditions, the mechanisms to impede higher income groups to get facilities originally geared to low-income segments.*⁴⁷

In 1998 four cooperatives⁴⁸ formed the Central of Housing Cooperatives of Porto Alegre (Central de Cooperativas Habitacionais de Porto Alegre – CECOOPH). This initiative had two major goals. The first was to have legal representation and identity for participating in decision-making bodies, mainly to influence on policy-making and to dispute allocation of resources for the consolidation of existing cooperatives and the implementation of new ones. The second was related to the rationalization of human and financial resources and reduction of costs to assist cooperatives in legal, social, accounting and technical matters. Along with these goals, there was also the desire to strengthen the autonomy of the cooperatives. In recent years, the cooperative activists have linked weak participation of cooperatives in the Forum of Cooperatives, to their perception of the cooperatives' dependence on DEMHAB. In their view, the formation of this Central of Cooperatives would definitely cut the umbilical chord with government.

⁴⁵ Luiz Gambin, Administrative Director of COOTEEPA, interview by author, 25 October 1999, Porto Alegre.

⁴⁶ Forum of Cooperatives, Minutes (Porto Alegre, 19 August 1998).

⁴⁷ Carlos Pestana, DEMHAB Executive Director (1999-2000), interview by author, 18 May 2000, Porto Alegre.

⁴⁸ The four cooperatives were COOTEEPA, RENASCER, COOMETAL and COOTRAJOR.

The formation of CECOOPH also faced bureaucratic problems mainly related to the requirement of registration of minutes of all established cooperatives and to the rendering of accounts and payment of revenue taxes. Despite the juridical obstacles, CECOOPH already exists *de facto*. Its formation follows the tendency of organization of popular sectors into broader instances of association. A COOTEEPA leader also perceives this need:

The Forum (of housing cooperatives) is too open. The Central of cooperatives calls for the act of affiliation in the organization, and the compromise required by the statutes. One goal of the CECOOPH is to qualify the participation of the cooperatives. The limits of the Forum is that today a coop attends the meeting, and tomorrow it doesn't appear. One thing is we as cooperatives, another is to be together to build a larger movement.(...)

There are many work and services cooperatives being formed in Porto Alegre and in the state. We are articulating a meeting with other cooperative organizations with the goal to form a central of popular and self-managed cooperatives at state level. It would be a General Central of Cooperatives that would include the housing cooperatives.⁴⁹

The formation of independent organizations is also a response of popular sectors to the imposition of the State Organization of Cooperatives (Organização das Cooperativas do Estado do Rio Grande do Sul - OCERGS) as the only legally recognized representation of all the cooperatives in the state of Rio Grande do Sul. The issue of representation of cooperatives is one of the controversial subjects being discussed in the Senate today.

Currently, there are in the Senate a total of 14 legal bills concerning cooperatives. The existence of numerous law projects reflects the complexity of the matter and the lack of unity of the Brazilian cooperative movement. Of this total number of legal projects only three treat the subject in a thorough manner. There are two controversial questions that are common to the three projects: the definition of the constitutional limits of the action and role of the State in favor of the cooperatives, and the issue of representation of the cooperatives.

The new constitution promulgated in 1988 required the State to support and stimulate the cooperatives (art.174, &2nd) and not to interfere in the functioning of the cooperative corporations. The existing legal hiatus caused by the withdrawal of the National Institute for Colonization and Agrarian Reform (Instituto Nacional de

⁴⁹ Luiz Gambin, Administrative Director of COOTEEPA, interview by author, 25 October 1999, Porto Alegre.

Colonização e Reforma Agrária – INCRA) and CEF from the authorization process for the functioning of cooperative corporations, made it possible for many fake cooperatives to emerge. There is a need, then, to define the legislation that will establish the conditions for the constitution of new cooperative organizations, registration, ways to support and stimulate their formation as well as penalties to restrain the actions of irregular cooperatives. Along with the ordinary legislation about cooperative corporations, it is urgent to change the tributary, banking, land and housing legislation, to name some, in order to support the development of cooperatives in the country (Perius 2000).

The issue of the representation of the cooperatives is a matter of major disagreement. The positions range from the single representation using the existing OCB/OCE (Brazilian Cooperatives Organization/ State Cooperatives Organization) system, as the only organs to represent the Brazilian cooperatives, to the free organization of the system of representation. This last position is defended by the Workers Party – PT and many leaders of the housing cooperatives, among them COOTEEPA and RENASCER. Their argument is based on the comparison with the labor unions, which have different national representations.

6.5 CONCLUDING REMARKS

The evolution of the self-managed housing cooperatives in Porto Alegre and the difficulties they have faced in their development during this decade showed that non-market oriented housing is not a priority for property capital and for the central government. But progressive municipal governments support non-market-oriented housing. Existing legislation and economic and social practices do not favor the emergence of cooperatives. The cooperative model challenges the basis of the labor and capital economy, when it stimulates the formation of a modern web of relationships and organizations for a new urban popular economy. In addition to the difficulties mentioned above, one has to also consider the internal constraints cooperatives face in the course of their development.

Nevertheless, there have been important advances. In Porto Alegre, the cooperatives have pragmatically taken advantage of a new political game, where the rules favored the attainment of some of their endeavors. They used such rules to

acquire resources to achieve their goals of building houses. They exercised participatory democracy both internally and externally. The emphasis on participation and democratic decision-making not only gave legitimacy to their demands, but also contributed to the empowerment of their members and the association they belonged to.

This empowerment could be ascertained through their improved negotiating skills with public authorities, their better understanding of organizational and technical issues, the awareness of their needs and limitations. Their involvement in the Forum of Cooperatives strengthened their participation potential increasing their influence in other instances of decision, such as the OP, the State Secretariat of Housing (SEH) and the Municipal Council for Access to land and Housing (COMATHAB).

This influence brought about some results in the implementation of policy changes, mainly at municipal level. The reduction of the ITBI from 3,5% to 0,5% in transactions involving self-managed housing cooperatives, the access to OP resources for implementation of infrastructure, and the access to state financing through the SEH can be counted as victories for the cooperatives. However, the enormous demand and the high cost of land and housing cast shadows on the achievements of the cooperatives. Access to construction finance proved to be the bottleneck for the growth of cooperative organizations. Local level initiatives, like the incentive to housing cooperatives in Porto Alegre, proved to be insufficient to face the present and future demand for shelter without the involvement of the federal authorities that have the capacity to provide the resources needed to scale-up such policies. Along with the difficult access to credit opportunities, cooperatives are not considered as social enterprises facing the restrictions of any other private corporation.

These are the dilemmas that remain to be tackled. There are, however, two issues that, in my view, are of major importance, as a result of this partnership of roles carried out by DEMHAB and the cooperatives in Porto Alegre: the development of an organizational competence through the formation of a cooperative, with all the difficulties it brings along with it, and the savings capacity low-income families reach collectively. Land tenure security has been achieved by a significant number of cooperatives through the conjunction of these two capabilities. The mediating role DEMHAB has played has also been crucial for the success of negotiations that result in legal collective ownership of land.

In Chapter 3, I argued that the state/society synergy developed between the housing cooperatives and municipal government in Porto Alegre had a mix of *endowment* and *constructability*. I based the endowment view of synergy in Porto Alegre on the discussion of three main issues: the high level of participation of the city's population in civic associations; the tradition of permeability/openness of elites in power to dialogue with popular segments; and the previous experience of urban social movements in articulating demands regionally and negotiating with public authorities.

I also introduced the debate on the constructability view of synergy and the concept of political opportunity structures, to the case of the cooperatives in Porto Alegre. In doing so, I stressed the enabling role of DEMHAB and also the limitations of this partnership of roles, in comparison to a pooling of financing.

The goal of this chapter was to bring to the fore the empirical evidence that established the constructability view of synergy. The evolution of the relationship between RENASCER and COOTEEPA, as cooperatives, and DEMHAB, as a public agency showed that the state had an important role in the creation of these organizations. According to Jacobi (2000), it also showed that the participation of organized citizens in the planning and formulation of public policies and programs, such as the cooperatives/DEMHAB partnership, assigns legitimacy to the organizations and guarantees the governance and the democratization of the administration of public goods.

Comparing RENASCER and COOTEEPA, the study suggests that labor union based cooperatives tend to develop the human and material capacities at a faster pace than community based cooperatives. Community based cooperatives, in turn, depend more on institutional support to thrive. Irrespective of their particularities in terms of their development and types of relationships established with the public authorities, both had a common constraint, the lack of access to collective credit, and the choice for a self-financing option. It took them almost 8 years to move into their new houses. During this time they not only built their houses, but also built their capacity to exercise an active citizenship.

CONCLUSIONS

In the course of this thesis I have analyzed the interactions between housing/urban development agencies and housing cooperatives during the last decade in Porto Alegre. The top-down origin of this interaction, the lack of tradition and previous negative experiences of housing cooperatives in Brazil, all testified against the possibility that cooperatives could flourish in the city. The emergence and growth of self-management low-income housing cooperatives in Porto Alegre, however, challenged these constraints. The conditions for such organizations to develop involved a mix of government accountability, pro-poor policies on the part of the local state, a history of community organization and the recent construction of new capacities and commitment within civil society.

This study has explored the development of the self-managed cooperatives since the formation of the first associations, their origins in the community and labor union movements and their interactions with the municipal government. It aimed to understand how these interactions have shaped the development of the cooperative organizations and what influences these relationships have had on the implementation of housing and urban policies at the local level. Through two study cases, I have also examined the strategies used by the coops in order to benefit from and contribute to the overall enabling environment. In a broader context, the study attempted to relate the emergence of housing cooperatives in Porto Alegre during the 1990s to the aims and claims of changes in the political culture and practices at the local level. The self-managed housing cooperatives are viewed as the product of a partnership of roles

between the local state and civil society, within a broader participatory experiment, the Participatory Budget, carried out in the city during the last 12 years.

In what follows I will outline the main theoretical approaches used in this study, and summarize the findings, hoping to contribute to the understanding of partnerships as one kind of state/society relationship in the field of land and housing in the city of Porto Alegre.

THEORETICAL APPROACHES

The principal idea of this thesis is that the interaction between social forces and segments of the state can result in reciprocal development. Despite the tendency of state/society partnerships to neglect less privileged groups and favor more powerful segments of society, and despite the history of co-optation and clientelism that have plagued the interaction of government and civil associations in the past, advocates of state-in-society and synergy approaches recognize that state/society partnerships can create more power for both (Migdal *et al.* 1994; Evans 1996b). This approach to the study of state/society relations suggests an analytical position where the state may be viewed as part of society instead of an adversary.

Throughout this thesis, I have applied the state-in-society and synergy approaches when analyzing the self-help housing cooperatives in Porto Alegre. I argued that, in the last decade, Porto Alegre has experienced a synergistic relationship that has been mutually enforced by both state and society. On the one hand, the action of the municipal government in Porto Alegre towards social organizations, in the case of my study, towards the incentive to the formation of self-managed housing cooperatives, derived from a broader goal of the party in power to carry out a process of empowerment of less privileged groups. On the other hand, the cooperatives themselves proposed new ways and forms to guarantee their autonomy from the state and to articulate and insert their claims into other instances of participation.

The analysis centered on the *form* and *conditions* for the emergence of synergistic relations. Concerning the *form*, I identified the relationship between the cooperatives and DEMHAB as a partnership, where there was a complementarity between DEMHAB and the cooperatives, with a clear division of labor based on the

roles and tasks of both partners, defined in the initial steps of the relationship and refined along its construction.

Concerning the *conditions* for the emergence of synergy I argued that there was a mix of *endowment* and *constructability* in the ways the housing cooperatives developed in Porto Alegre, linked to the implementation of the Participatory Budget carried out in the city. The high level of participation of the city's population in civic associations, the tradition of permeability/openness of elites in power to dialogue with popular segments, and the previous experience of urban social movements in articulating demands regionally and negotiating them with public authorities functioned as *endowments* that facilitated the emergence of synergy between DEMHAB and the cooperatives.

Despite the importance of the *endowment* features in the formation of the self-managed housing cooperatives, it was on the *constructability* features that this thesis mainly unfolded. Institution-building and organizational change helped building synergistic relations between the coops and the local agencies. The impact of these relationships shaped new practices within the agency and developed organizational and savings capacity within the cooperatives. The study case of two different types of cooperatives unveiled diverse needs, actions and pace of development of these organizations and the different levels of partnership required. The study also revealed the difficulties and limitations in the construction of such partnerships.

A deeper analysis of the *conditions* for the emergence of synergistic relationships between the coops and DEMHAB/SPM involved the study of internal characteristics of the cooperatives and of external factors that influenced their development. The concomitant use of the culturalist/identity paradigm (Touraine 1981; Melucci 1995, 1996) and the political opportunity structure approach (Tarrow, 1994) helped explain the synergistic partnership between the coops and the state. The participatory policies and inversion of priorities of the party in power opened up the political opportunities for cooperative organizations to flourish. The cooperatives persistent search for their identity and for recognition as public non-state organizations and their struggle for the right to housing is analyzed on the basis of the culturalist/identity approach which uses the concept of the construction of collective identity as the link between certain social processes and collective action.

The notion of housing as a right, which was embedded in all cooperative's actions and struggles, reinforces the use of the culturalist/identity paradigm in this analysis. It also links to the *constructability* features of the cooperatives and their relationship to the state. These features are also connected to the notion of the construction of a new citizenship. The need to identify oneself (individual or collectively) is a way to claim one's right (housing inclusive) and to be recognized as a collective actor. The building of a new citizenship involves not only access to formal and established rights, but also the creation of new rights derived from specific struggles and practices. The right to housing, as one of such struggles, broadens the notion of citizenship and also widens the basis of participation and growth for those involved.

The formation of social capital is, indeed, a consequence of the *constructability* aspect of synergy. According to Evans (1996b), it will be through the virtuous circle of civic engagement and effective state institutions that norms of trust and networks of ordinary citizens may be forged and used for developmental ends. The formation of social capital involves the concept of empowerment. As has been said before, empowerment is a fashionable word and needs to be framed in the context in which it is used. In this thesis the term was linked to notions of collective empowerment, to combating poverty and to the enhancement of equity and social justice. In this study, empowerment is considered a continuous process that enables people to understand, upgrade, and use their capacity to better control and gain power over their own lives (Barr 1995; Schuftan 1996). Empowerment as a process involves participation as an important element to nurture and develop it. The cases of RENASCER and COOTEEPA showed that their strategies to access resources and to influence decision-making vis-à-vis local housing and urban policies involved high levels of commitment within the organization and steady participation in all political and social forums.

The developmental perspective of participation is closely linked to the notion of empowerment described above. This approach to participation values its contribution to democratic processes and to a knowledgeable citizenry who benefit from participatory processes through the acquisition of new values, attitudes, skills and knowledge. This developmental view of participation stresses the empowerment of citizens, increasing their control over their lives and over the state (Morrissey 2000).

From the models and typologies of participation discussed in Chapter 1, I selected Choguill's (1996) as that which best characterizes the case of self-managed housing cooperatives in Porto Alegre. I based my choice on the argument that this model, with a focus on housing and infrastructure programs, complemented the broader state-in-society and synergy approaches used in the analysis of the relationship between the state and the housing cooperatives. Chapters 3 to 6 have shown that the cooperatives in general, and RENASCER and COOTEEPA in particular, have climbed the two highest rungs of Choguill's ladder of participation: empowerment and partnership. Their participation, through the Forum of Cooperatives, in decision-making bodies like the Participatory Budget and COMATHAB, the formation of the Central of Cooperatives, and their interaction with DEMHAB, SPM and parliamentarians place the cooperatives in what the author calls the empowerment rung. The division of tasks and responsibilities in the initial stages of formation of cooperatives and the definition of public criteria to access resources from the Participatory Budget also indicate a partnership between the coops and the municipal agencies.

MAIN FINDINGS

Departing from the theoretical outline summarized above and using the synergy approach as a backbone, I will discuss the main findings of this thesis. In doing so, I will outline the findings in terms of *form* and *conditions* for synergy to emerge. The *form* will review what I called the *partnership of roles* between DEMHAB/SPM and the cooperatives, exploring its achievements and limitations in terms of instrumental goals, namely access to land and housing. The *conditions* will address the issues related to the *construction* of this partnership of roles, stressing the complexity, obstacles, impacts and challenges involved in this process.

Partnership of roles in land and housing provision – one form of state/society synergy

Researchers of urban re-development have shown that in developed countries, during the 1960s and 1970s, public-private partnerships have done little to improve

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living conditions for the majority of the urban poor and have exacerbated inequality and dualism. Critics of public-private partnerships have enumerated various shortcomings of such initiatives, particularly the tension between private interests and social equity, and the projects' top-down approach (Edwards and Deakin 1992; Stephenson 1991). During the 1980s, however, new approaches to urban partnerships that have focused on the needs of poor and disempowered communities have emerged. In the US, these new approaches included greater public control of programs and also a more even distribution of costs and benefits between partners (Levine 1989). In the UK, these partnerships had various objectives, membership, organizations and resources. Some were the result of private developers' initiatives, taking advantage of new public policies. Others were the result of local authorities seeking to protect local interests against the policies of the central government (Payne 1999).

The neo-liberal foundations of the domestic economic policies of these countries became an important component of foreign policy, influencing international lenders' paradigm for the structural economic adjustment of third world countries. The idea of urban productivity as a key mechanism to produce growth was promoted by international donors as the way to overcome the negative effects of structural adjustment programs. In the field of housing, the emphasis was on strengthening housing finance institutions and land markets, stimulating economic activities and encouraging citizens' involvement in the solution of urban problems (World Bank 1991). In the last two decades, partnerships and participatory processes have taken a prominent role in urban development.

The discussion summarized above has shown that partnerships can be a two-edged sword, representing an opportunity as much as a threat. The case of the self-managed cooperatives in Porto Alegre suggests that partnerships may represent an opportunity when the relationship is based on accountability and transparency, on common goals and shared responsibilities, even when resources are scarce. It also suggests that a relationship such as the one established between DEMHAB and the coops may work as well or even better than a formal, contractual partnership. As shown in Chapters 2 and 3, the program of cooperatives was a secondary and initially informal program within DEMHAB. Initially, the partnership of roles developed as a consequence of a pro-poor minded policy and staff, of a committed leadership, and, at the same time, as a result of the lack of sufficient resources to meet the housing needs

of a growing low-income population. The role of the public partner was to provide technical and organizational assistance and act as a mediator between coops and private interests. The role of the cooperatives was to mobilize as a cooperative and develop a savings and organizational capacity. The partners carried out these roles and developed new ones. Processes of land negotiation and establishment of criteria for access to the Participatory Budget resources were built jointly by coops and DEMHAB.

This study has also pointed out that the different origins of the cooperatives determine different needs, and hence roles, throughout the process of development of the organizations. Through the study cases of RENASCER and COOTEEPA, and also through testimonies of DEMHAB's staff, it was clear that the role of DEMHAB in the initial stages of the cooperative was essential for the development of the organization, irrespective of its origin. In the initial steps, surpassing bureaucratic obstacles and elaborating by-laws, DEMHAB was an important partner. The extent of this assistance, though, suggests that labor union based coops are able to take a more independent path earlier than community-based and occupation coops. Higher incomes, the possibility of contracting out technical assistance teams and the support of the union's infrastructure contribute to the achievement by the cooperatives of greater autonomy. In other community and occupation-based cooperatives, the role of DEMHAB as a technical assistance provider has been extended to cover the construction phase of the building units. In the case of RENASCER it has also mediated the financing of these units. This suggests that partnership arrangements and rules vary among the types of cooperatives.

Achievements

The analysis of the data of the 60 cooperatives formed until 1999, showed that this partnership has had more advances in the land-purchasing phase than in the actual construction phase of these organizations. The cases of RENASCER and COOTEEPA corroborate these general findings. The coops' lack of access to collective credit opportunities denote the limitation of local initiatives in the face of the complexity and resources needed to tackle the housing problem. Although limited in scope, collective ownership of land and individual self-financing for housing construction appear to be

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important outcomes of the partnership between the cooperatives and DEMHAB in Porto Alegre. The cooperatives' acceptance of a collective form of ownership proved to be an important step towards secure land tenure.

The mediation role adopted by DEMHAB and the savings and organizational capacities developed by the cooperatives were essential for the cooperatives' legal access to land. The majority of the cooperatives have organized their members and, despite their low-income constituency, have been able to develop a savings capacity. These savings have facilitated the acquisition of land, in some cases the hiring of technical assistance teams, and the participation of their members in activities for improving their information and educational levels. As said before, the role of DEMHAB was crucial for the organization and development of the housing cooperatives. The partnership built imprinted quality and dynamism on this movement.

Limitations

One of the limitations of this partnership of roles is the time cooperatives take to build their houses. The families of the two cases studied took around eight years to move into their new homes. This lengthy period of consolidation was closely related to external factors, mainly the lack of access to collective financing, rigid urban legislation and state bureaucracy, as was seen in Chapter 6. It is important to note that all these hindrances did not prevent the cooperatives attaining their initial goal. But the obstacles made for great delays. This fact illustrated that the degree of external institutional involvement in terms of facilitating collective endeavors, such as the partnership between the municipal state and the housing coops, is still insufficient to cope with the need. This is not news, since it is widely known that low-income housing and urban infrastructure demand extensive resources that only the central government can provide. Access to collective finance and changes in urban legislation would certainly enhance the outcomes of this already positive partnership of roles. Despite state support for the development of cooperatives, much has to be done concerning more flexible regulations for recognized socially-oriented enterprises. More has been done to react to established situations, (land occupations, clandestine subdivisions) than to prevent these situations occurring.

The process of construction of a partnership of roles

The partnership between DEMHAB and the cooperatives was consolidated over time. One among various programs implemented by DEMHAB, the cooperatives program acquired visibility and recognition as a partnership, by mobilizing both staff and the cooperatives' membership. A key to this partnership was the supportive role of DEMHAB and the cooperatives' emphasis on participatory practices both internally and in other institutional channels.

The supportive approach of the state and an overall enabling environment

This supportive approach was translated through some DEMHAB's initiatives and enhanced through the inputs from the cooperatives themselves. Over the last decade, these initiatives have included: a) access to all necessary information for the organization and development of a cooperative; b) provision of courses, workshops, seminars about cooperative principles and legislation, self-management, and housing policies; c) technical and organizational assistance to cooperatives formed by low-income families (those earning up to 3 minimum wages); d) the search, in conjunction with the cooperatives, for access to the CEF's financial programs; e) creation of a mediation committee for assistance in land disputes and negotiations.

In the case of RENASCER and COOTEEPA, the partnership built between DEMHAB and the cooperatives involved highly committed people on both sides: the Cooperative Coordination workers and the coop leadership. Pro-poor minded staff, a supportive political environment committed to bottom-up decision-making and internal democracy and committed and honest leadership served as catalysts for the establishment of this partnership of roles.

Strategies to overcome obstacles

There were many obstacles that have hindered the development of self-managed housing cooperatives in Porto Alegre. The conjunction of internal difficulties and external limitations interfered in the development of the cooperatives.

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The two study cases have shown that even in potentially positive environments there is mistrust and rent seeking. In these cases, however, the collectivity could deal with these difficulties without jeopardizing the organizations as a whole. Although socializing and inclusive, cooperative values have not been easily achieved in the construction of both organizations. Some other issues that were perceived as limitations have become strengths in the cases of RENASCER and COOTEEPA. The size of RENASCER turned out to be an asset for influencing decision-making bodies such as the Participatory Budget. The income difference in COOTEEPA, proved that good management could overcome such heterogeneity within the cooperative. Poverty and income inequality, rigid urban legislation, complex legal frameworks and limited credit facilities also contributed to the length of time it took for the cooperatives to thrive.

The strategy to overcome these obstacles was to incorporate a participatory emphasis in their mode of operation which has benefited them both internally, through the engagement of more people in their activities, and externally, as a tool to achieve their demands in the Forum of Cooperatives and in the Participatory Budget. The specificity of labor union and community-based cooperatives disappears when participation in decision making bodies is at stake. While differing in terms of strategies to access land and building their houses, both developed highly committed leaders and membership through this participatory emphasis. It is noteworthy that, with the exception of the two leaders, none of the interviewed people had any previous experience of participation before entering the cooperative.

Influences on the partners and on policy implementation

The maintenance of the cooperative program and the development of 60 cooperatives during the last 10 years have left some imprints on the history of low-income housing policy in Porto Alegre and on the people and organizations involved in this partnership.

Influence on policy implementation

The participation of the cooperatives in decision-making bodies at local and state level (Participatory Budget, COMATHAB and SEH) hastened results in terms of policy changes concerning land and housing. The reduction of buy and sell taxes favoring self-managed housing cooperatives, access to the Participatory Budget resources for the implementation of infrastructure and access to state financing through the State System of Housing were concrete accomplishments of the cooperatives. Their major challenges are yet to be achieved: access to collective financing through the Federal Savings Bank or other financial institution and public authorities' recognition of cooperatives as social enterprises.

The strengthening and empowerment of civil society

Irrespective of the time taken, the maintenance of the organizations and the achievement of building their houses constituted significant results for the cooperatives studied. There are various reasons for concluding that there was a process of empowerment of the cooperatives, as organizations, and also of their membership. The implementation of an inclusive policy such as the Participatory Budget and the involvement of the cooperatives in broader community initiatives contributed to the growth of the cooperatives and to the development of leadership. The ability to acquire funds illustrated their capacity to face problems and their option for independence from state financial support. The increased self-confidence in new skills and experiences and the creation of a network of social interaction inside and outside the cooperatives, enhanced an experience of solidarity and commitment. The example of COOTEEPA is paramount as a case of expansion of action and creation of a new social network within the existing labor union.

The experiences of COOTEEPA and also RENASCER point towards new bases for participation in society and for the construction of a new public non-state sphere of solidarity and accountability.

The construction of citizenship and of a new political practice

In Chapters 2 and 3 I have discussed the clientelistic practices embedded in different levels of state/society relations concerning the provision of low-income housing in Brazil since the involvement of the state in the provision of shelter for the urban poor. It was seen that politicians have ignored established selection criteria and used the *technical reserve* to spread privilege in exchange for political support. The example of RENASCER as a recipient of a state sponsored program has shown that this practice has started to change in environments where social control, transparency and accountability are stressed. The criteria established for the beneficiaries of federal loans were discussed between DEMHAB and the cooperatives, and these rules have been followed by the agency. As simple as it may appear, the respect for socially established rules for access to housing is an important step towards the construction of a new political practice where citizenship is collectively constructed and a new democratic culture is forged.

According to Demo (1993:70), citizenship is the social quality of organized society in the form of rights and duties recognized by the majority. The construction of citizenship involves the awareness of injustices, the discovery of rights, the design of strategies and the attempt to change the direction of history. The conquest of rights and the reduction of inequalities is the result of an arduous process of participation (Demo 1993). Participation becomes an important tool for the strengthening of civil society particularly of those excluded segments, since the fulfillment of accumulated needs depends basically on the interactions of the public power and organized society in a context of new socio-institutional arrangements. Participation is then framed in the process of redefinition of the public and private spheres, with the goal of redistributing power in favor of those who have not had access to it (Jacobi 2000:27).

The redefinition of public and private arenas involves civil society, elected representatives and the highest echelons of executive power, but also a plethora of civil servants, of those who are responsible for the daily functioning of the state. It was seen in Chapter 6 that the cases of RENASCER and COOTEEPA have shown the need of time and effort of will from both partners to change a civil service culture of resistance to one of innovation and risk taking and to broaden the civil organizations'

understanding of the constraints of the public sector. The construction of a partnership of roles of this kind needs not only technical competence but also the competence to deal with community organizations and to manage conflicts generated in activities of this nature. The creation of Community Relations Coordination at municipal and at DEMHAB's level has shown that new practices also require new structures in order to function.

Despite notable advances in state/society relations in the field of land and housing, much yet has to be done to implement policies and actions to meet the needs of less privileged segments. Contrarily to liberal views, a partnership of roles reinforces the responsibilities of the state to protect the wider public interest and particularly the needs of the most vulnerable groups.

ISSUES FOR FURTHER RESEARCH

The participatory experiment and the housing cooperatives in Porto Alegre are a fertile ground for research. There are still many issues that deserve further examination. The first question that comes to mind is whether the housing cooperatives will remain as active organizations after the construction of the units. Past experience and much of the literature has shown that cooperatives tend to dissolve after the houses are built. Another issue that deserves attention is whether the cooperatives will be able to afford the units constructed. The self-financing option in the case of COOTEEPA and the individualization of loans in the case of RENASCER coupled with weak state action to avoid upwards filtration may endanger the affordability of the units in the future. The answers to these questions would require a time series study of the two cases.

The occupation cooperatives are also an interesting issue for investigation. These cooperatives have depended heavily on DEMHAB to organize and develop. The study of their trajectory in terms of their relationship with the state could help in the analysis of what kind(s) and level(s) of state involvement is (are) needed to assist in the construction of independent and strong civil society organizations in the field of housing.

Another interesting issue to be investigated, still in the state/society relationship approach, is to focus on the agency's staff, on the people who directly deal with civil

society organizations. The participatory *boom* in Porto Alegre has focused the attention of researchers on civil society in its various forms of association. There is also a need to focus on the state, viewing it as part of society. How civil servants see/perceive their action/duties in relation to the participatory policy implemented in the city in the last 12 years? What are their difficulties in carrying out their work? Attention should also be focused on technical staff and their influence on policy design and implementation. How has the new participatory practice been implemented within the decision making-structure of the municipal agencies and secretariats? Studies of these issues could help illuminate how the state/society synergy is being built up in Porto Alegre and what can be learned from this process.

Experiments like the self-managed cooperatives in Porto Alegre show that, although limited in scale and in a permanent process of construction and improvement, it is possible for civil society, in conjunction with the state, to transform policies and practices. The study of the two cooperatives has also shown that organized cohesion and commitment and a deep conviction as to the possibility of realizing of a common project rooted in an identity of proposals are important components for the success of collective endeavors.

The paths poor families have taken to access land and housing in Porto Alegre have been arduous and long. The cooperatives have not shortened them yet, but have shown to their members that collective projects not only improve their shelter situation, but also help them to grow as active citizens, participating in the definition of policies that affect their lives.

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APPENDIX 1

COMPARISONS WITH THE HOUSING COOPERATIVES IN PORTO ALEGRE: THE EXPERIENCE OF URUGUAY AND SÃO PAULO

The source of inspiration and models referred to, not only in the literature but also by numerous people involved in the housing cooperative movement in Porto Alegre during the last decade, were the experiences of the self-managed housing cooperatives in Uruguay and the FUNACOM housing program in São Paulo. In the following, I briefly describe these two successful programs since they are important points of reference for all those involved in the implementation of housing cooperatives in Brazil.

THE EXPERIENCE OF URUGUAY

During 1993 a caravan of 120 people consisting of government staff, cooperatives, labor unions and community leaders from Porto Alegre visited Uruguay to learn from the experience of the housing cooperatives in that country. The Uruguayan experience of self-managed housing is known not only at leadership level, but also by cooperative members, who often mention Uruguay as a success story and seek to emulate it. The influence of the Uruguayan experience is very important to the development of self-managed housing cooperatives and associations, not only in Porto Alegre, but also in São Paulo.

In his book about housing and self-management Bonduki (1992) highlights the importance of the Uruguayan cooperatives in the new housing policy proposals formulated by those involved in the struggle for land and housing in the beginning of the 1980s in São Paulo.

The influence of the Uruguayan cooperatives in the self-management proposals defended by the social housing movement was enormous, given their excellent results in terms of quality, costs and popular participation and as an example of an alternative housing program in a context in which new solutions for the shelter problem were sought (Bonduki 1992:35)(my translation).

The beginning of the 1980s marks the first registered contacts between Brazilian professionals and the Uruguayan self-managed housing cooperatives which have existed since 1966. These contacts were initially very diverse and depended on the interest of individuals in learning from this experience. In 1984 Uruguayan cadres and professionals came to São Paulo to attend the first Meeting of Housing Movements for Cooperatives and Self-help (1.º Encontro de Movimentos de Moradia por Cooperativismo e Ajuda Mútua). In 1987, after the visit of Brazilian architects to Uruguay, a Symposium on self-help housing was held by the University of Pelotas, Rio Grande do Sul. This symposium consisted of Brazilian professionals and a large Uruguayan delegation with representatives from the Universities, NGOs, the Uruguayan Federation of Self-help Housing Cooperatives (Federación Uruguaya de Cooperativas de Vivienda por Ayuda Mútua – FUCVAM) and labor unions linked to the cooperative movement.

Origins of Housing Cooperatives in Uruguay

The first experience of self-managed housing cooperatives in Uruguay took place in three small towns (Salto, Fray Bentos and Isla Mala) between 1966 and 1968. The initiative was promoted by a cooperative institution, the Uruguayan Cooperative Center (Centro Cooperativista Uruguaio – CCU) and financed by an agreement between the national government and the Inter American Development Bank (IDB), within a larger program for building 4.100 low-income housing units.

With the inclusion of cooperative systems in the 1968 National Housing Law, these initiatives started to multiply among salaried workers linked to labor unions,

particularly in Montevideo. The 1968 Housing Law (Ley 13.728 - Plan Nacional de Vivienda) became a landmark for the regulation of the housing cooperative system in Uruguay. This law resulted from the struggle between the various interest groups involved in the production of housing: the construction industry, the real-estate sector, labor unions and the state itself. Within a context of economic crisis and international pressure to accelerate development in Latin America and conditional loans for the implementation of social and economic development plans, the Uruguayan government formed the Economic Development Commission (Comisión de Inversiones y Desarrollo Económico - CIDE) to elaborate a development plan. Given the acute housing shortage (86.000 thousand units at the time) and a deep crisis in the construction industry, the CIDE assigned to the production of social housing a strategic role for the creation of new jobs and for the revitalization of the construction industry in the socio-economic plan for the 1968-75 period.

The 1968 Housing Law most important issues were:

1. Implementation of subsidies to low-income housing;
2. Financial centralization, through the Mortgage Bank of Uruguay - BHU;
3. Creation of a National Housing Fund (Fondo Nacional de Vivienda - FNV), whose resources came from a 2% tax on all salaries, loans and savings;
4. Creation of new mechanisms and legal forms to promote housing construction: a) cooperatives; b) social funds; and c) private initiatives;
5. Regulation of the functioning of the Technical Assistance Institutes (Institutos de Asistencia Técnica – IATs).

The cooperatives were self-managed and could operate through two systems: mutual-help and the prior saving system. The mutual-help system expected members to supplement paid labor. The amount of mutual-aid labor should be equivalent to 10-16 % of the total value of the project. The savings system was based on contributions according to the level of income of the members. Regarding tenure of the housing units, the cooperatives could adopt either the *users* or *owners* system. In the *users* system the cooperative retained ownership of all units.

The social funds were union funds whose resources were to be managed by parity committees and controlled by state institutions. These funds were earmarked for the construction of housing for the workers employed by different firms. Credit lines

granted to private individuals and supplemented by other private sources stimulated the construction of housing for sale (not luxurious or summer houses).

The IATs were private non-profit organizations formed by a multidisciplinary team with the goal of assisting the cooperatives on legal, technical and financial matters. The remuneration of the IATs was included in the loans obtained from the Mortgage Bank of Uruguay - BHU. The Housing Law was later modified by the military and also by the new democratic regime installed in 1984.

Access to land and credit

Since the creation of the 1968 Housing Law, access to credit by the Uruguayan housing cooperatives has varied according to the changes in political and economic policies. In 1975, the cooperative housing amounted to 41% of housing investment. After 1975 the conjunction of an authoritarian regime with a neo-liberal economic model had a decisive influence on the closure of housing loans up to 1977 when loans were resumed, prioritizing credit lines for the private sector. Until 1984, when the country returned to a democratic regime, many restrictions were implemented to restrain the formation and the financing of new cooperatives. Since then, some changes have been made in the 1968 Housing Law, frustrating the expectations of the cooperative movement, that was not given priority for credit lines. Priority was given to programs that utilize self-help methods but are not based on a cooperative system.

Another bureaucratic hindrance to access to credit was the BHU requirement that all cooperatives had to have their status legalized before applying for a line of credit. This process might take more than 5 years and could take up to 10 years.

The land issue is not so serious today. Successful organized land invasions on public land in 1989 and 1991, guaranteed an increase on the available land for cooperatives. In 1992, the Montevideo municipality also granted land to 20 cooperatives through its land bank. Other cooperatives have bought land with their savings or have used a common FUCVAM revolving fund, financed by an international donor (CEBEMO) from Holland (FUCVAM 1995).

The 1989 municipal elections in Montevideo brought to power a coalition of left-wing parties, the Frente Amplio. This coalition was re-elected in the municipal elections of 1995 and implemented some innovative urban and housing programs and

legislation that reflect their commitment to the solution of the provision of housing for the low-income population. This legislation included the creation of a municipal land bank, the regularization of illegal settlements and, in particular, land subdivision standards for low-income housing areas.

The cooperatives and urban social movements

Uruguay, contrary to many other Latin American countries, had democratic continuity and political stability until 1973. The political system was based on active political parties and civil society organizations (labor unions, student organizations, industrial and business organizations). The repertoire of demands was organized around redistribution issues and the intervention of the welfare state ensured low levels of social inequity. The tradition of self-help construction and of collective working practices, introduced by Spanish and Italian immigrants into Uruguayan culture, also coincided with the requirements of the cooperative model. The installation of the military regime in 1973 froze this participatory structure for a period of 12 years (Midaglia 1992).

The neo-liberal economic model associated with an authoritarian regime was responsible for growing concentration of wealth, an acute decrease in the real value of wages and a high rate of unemployment. Within this context of economic recession and political repression, new forms of participation emerged in which local neighborhoods served as an alternative space for popular mobilization. Groups were formed around emergent problems: human rights, women's rights, housing and land issues etc.

There were, though, divergences between the housing cooperative movement and the labor unions, particularly the Construction Workers Union (Sindicato Unificado de la Construcción y Afins - SUNCA). SUNCA's reasoning was that the mutual-help system would create unemployment in the construction sector and that this system lead to further exploitation of the labor force. During the democratization process in the mid 1980s, when discussing future government housing policies, SUNCA supported the Construction League in the definition of a public housing production system to the detriment of the mutual-help cooperative system.

During the military dictatorship, the cooperative movement acquired a

prominent resistance role, as a channel of popular expression and participation. The re-democratization process transformed the cooperative movement into a very active socio-political actor, assuming a more radical and confrontational profile that remained during the whole of the 1990s.

THE EXPERIENCE OF SÃO PAULO – THE FUNACOM PROGRAM

Contrary to the Uruguayan cooperatives, the FUNACOM program was not widely known by the Porto Alegre cooperative members but it was an important point of reference for cooperative leaders, the staff of DEMHAB and the municipal government. Above all, it demonstrated that self-management and self-help practices for building housing could be implemented on a larger scale than previously thought possible. *Some 12.000 houses were built and another 120 slum areas were upgraded. The total number of interventions by the local government, directly or indirectly, affected some 90.000 households, 29.000 of which were related to building projects.* (Denaldi 1997:214).

Origins and features of the FUNACOM program

The São Paulo FUNACOM (Low Income and Self Management Housing Program / - Fundo de Atendimento à População Moradora em Habitação Sub-normal - FUNAPS COMUNITÁRIO)¹ was a program implemented by the municipal government of São Paulo during the PT (Partido dos Trabalhadores) administration from 1989 to 1992. This program was implemented by the Housing Superintendence of São Paulo Municipality (Superintendência de Habitação de São Paulo - HABI) and emphasized self-management and community participation. It was the main housing program set up by the municipality and it achieved very good results as to the cost and quality of the units built. FUNACOM financed building materials, land acquisition

¹ The FUNACOM was financially linked to FUNAPS, a fund created in 1979 and directed to low-income families for housing improvements and construction. FUNAPS had a strong clientelistic and assistance bias not seeking cost recovery. The FUNAPS was then reformulated by the PT administration making feasible the construction of housing units through self-help and self management practices. The FUNAPS and FUNACOM will be referred to hereafter as FUNACOM.

and development for low-income groups. The program channeled funds directly to the families through their community associations and, in some cases, also to cooperatives.

FUNACOM resources came from municipal revenues, repayments of loans and contributions from national and international bodies. In the format of a municipal financial system, what was novel about FUNACOM was that it relied on self-management, transferring to the community associations or housing cooperatives public resources to facilitate access to land and the finance for materials and construction. These associations or cooperatives were in charge of the production process, the construction site and some cooperatives actually produced pre-cast structures. They also administered the resources and hired technical assistance teams and skilled labor. Through the program the families built high quality units, with an average size of 60m², in contrast to the standard 20m² unit built by other public programs. FUNACOM established an upper cost limit of US\$ 5.000 for each new housing unit. Repayment of the loan was only required after construction and according to family size and income (Silva 1994:4).

Since 1992 the FUNACOM program has been interrupted because of the change of parties in power in the municipality. The PT lost the elections in 1992 and the PPB took office in the city government. The political change in São Paulo once more confirmed the argument of development researchers that changes in government threaten the continuity of agency policies and programs. Personnel turnover, new political priorities and the desire of politicians to have a personal imprint on the city administration and environment could potentially disrupt policy-making and implementation (Fruet 1991). In the São Paulo case, the new administration identified the interests of the target public of FUNACOM as the interests of PT. Hence they did not support a program that was not in line with the priorities of the new party in power.

In the analysis of technical staff and executive directors of the program (Denaldi 1997; Silva 1994), the main constraints on FUNACOM were the still very centralized and bureaucratic institutional organization of the government structure; conflicts and divergences between different movements and between these movements and HABI; authoritarian leadership; the lack of publicity of the program's achievements; the absence of a broader educational program directed to citizenship and self-management issues and the scarcity and high price of urban land.

FUNACOM and the urban social movement

As the biggest metropolis of Brazil, São Paulo synthesizes the social and political events of the whole country. Since the 1970s Brazil has witnessed the emergence or rebirth of a large number of social movements. These movements were class-oriented (urban and rural labor unions), people and community-oriented (struggles for land, housing, urban infrastructure, health, and education) and group-oriented (feminists, environmentalists, gays, ethnic minorities, etc). Whereas in the 1970s all had a common opponent, the military regime, in the 1980s, with the democratization process that occurred in Brazil, different and specific social movements arose. Some disappeared and others consolidated and acquired new profiles as the movement for housing in São Paulo. Unemployment, increasing rents, changes in urban legislation that hindered the implementation of low-income land subdivisions, the depletion of unoccupied space in favelas, all contributed to radical actions such as the organized invasions of land (Gohn 1991). Between 1981 and 1984, 61 land occupations occurred in São Paulo, involving 10.000 households and a total of 2 million square metres (Denaldi 1994:17).

The creation of the Union of Housing Movements of Greater São Paulo (União de Movimentos de Moradia da Grande São Paulo – UMM) in 1988 had a major impact on the organization of all housing movements in the city. The UMM gathered together all types of housing organizations (land occupation, slums, tenements and cooperatives) and in doing strengthened its capacity to exert pressure on different levels of government to induce them to participate in the management of housing policies. The Union of Housing movements pressed for official housing programs on a self-management basis and for the decentralization of financial resources and decision-making. The UMM's proposals included technical assistance teams, NGOs and party and university groups. The successful experience with collective mutual-help projects for low-income housing realized in the beginning of the decade in the Metropolitan Region of São Paulo also had a significant role in the conception of these guidelines.² The experience of the community and professionals involved and the know-how gained through their work were used as a base for the reformulation of procedures and for the elaboration of programs with self-management as their cornerstone. The

² The experiences of Vila Nova Cachoeirinha, Recanto da Alegria and Vila Arco Iris in São Paulo and Vila Comunitária in São Bernardo do Campo (Greater São Paulo) are examples of mutual help projects.

election of the Workers' Party in the São Paulo municipal administration in 1988 opened the opportunity for the implementation of such experiments on a larger scale and the setting of a new agenda in official housing policy.

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APPENDIX 2

NEW TOOLS FOR ACCESS TO LAND AND HOUSING IN PORTO ALEGRE

URBAN AND TRIBUTARY LEGISLATION

Compared to other Brazilian cities, Porto Alegre has one of the most progressive municipal constitutions (Leis Orgânicas do Município). During the last decade the City Council has passed many new laws that restrict real estate speculation and has tried to democratize the use of urban land. All these urban, legal innovations were the product of negotiations between social movements involved in the struggle for a better life and housing conditions, of city councilors representing various sectors in society and a more progressive city administration. In the following, I briefly comment on some of these features to show what kind of benefits they might accrue when implemented.

1) LC¹ 269/92 - Land Bank - (Banco de Terras)

Objectives: To create a land bank for the implementation of the municipal urban development policy, particularly housing and social programs, mainly through acquisition, transfers and expropriation. The resources for the municipalization of land are transfers from municipal property and specific budgets. The land bank will be able to provide areas for specific housing projects to housing cooperatives.

2) LC 312/93-Social Function of Urban Land Property (Função Social da Propriedade)

The Social Function of the urban land property is defined as the right of all citizens to access to basic needs. This law combats land speculation by establishing some restrictions to the permanence of vacant lots in areas classified as priority urbanization and occupation areas (Áreas de Urbanização e Ocupação Prioritárias - AUOPs). Annually the city government identifies the AUOPs. The list of AUOPs for 1995 totaled 348 ha (LC 333/94).

The owners of vacant lots larger than 3.000m², 4.000m², or 5.000m² (depending on their location) and that are served by basic infrastructure will have to divide or build on their land according to fixed deadlines. If the deadlines are not met, there will be an addition of 20% per year in the territorial taxes of these areas, up to the limit of 30% of its value, when expropriation may be applied. In the law, there are also incentives for the implementation of low-income residential settlements.

3) LC 315/94 - Created Land - (Solo Criado)

The goal of the law is to stimulate construction and to increase the density of regions already served by basic infrastructure. The idea is to charge the owner for the increased building capacity of his/her lot, respecting the technical limits established for the area. The maximum increase will be equal to twice the building capacity of the lot. So, when a private owner wants to build more than is permitted by the Master Plan in the specific zone, he/she will have to pay the municipality for this *created land* when it has been technically assessed.

The resources originating from the sale of this created land will constitute the Municipal Development Fund (Fundo Municipal de Desenvolvimento - FMD). The FMD is an urban policy tool primarily to finance municipal housing policy. The fund is to be used as follows: a) 70% for land acquisition for the Land Bank; b) 25% for improvement of roads, sanitation and urbanization in low-income areas; and c) 5% for social programs.

¹ LC stands for “Lei Complementar” (Complementary Law). All laws originated by the Municipal legislation in Porto Alegre have this designation.

The FMD will be monitored by the Municipal Council for Access to Land and Housing (Conselho Municipal de Acesso à Terra e Habitação - COMATHAB) that is described later in this appendix.

There will be no charge on the created land for the construction of low-income housing carried out by the Municipal Department of Housing (Departamento Municipal de Habitação – DEMHAB), Housing Companies (Companhias de Habitação - COHABs)² and Housing Cooperatives.

4) LC 316/94 - Land Division (Parcelamento do Solo)

This law reduces some urban regulations with the goal of stimulating construction and to restrain the illegal land divisions. Concerning the size of lots, the law reduces the minimum lot area, from 300m² to 125m², and the lot's front, from 10m to 5m. Concerning street width it reduces the minimum width from 12m to 10m. All these reductions in size decrease the cost of the lots and infrastructure construction but do not guarantee that this cost reduction will be transferred to the final consumers.

5) LC 337/94 - Municipal Council for Access to Land and Housing (Conselho Municipal de Acesso à Terra e Habitação - COMATHAB).

This law defines the composition, competence and organization of the COMATHAB. This Council is the organ of direct community participation in the administration of municipal housing policy. It is composed of 27 members consisting of 9 representatives of the government administration, 9 from community organizations and 9 from professional institutions. One of the 9 community organizations representatives is from the Housing Cooperatives. The experience of a councilor who belonged to one housing cooperative has not been very positive. According to him, there were many councilors who had never attended a meeting, hence jeopardizing the minimum quorum for taking decisions.³

² COHABs were regional housing agencies created in 1964 along with the National Housing Bank (Banco Nacional de Habitação – BNH). They were in charge of building, financing and selling housing units to families with incomes up to 3 minimum salaries. This limit was increased to 5 and later to 10 minimum salaries. The COHABs in Rio Grande do Sul were extinct in 1995.

³ Testimony of a COMHATAB councilor in the Cooperatives Forum meeting of 8 May 2000.

APPENDIX 3

STRUCTURE AND FUNCTIONING OF THE PARTICIPATORY BUDGET (OP)

The main goal of the Participatory Budget is the collective construction of the municipal government's investment priorities. The combination of direct and indirect participation of the population with technical criteria, feasibility and availability of funds each year produces a Plan of Investments (PI) for the next year.

Fedozzi (1997) explained in detail the functioning of the Participatory Budget. There are three basic principles that constitute its structure and process of participation:

- universal participation rules in regular and institutional bodies;
- objective methodology for the definition of resources for investment;
- decentralized decision-making process based on the division of the city into 16 budgetary regions.

STRUCTURE

Three different bodies make up the structure of the OP and intermediate bodies between the Municipal Government and the city's inhabitants. The first body is formed by the various administrative units and internal organs of the municipal government that manage and process the budgetary debate with the city dwellers. The Planning Cabinet (Gabinete de Planejamento – GAPLAN) and the Community

Relations Coordination (Coordenação de Relações com a Comunidade – CRC) are the main coordination bodies. The autonomous community organizations that are formed on a regional basis, articulate citizens' participation and the choice of priorities of each region. The thematic forum is the second body. This consists of the Popular Councils, the Union of Associations, Regional Articulations, Labor Unions, Professional Associations and others. Finally, the permanent institutional bodies of community participation such as the Council of the Participatory Budget, the Regional Assemblies, the Regional Forum, the Thematic Planers and the Thematic Forum form the third body (see Table A .1).

Process of Participation

The process of participation consists of three stages and two different modes of participation: the regional and the thematic. The Regional and Thematic Assemblies differ only in terms of their discussion agenda: territorial demands and specific themes respectively. The city is divided into 16 regions by socio-spatial criteria and according to the history of community association organization. The five themes were created later, in 1994: 1) transport and circulation; 2) education, leisure and culture; 3) health and social assistance; 4) economic Development and taxation; 5) city organization and Urban Development. Later on in the process, culture was separated from education and leisure, forming a sixth thematic issue and the environment was added to the City and Urban Development thematic plenary.

The **first stage** is the establishment of the Regional Assemblies and Thematic Assemblies. The Regional assemblies occur in each of the 16 regions, whereas the thematic forums do not depend on the regional division. These two modes of participation occur twice a year. The assemblies are open to individual participation and to representatives of civil organizations. There are representatives of the municipal government and debates coordinated by both government technical staff and representatives of community associations and councils. Before these assemblies meet, preparatory meetings are held in each region without representatives of the municipal government. These meetings survey the demands of individuals, community institutions and organized groups.

The first round of assemblies occurs during the months of March and April. In these assemblies the executive government renders the accounts of the previous Plan of Investment (PI) and presents the approved Plan for the current year. The previous PI is also evaluated and the delegates for the Delegates Forum are elected. The criterion is one delegate for each ten people present.¹ The other delegates for the Regional and Thematic Forums are to be chosen during the next Intermediary Meetings. In the Regional Assemblies only the inhabitants of each region have the right to vote, even though any one may participate. In the Thematic Plenaries any citizen may participate and vote.

The Intermediary Meetings are held between the first and second rounds of the assemblies. They are organized by the representatives and organizations within each region and theme. In these meetings the participants prioritize the demands approved in each organized entity (Dwellers Association, Mothers Clubs, Housing Cooperatives, Labor Unions, Non-Governmental Organizations and others). Each region chooses three thematic priorities, (for instance, housing, sanitation, paving the streets). In addition, in each thematic sector the inhabitants prioritize public works to be carried out (for instance: basic sanitation – sewage lines: 1st Locality X, 2nd Locality Y and 3rd Locality Z). In the most heavily attended meeting of the Regional or Thematic assemblies, the participants elect the delegates to the Regional and Thematic assemblies, in the proportion of 1 delegate per 10 people present.

In the second round of the Regional and Thematic Assemblies, during the months of June and July, the municipal administration presents the priorities for the next year as identified by the various secretariats and agencies. It also presents rough figures of revenue and expenditure for the coming year. The community then presents their thematic priorities and the public works they want carried out. In these assemblies the participants elect their “councilors”. Four councilors for each regional and thematic assemblies (two permanent and two substitutes) have seats on the Participatory Budget Council.

¹ The ratio of delegates and participants has changed over the years from 1 to 20, to 1 to 10.

Table A .1: Structure of the Participatory Budget in Porto Alegre

	Regional Assemblies	Regional Forum	Council of the Participatory Budget (COP)	Thematic Plenaries	Thematic Forum
Creation	1989	1991	1990	1994	1995
Participants	- Dwellers of the Region Popular Councils Community Organizations	Delegates elected in each of the 16 regions of the city.	32 Regional Councilors (+ 32 substitutes) 12 Thematic Councilors (+ 12 substitutes) 1 (+1 substitute) SIMPA representative 1 (+1 substitute) UAMPA representative 1 (+1 substitute) CRC representative 1 (+ 1 substitute) GAPLAN representative	Civil society organizations (labor unions, non-governmental organizations, professional organizations, ethnic and ecological movements, cooperatives, etc.) Student Movements City dwellers	Delegates elected in each of the 6 Thematic Plenaries.
Mandate		1 year	1 year		1 year
Attributions	Collect, discuss and prioritize demands according to criteria yearly established	Finance and support the councilors in the COP; Participate in regional and municipal activities; Finance the execution of public works in their region.	Evaluate the previous PI; Discuss and propose the allocation of resources for investment, articulating the prioritization of community and institutional demands; Discuss and propose the tributary policy and the application of municipal funds.	Evaluate, discuss, propose and prioritize guidelines for sector policies and public works for the whole city.	Finance and support the councilors in the COP; Participate in regional and municipal activities; Fund the execution of public works in the city.
Frequency	2 rounds per year	Variable	Weekly	Variable	Variable
Coordination and Internal Organization	- Popular Councils and/or Community Organizations + CRC+ GAPLAN	-Popular Councils and/or community organizations and/or invited governmental organs.	- Paritary Commission (coord.) Executive Secretary, Communications Commission.	- Plenary members + CRC + GAPLAN + Municipal Secretaries.	- Thematic coordinators and/or entities and delegates.

Source: Fedozzi (1997), By-laws of the Council of the Participatory Budget (2000).

In the **second stage**, the Participatory Budget Council is installed. It consists of the following: 64 regional councilors, 24 thematic councilors, 2 representatives from the – Labor Union of the Municipal Workers of Porto Alegre (Sindicato dos Municipários de Porto Alegre - SIMPA), 2 representatives of the Union of Dwellers Associations of Porto Alegre (União das Associações de Moradores de Porto Alegre – UAMPA) and 4 representatives of the Municipal government (2 from CRC and 2 from GAPLAN). The Regional and Thematic Forums are also established. The Council will debate and make decisions on the various demands and the Forums will monitor and control the proposed investments in the respective regions. They also serve as a link between regional councilors and their respective populations.

In the **third stage**, during the months of July and August, the details of the proposed budgets are hammered out. Whereas the municipal administration itself adjusts the community demands to the “institutional demands” (the ones proposed by the municipal organs) and prepares a budget plan of revenues and expenditures, the Council discusses the criteria for the distribution of the resources for investment.

The distribution of resources follows three general criteria defined by the COP and technical criteria defined by the executive ² as seen in Table A .2

Table A .2: General Criteria for the distribution of resources in the OP

Total population of the region (weight 2)	
until 25.000 inhabitants	grade 1
from 25.001 to 45.000 inhabitants	grade 2
from 45.001 to 90.000 inhabitants	grade 3
above 90.000 inhabitants	grade 4

Lack of service or of urban infra-structure (weight 4)	
from 0,01% to 14,99%	grade 1
from 15% to 50,99%	grade 2
from 51% to 75,99%	grade 3
above 76%	grade 4

² The criteria have had some changes over time. Two of the initial criteria have been abandoned since 1993, “popular mobilization in the city” and “importance of region for the organization of the city”. Two others were added: “priority of investment chosen by the region” and “total population of the region”. Another criterion was also abandoned: “number of inhabitants in most needy regions”. These changes reflected the evolution of the process in terms of number of participants and in terms of the development of more sophisticated and complex criteria. The criteria described above guided the Participatory Budget during 2001.

Thematic priorities of the region (weight 5)	
Fourth priority	grade 1
Third priority	grade 2
Second priority	grade 3
First priority	grade 4

Source: By-laws of the Council of the Participatory Budget (2000).

In order to define the three first general investment priorities for each year some steps must be taken. a) Each region chooses 4 priorities out of the 12 defined previously (Basic Sanitation, Housing Policy, Paving, Transport and Circulation, Health, Social Assistance, Education, Leisure Areas, Sport and Leisure, Public Lighting, Economic development and Culture). b) Each priority is graded from 1 to 4 (see Table A .2) c) The sum of the grades of all priorities chosen by the 16 regions will determine the three top priorities, which will be the ones with the highest grades.

As seen above, to each one of these criteria, grades and weights are attributed permitting priorities to be established for regions and investments. The grades vary from 1 to 4. For example, the bigger the population of one region, the higher the number attributed to it. To each one of the criteria is also attributed a weight from 2 to 5, directly proportional to the importance the Council gives to it. Until 1996, the criterion “lack of service or infra-structure” has always received maximum weight (Fedozzi 1997). For the year 2001 the COP attributed to the “Thematic Priority of the Region” the maximum weight.

The distribution of investment resources among the various regions will be a combination of grades and weights. So the grade each region gets in the classification of each criterion is multiplied by the weight of this criterion, obtaining a rate that will determine the percentage of resources each region will receive for each sectoral demand.

The discussion of investments is circumscribed by the forecast of revenues and expenditures with payroll, compulsory expenditures such as those for health and education, with predetermined percentages established by law³. An important task is to weigh the demands of the communities against the technical criteria and institutional demands. For each one of 12 thematic priorities there are detailed technical criteria for the implementation of demands. These criteria have been built up over the years and

are the product of intensive discussions between the sectors involved and the municipal government. In housing priorities, the Forum of Cooperatives had an important role in the definition of the specific criteria regarding the housing cooperatives. Today, to be eligible to receive OP resources, the housing cooperatives must:

- have the property title for the area;
- have all necessary urban infrastructure projects approved at city and state level (when necessary);
- have a family income less than 12 times the minimum wage, priority being given to the cooperatives with lower family incomes;
- have their demands put forward by the delegates to the Thematic Plenary “Urban Development and City Organization”;
- reimburse all investments to the city government in a period of 5 years.

The institutional demands are the public works and projects with a broader focus that reach many regions simultaneously. The Plan of Investments is then the result of regional and thematic demands and strategic plans proposed by the municipality. At the end of September, the endorsed Plan of Investments is published and sent to the municipal legislative council for approval. So far, the Plan of Investments has been approved without major changes.

³ The Municipal Organic Law determines the expenditures with Health to be 13%, and with Education to be 30% of the Total expenditures of the Direct Administration of the city.