

**CONFLICT, CONTINUITY AND COMMUNITY INTERACTION
IN A CITY PUBLIC HOUSING AGENCY, PORTO ALEGRE, BRAZIL**

by

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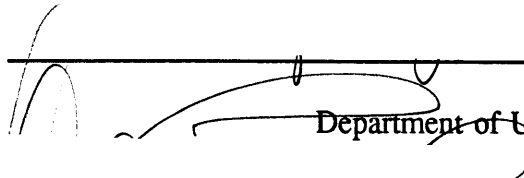
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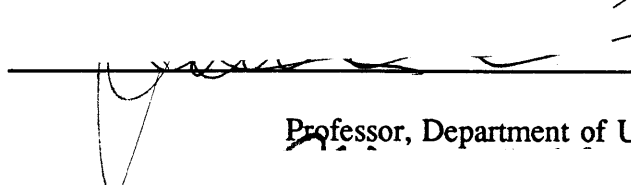
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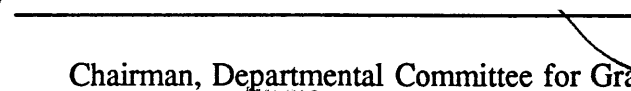
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Source: Thomas E. Skidmore, *The Politics of Military Rule in Brazil, 1964-85*, (New York: Oxford University Press, 1988) 2.

Note: The state of Goiás was divided into two to form the states of Goiás and Tocantins in 1988.

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ABSTRACT

This thesis is a study of housing policy implementation by a city public housing agency. It focuses on: 1) the role of the agency's executives and professional staff in implementing policies and projects; 2) the continuity of projects across different administrations; and 3) the interactions between agencies and the target community.

The object of study is the Municipal Department of Housing (DEMHAB) in Porto Alegre, Brazil, between 1965 and 1990. The analysis of the agency during this 25-year period showed that: 1) there were alternate periods of consensus and disagreement between executives and professional staff concerning the criteria for the purchase of land and the selection process for recipients of DEMHAB's units; 2) there was a high degree of continuity of projects across administrations, despite the change of political parties ruling the city and executives controlling the agency; and 3) DEMHAB's approach to community participation in the planning process shifted from antagonism, to acceptance, and eventually to active support.

These findings raised the following questions: 1) Why did executives follow the recommendations of professional in certain periods and not in others? What impacts did these decisions have on the implementation of DEMHAB's programs? 2) Why did DEMHAB achieve such a high degree of continuity of projects despite frequent changes in administrations? 3) Why did the agency's attitude toward community participation in the planning process change? What impacts did these changes have on the implementation of DEMHAB's policies and programs?

The analysis of the evidence led to several conclusions. First, party, electoral and clientelistic interests often caused executives' actions to differ from technical recommendations. The impacts of these actions were twofold: on one hand they may have benefitted the target population, for example, when DEMHAB made purchases of invaded land; on the other hand, they jeopardized the recipients' fair access to DEMHAB's units, for example, when the established selection criteria for DEMHAB's units were not followed. Second, the continuity of projects in DEMHAB was caused mainly by the intertwining of the particular building and funding processes. Finally, the changes in DEMHAB's attitude toward the target community were related to 1) the dramatic increase in the last decade of the housing deficit, and the state's inability to deal with it; 2) the emergence of grassroots movements in the mid-1970s; and 3) the institutional changes that the country and the city have experienced since 1988, which opened new channels of popular participation in the formulation and execution of public policies, particularly at the city level.

Thesis Supervisor: Judith Tandler

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INTRODUCTION

This thesis examines the housing policy implementation by a city public housing agency - the Municipal Department of Housing (Departamento Municipal de Habitação-DEM HAB) - in Porto Alegre, Brazil, between 1965 and 1990. The study focuses on the internal operation of DEM HAB as a public institution within the city administration over this 25 year period. Specifically, the analysis focuses on the role of executives and professional staff within the agency, on the continuity of projects across different administrations, and on the types of relationships between the agency and its target community.

This study is of particular relevance and importance for two reasons: first, recently, in 1988 local governments acquired a new role within the Brazilian institutional framework; and second few studies currently exist that have examined the implementation of housing policies at a local level in Brazil. Furthermore, my professional interest as an architect in the housing field sparked my interest in this subject and enhances this analysis.

In the last three years the National Constitutional Assembly and local legislative bodies approved national, state and city constitutions, and for the first time since 1962 the country has freely elected its president. The 1988 new federal constitution expanded the powers and responsibilities of the municipalities. 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. Previously, the formulation of housing policies and programs were centralized with the federal government. The constitution also includes tax reforms that increase the sharing of federal revenues with states and municipalities

and enhance the city's powers to raise taxes. The institutional changes concerned, not only the new responsibilities of local governments, but also the new channels of popular participation at the municipal level. New mechanisms of representation, such as Popular and Municipal Councils, have allowed citizens to participate in the formulation of public policies and to control the execution of projects and programs. Undoubtedly, local governments have, since 1988, acquired an important role in the implementation of public policies. They now face the challenge of fulfilling these increased responsibilities.

This challenge is even greater for those progressive administrations with accountability to constituencies that demand both the decentralization of the decision-making process and the provision of urban services. These administrations face the task of carrying out efficient management, of incorporating the new representative mechanisms into their structure, and of sustaining grassroots participation. In this situation, public institutions gain substantial importance as the arm of the city administration in charge of managing urban services, and as structures where popular participation can be exercised. The study of how public agencies operate, how they implement programs and how they interact with the target population can help us understand the new circumstances public administrations face in Brazil.

To begin with, there is an overwhelming need for more low income housing. In 1990, the housing deficit nationwide was estimated to be around 10 million units. With the average household having four persons per unit, this estimate means that 40 million people, almost 30 percent of the total population, live in substandard conditions.¹

¹ DEMHAB, Reporter, no. 2 (Porto Alegre), July 1990.

Not only has the public sector neglected the problem, but professionals dealing with architecture and urban design have also failed to give this issue the attention it deserves. Architects often give little regard housing for the poor, particularly as compared with banks and museums, the repositories of architectural excellence of the 20th century. In my opinion, architects have two paths they could follow in the low-income housing field. One is the search for technological and design alternatives that will lower costs and optimize use of land and materials. The other is to garner a greater understanding of the non-technical and non-design issues, that is, the intricate interrelationships of political, economic, and social aspects that determine or hinder the solution of housing problems. Given the complexity of the body of knowledge required by each of these paths, it appears that architects have to make a choice between them. Yet, in order to act effectively in either area, it is necessary to understand both. By undertaking this study of a city public housing agency I attempt, as a design-oriented architect, to understand the second path.

During the last two decades, many studies have analyzed the BNH low-income housing programs. This extensive literature, however, has focused mostly on the performance and implementation of policies at a national level, few authors have concentrated on regional or local issues. Exceptions to this national focus are the regional studies done by Sachs in São Paulo and Pereira in Rio Grande do Sul. Sachs studied the limitations of a state Housing Company (Companhia de Habitação-COHAB) in providing low-income housing in São Paulo. Pereira presented the provision of low-income housing as playing a key role in the strategy for hegemony of urban dominant classes in Rio Grande do Sul since 1890.²

² Celine Sachs, "Evolution et Limites de la Promotion Publique de Logements Populaires a São Paulo 1964-1985" (Ph.D. diss., Paris XII, 1987); Luiza H. Pereira, "Habitação Popular no Rio Grande do Sul-1890/1980" (Master thesis, UFRGS, Porto Alegre, 1980).

In 1964, the newly installed military regime instituted the Housing Finance System (Sistema Financeiro de Habitação-SFH) to implement housing policies nationwide.³ From 1965 to 1986, the National Housing Bank (Banco Nacional de Habitação-BNH) centralized and regulated the implementation of housing policies in Brazil.⁴ BNH operated through regional and local agencies in charge of the finance and management of BNH's projects. The Municipal Department of Housing (DEMHAB) was distinguished among the various city and state agencies established by BNH because of its previous experience in the provision of low-income housing and unserved plots in the city of Porto Alegre. DEMHAB evolved from the existing Municipal Department of Popular Housing (Departamento Municipal da Casa Popular-DMCP) created in 1952 by the city government to build and finance affordable housing for the urban low-income population.

Since 1965, the main responsibilities of DEMHAB have been the design, construction and financing of housing units and lots, the provision of urban infrastructure (roads, water, sewer and electricity lines) to existing unserved settlements, and the implementation of self-help programs, in Porto Alegre. MwmHAB has been part of a national housing program and has utilized mainly federal resources to implement its projects. Porto Alegre is the capital of Rio Grande do Sul, the southern most state of Brazil. Like many other third-world cities, it experienced rapid growth in the last five decades as a result of natural growth and migration. Whereas in 1940 the total population was 272,232, by 1990, this figure

³ In 1964 a military junta had taken power through a coup and remained in power until 1985, when an electoral college chose a civilian president.

⁴ 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 the Central Bank of Brazil.

had jumped to 1,431,924 (see Table 2). The demographic explosion was followed by a scarcity of housing to shelter the increasing population. From 1965 to 1990 the proportion of squatters among the total population grew from just 9 percent to 24 percent (see Table 1). During the last 25 years, Brazil has undergone a gradual transition from a military dictatorship with non-elected mayors and governors to a democratic regime with free elections at the local, state and national levels. Porto Alegre experienced various changes in administration during this period. The city is now ruled by the Popular Front (Frente Popular-FP), which, in 1988, won the municipal elections for the first time.⁵

In order to study internal aspects of a particular institution, I chose to examine DEMHAB, which provided access to documentation and to people involved in the daily work of the agency. My main objectives were to examine: 1) the role of the agencies' executives and technical staff in implementing policies and projects in DEMHAB; 2) the continuity of projects across different administrations; and, 3) the types of interaction between DEMHAB and the target community during the past 25 years. I carried out field work over five weeks during October and November, 1990, through open-ended interviews with the present and former directors of DEMHAB and with technical staff of various departments of the agency, including both new and more experienced personnel. For this five weeks period, I was in daily contact with DEMHAB's employees. I focused the study primarily on professional staff and executives. However, I also had informal conversations with other workers in DEMHAB. These informal interviews proved to be very informative and stimulated the search for different kinds of data. To get other perspectives on DEMHAB's

⁵ The FP was a coalition of left wing parties including the Workers Party (Partido dos Trabalhadores-PT), the Brazilian Communist Party (Partido Comunista Brasileiro-PCB) and the Brazilian Socialist Party (Partido Socialista Brasileiro-PSB).

actions, I also interviewed presidents of Community Associations of housing complexes built by DEMHAB, and Non-governmental Organizations (NGO's) that have given technical assistance to these associations. These interviews represent the empirical base of this study. Where possible, interview data were corroborated with official statistical series.

There are several important findings of this study. First, executives' actions often did not follow technical recommendations. The disagreement between technical personnel and executives centered on the criteria for the purchase of land and the selection of DEMHAB's beneficiaries. Second, there was a substantial degree of continuity of projects across different administrations, despite the change of political parties ruling the city and executives controlling the agency. Third, in DEMHAB's approach to community participation in the agency's activities there was a shift from antagonism, then to acceptance and eventually, to active support.

Friction between different levels of bureaucracy was common in the daily activities of public institutions. A case in point was the conflict between the professional staff and the executive of the agency. Technical solutions do not always meet the interests of political parties in power or the aims of different groups in society. DEMHAB was no exception. These frictions, however, were not present equally throughout the 25 years of this study. Why did executives follow the recommendations of technical personnel in certain periods and not in others? What impact did these decisions have on the implementation of DEMHAB's programs? In general, the ability of executives and the professional staff did not appear to be strictly determined by the type of regime in power. Indeed, good working relations were experienced in both authoritarian and democratic regimes. What were the conditions that contributed to common characteristics in such distinct political environments?

The relationship between the political nature of the executives' positions and DEMHAB's dealing with highly demanded goods such as urban land and housing should illuminate the answers to these questions.

Frequently development experts argue that changes in government threaten the continuity of agency policies and programs. Personnel turnover, new political priorities, and the desire of politicians and executives to imprint their personal marks on the city administration and environment each have the potential to disrupt policy-making and implementation. This danger seems particularly acute in DEMHAB, since DEMHAB's present and former executives, and representatives of community organizations, pointed to DEMHAB as one of the most politicized institutions of the city government. The main reason for this is that DEMHAB could offer to its executives in case of future candidacy for elected positions. Contrary to these views, I found that DEMHAB had a high degree of continuity of projects across different administrations from 1970 through 1990. DEMHAB had some projects that began in one administration and were completed by subsequent administrations. Among various examples, the Nova Restinga project was the most important because of the size and time taken for its implementation.⁶ Only once during the period analyzed did a new administration modify projects approved by former administrations. In one case, the project was changed from walk-up buildings to sites and services, and in the other case a site reserved for a park was subdivided into lots.

I was intrigued by this contradiction between expectation and reality. Is DEHMAB an exception? Is the connection between new administrations and disruption of projects true for some types of programs and not for others? Moreover, if DEMHAB's executives were not changing policies, how were they leaving their

⁶ See Appendix B for a description of the Nova Restinga Project.

marks on the city environment? How were they distributing patronage? Why did DEMHAB administrations not use these wellknown devices for imprinting the image of the new administration? This research suggests that at least part of the answer comes from the types of projects involved. Specifically, I shall argue that characteristics unique to the construction process and the funding of construction projects makes them less vulnerable to disruption than non-construction projects.

From 1965 through 1990 the response of the city government to the growing number of settlements on invaded areas shifted from antagonism, to acceptance, and finally to support.⁷ This shift in attitudes towards squatters had parallels in DEMHAB's interactions with its recipients, which evolved from top-down style focused on individuals to relations directed more from the bottom-up by community groups. Whereas the earlier style emphasized personal contacts between executives and individuals, the later approach stimulated interaction between representatives of the community and the various departments of DEMHAB as a means to resolve problems. This type of relationship reinforced the use of institutional channels for the resolution of problems because it emphasized procedures, rather than individuals, for carrying out the agency's activities. Particularly in the last two years, the communities affected by DEMHAB's sites and services projects have participated in implementation, through the discussion of selection criteria for DEMHAB's recipients. Why did the agency's attitude toward community participation in the planning process change? What impacts did these changes have on the implementation of DEMHAB's

⁷ Geoffrey Payne mentions these trends at an international level, when discussing public sector responses to the illegal subdivisions, in Informal Housing and Land Subdivisions in Third World Cities: A Review of the Literature (Oxford: Oxford Polytechnic, Centre for Development and Environmental Planning, 1989) 37-42.

policies? My answers to these questions focus on placing DEMHAB into the political national and local context.

The organization of this thesis follows the sequence of the findings and the questions they raised. The first chapter provides information about DEMHAB in the housing finance system structure and the city environment. The second chapter focuses on the discrepancy between technical recommendations and executives' actions in the management of DEMHAB. The criteria for land purchase and for the selection of DEMHAB's beneficiaries are examined as the main causes of disagreement. The third chapter discusses the intertwining of the construction and funding processes as possible causes of the high degree of continuity of projects in DEMHAB during the last 25 years. It also addresses the impacts of the closure of the National Housing Bank on DEMHAB's implementation of projects. Chapter Four examines the different patterns of relationship between DEMHAB and beneficiaries over time, placing DEMHAB within the changing political and institutional environment of Porto Alegre and Brazil. In the final chapter, I review my findings, drawing some conclusions, and suggest issues for further research.

CHAPTER ONE

DEMHAB IN THE NATIONAL AND LOCAL CONTEXT

This chapter describes the close linkages between DEMHAB as a local agency and BNH as a national institution, and the role of the agency within the city environment. The first section places DEMHAB within the national context, from the standpoint of BNH and the Housing Finance System' structure, and discusses the impacts of national economic crisis of the 1980s on DEMHAB and BNH. The second section places DEMHAB within the context of the city. In describing the agency's origins and the evolution of DEMHAB since 1965, the second section provides the framework for the analysis of the three main subjects of this thesis, that is, the relationship between executives and professional staff, the continuity of projects, and the interaction of DEMHAB with its recipients over the last 25 years.

DEMHAB in the National Context

DEMHAB as an Agent of BNH

In August of 1964, the new military dictatorship created BNH and the Housing Finance System (SFH) to coordinate public housing policies, to stimulate private savings and investments, and to foster 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.¹ Despite the importance of BNH as a housing and development bank, I will

¹ Sergio Azevedo and Luiz A.G. Andrade, Habitação e Poder (Rio de Janeiro: Zahar, 1982), 86-87.

not discuss BNH's policies and programs, but rather place DEMHAB within BNH's structure by comparing the agency with other Housing Companies (COHABs).²

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).³ 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. 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.

DEMHAB had a different cycle from the other COHABs in Brazil. Until 1980, they all experienced periods of implementation, expansion, decline, and restoration, but DEMHAB went through these periods in its own way.⁴ For an illustration, Graph 2 shows the amount of production by DEMHAB and COHAB in Rio Grande do Sul. It shows that the decline period of the COHAB-RS (1970-1975) corresponded to the implementation and expansion period of DEMHAB. The reason for this difference in cycles between COHAB-RS and DEMHAB is the late entry of DEMHAB into the

² Appendix A provides more information about BNH structure, policies and programs.

³ This limit was increased for 5 and later to 10 minimum wages.

⁴ On COHAB's cycles see Azevedo and Andrade, *Habitação e Poder*, 67.

Housing Finance System. Whereas COHAB-RS started operating in 1965, DEMHAB signed its accord with BNH in the end of 1969. At its implementation stage, DEMHAB did not experience the effects of high default rates that were plaguing other COHABs with already on-going projects. In general, from 1965 to 1980, the COHABs had the following phases:

1) Implementation and Expansion, 1965-1969: BNH spent great sums of money on the construction of low-income housing to legitimize the regime and to consolidate the housing finance system.

2) Decline, 1970-1975: BNH shifted its loans to higher income groups, decreasing drastically the investments in low-income housing to reduce the high rates of default. This default was mainly caused by the gap between the decreasing purchasing power of the borrowers and BNH's increasing monthly installments. Adjusted wages lagged far behind rising mortgage payments.⁵

3) Restoration, 1975-1980: BNH redirected loans to the low-income market and there was an increase in the COHABs' production. In these years the upper income limit for the low-income market was raised from 5 to 10 minimum wages, allowing higher income workers to enter this market. Because the burden of the monthly payments for families earning 10 minimum wages was much less than for those living at the poverty line, the default rates dropped significantly during this period.

After 1980, both COHAB-RS and DEMHAB had similar cycles of expansion until 1985, and sharp decline until 1990. The national economic recession and the closure of BNH in 1986 were the main causes for the big reduction in the provision of low-income housing in Brazil.

⁵ During the 1960s, the wage policy caused a steady drop in the real value of salaries. The real minimum wage in 1974 was 30 percent less than in 1964. See Azevedo and Andrade, Habitación e Poder, 69.

DEM HAB, BNH and the Economic Crisis

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 from its funding sources, causing changes in the terms of mortgage loans and sharply reducing the production of housing units.

The recession eroded the two main sources of the housing finance system, the compulsory and voluntary savings, and jeopardized loan repayments. The compulsory savings corresponded to eight percent of the wages of regular workers collected monthly by the state and formed the Length of Service Guarantee Fund (Fundo da Garantia por Tempo de Serviço-FGTS). Thrift institutions captured the voluntary savings through the Indexed Savings Accounts (Cadernetas de Poupança-CPs). The CPs paid six percent annual interest and their balances were adjusted for inflation every three months.

The loss of real income caused by the salary policies from 1979 to 1984 deeply affected the FGTS, CPs and loan repayments.⁶ The contributions to the FGTS decreased because of the decrease of real salaries. In addition, high unemployment rates caused families to withdraw their deposits for living expenses, sharply reducing the FGTS funds.⁷ The deposits in the CPs also suffered a significant fall, because of the impact of the salary policy in the purchasing power of depositors. Finally, the default rate was enormous, both because of the disparity between salary and mortgage

⁶ David Vetter mentions that BNH mortgage holders had a loss of up to 60 percent of their real income in the 1979-84 period in "Financing National Investment Programs for Human Settlements Development in Brazil," (Draft, 25 September 1989), 39.

⁷ The workers could withdraw the FGTS in case of illness, retirement or unemployment.

adjustments and because of a national movement carried out by mortgage holders to withdraw their payments in protest against the BNH policies. 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 significantly to 28 percent in 1989 (see Table 9). Administrative changes undertaken after 1988 that renegotiated older debts and accelerated the collection of payments contributed to this fall.

In 1984, in response to the organization of BNH borrowers, the government changed the adjustment of mortgage payments to rates below the monetary correction, exempting the borrowers for 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 benefitted BNH mortgage holders, it threatened the whole housing finance system by widening its deficit. According to the Federal Savings Bank (CEF) estimates, the mortgage payments were only covering 15 percent of their real value.⁸

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

Table 7 illustrates the impact of the BNH closure on the production of housing at city, state and national levels. DEMHAB's production declined from 1,924 units in 1985 to 96 in 1986. The national government that took office in January of 1990 did not set a policy for the provision of low-income housing. Its only action to date has been an emergency plan to finance the construction of 3.6 million low-income units to partially cover the estimated deficit of 10 million units.

⁸ Vetter, Financing National Investment Programs, 40.

DEMHAB in the Local Context

The Origins of DEMHAB, 1946-1965: a Background

DEMHAB's origins date back to 1946. The institution has had three distinct periods. The years between 1946 and 1952 constituted the preliminary period of the institution's implementation, when it suffered changes in its functions and in the types of linkages to the municipal administration. During the second period, 1952 to 1965, the city government formed the Municipal Department of Popular Housing (DMCP), an autonomous organization with institutional capacity to carry out the city's housing policies for the low-income population. In 1965, the transformation of DMCP into the Municipal Department of Housing (DEMHAB) marked the beginning of the third period, when the agency restructured its organization to implement the new national housing policy. In this section I will briefly describe these transformations, focusing on the structural, financial, and functional aspects of each period.

The Preliminary Organizations 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 for the first time faced the problem of sheltering the poor.⁹ 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

⁹ In a letter directed to the Mayor of Porto Alegre, 12 August 1946, 25 Labor Unions requested the municipal government take action concerning the housing shortage for the working class. DEMHAB, Archives, 1946.

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 the establishment of a committee to study alternative solutions for 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 4 percent of the population lived in 41 illegal settlements spread throughout the urban area (see Table 1). The committee also identified access to land as the key issue to solve the housing problem of the urban poor and recommended that the city government include the provision of lots as a priority in its housing policy.¹⁰

The Municipal Department of Popular Housing, DMCP In 1952, with the acceleration 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. DMCP was divided into three main sections: the office of the Director and the staff; the Fiscal Board; and the DMCP Council. The Fiscal Board budgeted the revenues of the institution. The relationship of the DMCP Council and the Director was the same as that of the City Council and the Mayor in the city of Porto Alegre. The DMCP Council consisted of community representatives from professional, labor, and neighborhood associations. It included one representative of the community associations and one of the labor unions of Porto Alegre. This

¹⁰ PMPA, Levantamento Econômico Social das Malocas Existentes em Porto Alegre (Porto Alegre: PMPA/Globo, 1951), 4. Besides this survey, there were no data available in DEMHAB's archives regarding budget, organization, and other actions of the various structures pre-1952.

representation, however, was not very effective, because of the limited experience of residents and workers participating in urban and housing policy issues.

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 percent of the total cost of every new construction over 150 square meters.¹¹ The municipality paid the salaries of DMCP's employees and provided additional funding for special projects. An administrative tax charged on every project managed by DMCP covered maintenance and operational expenses of the agency. At that time, the terms of financing did not include indexing instruments to adjust unpaid mortgages. DMCP utilized a system of fixed rate mortgages. The maturity of the loan offered to the borrowers varied from 5 to 20 years, with an interest rate of five percent a year.

Following the guidelines set up by the former Housing Supervision, DMCP declared large tracts of land as public domain, bought them and subdivided them into 300 m² lots. Some of the projects included the construction of 42 m² wooden houses. To lower costs for the agency and the borrowers, these settlements were not serviced by infrastructure. From 1952 to 1964, DMCP financed 2,440 low-cost houses and 5,190 lots. Despite these measures, the squatter population grew steadily. During the same period, the proportion of squatters in the total population in the city jumped from 4 percent to almost 9 percent (see Table 1).

The Municipal Department of Housing, DEMHAB In 1965, DMCP underwent a restructuring because of the emergence of BNH and the Housing Finance System,

¹¹ 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.

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-DEM HAB) 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.

At first glance, the change in DEMHAB's structure was not readily apparent. The three main divisions of the institution remained the same: the DEMHAB Council, the Office of the Director and the Fiscal Board. The composition of the Council, however, was changed. The representation of the Community Associations was suspended and the representation of the labor unions had to be appointed by the state, instead of being freely elected by its constituency. Regardless of the degree of participation and influence these institutions had in the decision-making process of DEMHAB, the channels for their continuing participation were cut off. This was the era of arbitrary rules and of purges in the bureaucracy, military, university and labor unions.

In 1965, 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.¹² The main sources of the fund were the revenues generated by the Social Welfare Tax (Taxa de Assistência Social). The fund received 35 percent 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

¹² Porto Alegre, Municipal Law no. 2903, (December, 1965).

into the 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 1990.¹³ Neither the Housing Financing Tax nor the Housing Municipal Fund proved 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' abilities 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. After 1969, DEMHAB adopted BNH's terms and conditions for the loans. 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 decapitalization of the housing finance system.¹⁴

The four years between 1965 and 1969 constituted a period of preparation for DEMHAB's actions in the subsequent years. During this groundwork phase, the agency restructured its organization from a multi-service agency to a specialized and technical institution. It dismissed all activities related to social and health assistance that DEMHAB had executed over the past years, and concentrated on the implementation of the national housing policy. The city administration transferred all welfare and health activities to the Secretary of Health. The juridical change from

¹³ Gladimiro Dantas, Financial and Administrative Division of DEMHAB, interview, 6 November 1990, Porto Alegre.

¹⁴ Appendix A describes BNH's index system.

DMCP to DEMHAB in 1965 was not merely a change of names. Despite maintaining its administrative and financial autonomy, DEMHAB explicitly linked its policies and structure to the technocratic principles of the national regime. The introductory statement in the law that regulated DEMHAB showed a clear desire to

promote the housing policy of social interest in harmony with the central and state governments.¹⁵

The goals of the housing policy in the social interest were

to withdraw the dwellers from the urban substandard houses, in order to promote new and better dwellings for their integration into the spiritual, economic and cultural life of the community.¹⁶

Besides establishing linkages between local and central governments, in accordance with the new regime's institutional and economic centralization policies, the law stated the clear intention of promoting squatter removal from the invaded areas. The creation of BNH and the centralization of resources and policies enabled the regime to implement a nationwide removal program.¹⁷ From 1965 to 1970, following the national housing policy, DEMHAB removed 5,400 units, corresponding to 25,300 people. The authoritarian and repressive apparatus that supported the military dictatorship not only discouraged negotiation, but also crushed any attempt at resistance by the squatter residents. In 1965, the squatters in Porto Alegre totaled 65,600, and accounted for almost 9 percent of the city's population (see Table 1).

¹⁵ Porto Alegre, Municipal Law no. 2902 (December, 1965).

¹⁶ Ibid.

¹⁷ On the impacts of favela removal policies in Brazil see Janice Perlman, "The Failure of Influence: Squatter Eradication in Brazil," in Politics and Policy Implementation in the Third World, ed. Merilee Grindel (Princeton: Princeton University Press, 1980) 250-278.

The Evolution of DEMHAB, 1965-1990: a Framework

Since 1965 DEMHAB has subdivided lots, built houses, and implemented infrastructure in settlements for low-income population. The beginning of the 1970s, however, marked the outset of a very active intervention of DEMHAB in the provision of low-income housing, because of its incorporation into the housing finance system as an agent of BNH in Porto Alegre. I divided the 1965-1990 period into four distinct phases. This division followed chronological and topical criteria. The shifts of parties ruling the city were the basic criteria, because they brought changes in styles of administration. These shifts had effects in the three aspects I analyze in this study, namely the role of executives and professional staff, the continuity of projects, and the interaction of the agency with its target population. Hereafter, I will refer to professional staff as *tecnicos*. *Tecnicos* are the civil servants who have university education, hold junior or senior positions in the hierarchy of the institution and deal with the technical issues of the daily work. A *tecnico* may be an architect, engineer, lawyer, economist, sociologist, etc. The permanence of the party in power during the first 20 years caused a division of the first phase into two, to facilitate the analysis. The change in the city mayor and modifications in DEMHAB's actions were the main criteria for this separation. The phases are as follows: Phase I, from 1965 to 1975; Phase II, from 1976 to 1985; Phase III, from 1986 to 1988; and Phase IV, from 1989 to 1990.¹⁸

I constructed a table to facilitate the analysis and to better understand: 1) DEMHAB's phases, their corresponding time periods, and parties ruling the city; and

¹⁸ For a complete table that places DEMHAB within the city, state and national government see Table 5.

2) the changes regarding three aspects -- friction between executives and *tecnicos*, continuity of projects, and community interaction.

EVOLUTION OF DEMHAB, 1965-1990

.Period	.Regime .Party	.Executives and <i>Tecnicos</i>	.Continuity of Projects	.Community Interaction
.PHASE I 1965/75	.Bureaucratic- Authoritarian .Conservative-PDS	.less friction	.continuity	.Antagonism .no community interaction .no empowerment
.PHASE II 1976/85	.Bureaucratic- Authoritarian .Conservative-PDS	.more friction	.continuity	.Limited Acceptance .community interaction .no empowerment
.PHASE III 1986/88	.Democratic .Populist-PDT	.more friction	.less continuity .BNH closure	.Acceptance .community interaction .empowerment
.PHASE IV 1989/90	.Democratic .Progressive-PT	.less friction	.continuity	.Support .community interaction .more empowerment

Regimes and Parties The conservative Democratic Social Party (PDS-Partido Democrático Social) represented the coalition of civilian and military elites. This party ruled the country and the city during Phases I and II, from 1965 to 1985.¹⁹ The central government reached power through a military coup and has been classified by observers as a bureaucratic-authoritarian regime. The bureaucratic-authoritarian concept was formulated by Latin American scholars in the beginning of the 1970s, to explain the authoritarian and military governments that have ruled Brazil from 1964 to 1985. According to this concept,

¹⁹ 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. For the sake of this study, I will refer to ARENA as PDS within the text, and maintain its original nomenclature for bibliographical references.

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.²⁰

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 combat the clientelistic practices found in the previous elected populist regime, and would foster development and modernization of the economy.²¹ The concept of linking clientelism to electoral systems and the absence of clientelism to non-electoral systems has already been contradicted by studies which show that clientelistic practices are also present in non-elected regimes.²²

In November of 1985, for the first time since the military had taken power, there were free elections for state governments. The candidate of the populist Labor Democratic Party (PDT-Partido Democrático Trabalhista) won the elections in Porto Alegre, and administered the city until the end of 1988, governing a period corresponding to DEMHAB's Phase III. PDT represented a coalition of workers and

²⁰ David Collier, ed., The New Authoritarianism in Latin America (Princeton: Princeton University Press, 1979), 24. See also Guillermo O'Donnell, Modernization and Bureaucratic-Authoritarianism (Berkeley: University of California, Institute of International Studies, 1973), and Fernando Henrique Cardoso, "Associated Dependent Development: Theoretical and Practical Implications", in Alfred Stepan, ed., Authoritarian Brazil: Origins, Policies and Future (New Haven: Yale University Press, 1973).

²¹ Clientelism is the exchange of favors on a network of channels other than the institutional ones to appeal and grant of services, commodities or even job positions. Nepotism and patronage are particular forms of clientelism. Nepotism is the favoritism by those in power to their relatives by giving them desirable appointments. Patronage is also the power to give political jobs or favors.

²² For a discussion about the politicization of a public institution within the military regime in Brazil, see Eliza Jane Willis, "The Politicized Bureaucracy: Regimes, Presidents and Economic Policy in Brazil" (Ph.D. diss., Boston College, 1989).

elites that characterized populism in Latin America.²³ The progressive Workers Party (PT-Partido dos Trabalhadores), which took office in January of 1989, was a labor-union based party that also included segments of lower and median classes.

Executives and *Técnicos*, Continuity and Community Interaction

The degrees of friction in the third column of the table refer to the major or minor discrepancy between executives' actions and *técnicos*' recommendations for the purchase of land and for the selection of recipients for DEMHAB's units. The legal status and inadequate topographic conditions were the main causes of frictions regarding the purchase of land. The violation of some of the established rules for the selection of recipients, namely the applicants' income and date of enrollment in the waiting list, caused the conflicts regarding the selection of DEMHAB's recipients.

The degrees of continuity of projects in the fourth column of the table refer to two aspects: 1) the continuity in time, which encompasses higher or lower pace of implementation; and 2) the continuity in terms of changes in the original project. During Phase III, there were some projects that were substantially changed, creating a process of less continuity. The other phases had both continuity in time and in the characteristics of the project. The phases of the building process along with the steps and particular characteristics of the funding process in DEMHAB contributed to this continuity.

DEMHAB's forms of interaction with the community have been marked by antagonism, limited acceptance, acceptance, and support. Following are the definitions of these various patterns of interaction.

²³ Populism in Latin America is the nationalist state that intervenes in the economy, and at the same time associates the urban working class with the state's interests, through paternalistic actions to neutralize the proletariat as a political force.

Antagonism: Community participation is not accepted or encouraged as part of the decision-making process of the city or of DEMHAB's policies. Any means and channels of participation are cut off. The actions of the institution favor interests of other groups and not those of the low-income groups. The squatter removal policy is an example of such an action. The interaction is done on an individual-individual basis.

Limited acceptance: Community participation is recognized but not included in the process of planning. The channels of participation -- community organizations -- are outside the institutional environment of the city or DEMHAB. Community organizations, however, do not have enough power to cause substantial changes in policies. The reawakening of grassroots movements and the recognition by the state of the magnitude of urban housing problems have forced government agencies to accept community participation, not with the objective of empowerment, but rather with the goal of sharing costs and facilitating the implementation of projects.²⁴ The actions of the agency reflect state concessions to the previously unfavored sectors. The purchase of invaded land instead of squatter removal efforts by DEMHAB during Phase II is an example of such concession. The basis for interaction is an individual-individual relationship.

Acceptance: At a city level, community participation in the planning process is recognized and stimulated through the establishment of the Popular Councils. Popular Councils are autonomous structures formed by community organizations within a certain region of the city. Their goal is to gather these communities for the discussion

²⁴ Samuel Paul, besides empowerment, mentions building beneficiary capacity, increasing project effectiveness, improving project efficiency, and project cost sharing, as other objectives of community participation, in "Community Participation in Development Projects: The World Bank Experience" in The Role of Community Participation in Development Planning and Projects, ed. Michael Bamberger (Washington D.C.: World Bank, 1988) 36.

and formulation of proposals to be implemented by the city government. DEMHAB has incorporated some of the proposals in their projects. The actions of the agency include self-help projects with the objective of sharing costs and empowering the community.

Support: In 1990, with the creation of the Municipal Councils, the city government has institutionalized the participation of community organizations within its administration. The goals of these councils are to propose, control, and decide on issues of the different sectors of the public administration. They comprise community associations, professional associations and representatives of the municipal government. Popular and Municipal Councils differ by the kind of connection to the city government: whereas the Popular Councils are independent organizations, the Municipal Councils are part of the government. The relationship of the institution with the community is done through a collective-collective basis, enhancing the empowerment of the community.

The above definitions give the framework for this study. When discussing the changes related to the role of executives and *tecnicos*, continuity of projects, and community interaction in DEMHAB in the next chapters, I will introduce each chapter with the table showing the evolution of DEMHAB and highlight the issues that are being addressed.

CHAPTER TWO

EXECUTIVES AND *TECNICOS* IN DEMHAB

EVOLUTION OF DEMHAB- 1965/1990

.Period	.Regime .Party	Executives and <i>Técnicos</i>	.Continuity of Projects	.Community Interaction
.PHASE I 1965/75	.Bureaucratic- Authoritarian .Conservative-PDS	less friction	.continuity	.Antagonism .no community interaction .no empowerment
.PHASE II 1976/85	.Bureaucratic- Authoritarian .Conservative-PDS	more friction	.continuity	.Limited Acceptance .community interaction .no empowerment
.PHASE III 1986/88	.Democratic .Populist-PDT	more friction	.less continuity .BNH closure	.Acceptance .community interaction .empowerment
.PHASE IV 1989/90	.Democratic .Progressive-PT	less friction	.continuity	.Support .community interaction .more empowerment

This chapter identifies the two main causes of friction between executives and *tecnicos*, and addresses the following questions: 1) why did these frictions develop in some periods and not in others; and 2) how did these conflicts affect the implementation of projects in DEMHAB, from the standpoint of beneficiaries, *tecnicos* and executives? This chapter has four sections. In the first section, I explain the role of executives and *tecnicos* within the organization of DEMHAB. In the second section, drawing on interviews and some quantitative data, I compare executives' and *tecnicos*' positions regarding the criteria for the purchase of land and for the selection and distribution of DEMHAB's units. In the third section, I place DEMHAB within the context of local and national politics and address the question of why administrative frictions arose when they did. I indicate executives' interests in their political careers, party pressures and the lack of institutional channels for popular participation in the city administration as possible explanations for the various degrees

of friction between executives and *tecnicos*. I conclude the chapter by analyzing the outcome of executives' actions from the standpoint of the beneficiaries, and the *tecnicos* themselves.

Executives and Tecnicos

Like other city agencies, DEMHAB has essentially four levels of workers: the executive, who is the appointed head of the agency; the *tecnicos*, professionals with university education (mainly architects, engineers, economists, lawyers and sociologists) who deal with the technical issues and define the product of the agency; the lower-level white-collar workers (typists, clerks, accountants); and the construction workers (bricklayers, plumbers, electricians, carpenters) responsible for reconstruction of removed houses, for emergency housing units and for small scale maintenance work in the settlements under the jurisdiction of DEMHAB.

Because of the emphasis of this chapter on the relationship between executives and *tecnicos* in DEMHAB, I will briefly discuss the origins of the executives in DEMHAB, their professions, the political nature of their position and the reasons why DEMHAB's executives have often had political ambitions. Since 1965, the professional backgrounds of executives in DEMHAB have varied from technical areas (architects, engineers), to business and legal (MBA's, lawyers), to the social sciences (economists and sociologists), and even the biological sciences (medical doctors) (see Table 6). The position of the executive is eminently political; the variety of professionals who have headed the agency prove that the mayor's choice does not rely primarily on professional expertise. One executive explained:

DEMHAB is a political agency. I was not re-elected for the state assembly, where I was a representative until 1987, and so the mayor invited me to take this position, to occupy a political space.¹

Técnicos and representatives of the community both point to DEMHAB as one of the most politicized agencies of the municipal government:

I would say that DEMHAB has a strong presence in its settlements. I guess that it was a presence with political objectives. DEMHAB was a very good machine for electing its directors as city councilors. Zanella, after leaving the agency, got 11,000 votes when running for the City Council. When he was re-elected, now without the help of DEMHAB, he got only 3,000.²

In my view, there are two reasons why DEMHAB's executives may often have political ambitions. First, as mentioned earlier, the position has a political nature because the mayor's choice for DEMHAB's executive is based more on confidence and political loyalty than on technical expertise. The political appointees have often held prior positions, and it is expected that these politicians will use the administrative machinery to their advantage to guarantee their return to the political arena. Second, because DEMHAB deals with highly valuable assets such as land and housing, the potential control executives have over access to these goods gives them strong bargaining power. Thus, besides the patronage opportunities executives have from granting jobs, control over DEMHAB's housing units increases their opportunities for clientelism. These two factors make DEMHAB's executive position very attractive for both politicians and non-politicians, who may also return political support to the mayor. These opportunities become even greater within environments that do nothing to control these practices. It is not surprising that issues related to the control over

¹ Dilamar Machado, Director of DEMHAB 1981-1988, interview, 12 November 1990, Porto Alegre.

² Heriberto Back, attorney for the Rio Grande do Sul Federation of Community Associations and Friends of the Neighborhood, (Federação Riograndense das Associações Comunitárias e Amigos de Bairros-FRACAB), 1979-1985, interview, 8 November 1990, Porto Alegre.

land purchase and the selection of applicants proved to be most prone to interference of executives, as was the case in Phases II and III.

Beyond the levels of hierarchy, we must also be aware of the two categories of employees in Brazilian public administrative agencies: the "confidence" positions and the career workers. The head of the institution appoints "confidence" positions upon taking office and they are dismissed once the head leaves office. The career workers have entered the civil service either by merit or by patronage and remain permanently in their positions, regardless of the change of administrations. The head of the institution may appoint *tecnicos*, white-collar workers or construction workers for "confidence" positions in their fields of activity. Their salaries are set by the regulations of the institution and the city government. Each public institution has a limited number of "confidence" positions. Over the years, DEMHAB has had from 15 to 30 "confidence" positions while the number of workers has ranged from 200 to 900 (see Table 12).

The Causes of Friction between Executives and *Tecnicos*

The frictions between executives and *tecnicos* in DEMHAB stemmed mainly from two issues: 1) the criteria for the purchase of land and 2) the control over the selection and distribution of the housing units.

Over the years, *tecnicos* of DEMHAB have opposed the purchase of land where legal status was in question or where the topography was uneven.³ Most of DEMHAB's areas have some legal problems and many of them are not physically

³ There are various levels of illegality of land in Porto Alegre. This illegality may be non-conformance to urban regulations on land use, minimum lot area and width of the roads, or the lack of infrastructure services, or juridical problems with inheritance processes, or borderline disputes.

suitable for construction.⁴ According to some *tecnicos*, the direction of DEMHAB often proceeded with the acquisition of tracts of land regardless of an opposing technical appraisal. The final word was in the hands of the direction of the department. Former executives explained that DEMHAB bought such areas to mediate conflicts between private owners and invaders.

Tecnicos also complained of their eroding control over the establishment and application of the distributive rules for the recipients of DEMHAB's lots and units during Phases II and III, compared to Phases I and IV. According to them, the decision-making power during the former periods shifted from the Social Division, formally in charge of the selection of families suitable for the financing rules dictated by BNH, to the management of the agency. Executives, however, did not acknowledge this shift. Given the political power these two issues generate for those who have the control over them, a more detailed analysis is necessary to unveil possible hidden agendas. To compare more carefully *tecnicos'* and executives' rationales, I will examine separately the issues of land purchase and selection criteria over the study period.

Land Purchase

⁴ At the time I carried out this study, DEMHAB was undertaking a survey of the legal status of its portfolio, given the lack of organized data. The survey had not been completed yet, but the *tecnico* in charge of coordinating this task estimated that approximately 60 percent of DEMHAB's portfolio had its legal status in question. These data refer to the legal situation of all assets managed by DEMHAB over its lifetime, that is, both its "formal" production (projects, construction, financing and sale of units and/or lots) and its "informal" intervention (purchase of illegal areas for future regularization). From 1952 until 1982, DEMHAB had purchased 1,284 ha. (see Table 4).

In Phase I, from 1969 to 1975, the most significant land transaction DEMHAB carried out was the acquisition of 142 ha. in the southern section of the city.⁵ This purchase did not raise conflicts between *tecnicos* and executives in DEMHAB, but did create tensions between DEMHAB and the Municipal Secretary of Planning (Secretaria do Planejamento Municipal-SPM). *Tecnicos* of SPM strongly opposed using that area for a housing project because it was located on the outskirts of the city, without infrastructure and far from city jobs. Planners thought that the project would be very costly, because of the need to construct infrastructure lines, and that it would impose extra commuting expenses on the residents. Despite this resistance, DEMHAB's administration went ahead on the Nova Restinga Project, with the support of the mayor and resources from BNH. DEMHAB's executive justified the purchase of the land, on the basis of its low price and the agency's scarce resources.⁶ DEMHAB was eager to build in that region of the city because it needed to relocate families displaced by squatter removal from the central areas of Porto Alegre. The world and national trend in the treatment of land invasions was the relocation of squatters to the outskirts of the cities, releasing valuable land for private enterprises. Porto Alegre was no exception. During this period, with the slogan "Removing for Promoting" (*Remover para Promover*), DEMHAB intensified the policy of squatter removal, evicting 36,800 people, mainly from central areas of the city - 43 percent more than in the previous five years (see Table 10).

During Phase II, according to a former executive, DEMHAB's land policy was based on two main guidelines: 1) to buy land that had been invaded and showed a

⁵ In 1987, the urban area of Porto Alegre was 32,745 ha. of which 41 percent was vacant. I assume that the percentage of vacant area in 1969 was even greater. Tables 3 and 4 show the evolution of DEMHAB's land purchases relative to the city area.

⁶ Norman P. Arruda, Director of DEMHAB, 1971-75, interview, 2 November 1990, Porto Alegre.

potential for conflict between owners and squatters, and 2) to buy land adjacent to existing invaded settlements to use for future resettlement of families displaced by upgrading projects in these areas.⁷ From 1975 to 1985 the agency purchased 702.6 ha., or 35 ha. more than during its previous 22 years of existence (see Table 4). DEMHAB's land policy resulted from BNH programs to upgrade squatters' housing and from the greater availability of resources in the housing finance system from 1977 to 1983. Whereas executives justified their actions based on the stated criteria, *tecnicos* offered different explanations. They pointed out that executives often failed to follow technical recommendations and sometimes bought land unsuitable for construction, favoring land owners and personal or political interests.⁸

During Phase III, the closure of BNH in 1986 and the suspension of various financing programs caused a drastic reduction in DEMHAB's land purchasing. During Phase III DEMHAB bought small pieces of land that totalled approximately 20 ha. *Tecnicos* claimed ignorance about the areas DEMHAB purchased from 1986 to 1988 because executives withheld of this information. According to the *tecnicos*, during Phase III executives in DEMHAB purchased land without consulting either the Juridical and Technical Divisions or the Council of Deliberation.⁹ They also asserted that DEMHAB's portfolio was incomplete because of the lack of organized data concerning those transactions. DEMHAB's executive mentioned the lack of resources as one of the main reasons for buying small amounts of land and pointed to the exchange of public land for private land as an alternative.¹⁰

⁷ Arthur Zanella, Director of DEMHAB, 1977-82, interview, 26 October 1990, Porto Alegre.

⁸ Vicente Trindade, Technical Division of DEMHAB, interview, 10 October 1990, Porto Alegre.

⁹ Luiz C. Bonin, Programming Division, telephone interview, 7 December 1990.

¹⁰ Dilamar Machado, Director of DEMHAB, 1987-88, interview, 12 November 1990, Porto Alegre.

In Phase IV, *tecnicos* and executives, agreed on the same criteria for the purchase of land: 1) purchase land in the eastern part of the city, both because DEMHAB had so many settlements in the north and south of Porto Alegre, and the city could not expand to the west because of the Guaiba River (see Fig.2); 2) buy land already serviced by infrastructure or readily integrated into the city; and 3) purchase land whose topography would not hinder the construction of housing settlements. Until the date of this study, the only area that DEMHAB acquired in this period was granted by the city administration. Frictions have not arisen because DEMHAB has not bought any land.

Selection of Applicants

The principle for selecting families for DEMHAB's units has not changed much from 1965. The criteria for the selection of recipients were based on the income, size of family, and date of enrollment on the waiting list. The conditions and location of the present dwelling and the existence of a handicapped person in the family were criteria introduced during Phase IV. Besides these requirements, the candidates had to be Porto Alegre residents and not own any land or housing. As an agent of BNH, DEMHAB has followed the rules for the popular market, financing units for families earning from 1 to 10 times the minimum wage.

The frictions between executives and *tecnicos* stemmed more from the violation of the formal rules than from different ideas concerning criteria for 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."

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 percent 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 flexibility 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. During Phases II and III, the share of the technical reserve in the total number of units started to grow significantly and the influence of the *tecnicos* on the implementation of the formal selection criteria correspondingly decreased. *Tecnicos* 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.

Some *tecnicos* mentioned as one example of such practices a selection process undertaken by the previous administration. A project initiated in Phase III and completed in Phase IV had a large proportion of its units sold to people who enrolled in 1988, although the waiting list in DEMHAB dates back to 1980. In general, it appears that poor applicants received special treatment in housing because of the political support they could provide in future elections. Another example was the granting of access to DEMHAB's financing programs, which had lower interest rates than those offered by the private sector, to recipients who either were above the income ceiling or already owned a house or a piece of land. Because of the

informality of the technical reserve, it was very difficult to obtain data. Some of these assertions about granting of favors rely on the testimony of a senior staff member who has worked at DEMHAB since 1970.¹¹

There is, however, one indicator that may illustrate the violations of the formal selection criteria that occurred in DEMHAB, mainly during Phases II and III. This indicator is the percentage of DEMHAB's units sold to civil servants since 1970. While focusing the study on the *tecnicos* and executives, I also had informal conversations with the white-collar workers of DEMHAB. When asked about their housing arrangements, many of them explained that they lived in DEMHAB's settlements. *Tecnicos* confirmed that although many of DEMHAB's employees had access to the agency's financing programs, the data were not organized adequately enough to quantify the proportion. The Director of the Programming Division grew interested and agreed to conduct a survey of DEMHAB's records since 1970.

The highest percentages of DEMHAB's units sold to civil servants during each phase were the following: Phase I, 15 percent in 1975; Phase II, 50 percent in 1976 and 39 percent in 1980; Phase III, 54 percent in 1986 and 60 percent in 1987; and Phase IV, 14 percent in 1989 (see Table 11). The data were collected from a random sample of 28 percent of 9,238 units sold by DEMHAB since 1970. 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 only about 15 percent of the labor force works

¹¹ The existence of such an informal tool, which heads of public housing agencies had used to respond to political requests and to promote clientelistic practices, is also mentioned in Azevedo and Andrade, Habitaco e Poder, 30.

in the public service in Brazil, this sample of 28 percent suggests abuse of the technical reserve which may be considered excessive and atypical.

The Explanation for the Different Degrees of Friction

The friction that arose from land purchase and selection of applicants proved to be more intense during Phases II and III than during Phases I and IV. What were the conditions that induced executives to be more receptive to technical recommendations and to act within the established rules in Phases I and IV? Why did Phases II and III present a higher degree of friction between executives and *tecnicos*? My argument is that the explanation for these questions lies in the conjunction of two factors: 1) the personal political ambitions of DEMHAB's executives along with pressures that other actors -- community organizations, political parties, city administration, and economic groups -- may have exerted on the implementation of DEMHAB's policies; and 2) the existence or lack of institutional channels for the popular participation at a city level.

When comparing Phase I, which embodied a conservative party within a military and authoritarian regime, with Phase IV, which represented a progressive party within a democratic regime, another puzzling question arose: why did two administrations that represented contrasting political agendas have similar procedures? The military governments have, after all, repressed the grassroots movements and the exercise of representative democracy, squeezed salaries and widened the already wide inequality of income in the country, and spread the practice of back-door decision-making in the name of a development strategy and national security.¹²

¹² For a detailed analysis of the military regime post 1964, see Thomas E. Skidmore, The Politics of Military Rule in Brazil, 1964-85 (New York: Oxford University Press, 1988).

To understand this contradiction, we need to step back and place DEMHAB and Porto Alegre in a national and historical context. In 1964, the regime installed by a military coup adopted a model of authoritarian bureaucracy for the implementation of public policies. This model defines a regime where the military and civil bureaucracy sustained a dictatorship in power to implement a modernizing program aimed at rapid economic growth. The system operated through a strong centralization of decision-making mechanisms, restricting the channels of participation of society. In this model, the bureaucracy and not the political party constituted the linkage between civil society and the state. Policy making included rational decision-making processes, where highly trained administrators decided on technical matters.¹³ The regime installed in 1964, therefore, perceived the housing problem as a technical matter. The answer for a technical problem would be the optimal combination of factors within a politically neutral solution.¹⁴

In Phase I, there were several reasons executives made decisions by the rules, particularly in the selection of applicants. First, executives applied the bureaucratic-authoritarian model in a very efficient way in DEMHAB. In this model, technical appraisal had a significant role in the implementation of policies, so that DEMHAB's executives were more receptive to *tecnicos'* recommendations. An appropriate selection of borrowers and adequate projects would guarantee the achievement of the original goals of providing housing for the poor and, at the same time, sustaining the system of financing the units. The principle for selecting families for the new houses was "the right home for the right family," which stressed the criteria of income and

¹³ On the role of technocrats, see Richard Batley, Power through Bureaucracy- Urban Political Analysis in Brazil (New York: St. Martins Press, 1983); Cardoso, "Associated Dependent Development"; and Barry Ames, Rhetoric and Reality in a Militarized Regime: Brazil since 1964 (Beverly Hills: Sage, 1973).

¹⁴ Azevedo and Andrade, Habitacao e Poder 57.

size of the family. This philosophy was based upon the idea that an appropriate selection would avoid high default rates, thus ensuring cost recovery and replicability of the system. This concern was strong because of the previous experience of COHABs--DEM HAB's counterparts in the BNH structure--in other cities and states. As cited in Chapter One, the COHABs experienced a substantial decline during the 1970-75 period, mainly caused by high default rates. The success of housing projects was very important as a means to legitimize the military regime among poor Brazilians.

A second factor that helped executives to stick by the rules was that executives suffered less pressure from politicians to use the technical reserve to provide special favors of access to DEM HAB's units. This was because the housing deficit and demand for units was much smaller in this period. In 1965 the housing deficit was only around 13,500 units; fifteen years later it jumped to almost 41,000 (see Table 1). In addition, the lack of electoral interest by the head of the agency would not have motivated him to sponsor clientelistic practices in exchange for political support. Contrary to executives of Phases II and III, who ran, and were elected for the City Council, executives of Phase I did not run for any elected position after leaving the agency (see Table 6).

In Phase I, the administration stressed the bureaucratic component of the regime, creating conditions for a more institutional environment. This institutionalization, though, was imposed and depended more upon the political willingness of DEM HAB's executives than on a consolidated principle of public policy. Because there were no channels for social control over the political realm, the institutional practices did not survive the change in administration, which brought back clientelistic practices. Changes in DEM HAB's administration during Phases II and III were caused not only

by the shift of mayors and parties, but also by executives who resigned to run for elections. Three of DEMHAB's executives were elected for the City Council after leaving office (see Table 6). Their interests in a subsequent political career may have stimulated the exchange of favors, such as the access to housing, for the exchange of political support. The highest percentages of DEMHAB's units sold to civil servants appeared during these two phases, 50 percent in 1976, and 60 percent in 1987 (see Table 11). Along with these electoral interests, there were no institutional channels of direct popular participation, which could have acted to oppose these practices. These circumstances, however, changed during Phase IV.

Two factors contributed to the conditions that caused executives to act within the rules in Phase IV. First, the administration, which represented an underprivileged and excluded segment of society, was committed to guarantee democratic access to urban services for its constituents. The administration that supported respect for the established selection criteria for DEMHAB's units enhanced democratic access to housing. Second, the existence since 1990 of new institutional mechanisms of popular representation at the city level, such as the Popular and Municipal Councils, gave the grassroots movements channels for participating in the formulation and implementation of public policies. These channels have enabled community organizations to exert closer control on the actions and policies carried out by the city government and its agencies, thus making it more difficult for executives to carry out actions outside the institutional rules. Whether DEMHAB's present executive will run for an elected position is unclear, but she has shown a political willingness to act within the institutional rules and to follow *tecnicos'* recommendations.

The Outcomes of Frictions between Executives and *Técnicos*

During most of the period analyzed in this study, the executives' decisions about land purchase and the selection of applicants for DEMHAB's units have neither followed institutional rules nor technical recommendations. This fact raises further questions: Who benefitted from these decisions, and what effects did they have on the unfolding of DEMHAB's policies?; How can technical decisions and political responsiveness be reconciled in the implementation of public policies? In analyzing separately land purchase and selection of applicants in DEMHAB, I will address these questions.

In the Land Purchase

In the case of an institution that deals mainly with the construction of low-cost housing, the provision of serviced plots, and the implementation of upgrading projects, land purchase has proven to be one of the most controversial issues. During Phase I, the purchase of 142 hectares in the southern section of the city, despite *técnicos'* disagreement, because of the lack of infrastructure and distance from more densely populated areas, proved to have a long-term positive outcome. Because of its size, it allowed DEMHAB to utilize the area for various projects at different periods of time. It also formed a small land bank in times of scarce resources for the acquisition of land.

During Phase II, the stated criteria for the purchase of invaded land, namely the avoidance of conflicts between squatters and landowners and the proximity to other invaded areas, raised the question of whose interests DEMHAB's executives were really representing. On one hand, DEMHAB's purchase of invaded areas benefitted the dwellers, ensuring they would not be evicted from their homes. On the other

hand, these purchases certainly benefitted landowners, who found a buyer for their devalued land. While the land purchases may have appeared to benefit both sides, closer examination suggests that more study is needed to uncover the reasons for these purchases. First, often these areas often proved to be highly problematic in terms of their topographic conditions, their non-conformance to housing uses within the urban regulations, and their legal status. From a technical standpoint, these areas were not appropriate for purchasing. Second, in the late 1970s and early 1980s, when DEMHAB bought a large amount of land, the emergent organization of grassroots movements had not yet gained effective influence on the implementation of public policies because of a still strong repressive state apparatus. Third, the conservative party in power represented the interests of an elite, and did not favor the poorer segments of society.

What, then, was driving executives to buy such areas? The answer may lie in the pressure landowners may have exerted on the city and DEMHAB's administration to buy these tracts of land, offering in exchange political support. This hypothesis, however has yet to be tested. A detailed survey of the conditions of those areas, market values and prices paid by DEMHAB, as well as the political and economic positions of the owners may reveal a hidden agenda. This study along with a survey of the level of organization of the dwellers and their political power may suggest that the stated criteria for the purchase of land were a product not only of pressure of dwellers, but also of other segments of society. The same procedure helps us understand the actions during Phase III.

I judge the effects of buying problematic invaded land in two ways. First, these areas delay in the already lengthy process of upgrading. These delays raise costs, jeopardizing both beneficiaries and the institution. Second, in buying such areas, the

public sector transfers the total costs of urbanization to the state, exempting the private sector from the burden of retaining devalued land and of implementing the required infrastructure to subdivide and sell the plots to the dwellers. When buying invaded or illegal land the state should seek alternatives to incorporate into the transaction costs of providing services and/or sharing expenditures with the private sector.

Selection of Applicants

The violation of the rules for the selection of applicants may have benefitted executives and those rewarded with the units, but it unquestionably hurt the large majority of applicants and the work of *tecnicos* and civil servants in general. Applicants were affected in their right to access benefits, *tecnicos* and civil servants in the credibility of their work.

In Brazil, it is commonplace for citizens to criticize public service as heavily bureaucratized, inefficient and corrupt. Some studies also mention the predominance of political patronage over merit standards in the selection of employees.¹⁵ The distance between bureaucracy and civil society during the military rule contributed to the building of this image. However, the process of redemocratization that Brazil experienced in the late 1980s revived the discussion about institution building and the role of civil service as an instrument, among others, for the consolidation of the new democratic regime. Public administration was no longer a matter of authoritarian decisions and distant bureaucrats, but a subject of interest for many sectors of society, which constituted an important part of the new institutional environment. The participation of the organized segments of society in the previously inaccessible public

¹⁵ Lawrence Graham, Civil Service in Brazil- Principles versus Practice (Austin: University of Texas Press, 1968) 125.

institutions would also combat clientelistic practices that had long permeated the public agencies. In this context, respecting professional responsibilities and following institutional procedures played a very important role in the search for competence and efficiency within public institutions.

As a concluding remark, I point out the danger of falling into the other extreme, that is, overvaluing the fulfillment of rules and standards and strict technical procedures in the process of decision-making and implementation of projects in the public sector. DEMHAB, as an agency that deals with the provision of low-income housing and the implementation of upgrading projects, has faced controversies related to urban standards and regulations along with scarce resources to solve an enormous variety of problems. The controversies mainly involved the size of lots and width of roads in upgrading projects. Whereas other city agencies operated within the formal city, DEMHAB mainly administered the informal city (land invasions and illegal settlements). This condition raised the dilemma of DEMHAB's working with standards that many times conflict with the resources available and the beneficiaries' capacity to pay for such standards. Some *tecnicos* in DEMHAB have recognized the need to review the standards that do not correspond to the social reality and needs, so that DEMHAB may more effectively intervene in the provision of low-income housing in Porto Alegre.¹⁶

¹⁶ Internal Appraisal Report, DEMHAB, April, 1990.

CHAPTER THREE

CONTINUITY OF PROJECTS IN DEMHAB

EVOLUTION OF DEMHAB, 1965-1990

.Period	.Regime .Party	.Executives and <i>Técnicos</i>	.Continuity of Projects	.Community Interaction
.PHASE I 1965/75	.Bureaucratic- Authoritarian .Conservative-PDS	.less friction	.continuity	.Antagonism .no community interaction .no empowerment
.PHASE II 1976/85	.Bureaucratic- Authoritarian .Conservative- PDS	.more friction	.continuity	.Limited Acceptance .community interaction .no empowerment
.PHASE III 1986/88	.Democratic .Populist-PDT	.more friction	.less continuity .BNH closure	.Acceptance .community interaction .empowerment
.PHASE IV 1989/90	.Democratic .Progressive-PT	.less friction	.continuity	.Support .community interaction .more empowerment

In this chapter, I explain why DEMHAB had a high degree of continuity of projects through different administrations. I argue that the intertwining of the building process and the funding process caused this continuity. The characteristics of a built product as the result of the agency's policies made DEMHAB's projects less vulnerable to disruption. The relationship between the permanence of executives in DEMHAB, and the time taken for construction did not encourage the suspension of projects. The destination of funds in early stages of the building and funding processes, however, allowed executives to slow down certain projects in favor of others, causing an interruption in time, but not a total disruption in the project's execution. As stated by DEMHAB's *técnicos*, after getting the resources, the projects go by inertia, they go by themselves. I believe that the projects "own life" is closely related to their "independence" from "DEMHAB's employees life". Because DEMHAB's employees have their salaries guaranteed regardless of resources and/or

completion of the projects, the projects become quasi-autonomous entities. Their completion mostly depends on the efficiency of the bureaucracy at a local and national level, the priority is given by the direction of the agency, and the availability of resources. The closure of BNH in 1986 had an impact on the continuity of projects: it stopped construction because of lack of funds. This paralyzation caused delays, but not disruption. The projects initiated in Phase III have been completed during Phase IV.

I divide this chapter into three sections. In the first section, I describe the concept of continuity used in this study. In the second section I explain the continuity of projects in DEMHAB. In this section I focus on the building process and the differences between new construction and upgrading projects in terms of phases, time for completion, and funding sources. I also analyze the funding process: the destination of resources in relation to stages of project implementation; DEMHAB's role within the city government; and the relationship between different funding sources for distinct project components. In the final section, I discuss the reasons for less continuity during Phase III. I address the executive's political interests and the closure of BNH as causes for this discontinuity.

Continuity of Projects

The degree of continuity of DEMHAB projects refers to two aspects: continuity over time and continuity of project characteristics. Continuity over time may encompass higher or lower paces of implementation, but the final result is completion of the project. The causes of varying paces may be particular characteristics of the project or caused by emphasis on completion by executives. I view a project as having continuity if it was completed.

Continuity in the characteristics of the project refers to the degree of changes in the original design. Projects whose final result are a built entity involve some alterations, because of surprises that may arise during the construction process. Unexpected physical conditions and lack of materials and tools are some factors that cause changes. Changes may also arise earlier, during the design stage. Transformations in the design stage, however, may result in a radically different product. I consider a project continuous if it was not changed conceptually.

The strong continuity of projects across administrations was one of the initial puzzles that sustained my eagerness to understand the dynamics of DEMHAB. One possible explanation was that for 20 years it had been ruled by the same party, PDS, so that there was little pressure to cover up the accomplishments of earlier administrations to consolidate a new party program. But the changes of administration within the same party could have caused disruption, because of executives' interests in differentiating their administrations from previous ones. In fact, this was not the case. The Nova Restinga Project is the most striking example of continuity. Because of its size (3,800 units) and division into four sequential phases, the construction of the original project lasted for 11 years (1969-1980) and passed through three different administrations.¹

Almost all phases in DEMHAB showed a substantial degree of project continuity, both in time and in characteristics, with the exception of Phase III. During this phase, changes in the characteristics of some projects caused discontinuity. The closure of BNH caused delays in the pace of implementation but did not cause disruption.

¹ A detailed description of the Nova Restinga Project is given in Appendix B.

The Explanation for the Continuity of Projects

The high degree of continuity of projects across different administrations in DEMHAB was mainly caused by the intertwining of the building and funding processes. The permanence of the same party ruling DEMHAB during 20 years also contributed to this continuity. In the building process, the length, cost and phases of construction along with the bureaucratic steps to release loans caused this continuity. In the funding process, the causes for continuity of projects in DEMHAB included the following: i) the destination of funds in the projects' early stages; ii) DEMHAB's role within the municipal government as an instrument for extra resources; iii) the division between the city and BNH for the funding of different components of the projects, namely salaries and construction costs, and; iv) the opportunities which incomplete projects offered to executives and politicians to promote patronage.

The Building Process

In this study I argue that the **fragmentation** of the building process in different and sequential phases is one the causes for the continuity of projects in DEMHAB through various administrations. The fragmentation in the building process is expressed by the division of the process into phases of design and construction, by the involvement of various professions, and by the use of multiple materials and tools.

I divide the building process into six main phases: 1) Program -- identification of needs and services to be provided by a building or a set of buildings; 2) Design -- translation of these needs into a technical language and physical plan; 3) Design Review -- review and approval of the design by the city authorities; 4) Construction -- hiring of contractors and the construction itself; 5) Approval for the Certificate of Occupancy -- establishment of conformance of the built product to the building codes

and urban regulations; 6) Building Registration -- registration of the building at the Registry of Deeds, for which all legal requirements about the participating institutions must be established.

DEMHAB deals with two types of projects: new construction projects and urbanization projects. New construction projects are the projects built on vacant land. This category includes "sites and services" projects, detached housing and walk-up buildings. Urbanization projects are the projects implemented on occupied land, aimed at the legalization of the area and the security of the dwellers. They consist of the installation of infrastructure, services; and may or may not include the construction of the housing unit.

Both types of projects have different characteristics that affect their building process, and therefore have different phases and time required for their completion. According to *tecnicos* involved in the design and implementation of projects in DEMHAB, the average time for construction of new projects ranges from three to four years -- completion of new construction of similar projects in the private sector takes approximately two years.² Implementation of urbanization projects ranges from five to six years. In Appendix B I provide a detailed description of both types of projects.

New Construction Projects In the case of new construction projects two more steps are added to the existing six phases of the construction process: the initial negotiations with the financial source, and project approval by the bank for the release of the loan. The initial negotiations with the bank take place in the beginning of the process. After defining the types of projects, DEMHAB's *tecnicos* send the preliminary design to BNH. The bank examines the projects and includes them in the

² Luiz Carlos Bonin, Programming Division of DEMHAB, interview, 22 October 1990, Porto Alegre.

credit line. The inclusion of the project in the credit line is the first of a two-step process of approval. After this initial approval, the release of the loan is usually a matter of course.

The approval of the projects by the bank happens after the design review. In addition to the technical conformance of projects to city regulations, finances of the institution and the city government have to be in "healthy" conditions. If any of the city departments, including DEMHAB, should have debts with the federal government regarding the FGTS, no loan will be released. These rigorous measures were implemented after the closure of BNH and as a result of the new composition of the Council of Deliberation of the FGTS.³ This second step ends with the signature of a contract between DEMHAB and BNH, guaranteeing the destination of funds for the project. These two phases account for at least six months each, adding one whole year to the already lengthy process.

Urbanization Projects Urbanization projects are even longer and more complicated processes. The requirements are similar to the new construction projects, whereas the conditions for the implementation and construction are very different. Besides the steps described previously, the urbanization projects have to deal with: 1) adverse and changing physical conditions; 2) the time lag between approval of the projects and release of the loans; 3) the resistance of *tecnicos* to work on this type of project; and 4) the inadequacy of existing urban standards for urbanization projects.

1) Adverse and changing physical conditions: The dwellings are usually settled on steep slopes or lowlands subject to floods. These tough topographic conditions make

³ As a result of the new Federal Constitution approved in 1988, the Council of Deliberation of the FGTS, that administers and decides about the uses and allocation of resources of the fund for the construction of low-income housing in the country, has two representatives of two National Labor Unions, among its seven members. Gladimiro M. Dantas, Financial Division of DEMHAB, interview, 6 November 1990, Porto Alegre.

the survey work necessary to locate and legalize the individual lots difficult. The great mobility and instability of these settlements adds to these problems. By the time the work begins, the situation may have changed, families have moved out, others have moved in and the configuration of the area may be totally different. The old design no longer fits the conditions. The projects have to be redesigned by planners to suit the new circumstances. These changes cause delays and waste resources.

2) Time lag between approval of projects and release of loans: The time lag between approval of projects and release of loans in an inflationary environment, as exists in Brazil, erodes the allocated resources and threatens the completion of the original project. In addition, squatter areas tend to become denser as time passes. Delays in the release of loans, shrinkage of resources and the increase of potential beneficiaries may jeopardize the implementation of the upgrading project.

3) The resistance of *tecnicos* to work in urbanization projects: The involvement of the *tecnicos* is very important to the progress of upgrading projects, because of the characteristics of such projects. Normally professionals who work in the civil service, particularly engineers and architects, are used to regular work hours, which do not include activities at night and during weekends that are often necessary in those types of projects. The resolution of conflicts and activities of community organizations that upgrading projects often require, have neither been a part of their previous professional education, nor of what they see as their responsibilities.⁴

4) Inadequacy of existing urban standards for urbanization projects: Urbanization projects, despite their goal of maintaining the original population in the area, often involve some degree of displacement. The upgrading and addition of roads and the

⁴ On the role of the *tecnico*, particularly in self-help projects, see Eduardo N. Vieira, "Quando o Poder Público Promove a Auto-construção ou o Mutirão," in O Rio Grande do Sul Urbano, Naia Oliveira and Tanya Barcellos, eds. (Porto Alegre: FEE, 1990), 73.

subdivision in lots causes houses to be moved and relocated elsewhere in the same area, or, if there is not enough land, outside the settlement. The urban regulations establishing sizes of lots, width of roads, land use and building setbacks have proven to be inadequate to the characteristics of urbanization projects. The Master Plan of Porto Alegre determines 125 m² as the minimum lot area and 12 m as the minimum road width. If these standards were relaxed, the number of displaced families could be lowered. Narrower roads, for example, would release land for a larger number of lots. Lots with smaller area would allow more families to remain in the settlement.

Over the years, DEMHAB has changed these standards by using different kinds of land tenure, such as horizontal condominiums. In the horizontal condominium, people do not own individual lots, but rather a fraction of the whole area and have the right of using all the common areas. The Master Plan allows lower urban standards for streets (6 m) and plots (108 m²) in this kind of project, because of the increase of common areas. The reason DEMHAB has used this solution is not only because of the possibility of maintaining more people in the same area but also because of their limited ability to pay for larger plots.

The phases of the building process have proven to be lengthy and costly in DEMHAB. As said earlier, the average time for completion of projects in the public sector is greater than in the private sector. DEMHAB's projects have not been behind schedule, but followed the average of public sector projects. The long time taken for the implementation of public projects, either new construction or urbanization, has often exceeded the time executives stay in their positions. *Técnicos* and former and present directors of DEMHAB agreed on both the expected and unexpected difficulties of completing projects and their unwillingness to stop projects. This approach is explained by possible advantages that accompany ongoing projects. First, the political

propaganda that the completion of a project brings along with it, even if it was not initiated by the same administration, is very appealing for executives and politicians. Second, the guaranteed allocation of resources that accompany ongoing projects may be utilized for the distribution of patronage by the incoming administration either through the granting of job positions or through the facilitation of access as recipients of DEMHAB's units. Whereas these first two reasons apply for executives seeking particular electoral support and political recognition, what would explain the continuity of projects when executives do not have these aspirations? A third factor answers this question. In the case of an agency whose main activity is the construction of low-income housing, the suspension of ongoing projects might cause an image of backwardness and immobilization of the agency, which is politically undesirable. Phase IV's executive indeed confirmed this assertion. When asked about her first actions after taking office in DEMHAB, she pointed out the undertaking of a reevaluation of all the ongoing projects as a mistake. This reassessment process almost paralyzed the activities of the agency.

The Funding Process

In the previous section, I showed how the building process related to the funding process through the interdependence of phases of construction and release of funds. In this section I will focus on the guarantee of fund allocation in the early phases of a project; on DEMHAB's role in bringing resources to the city government; and on the independence of salary costs from project funding as reasons for the continuity of projects across administrations in DEMHAB.

Since 1969, when DEMHAB entered the Housing Finance System (SFH), the agency has relied heavily on federal resources to implement its projects. As a

regulator of SFH, BNH established general rules for the system, including conditions for mortgages and deposits, reserve requirements and interest rates. Given this relationship, the conditions of DEMHAB's loans for construction and subsequent finance for the residents have been dictated by BNH. Since 1986, loan conditions have been regulated by the Federal Savings Bank (CEF). Once the resources were allocated for a particular project in the negotiation phase with the bank, the funds were guaranteed, and it depended on the agency to conduct a speedy process to release the loans.

This process, though, could take years, as the case of the "Vila Pinto Project," which was included in the "credit line" in 1983 but did not have its loan released until 1990. The withdrawal of BNH resources from urbanization projects starting in 1983, the closure of the bank in 1986, and the hesitance of DEMHAB's executives to tackle a very problematic area may explain the deferral of the project. Despite all these factors, the project that began in Phase II was completed during Phase IV. There are also examples of projects that experienced shorter and less troubled processes. Yet changes in administration did not disrupt such projects. In the case of DEMHAB, the guarantee of the allocation of funds in early stages of the process facilitated the continuity of projects across various administrations. Another factor that supported the continuity of projects in DEMHAB was the agency's capacity to obtain resources for the city government through the access to BNH loans. This access is not possible for other municipal secretaries, because of the structure of the city administration. The city administration is divided into direct and indirect administration. The direct administration contains the mayor's cabinet and the Municipal secretaries. The indirect administration contains the *autarquias*-- independent authorities-- foundations, and public and private enterprises that are maintained by the city government. The

direct and indirect administrations have separate budgets. Whereas the secretaries are included in the municipal budget, DEMHAB, as part of the indirect administration, is not. The city government only covers the payroll of DEMHAB's employees. Because DEMHAB is an *autarquia*, an independent department, it can take out loans with the collateral secured by the city government. That is why; for example, DEMHAB could get loans from BNH for the implementation of infrastructure, while the Municipal Secretary of Roads and Works could not. These funds, which were used to implement and improve services, released the burden of maintenance costs from other municipal secretaries. The Nova Restinga Project, financed by BNH, included a power sub-station and a water main that benefitted not only the area of the project but the adjacent land as well.

DEMHAB's projects represented an extra flow of resources that indirectly were utilized by the city as a whole. These resources have been, and still are, very large. An illustration of the significance of these funds is the relationship between the 1991 budget of the city government for the implementation of roads and DEMHAB's budget for a single project. Whereas the municipality allocated 400 million cruzeiros for the construction of roads in 1991, DEMHAB had 200 million cruzeiros for the same purpose in just one of its projects.⁵ The city government, thus, had a strong interest in showing BNH good results, through the completion of projects, as a support for future loans. Besides the material advantages, mayors receive political gains through the image of dynamism and entrepreneurship generated by so many accomplishments.

A third factor contributing to the continuity of projects in DEMHAB is the separation between salary funding and project funding. As stated earlier, the

⁵ Lires Marques, Director of DEMHAB, 1989/..., interview, 12 November 1990, Porto Alegre.

municipality covers the payroll of DEMHAB's employees. A six percent administrative tax charged over all the projects financed by BNH covers the maintenance and operating costs of the agency. Because salaries do not depend on BNH's funds, executives in DEMHAB have not faced the dilemma of cutting back on project investments to protect salaries in case of reduction or delays in funding.

In an evaluation about rural projects in Brazil, Tandler mentions the linkage between operating costs and capital-intensive costs as a factor contributing to the disruption of projects. In the case of project funding shortfalls, project managers would prefer to cut back on investments than to bear the political and social consequences of cutting back on salaries.⁶ The case of DEMHAB, which had its payroll financed by the municipal government and its projects financed by BNH (later by CEF), corroborates the hypothesis that different sources of funding for salaries and project construction and investments may improve the implementation of projects.

The funding process proved to have facilitated the implementation of projects, stimulating their continuity across administrations. The guarantee of funding in early stages of the project, the ability of DEMHAB to complement the scarce municipal resources, and the division of funding between city and federal governments, for salaries and project costs respectively, stimulated DEMHAB's executives and city mayors to carry out ongoing projects. It was not visible, thus enhanced their willingness to block the unfolding of projects in DEMHAB over the years. The projects represented sources of funds for the city administration and there was no interest in interrupting them. Eventual delays were due to the bureaucracy involved in their execution, and/or to the lack of resources of the financing source, rather than to a

⁶ Judith Tandler, "Northeast Brazil Rural Development Evaluation" (Cambridge, Draft, December, 1989), 52-59.

political unwillingness to carry them out. According to the present director of Programming of DEMHAB, there is no project in DEMHAB, with allocated resources, which has been suspended in the last four administrations of the city, that is, since 1970.⁷

Why less Continuity in Phase III?

Executive's Actions

During Phase III there was less continuity of projects in DEMHAB. The executive's direct interference along with community pressures caused two projects to be conceptually modified. These projects had been approved by the previous administration. The "Vila da Pascoa Project" had its design changed from walk-up buildings to sites and services. The "Fraternidade Project" had a site that had been previously reserved for a park subdivided into lots. When interviewed, DEMHAB's executive of Phase III did not mention changes in these particular projects. Because this was information given by *tecnicos* when interviewed, and I did not have the opportunity to examine these projects in more detail, I have very few elements to draw conclusions about the reasons for these transformations. It appears, however, that political reasons drove the executive's decision for the changes. In both cases, the adopted solution accommodated more people, thus increasing the opportunities for clientelistic practices in the granting of access to the units.

The impact of BNH closure

The previous section showed the close relationship between DEMHAB and BNH. This section will briefly discuss the closure of BNH and DEMHAB's responses to the

⁷ Luiz Carlos Bonin, Programming Division of DEMHAB, telephone interview, 20 December 1990.

new circumstances. Not only had the national economic context changed with the consolidation of a recession and skyrocketing inflation, but the political environment of the city and DEMHAB had also changed. In 1985 there were free elections for the city government for the first time, since the military coup in 1964. The victory of PDT, a populist party, did not change the clientelistic practices of Phase II, but it did open some channels for the institutionalization of community participation in the making and implementation of policies in the city through the Popular Councils and through the implementation of self-help projects. These projects were, indeed, DEMHAB's response to the growing scarcity of resources for low-income housing provided by the Federal government since the closure of BNH in 1986.

DEMHAB depended upon BNH resources to carry out its programs. Any change in the national economy would directly affect DEMHAB. The recession which began in the early 1980s eroded BNH's main resources of funds for low-income housing and affected the housing production of DEMHAB as well. Nevertheless, the impact of this erosion did not show up in the indicators until 1985 at the earliest.⁸ Table 7 shows the drastic drop of DEMHAB's production, from 1,924 units in 1985 to 96 in 1986. In 1983, the cutbacks in resources affected DEMHAB through the slowdown and suspension of some projects. In 1987, DEMHAB had to stop the construction of approximately 150 units.

The economic crisis also affected private banks and construction firms. Housing Companies, such as COHAB-RS, contracted with private companies for the construction of their projects. Hence, the bankruptcy of a regional bank and local construction firms heavily affected COHAB, DEMHAB's counterpart at the state level. In 1987, COHAB had nearly 11,500 incomplete units in the Metropolitan Area of

⁸ Vetter, Financing National Investment Programs, 37.

Porto Alegre. On some of these projects construction had been dormant since 1983. Private firms had approximately 2,000 low-income housing units paralyzed. The majority of the incomplete units were located in the cities of Alvorada and Canoas, and some in Porto Alegre. During 1987, low-income families invaded a total of almost 14,000 incomplete units in the Metropolitan Region of Porto Alegre. This invasion of incomplete units belonging to public and private sector was the first time in the country's history.⁹ Considering the number of COHAB's and DEMHAB's incomplete units, the impact of the economic crisis and BNH closure in DEMHAB was relatively small. The major part of DEMHAB's invaded units were sold to the squatters and had their construction completed subsequently.

Since the closure of BNH in 1986, CEF has not released resources for the acquisition of land. The effect of this sharp cutback in funding has been a more "local" alternative for the buying of new areas and an emphasis on self-help projects. The local approach was translated through the use of legislative and urban control instruments to obtain resources to finance the purchase of land for low-income housing.¹⁰ This device has also been used by DEMHAB during Phase IV. The new city constitution, approved in 1990, included other legislative instruments that should provide resources for the implementation of low-income housing in the city.

⁹ Marta P. Ghezzi, Glenda P. Cruz and Eduardo N. Vieira, "Aspetti Politici e Tecnologici della Questione Abitativa Brasiliana," in *Tecnologie per lo Sviluppo Urbano e Suburbano* (Faenza: E.A. Fiere di Bologna, 1987); COHAB, "A COHAB que Recebemos- Relatório 1987" (Porto Alegre: COHAB, 1988).

¹⁰ These legislative instruments are known as "indices sale." The "indices sale" is the sale of the right to build more in areas adjacent or under the radial influence of zones that have less density than it was foreseen by the Master Plan of the city. For example, when the city government establishes areas of parks, it is in reality, not allowing anything to be built in that area, lowering the density of that section. The city, thus, can sell to other public agencies or private enterprises the right to build the corresponding volume of construction in a neighboring area. Fifty percent of the money generated by this transaction is used for the implementation of the Master Plan, which includes the acquisition of land for the provision of low-income housing.

The continuity of projects was a positive aspect of DEMHAB. It avoided the conspicuousness of incomplete construction and the waste of public resources. This continuity portrayed an example that contradicts the image of inefficiency that city and public administrations have in developing countries. It showed, however, that if continuity happens, it is not because of enlightened principles of politicians and executives for the public good, but because it serves explicit political goals.

CHAPTER FOUR

COMMUNITY INTERACTION IN DEMHAB

EVOLUTION OF DEMHAB- 1965/1990

.Period	.Regime .Party	.Executives and <i>Técnicos</i>	.Continuity of Projects	.Community Interaction
.PHASE I 1965/75	.Bureaucratic- Authoritarian .Conservative-PDS	.less friction	.continuity	.Antagonism .no community interaction .no empowerment
.PHASE II 1976/85	.Bureaucratic- Authoritarian .Conservative-PDS	.more friction	.continuity	.Limited Acceptance .community interaction .no empowerment
.PHASE III 1986/88	.Democratic .Populist-PDT	.more friction	.less continuity .BNH closure	.Acceptance .community interaction .empowerment
.PHASE IV 1989/90	.Democratic .Progressive-PT	.less friction	.continuity	.Support .community interaction .more empowerment

This chapter discusses the evolution of DEMHAB's interaction with the community over the last 25 years. From 1965 through 1990, the response of the city government in Porto Alegre to the growing number of settlements on invaded areas has shifted from antagonism, to acceptance, and finally to support. Parallel to this trend, DEMHAB's interactions with its recipients evolved from top-down to bottom-up approaches. I define the interaction of DEMHAB with the community as the mechanisms that the institution uses to involve the target population in policy making and project implementation, and the decision-making power of communities within the various phases of this process. The authoritarian and personalistic style that prevailed during Phases I and II gave place to a more democratic, but still individual approach in Phase III. Not until Phase IV did this interaction involve representative participation of both recipients and DEMHAB employees.

In discussing the changes in DEMHAB's attitudes, I address the following questions: Why did the agency's attitude toward community participation in the planning process change? What impacts did these changes have on the implementation of DEMHAB's policies and on the dynamics of the institution? To answer these questions, I have divided the chapter into three sections, covering the periods of antagonism, acceptance and support. In each section I depict DEMHAB's actions, explain the reasons for DEMHAB's undertaking such actions, and identify the reflections of each approach on the levels of community participation and on the structural organization of DEMHAB.

Antagonism - Phase I

During Phase I, DEMHAB centered its actions on the implementation of the national housing policy. Squatter removal and relocation were important parts of this policy. The policies of squatter removal in Brazil date back to 1947, when the federal government created the Commission for the Eradication of Favelas. The creation of BNH and the centralization of resources and policies enabled the regime to implement a nationwide removal program. From 1965 to 1975 DEMHAB removed 14,400 units, corresponding to 62,800 people. Squatter removal took place in those areas with valuable land. 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. Despite the removals, the squatter population kept increasing. Whereas in 1965 the squatters in Porto Alegre totaled 65,600 people, and accounted for 8 percent of the city population, in 1973 these figures jumped to 105,800 and 11 percent, respectively (see Table 1).

The series of evictions carried out by DEMHAB during this period required an immediate solution for the placement of the dwellers. The Nova Restinga Project would house the evicted families and shift 20 percent of the population of an adjacent settlement, Restinga Velha, which was used as a transitional area between the evictions and the final destination of the families. The Nova Restinga Project embodied the national housing policy in the social interest. The goals were to implement infrastructure and build 3,867 housing units in three years. The Nova Restinga Project was DEMHAB's first project to be financed by BNH in Porto Alegre.

Besides the Nova Restinga Project, the agency concentrated its actions on the upgrading of older DEMHAB settlements. This upgrading program was implemented on the agency's land and not on invaded or illegal settlements. DEMHAB's policy during the 1950s had provided low-cost housing on unserviced plots, as a way to lower costs for the agency and its recipients. With the advent of the National Housing Bank and DEMHAB's incorporation into the housing finance system, the administration during Phase I requested and obtained resources from BNH for the upgrading of DEMHAB's own areas. This was a fairly innovative action, since upgrading programs at a national level had not started until 1979.

During this period, the policy of DEMHAB did not involve any community participation. It followed the rule of the regime: concentration of power and technocratic practices. The city government and DEMHAB had the decision-making power regarding the choice of the areas to be cleared and the ones to be upgraded. 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. The authoritarian and

repressive apparatus, which supported the military dictatorship, not only had discouraged negotiation, but also had crushed earlier attempts of resistance by squatter populations in other cities such as Rio de Janeiro and São Paulo.

The internal structure of DEMHAB did not undergo major changes during this period. Along with the Direction, there were two main divisions, the Technical Division and the Financial and Administrative Division, and three Sectors directly linked to the Direction of DEMHAB, namely the Juridical Sector, the Social Sector and the Planning and Programming Sector. The interaction between DEMHAB and the dwellers, particularly in the squatter removal process, was done through the work of officials of the Social Sector, who conducted surveys to identify and relocate dwellers in temporary sites before the completion of the new housing units built by DEMHAB. The intense process of squatter removal required the creation of a special unit, the Operations Service (Serviço de Operações-SO), which was linked to the Financial and Administrative Sub-directory. SO was in charge of the demolition, removal and in some cases, the reconstruction of the evicted shacks. Despite the active intervention of DEMHAB in the provision of housing in Porto Alegre, particularly after 1969, the number of employees until 1975 remained stable, around 200 people, if compared to the steady increase of workers in subsequent periods (see Table 12).

Acceptance - Phase II and Phase III

The drastic drop in the number of evictions and the implementation of new national housing policies illustrate the shift from antagonism to acceptance in DEMHAB's attitude toward squatters. Phases II and III embodied this new approach. During these two phases, the removal of squatters was significantly lower than in Phase I. In twelve years, from 1976 to 1988, the number of evicted units reached

3,138, in contrast to 14,408 units removed during Phase I (see Table 10). It was also during Phase II, that BNH launched a series of programs centered on the upgrading of invaded areas as a new option for the intervention of the state in the problem of low-income housing.

In 1975, BNH initiated the Financing Program for Urbanized Lots (Programa de Financiamento de Lotes Urbanizados-PROFILURB). PROFILURB would only finance the lot and not the construction of the housing unit, the latter being built through means other than the formal financing system. In 1977, the Financing Program for the Construction of Housing (Programa de Financiamento de Construção ou Melhoria da Habitação-FICAM) would introduce self-help as a means of lowering construction costs, through the financing of construction material for owners of already legalized lots. Not until 1979, however, would BNH gather in one program the whole urbanization of the squatter areas, through the Program of Eradication of Sub-standard Housing (Programa de Erradicação de Subhabitação-PROMORAR). The objective of the project was to eradicate the squatters from the Brazilian landscape, at this time not through their removal, but through their incorporation into the urban environment. For that, it proposed the provision of infrastructure and the legalization of tenure for the invaded areas. The project included self-help with technical assistance provided by the authorities, as well as private contractors for the building of the community facilities. The last program launched by BNH was the self-help João de Barro Project, for families earning 1.5 minimum wages, who had not been benefitted by the earlier programs.¹ What explains the shift from antagonism to acceptance attitudes in DEMHAB, since there were no changes in the political parties ruling the city and the country?

¹ Eduardo Vieira, "Quando o Poder Público Promove a Auto-Construção ou o Mutirão," 59-60.

The reawakening of the grassroots movements in Brazil and the large defeat of the conservative government party in the congressional and state assembly elections in 1974 form the context for DEMHAB's drastic shift in attitude. **Firstly**, in the beginning of the 1970s, after almost a decade of strong military repression, the civil society in Brazil emerged as an active player in the political environment. The church, the bar association and the press had important roles in the outset of the process. With the expansion of the political opening through the latter half of the decade, the unions, professional groups, cultural associations and grassroots movements also entered the political arena. The grassroots movements were the organization and efforts of the poorer segment of the urban population to win basic services such as water, sewer, electricity, housing, health assistance and transportation. The reawakening of the grassroots movements in Porto Alegre followed the trend of the whole country. In the second half of the 1970s Vila Campo da Tuca and Vila Ramos, settlements located on invaded land, began movements demanding the provision of public services in their areas, with water being the major demand. In 1980, DEMHAB included Vila Ramos in the PROMORAR Project in Porto Alegre. BNH initiated this national program in 1979, and launched the upgrading of invaded lands.

Secondly, the process of political decompression initiated in 1974 involved a change in the legitimacy of the authoritarian regime. From a legitimacy process based on the success of a development model, the government shifted to a process based on electoral support. Until 1973, Brazil experienced steady economic growth, particularly in the industrial sector. From 1968 to 1973 the industry growth rate varied from 13 percent to almost 16 percent. In 1974 it fell to 10 percent, beginning a declining period. With growing difficulties in the economic arena, an increase in the impoverished population, and the build-up of social pressure and dissent, the

government needed a new basis for legitimacy. State planners believed that it would be gained through electoral strength. The expected electoral support proved to be wrong. The elections for Senate, House of Representatives and state assemblies showed the discontent of the population with the military regime. In 1974, the opposition liberal party, Brazilian Democratic Movement (Movimento Democrático Brasileiro-MDB) substantially increased its share in the total number of votes, compared with the 1966 elections held immediately after the military coup. In the Senate MDB votes jumped from 43 percent to 59 percent, in the House of Representatives and state assemblies the figures increased from 35 percent to 48 percent.²

The defeat of the government party along with the strengthening of the civil society forced the elites in power to make some concessions in their policies in order to maintain political hegemony. These concessions were directed not only at the underprivileged classes, who had not benefitted from the economic measures, but also at the median and upper income classes who felt excluded from access to the decision-making apparatus of a highly authoritarian regime. The restoration of legal and civil rights, the easing of direct censorship in the written media, and the recognition of community organizations were some of these concessions within the political realm. The government tolerated the existence of the grassroots movements, but still retained a highly centralized decision-making power.

As a need to better qualify the relationship between the state and the community, various directors of DEMHAB stimulated the formation of Dwellers Associations. These associations were created more to facilitate the management of DEMHAB than to serve as a representative instrument of the community. There was a

² Maria Helena M. Alves, State and Opposition in Military Brazil (Austin: University of Texas Press, 1985) 142-145.

common constitution to all of them. This constitution copied the patterns of the military dictatorship, because the presidential elections were not direct.³

The concentration of power in few hands and the identification of people instead of procedures to solve problems set the tone of DEMHAB's administration during Phases II and III. These two Phases did not show much difference regarding the structure of the agency and the form of interaction with the community, in terms of individual and electoral interests. They differed in the way they responded to the claims of the organized movement for urban services and participation. When talking about the acceptance approach, and in comparing it with this Phase, I explain in more detail the form of interaction and the structure of DEMHAB.

In Phase II, DEMHAB responded with forced acceptance. This response involved the use of bureaucratic apparatus to stimulate the creation of Community Associations linked to DEMHAB, with the intent to control and eventually coopt community leadership. Despite this image of democratic procedure, DEMHAB used its still strong institutional and economic power to hinder popular initiatives. The Vila Ramos Upgrading Project was an example of this type of practice.

In 1980, a Commission of Dwellers of Vila Ramos, an organization independent from the official Community Association of the settlement, held a meeting to examine the DEMHAB urbanization project proposed for the area. The meeting generated a committee to carry out an alternative project, since DEMHAB's proposal did not correspond to the interests of the community. The main differences between DEMHAB and the alternative project concerned the size of the lots, the width of the roads, the value of the monthly payments, the size and distribution of common areas

³ Jose Valdir R. da Silva, President of the Vila Nova Gleba Association, 1985-87, interview, 13 November 1990, Porto Alegre.

and the relocation of the displaced families. The following table shows these differences.

Discrimination	Alternative Project	DEMHAB Project
1.Area of lots	.minimum-150 m ² .same sizes	.minimum-less than 150m ² .different sizes
2.Width of roads	.minimum - less than 12m	.minimum - 12m
3.Monthly payments	5% of minimum wage, without construction of the house.	10% of minimum wage, with construction of the house
4.Size and distribution of common areas	.various small parks and inner blocks common areas	.one big park
5.Relocation of displaced families	.use of an existing adjacent area	.use of an smaller alternative adjacent area

Because of frictions between the community and DEMHAB, the committee conducted a plebiscite to decide which project should be adopted. The plebiscite held in September of 1981 showed a preference for the alternative project: 55 percent for the alternative project and 28 percent for the DEMHAB design.⁴ DEMHAB administration, though, did not accept the results, accusing the committee of gerrymandering practices. The City Council supported DEMHAB's decision and began the implementation of DEMHAB's project in the beginning of 1982.

This example illustrates the still authoritarian and strong power DEMHAB held, and the confrontational attitudes of both sides. On one hand, the community could express its discontent, but did not have enough power, including representation in the parliament to control policy. On the other hand, the state, represented by DEMHAB, did not have the political will to support or negotiate intermediate solutions.

Phase III was the end of the 20 years of PDS rule in Porto Alegre. In the end of 1985, there were free elections for the city government and a populist party, the Democratic Labor Party (Partido Democrático Trabalhista-PDT), took office. In Phase

⁴ Report of the Electoral Committee, Commission of Dwellers of Vila Ramos, Porto Alegre, 21 September 1982.

III, DEMHAB responded to the claims of the organized popular movement with acceptance and apparent support. Apparent support meant the spreading use of favoritism toward leaderships in exchange for political support, while not contributing to the break up of paternalistic and clientelistic practices which persisted among community and neighborhood associations. In spite of both the city government and DEMHAB utilizing such practices, the first opened some channels for the institutionalization of community participation in the making and implementation of policies. The Popular Councils (Conselhos Populares-CP) were autonomous structures formed by community organizations within a certain region of the city. Their goal was to gather these communities for the formulation and discussion of proposals to be implemented by the city government. Along with the Popular Councils, DEMHAB carried out self-help projects whose purpose was to involve a greater participation of the benefitting community. These processes had mixed results. On one hand, as public policies in a broader context, the Popular Councils were undoubtedly an advance in contrast with Phase II, when top-down decisions were predominant. They launched a process where various representatives of distinct communities discussed together the definition and priorities of DEMHAB's self-help projects. These initiatives contributed to the breaking down of corporate and competitive practices that permeated the social movements. On the other hand, in the context of DEMHAB's interaction with its recipients, the self-help programs themselves did not effectively contribute to the empowerment of the target communities, because of the prevalence of still centralized and highly clientelistic approaches.

Support - Phase IV

In 1988 the Popular Front (FP), a progressive coalition of parties, won the elections in Porto Alegre. The new administration of DEMHAB implemented drastic changes in the institution. These changes reflected the new philosophy of the agency regarding its interaction with the community. Whereas the previous administrations had predominantly had individual to individual relationships, in Phase IV the relationships between organizations have been stressed. This emphasis has meant the prioritizing of community associations' demands over individual requests, and creating channels of participation of the community in the process of implementing projects. One example of such channels is the participation of the various Community Associations of Restinga in the process of selection of the recipients of the Cabriúva Project, a sites and services project implemented by DEMHAB in 1989 in the Restinga Complex.

The Restinga Complex, located in the southern region of the city, comprises the Nova Restinga Project and other settlements implemented by DEMHAB since 1969. In the last five years, these areas have experienced a process of rapid densification mainly because of invasion of areas reserved for parks and occupation of lots with two or three units. The lack of open space and situation of overcrowdness motivated the Community Associations of Restinga to participate in the selection process of the Cabriúva Project. The main demand of the Association was to assign the project's lots to the families who were occupying the areas. Representatives of the Association and of the Social Division of DEMHAB formed a committee to select the applicants. The committee established the following criteria: 1) families with children would have priority over those without children; 2) the income of the family should not exceed three times the minimum wage; 3) lots would be assigned to families that did not own

any other property; and 4) the families who were occupying other people's lots would have priority over those families occupying invaded land. Based on these criteria, the Cabriúva Project housed 230 families.⁵

Another example of the present supportive approach is the *More Melhor Participando Project* (Live Better by Participating Project), whose implementation began in March of 1990. This project was financed by DEMHAB and did not depend on CEF loans. The goal of the project was to legalize the tenure situation of 20 subdivisions, that are on public land, and to invest the revenues generated by this legalization--mortgage payments and land taxes--in the upgrading of these areas. The Dwellers Associations of these settlements participate in the management and allocation of resources. A committee formed by representatives of each settlement, DEMHAB's officials and two NGOs has the goal of defining the areas for priority intervention and what kinds of works should be conducted.

Until the date of this study, the project was still in a preliminary stage, that is, the discussion of the project and surveys of the areas.

This shift in attitudes toward community participation in the process of planning and project implementation also impacted on the structure of the institution. In addition to a change in the philosophy of the agency towards a modern and technically oriented format, which differed from Phases II and III, Phase IV involved organizational changes, decentralizing DEMHAB's structure and reducing the number of workers. From two main Divisions, DEMHAB now has three Divisions: the Financial and Administrative Division, the Technical Division and the Housing Division. The latter is mainly in charge of the management and selling of the housing

⁵ Marcia Kouvaski, President of Nova Santa Rita Community Association since 1988, interview, 13 November 1990, Porto Alegre.

units. This activity was formerly under the coordination of the Financial and Administrative Division.

Within this reorganization, there was a transformation of the former Operations Service into the Community Relations Unit (Unidade de Relações Comunitárias-URC). The Operations Unit, created during Phase I to deal with issues related to removal and relocation of squatters, during Phases II and III has actually housed a peculiar working category in DEMHAB, the "settlement supervisor" (fiscal de vila). The settlement supervisor lived in and/or visited settlements that had been built by DEMHAB, and made weekly or monthly reports of maintenance needs, neighbors' disputes, invasions of public areas, and other issues related to DEMHAB's responsibilities. These positions were largely used by DEMHAB's executives to place political appointees, and as a base for their parties during election times. Many of these appointees were present or former presidents of community associations. These positions engendered highly politicized and paternalistic relationships between DEMHAB and the dwellers, and jeopardized the independence of the grassroots movements.

During Phase IV, the creation of the Community Relations Unit was an attempt to break down these ties and establish a new pattern of relationship with DEMHAB's clients. The goal of this new relationship was to facilitate and stimulate the participation of organized communities located where urbanization projects were undertaken in the formulation and implementation of the agency's policies. The technical information of DEMHAB's projects has proved to be the "black box" of the previous administrations. Without access to information about projects, improvements, or how the population would be affected by DEMHAB's programs, it was very difficult for the communities to effectively intervene in the institution's policies. The withholding of technical knowledge was a form of domination. Hence, the idea of the

Community Relations Unit was to make information accessible to DEMHAB's recipients. The *tecnicos'* unwillingness or inexperience in carrying out this educational task generated the need for a bridge between the project and its recipients. The main task of the URC officials, then was to mediate the work of *tecnicos* and the dwellers' aims. The mediation that URC has provided since its creation has been well regarded by *tecnicos* involved in those projects.⁶ I was unable, though, to check the opinions of dwellers concerning this subject.

This chapter depicted the changes in the patterns of relationship between DEMHAB and the community organizations. In Phase I, an authoritarian and centralized regime has given the political support for the institutionalization of DEMHAB, but for too high a price--the suppression of civil and political rights. Yet it has not resisted the political interests of subsequent administrations in Phase II. Phase III presented a more democratic environment, but it still carried the burden of clientelistic practices and the use of public institutions for personal and party advantages. In Phase IV, besides a political commitment at a national and city level to the democratization of access to urban services including housing, there are mechanisms that enable community organizations to participate in the decision-making and execution of public policies. These channels contribute to an understanding and to control that community organizations can exert on the actions and policies carried out by the city government and its agencies. This control contributes to reversing the politicization of public agencies.

The interaction between DEMHAB and community organizations has shown an increasing level of empowerment translated into new policies and popular participation within the decision-making process, particularly at a municipal level. These

⁶ Vicente B. Trindade, Technical Division of DEMHAB, interview, 22 October 1990, Porto Alegre.

transformations are closely related to the institutional changes that Brazil has experienced since 1988. The federal, state and city constitutions recently approved present some advances concerning the urban and housing policies. The social movements--community organizations, labor unions and professional associations--along with left-wing parties and progressive sections of the middle class, had a significant role in the evolution of these policies. It was not the purpose of this study to detail these innovations, but rather to stress the existence of new institutional mechanisms that the organized communities have gained in this process.⁷

⁷ For an overview of the constitutional changes in urban policies at a national, state and city level, particularly Porto Alegre, see Simone A. Pereira, "O Novo Espaço Institucional dos Municípios," and Suzana Moura, "Perspectivas de Democratização da Gestão Municipal," in O Rio Grande do Sul Urbano, eds. Naia Oliveira and Tanya Barcellos (Porto Alegre: FEE, 1990) 9-24 and 43-54.

CONCLUSIONS

In this final chapter, I will summarize the findings and conclusions reached in the earlier chapters, and show how the three aspects analyzed are intertwined. These interrelations also lead to new conclusions and give some directions for further research.

The friction between executives and *tecnicos* in DEMHAB stemmed from the control over the processes of purchase of land and selection of applicants for DEMHAB's units. Whereas *tecnicos* had the formal responsibilities to determine and fulfil the established procedures, executives had the informal power to change these procedures. It was not surprising that the disagreements stemmed from two highly valuable and demanded assets: urban land and housing. Policy affected such basic question as what land should be bought from whom, who should have access to public land, and whether land ought to be developed as plots or houses. This gave extraordinary bargaining power to the ones who controlled this process in DEMHAB. The executive's position in DEMHAB offered attractive opportunities for those seeking political advantages. In exchange for political support, executives simultaneously favored both elite groups and poorer segments of society. They favored elites when buying devaluated land, and the urban poor when facilitating their access to the financing of DEMHAB's units and/or buying invaded areas.

The connection between discontinuity of projects and changes in administrations in public institutions is a commonplace view among scholars and lay persons. This idea, however, may not apply to all kinds of projects. When discussing the continuity of projects in DEMHAB, I argued that the interrelationship between the building process and the funding process caused the continuity of projects in DEMHAB: the building

process because of its length in time and fragmentation in phases; and the funding process because of the guarantee of funding in early stages of the project, the ability of DEMHAB to complement scarce municipal resources and the division of funding between city and federal governments. Thus, the characteristic of a built product as the result of the agency's policies made DEMHAB's projects less vulnerable to disruption.

The shifts in DEMHAB's attitudes, from antagonism, to acceptance and finally to support, toward community participation in the implementation of policies and projects were closely related to the changing political and economic environment in Brazil. The impoverishment of urban population and the dramatic increase in the housing deficit contributed to this shift in attitude, because of the state's inability to deal with increasing social pressure and with the magnitude of the problem. However, the political decompression along with the emergence of grassroots movements in the 1970s, and the institutional changes in the late 1980s had strong impacts on DEMHAB's actions. These changes proved to be the most effective when, along with the new mechanisms of representation, there was the political willingness of parties and executives to operate within established procedures and to promote community participation. This shifting in relationship between DEMHAB and the community is still present. A good example of this is the community participation in applicant selection. The challenge for progressive governments and the grassroots movements alike is to consolidate these practices in a way to strengthen the popular movements and to reinforce the fulfillment of institutional procedures within the state and its various arms, including public agencies.

The three aspects analyzed had close relationships among them. First, electoral interests and political pressures motivated executives' actions to differ from technical

recommendations. Simultaneously, the lack of institutional channels for popular participation facilitated executives undertaking such actions. The favors executives and politicians granted to poorer segments of society have historically proven to be based on the exchange for electoral support. In DEMHAB, the control of the selection of applicants for a valuable and individual good, such as housing, offered executives the opportunity to establish personal interaction between them and the beneficiaries, strengthening political ties. Three of DEMHAB's executives have run and won elected positions after leaving office. Two of them have stayed in the direction of DEMHAB for long periods, enabling them to consolidate electoral bases.

In the process of purchase of land in DEMHAB, the pressures exerted by landowners and real estate groups were likely to be much greater than the pressures exerted by grassroots movements. Landowners and real estate groups play a key role in the urban development in Porto Alegre. A recent study showed that, in 1987, 41 percent of Porto Alegre's urban land was vacant. Moreover this land is highly concentrated in the hands of few owners, with only 3 percent of the vacant urban land belonging to the public sector (federal, state and the city).¹ This concentration of land has significant political connotations, as landowners can influence a great deal in the establishment of land policies and prices.

The attractiveness of executives' position in DEMHAB, given their informal power to break established procedures, have been enhanced in authoritarian environments and restrained in situations where there were mechanisms of control to break down such practices. The conventional forms of democratic representation in society have proved to be ineffective to stop patronage. The institutionalization of channels of popular

¹ Naia Oliveira and Tanya Barcellos, Vazios Urbanos em Porto Alegre (Porto Alegre: FEE, 1989), 23-36.

participation appear to be an alternative mechanism for combating clientelistic practices at various levels, including those found in public agencies such as DEMHAB.

Second, the characteristic of a built product, its indivisible use and type of appropriation increase executives' opportunities for clientelistic practices based on personal interaction. I argue that the type of the built product and the way it is appropriated by the beneficiary also are factors affecting the major or minor vulnerability to discontinuity among various types of projects. Projects that offer access to individual assets, for example housing units or lots, are less vulnerable to discontinuity than the ones that offer access to collective services, for example hospitals and schools. The demand for shelter is much higher than the demand for collective services, because of the advantages it may offer to the individual recipient. A house or lot may be sold and/or generate extra income through rent, because its a durable good it can be transferred to other generations. The services offered by hospitals or schools, in remaining in the state's hands, besides being subject to future disruption of services, do not offer the material opportunities houses do. Because of the particular qualities of a housing unit, and the transference of property rights from the state to the beneficiary, the granting of access to such an asset is very appealing to those who have the control of its distribution. As stated earlier, in this chapter the distribution of DEMHAB's units involved a personalistic interaction between executives and beneficiaries. This kind of interaction set the tone particularly during phases II and III, in DEMHAB. The political use and personal imprint of DEMHAB's executives was not being done through the suspension of old projects and implementation of new programs, but rather through the kind of interaction the institution carried out with the community it served.

This study has showed that the three aspects analyzed have close relationships among them. In my view, the political nature of the executives position in DEMHAB and housing being the product of its policies cause interference in the distribution of the product and the operation of the agency. These relationships, however, are complex and many times not visible at a first glance.

Among the issues analyzed in this thesis, some deserve further studies, because of their unexpected findings or controversial nature. First, the continuity of projects in DEMHAB is still intriguing. A comparative study among various public agencies may corroborate or contradict the argument I presented to explain the continuity of projects in DEMHAB. The analysis of the implementation of different types of projects by distinct city agencies and the way their products affect the target population might show significant differences concerning their vulnerability to disruption. Second, the opposition between urban standards and capacity to pay for the fulfillment of these standards appeared as one source of disagreement, not only between executives and *tecnicos* but also between professionals themselves. The notion of standards is embedded by cultural, economic and social values. Whereas in Brazil the minimum lot size for low-income housing is 125 m², in India lots with the same characteristics have an area of 15 m². A comparative study between solutions adopted by the informal sector and those imposed by city codes and plans may show that accepted urban standards and regulations were not designed considering the needs of poorer segments of society. Third and last, the bipolarity between technical recommendations and political decisions permeated much of the discussion of this study. The perception of opposition of technical assessment to political action has dominated the environment of public institutions for various years in Brazil. The advent of new institutional channels and political practices may illuminate the way to

an alternative situation where politics is not view as bad and opportunistic but as a legitimate way of organization and representation of society. This issue, more than studied, needs to be practiced.

APPENDIX A

NATIONAL HOUSING POLICIES

The origins of BNH - In 1946 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. Prior to FCP, various organizations and professional retirement funds financed housing only for their members. Besides utilization of grants and transfers from the National Treasury, FCP would collect its funds through a 1 percent tax on any real estate transaction, in which the transfer tax exceeded 100,000 cruzeiros. 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.

It was not a coincidence that both the national and Porto Alegre initiatives were launched in 1946. At this time, the country was experiencing a period of democratization, after seven years of rule by an authoritarian regime.¹ 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 claimed for access to low-income housing and urban services.

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 towards the failure of FCP to build an institutional capacity to respond to

¹ In November of 1937, supported by the military, president Getulio Vargas suspended the presidential elections and installed an authoritarian regime (the Estado Novo). For an overview of Brazilian history and politics of this period see, Thomas E. Skidmore, Politics in Brazil, 1930-64: An experiment in democracy (New York: Oxford University Press, 1967).

the growing demand for its services.² The overthrow of the populist government in 1964 by a military coup represented a drastic change for housing policy in Brazil.

The Structure of BNH and of the Housing Finance System - In August of 1964, the new military dictatorship created BNH and the Housing Finance System (SFH) to coordinate public housing policies, to stimulate private savings and investment, and to assist the construction industry. 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, capturing resources, and constructing of units were crucial for the implementation of the SFH's policies.³

The SFH was divided into two main financing organizations: the National Housing Bank-BNH and the Brazilian Savings and Loan System (Sistema Brasileiro de Poupança e Empréstimo-SBPE). BNH assisted in the financing of low-income housing, also called "social" housing and SBPE in the financing of median and high-income housing, also called "median" housing.

BNH financing was directed at two distinct markets: the **popular** market and the **economic** market. The popular market included families earning from 1 to 3 times the minimum wage and had the Housing Companies-COHABs in charge of the financing of the units. The economic market included families earning from 3 to 6 times the

² From 1946 to 1960, FCP had built 16,964 housing units. The spatial distribution of FCP units showed that neither São Paulo, nor Porto Alegre, growing industrial cities, were benefitted with FCP housing. For a detailed discussion of the housing policies and performance of FCP see Azevedo and Andrade, Habitación e Poder, 20-39.

³ Erminia Maricato, Politica Habitacional no Regime Militar (Rio de Janeiro: Vozes, 1987), 30.

minimum wage and had the Housing Cooperatives (Cooperativas Habitacionais-COOPHABs) in charge of the financing of the units.

SBPE finance was directed to the **median** market, that included families with monthly earnings over 6 times the minimum wage.⁴ SBPE contained various private and public institutions that administered the finance of units for the median market. On the private side there were the Private Savings and Loans Associations (Sociedade de Crédito Imobiliário-SCIs) and the Mutual Savings and Loan Associations (Associações de Poupança e Empréstimo-APEs), and on the public side, there were the existing Federal and State Savings Banks (Caixa Econômica Federal-CEF and Caixas Econômicas Estaduais-CEEs).

The Housing Finance System captured its resources from two main sources: compulsory and voluntary savings. Compulsory savings corresponded to 8 percent of the monthly wages of regular workers. This compulsory account is collected by the state and deposited into the Length of Service Guarantee Fund (Fundo de Garantia por Tempo de Serviço-FGTS).⁵ Voluntary savings were captured by the thrift institutions through Indexed Savings Accounts (Cadernetas de Poupança-CPs). CPs paid 6 percent of interest a year with balances adjusted every three months, due to inflation. BNH centralized the regulation of the terms and conditions of loans, the assignment of credit institutions, and the index of savings accounts. The construction of the units, regardless of the segment of the market, was done by the private sector.

⁴ Later the limits were raised from 3 to 10 minimum wages. Presently, COHABs finance units for families earning until 10 minimum wages and the SBPE for families earning above 10 minimum wages. The reason for these changes was the gap between the capacity of the lower income segments to pay and the constant increase of construction costs.

⁵ The workers could withdraw the FGTS in case of illness, retirement or unemployment.

The whole housing finance system was based on indexing. Until 1980, both corrections of assets and liabilities were based on the same index. The skyrocketing inflation in the 1980s, caused a change in the system.

Savings accounts and the unpaid principal on mortgages were adjusted each month using the Variable-rate National Treasury Bond (Obrigação Reajustável do Tesouro Nacional-ORTN), whereas mortgage payments were adjusted quarterly using the Standard Capital Unit (Unidade Padrão de Capital-UPC).⁶ The value of ORTN was adjusted each month according to the national wholesale price index. The UPC, an indexing mechanism used by BNH until the 1980s, was adjusted quarterly, according to the monthly revaluation of the ORTN. At the beginning of each quarter, ORTN and UPC had the same values.⁷

Loans of the popular and economic markets, hereafter called **social** market, 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. The SBPE charged from 10 percent to 12 percent interest a year with the mortgage loans ranging from 15 to 25 years.⁸

⁶ David M. Vetter, "Financing National Investment Programs for Human Settlements Development in Brazil", (Draft, 25 September 1989).

⁷ Roger Sandilands, Monetary Correction and Housing Finance in Colombia, Brazil and Chile, (Farnborough: Gower, 1980) 148.

⁸ The interest rates were reduced in 1975. For the social market, they were reduced from 1%-10% to 1%-8.6%. For the median market, they were reduced from 10%-12% to 6%-10%. See Roger J. Sandilands, Monetary Correction and Housing Finance in Colombia, Brazil and Chile (Farnborough: Gower, 1980) 123-144.

APPENDIX B

NOVA RESTINGA PROJECT AND VILA TRONCO PROJECT

Nova Restinga- New Construction Project

In May of 1969, DEMHAB purchased a 142 ha tract of land in the rural southern part of Porto Alegre to place the population which had been removed from other areas of the city. Since DEMHAB had not entered the housing finance system -SFH- at that time, its scarce resources were not enough to buy land closer to the urbanized areas of the city. The Nova Restinga Project was the first of DEMHAB's projects to include the implementation of infrastructure along with construction of brick housing units. Previous city housing policy had been to sell unserviced lots with a house, as a means of making houses affordable for low-income segments of the population. The lots were larger (300m²) than today (150m² and 108m²), homes were clad in wood, which in the past was cheaper than brick, and homes were larger (4 rooms= 42m²) in comparison with the largest homes of the New project (3 bedrooms=36.5m²). This Project represented the beginning of the DEMHAB and BNH lending relationship.

The initial project, contracted out by DEMHAB and designed by two well known architects of Porto Alegre, comprised 3,800 housing units divided into 4 "Neighborhood Units". Besides an elementary school, day-care, and commercial center, each Neighborhood Unit had 4 different types of houses: core units (16.8 m²), one bedroom (23.8 m²), two bedroom (30.2 m²) and three bedroom (36.5 m²). In the geographical core of the project area, there were educational, recreational, and cultural centers as well as church, commercial and health services. Projects were financed by BNH who proposed implementation of an industrial district adjacent to the residential area. The Industrial District had an area of 160 ha. and was designed to place non-pollutant industries, retail and services, as well as parks and recreational areas. Firms

located in the district would generate 5,600 new jobs. The implementation of the Industrial District would minimize one of the biggest problems of the Nova Restinga Project, namely, the distance of the settlement from the more dense areas of the city and the insufficient means of transportation available. The Nova Restinga project foresaw a population of approximately 20,000 dwellers.

In September of 1969 the bulldozer work began in the area chosen for the 1st Neighborhood Unit. During 1970, DEMHAB carried out topographic surveys, infrastructure projects and construction, and architectural design of Nova Restinga. From January of 1971 to July of 1972, DEMHAB built the First Neighborhood Unit with 1004 houses and Elementary School, Day-Care and Commercial Center. From 1972 until the end of 1974 DEMHAB conducted the ground clearing, infrastructure and road works of the 2nd and 3rd Neighborhood Units. Construction of 602 houses of the 2nd Neighborhood Unit did not begin until March of 1975. These units were completed by the end of 1975. Subsequent to the completion of the 2nd Neighborhood Unit, the 3rd Unit was initiated and completed in August of 1976, with 816 houses. The 4th Unit, with 1086 dwellings, was built in a period of three years, from 1977 to 1980. The implementation of the whole project, which was intended to take three years and build 3,800 houses, according to the BNH-DEMHAB contract, lasted for ten years, consisted of 3,508 units, and was managed by three different directors, indeed representing the same conservative party.¹ If one were to divide the project into three main phases, as separate projects, the duration of each phase would be as follows:

1st Neighborhood Unit- 1004 units- September 1969-July 1972 - 3 years

2nd/3rd Neighborhood Units- 1418 units- August 1972-August 1976 - 4 years

¹ See Accord BNH-DEMHAB, 1971, DEMHAB Archives.

4th Neighborhood Unit- 1086 units- 1977-1980 - 4 years

These figures confirm the estimates given by DEMHAB's *tecnicos* earlier in this study, when asked about the time lag between the date of the loan commitment and the time of the sale of the unit for the first family.

Continuity and Changes of the Nova Restinga Project Due to the low density of the original project that was designed with detached houses on single plots, the administration handling Phase II built walk-up apartments to increase the density in the area. The two housing complexes built by DEMHAB, from 1977 to 1980, had 512 and 416 apartments each, adding 928 families to the population of Nova Restinga. During this same administration, in 1978, DEMHAB purchased some land to build the 5th Neighborhood Unit of the Nova Restinga Project. DEMHAB did not begin construction of the 5th Unit until 1989. The Nova Esperança Project is expected to have 609 lots. Of these, 450 lots will be developed with core houses (room, kitchen and bathroom). The Cabriúva Project was completed in 1990, with 215 lots. This is the only project being implemented with DEMHAB's own resources. It is important to point out the change in the size of lots implemented by DEMHAB. Whereas the 4 Neighborhood Units had 10x15 m (150m²) lots, the 5th unit is being built with 6x18 m (108m²) lots. The decrease in the lot size is due to an increase in infrastructure costs concurrent with a decline in the real minimum wage during the last decade.

Adjacent to the Nova Restinga Project, there are other settlements on areas that also belong to DEMHAB. The entire section is now called the Restinga Complex. According to DEMHAB's estimates, the population of the Restinga Complex was close to 100,000 people in the beginning of 1990. The Industrial District was not implemented until 1990 due to problems of the legal status of part of the land designated for this use.

Vila Tronco- Urbanization Project

The Vila Tronco Project is an example of a prolonged urbanization project. Works on this project began in 1987, during Phase III administration of DEMHAB, and was still being implemented at the end of 1990, by Phase IV administration.

The settlement with 2,500 families is part of a larger area which comprises other illegal settlements and very active Neighborhood associations. DEMHAB has faced problems with the neighboring associations that complain a large investment is being made in one single area whereas nothing is done for the adjacent zones. Because of the source of the funds that come from BNH/CEF and the characteristics of the loan agreement, these resources cannot be used in areas other than the ones included in the original Vila Tronco Project. The time lag between the loan commitment and the construction schedule has caused a deflation in the value of the original loan, which is not sufficient to cover the costs for the completion of the project. Added to that, an the increase in the population of the area between 1987 and 1990, required larger alternative areas to move the families displaced by the roads and infrastructure construction. After the closure of BNH in 1986, CEF was not assigned loans for the purchase of land, constraining DEMHAB to work with its existing areas.

Table 1:
SQUATTERS IN PORTO ALEGRE- 1951/1990

	YEAR	SETTL.	UNITS	SQUAT.POP.	TOTAL POP.	%SQUAT.POP.
	1951	41	3,965	16,303	418,864	3.90
PHASE I	1965	56	13,588	65,595	748,878	8.76
	1972/73	124	20,152	105,833	950,142	11.14
PHASE II	1980/81	146	40,814	171,419	1,125,901	15.23
	1983/84	167	39,909	180,489	1,275,483	14.15
PHASE III	1988	*	*	*	1,378,762	*
PHASE IV	1990	222	*	347,847	1,431,924	24.29

Source(s):

- 1951- PMPA, Levantamento Econômico Social das Malocas Existentes em Porto Alegre (Porto Alegre: PMPA,1951).
- 1965- DEMHAB, "Levantamento Universal e as Necessidades Sócio Habitacionais de Porto Alegre" (Porto Alegre: DEMHAB, 1966).
- 1972/73- DEMHAB, "Levantamento" (Porto Alegre: DEMHAB,1966).
- 1980/81- FEE-METROPLAN, Região Metropolitana de Porto Alegre (Porto Alegre: FEE-METROPLAN, 1988).
- 1983/84- Ibid.
- 1990- SPM, "Seleção das Micro-Regiões e Areas de Carência p/ Intervenção Prioritária" (Porto Alegre: SPM-PMPA, 1990).

Note(s):

- (1) The 1990 data are estimates from 1986 and 1989 surveys undertaken by other secretaries.
- (2) * - Data not available

Table 2:
POPULATION OF PORTO ALEGRE - 1940/1990

YEAR	POPULATION (a)	GROWTH RATE (b)
1940	272232	-
1950	394151	44.78%
1960	641137	62.66%
1970	885545	38.12%
1980	1125477	27.09%
1990	1431924	27.23%

Source(s) (a) Census- IBGE
 (b) PROPUR-UFRGS, A produção da Habitação-O caso da Região Metropolitana de Porto Alegre (Porto Alegre:PROPUR-UFRGS/FINEP, 1987)18.
 (c) 1990-FEE-METROPLAN, Região Metropolitana de Porto Alegre (Porto Alegre: FEE/METROPLAN,1988) 103.

Note(s):

- (1) The 1990 data is estimated. The Brazilian gov. has not done the 1990 census.
- (2) * Data not available.

Table 3:
AREA (ha) OF PORTO ALEGRE- 1988

TOTAL	%	RURAL	%	URBAN	%	URBAN VACANT	%	URBAN VACANT	%
						TOTAL		CITY GOVERNMENT.	
48,900	100	16,155	33.04	32,745	66.96	13,714	41.88	134.35	0.98

Source(s) Naia Oliveira and Tanya Barcellos, Vazios Urbanos em Porto Alegre (Porto Alegre: FEE,1989) 33.
* FEE-METROPLAN, Região Metropolitana de Porto Alegre (Porto Alegre: FEE, 1988) 93.

Note(s): (1) Urban vacant areas correspond to the sum of unoccupied lots.They do not include parks,roads,etc
(2) City Government urban vacant areas include areas owned by the city government and DEMHAB

Table 4:
AREAS PURCHASED BY DEMHAB- 1951/1990

	YEAR	AREA (ha)
1952 - 1964	1952/64	525.44
PHASE I	1969	142.00
1965/75		
Subtotal		142.00
PHASE II	1975/79	272.40
1975/85	1980	297.32
	1981	17.63
	1982	29.68
	1985	85.60
Subtotal		702.63
PHASE III	1986/88	~20
1986/88		
PHASE IV	1989	~50
1989/90		
TOTAL		1,440.07

Source: DEMHAB, Annual Reports (Porto Alegre: DEMHAB,1981,1982,1985)

Table 5:
DEM HAB AND CITY, STATE, AND NATIONAL GOVERNMENT- BRAZIL- 1964/1990

DEM HAB (a)			CITY-PORTO ALEGRE (b)		STATE-RIO GRANDE DO SUL (c)		NATIONAL-BRAZIL (d)	
1964			Populist-PTB Screno Chaise		01/64-04/64		Conservative/Liberal- UDN/PSD Ildo Meneguetti- 01/63-01/67	
							Populist-PTB Joao Goulart	
							08/61-04/64	
Mar-64			Conservative-ARENA(PDS)		Conservative-ARENA(PDS)		Military Coup	
PHASE I			Célio M. Fernandes		Ildo Meneguetti		Conservative- ARENA(PDS)	
1965/75			04/64-01/69		01/63-01/67		Mar. Castelo Branco-	
							04/64-03/67	
			T. Thompson Flores		Peracchi Barcellos		Mar. Costa e Silva	
			01/69-04/75		01/67-01/71		03/67-08/69	
					Euclides Triches		Gen.Garrastazu Médic	
					01/71-03/75		10/69-03/74	
PHASE II			G. Socias Villela		Synval Guazelli		Gen.Ernesto Geisel	
1976/85			04/75-04/83		03/75-03/79		03/74-03/79	
					Amaral Souza		Gen.João Figueiredo	
					03/79-03/83		03/79-03/85	
					Elections			
					Nov-82			
					Conservative-PDS			
			João Dib		Jair Soares			
			04/83-01/86		03/83-03/87			
			07/85-01/86					
			Elections				Electoral College	
			Nov-85				Jan-85	
			Populist-PDT				Conservative/Liberal-PFL/PMDB	
PHASE III			Alceu Collares		Elections		José Sarney	
1986/88			01/86-01/89		Nov-86		03/85-03/90	
					Liberal-PMDB			
					Pedro Simon			
					03/87-03/91			
			Elections					
			Nov-88					
			Progressive-FP (PT/PCdoB/PSB)					
PHASE IV			Olivio Dutra		Elections		Elections	
1989/			01/89-		Nov-90		Nov-89	
					Populist-PDT		Conservative-PRN	
					Alceu Collares		Fernando C. Mello	
					04/91-		03/90-	

Source(s): (a) DEMHAB, Archives, 1990.
(b) Correio do Povo (Porto Alegre, 19 September 1982).
(c) Fidélis D. Barbosa, História do RGS (Escola Sup. São Lourenço de Brindes, 1983).
(d) Thomas E. Skidmore, The Politics of Military Rule in Brazil, 1964-85 (New York: Oxford University Press, 1988).

Table 6:**PROFESSIONAL BACKGROUND-POLITICAL TRAJECTORY-DEMHAB'S DIRECTORS**

	DEMHAB's DIRECTORS	PROFESSION AND POLITICAL TRAJECTORY
PHASE I 1965/75	Milton P. Oliveira	06/65-01/69 .non-university education, DEMHAB staff City Councilor - 1960-63 and 1964-67
	Roberto C. Silva	01/69-03/71 .*
	Norman P. Arruda	03/71-04/75 .architect, COHAB and DEMHAB staff
PHASE II 1976/85	Reginaldo Pujol	04/75-08/76 .lawyer 1972-elected City Councilor. 1976-2nd-21 elected City Councilors;14,914 votes,total-448,130
	Miguel Scalabrin	08/76-01/77 .engineer, DEMHAB staff
	Arthur Zanella	01/77-02/82 .economist 1982-6th-33 elected City Councilors;10,696 votes,total-571,403 1988-26th-33 elected City Councilors;3,166 votes,total-720,685
	Sarjob A. Neto	02/82-04/83 .*, DEMHAB staff
	Reginaldo Pujol	04/83-07/85 .lawyer
	Ruy Medeiros	07/85-01/86 .engineer, DEMHAB staff
	PHASE III 1986/88	Alvaro P. Cunha
Dilamar Machado		02/87-05/88 .lawyer and radio journalist 1982-elected state representative 1988-13th-33 elected City Councilors;4,185 votes,total-720,685
Carlos Gomes		05/88-01/89 .lawyer
PHASE IV 1989/	Lires Marques	01/89- .sociologist

Source(s): (1)As Eleições no Rio Grande do Sul (Porto Alegre:Sintese, n.d.).
(2)TRE-RS, Eleições 1982 and 1988/89.
(3)Câmara Municipal, Dep. Recursos Humanos
(4) DEMHAB archives

Note(s): * Data not available

**Table 7:
PRODUCTION OF HOUSES, APARTMENTS, AND LOTS
DEM HAB, COHAB-RS, AND BNH- 1965/1990**

	YEAR	DEM HAB	COHAB-RS	BNH	
PHASE I	1965	0	4,345	*	
	1966	0	2,205	*	
	1967	227	1,687	104,100	
	1968	0	870	165,600	
	1969	26	195	178,800	
	1970	0	125	161,600	
	1971	390	0	131,400	
	1972	614	1	101,700	
	1973	0	96	120,800	
	1974	0	777	96,205	
	1975	602	0	141,929	
	PHASE II	1976	816	201	273,763
		1977	33	829	267,713
1978		599	2,229	337,649	
1979		116	4,786	383,223	
1980		2,521	8,987	627,342	
1981		704	6,264	465,388	
1982		0	13,861	541,129	
1983		1,127	15,166	77,247	
1984		112	8,960	86,358	
1985		1,924	6,485	59,657	
PHASE III	1986	96	1,486	40,977	
	1987	120	12,608	30,774	
	1988	109	2,623	177,900	
PHASE IV	1989	242	1,903	*	
	1990	817	3,213	*	
TOTAL		11,195	99,902	4,571,254	
DMCP	1952/64	7,630			
	TOTAL	18,825			

Source(s): DEMHAB 1952/80- Marisa N.S. Pinho, "Atuação do DEMHAB na Problemática Habitacional, Porto Alegre," (Bach. thesis, UNISINOS, 1980).
1980/90- DEMHAB, Unidade de Cobrança (Porto Alegre, 1990).
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1974/88- BNH-ABECIP, (1988).

Note(s): (1) BNH data refer only to houses and apartments.
(2) * - Data not available

Table 8:
PRODUCTION OF HOUSES, APARTMENTS AND LOTS - DEMHAB- 1952/1990

	YEAR	LOTS	HOUSES	APART.	TOTAL
DMCP	1952	988	546	0	1534
	1953	655	611	0	1266
	1954	596	20	0	616
	1955	220	537	0	757
	1956	482	135	0	617
	1957	0	0	0	0
	1958	7	171	0	178
	1959	1,202	16	0	1,218
	1960	187	0	0	187
	1961	0	0	0	0
	1962	0	0	0	0
	1963	0	0	0	0
	1964	853	404	0	1,257
	PHASE I	1965	0	0	0
1966		0	0	0	0
1967		0	227	0	227
1968		0	0	0	0
1969		0	26	0	26
1970		0	0	0	0
1971		0	390	0	390
1972		0	614	0	614
1973		0	0	0	0
1974		0	0	0	0
PHASE II	1975	0	602	0	602
	1976	0	816	0	816
	1977	0	33	0	33
	1978	527	72	0	599
	1979	52	64	0	116
	1980	923	1,086	512	2,521
	1981	0	0	704	704
	1982	0	0	0	0
	1983	1,127	0	0	1,127
	1984	0	112	0	112
PHASE III	1985	1,188	0	736	1,924
	1986	0	0	96	96
	1987	0	120	0	120
	1988	0	0	109	109
PHASE IV	1989	218	24	0	242
	1990	137	40	640	817
TOTAL		9,362	6,666	2,797	18,825

Source(s): 1952/80- Marisa N.S. Pinho "Atuação do DEMHAB na Problemática Habitacional, Porto Alegre," (Bach. thesis, UNISINOS, 1980).

1980/90- DEMHAB, Unidade de Cobrança (Porto Alegre, 1990)

Note(s): (1) The production refers to units completed each year.

(2) Lots refers to vacant lots.

(3) Houses refer to house and lot.

**Table 9:
DEFAULT RATES - DEMHAB- 1980/1990**

Year	Units							No Default		Default				Rates					
	TOTAL	Vacant	%	Sold	%	Paymt.	%	N/Def.	%	1Mth.	%	2Mth.	%	3Mth.	%	'+3Mth	%	Total	%
1980	4,723	508	11	0	0	4,215	89	2,593	62	1,240	29	198	5	44	1	140	3	1,622	38
1981	5,646	928	16	0	0	4,718	84	1,373	29	2,166	46	395	8	166	4	618	13	3,345	71
1982	5,651	870	15	0	0	4,781	85	492	10	819	17	1,829	38	662	14	979	20	4,289	90
1983	5,985	510	9	283	5	5,192	87	545	10	1,824	35	958	18	619	12	1,246	24	4,647	90
1984	5,647	298	5	415	7	4,934	87	886	18	1,803	37	489	10	414	8	1,342	27	4,048	82
1985	6,317	436	7	507	8	5,374	85	1,272	24	1,575	29	563	10	350	7	1,614	30	4,102	76
1986	8,408	2,594	31	562	7	5,252	62	1,062	20	1,476	28	593	11	456	9	1,665	32	4,190	80
1987	9,026	2,103	23	668	7	6,255	69	2,718	43	1,106	18	493	8	400	6	1,538	25	3,537	57
1988	9,135	1,969	22	741	8	6,425	70	1,936	30	878	14	486	8	466	7	2,659	41	4,489	70
1989	9,377	1,994	21	948	10	6,435	69	4,617	72	381	6	194	3	190	3	1,053	16	1,818	28
1990	10,194	2,049	20	1,018	10	7,127	70	3,990	56	735	10	558	8	912	13	932	13	3,137	44

Source: DEMHAB, Divisão de Arrecadação, 1990.

Table 10:
SQUATTER REMOVAL- DEMHAB- 1965/1990

	YEAR	UNITS	PEOPLE	
PHASE I	1965	*	*	
	1966	886	3,916	
	1967	1,417	6,263	
	1968	680	3,006	
	1969	1,154	5,770	
	1970	1,266	6,330	
	1971	2,350	9,391	
	1972	2,988	12,108	
	1973	2,487	11,084	
	1974	822	3,511	
	1975	358	1,459	
	PHASE II	1976	124	518
		1977	70	309
1978		213	941	
1979		264	1,167	
1980		179	791	
1981		245	1,083	
1982		184	813	
1983		225	995	
1984		450	1,989	
1985		590	2,608	
PHASE III	1986	155	685	
	1987	151	667	
	1988	288	1,273	
PHASE IV	1989	96	424	
	1990	*	*	
TOTAL		17,642	77,102	

Source(s): 1966/74- DEMHAB, Annual Reports (Porto Alegre, 1965-1974)
1975/89- PMPA, Anuário "Estatística" (Porto Alegre, 1977-1990)

Note(s): (1) The population data from 1968 and from 1975 to 1989 were estimated based on an average of 4.42 people per unit.
(2) * - Data not available

Table 11:
PERCENTAGE Of DEMHAB'S UNITS SOLD TO CIVIL SERVANTS- 1970/1990

PROJECTS PER YEAR

Year	Units	C.Serv.	%
1970	0		
1971	390	14	3.64
1972	614	23	3.81
1973	0	0	
1974	0	0	
1975	602	90	15.00
1976	816	408	50.00
1977	0	0	
1978	0	0	
1979	0	0	
1980	1,086	652	60.00
1980	512	128	25.00
1980	416	333	80.00
1980	949	38	4.00
1980	288	144	50.00
1980	871	348	40.00
tot/80	4,122	1,643	39.85
1981	0	0	
1982	265	46	17.53
1983	0	0	
1984	146	29	19.57
1985	32	27	84.38
1985	48	37	77.08
1985	32	14	43.75
1985	416	85	20.41
1985	320	83	25.94
tot/85	848	246	29.00
1986	96	37	38.54
1986	32	17	53.13
1986	36	14	38.89
1986	48	10	20.83
1986	9	4	44.44
1986	8	0	0.00
1986	48	32	66.67
1986	109	96	88.24
tot/86	386	210	54.45
1987	16	9	56.25
1987	24	15	62.50
tot/87	40	24	60.00
1988	151	58	38.41
1988	640	196	30.65
tot/88	791	254	32.13
1989	218	32	14.82
1990	0	0	
TOTAL	9,238	3,020	32.69

TOTAL PROJECTS PER YEAR

	Year	Units	C.Serv.	%
PHASE I	1970	0		0.00
	1971	390	14	3.64
	1972	614	23	3.81
	1973	0	0	0.00
	1974	0	0	0.00
	1975	602	90	15.00
PHASE II	1976	816	408	50.00
	1977	0	0	0.00
	1978	0	0	0.00
	1979	0	0	0.00
	1980	4,122	1,643	39.86
	1981	0	0	0.00
	1982	265	46	17.53
	1983	0	0	0.00
	1984	146	29	19.57
	1985	848	246	29.00
PHASE III	1986	386	210	54.40
	1987	40	24	60.00
	1988	791	254	32.11
PHASE IV	1989	218	32	14.82
	1990	0	0	0.00
TOTAL		9,238	3,020	32.69

Source(s): DEMHAB, Unidade de Cobrança (Porto Alegre, 1990).

Note(s): (1) Civil servants refer to federal, state and city levels.
(2) The date refer to the year the recipients signed the contract, and not the year of completion of construction.

Table 12:
EMPLOYEES- DEMHAB- 1972/1990

	YEAR	EMPLOYEE	% INCREASE
PHASE I	1965	*	
	1966	*	
	1967	*	
	1968	*	
	1969	*	
	1970	*	
	1971	*	
	1972	196	
	1973	235	19.90
	1974	214	-8.94
	1975	211	-1.40
PHASE II	1976	298	41.23
	1977	259	-13.09
	1978	263	1.54
	1979	302	14.83
	1980	374	23.84
	1981	398	6.42
	1982	478	20.10
	1983	552	15.48
	1984	591	7.07
	1985	696	17.77
PHASE III	1986	712	2.30
	1987	855	20.08
	1988	908	6.20
PHASE IV	1989	642	-29.30
	1990	661	2.96

Source(s): 1972/1976- PMPA, Anuário "Estatística" (Porto Alegre, 1978).
1977/1987- PMPA, Anuário "Estatística" (Porto Alegre, 1988).
1988 - PMPA, Anuário "Estatística" (Porto Alegre, 1989).
1989/1990- DEMHAB, Departamento Pessoal (Porto Alegre, 1990).

Note(s): (1) The data refer to the month of December of each year.
(2) * - Data not available

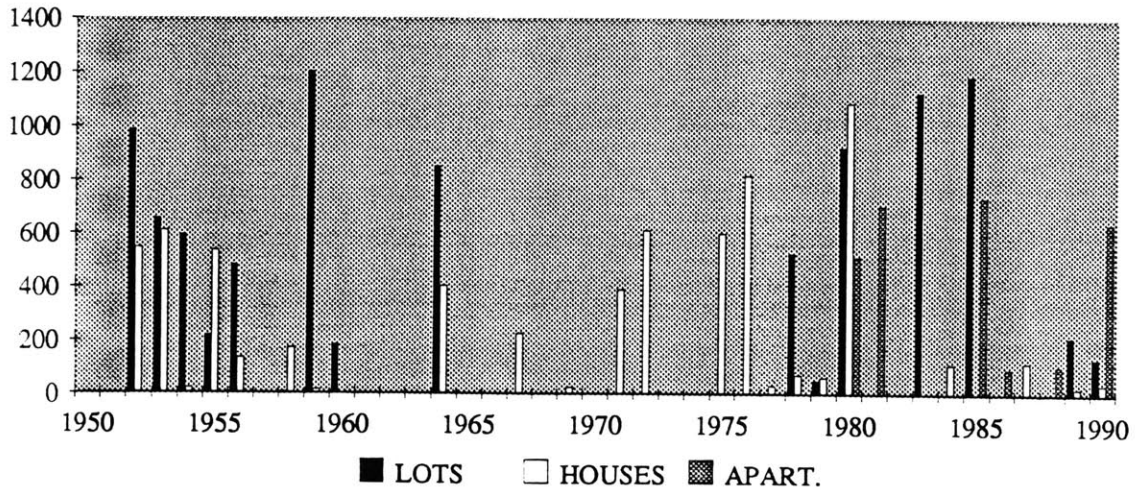
Table 12:
PRODUCTION AND EMPLOYEES-DEM HAB- 1965/1990

	YEAR	UNITS	EMPLOYEES
PHASE I	1965	0	*
	1966	0	*
	1967	227	*
	1968	0	*
	1969	26	*
	1970	0	*
	1971	390	*
	1972	614	196
	1973	0	235
	1974	0	214
PHASE II	1975	602	211
	1976	816	298
	1977	33	259
	1978	599	263
	1979	116	302
	1980	2,521	374
	1981	704	398
	1982	0	478
	1983	1,127	552
	1984	112	591
PHASE III	1985	1,924	696
	1986	96	712
	1987	120	855
PHASE IV	1988	109	908
	1989	242	642
	1990	817	661
TOTAL		11,195	
DMCP	1952-64	7,630	
TOTAL		18,825	

Source(s): Table 7 and Table 12

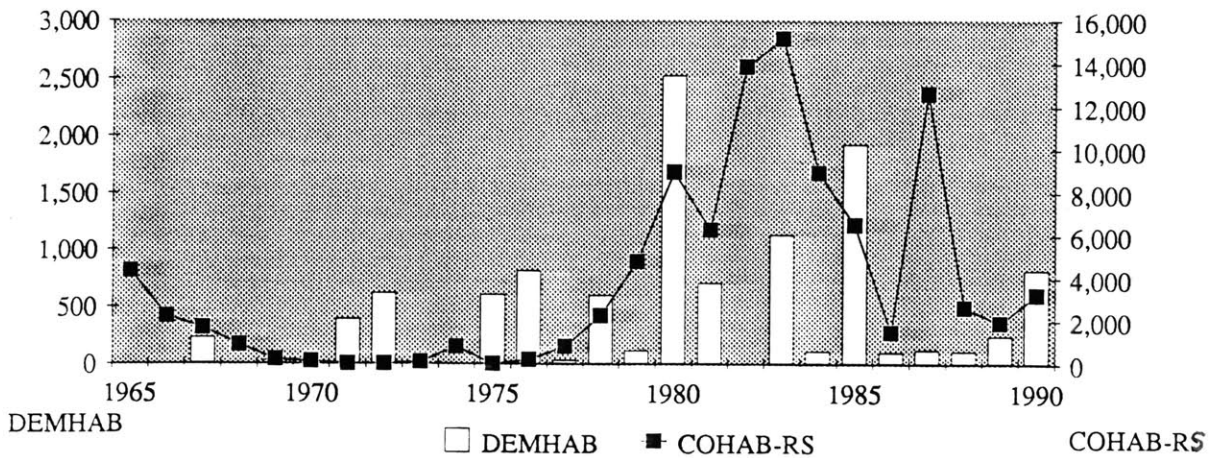
Note(s): (1) * Data not available
(2) Units refer to houses, lots and apartments

Graph 1:
PRODUCTION OF HOUSES, APARTMENTS AND LOTS DEMHAB- 1952/1990



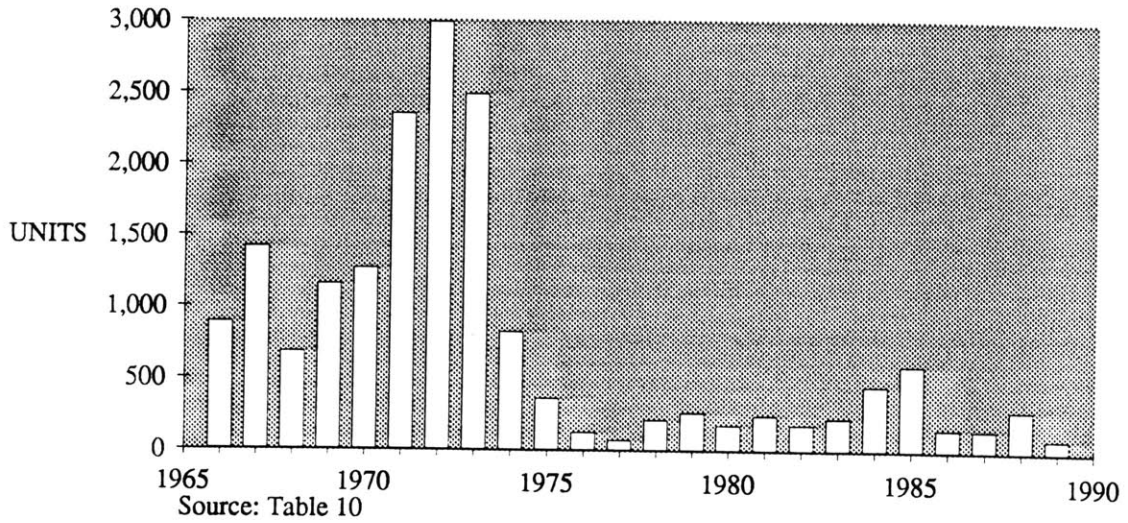
Source: Table 8

Graph : 2
PRODUCTION OF HOUSES, APARTMENTS, AND LOTS-
DEM HAB/COHAB-RS- 1965/1990

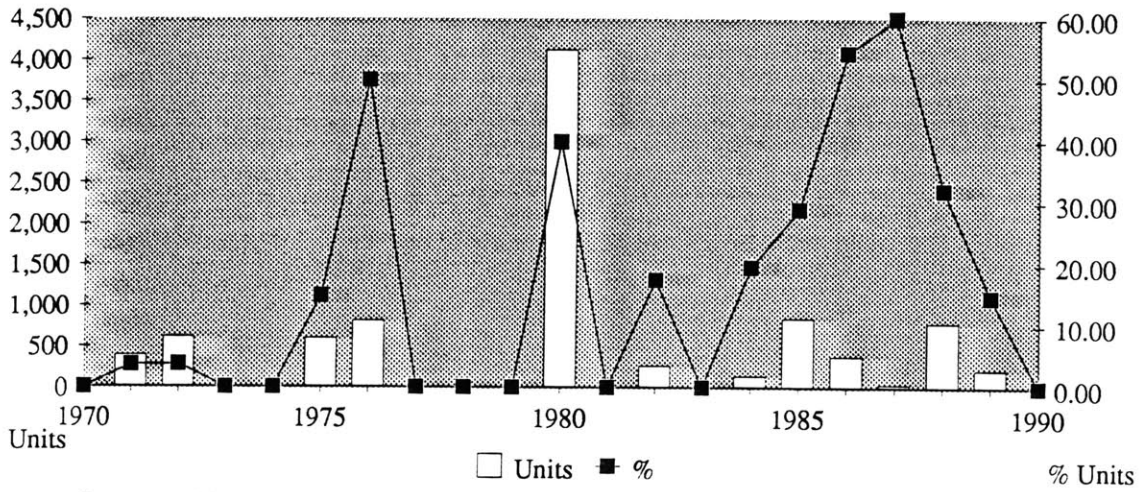


Source: Table 7

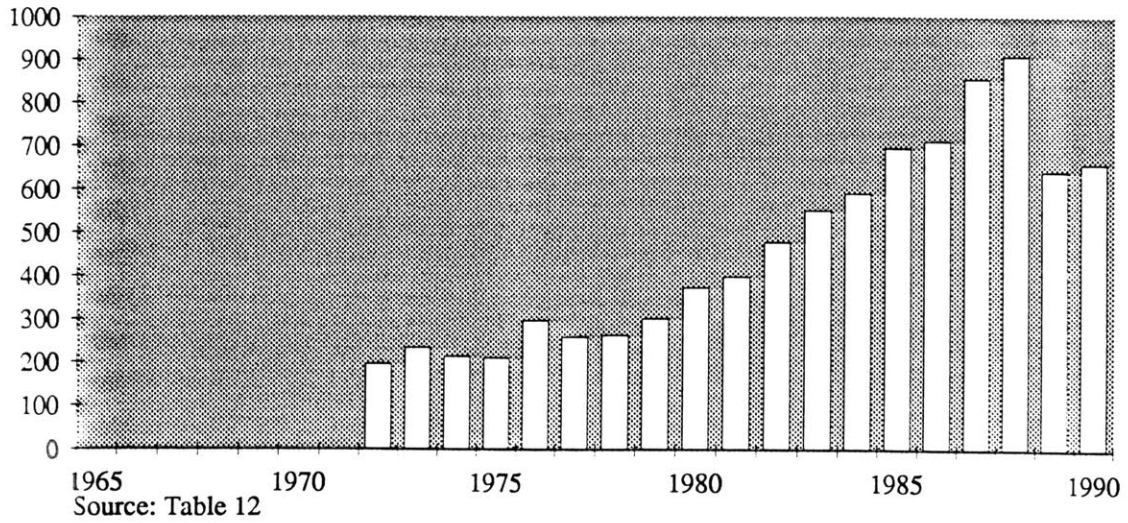
Graph : 3
SQUATTER REMOVAL- DEMHAB- 1965/1990



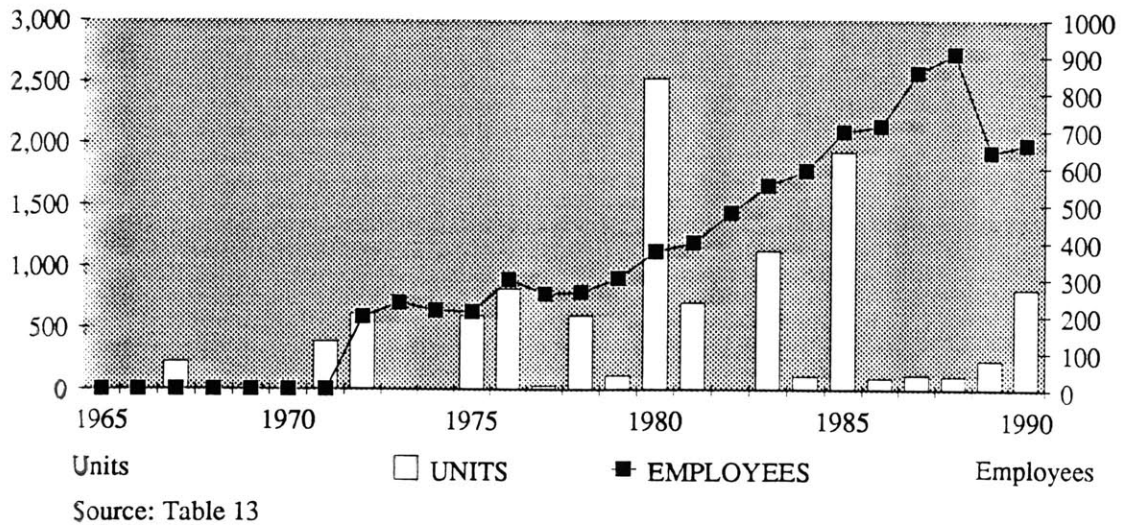
Graph 4:
% OF DEMHAB'S UNITS SOLD TO CIVIL SERVANTS- 1970/1990



Graph 5:
EMPLOYEES- DEMHAB- 1972/1990



Graph 6:
PRODUCTION AND EMPLOYEES-DEMHAB- 1965/1990



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