

**Multi-sectoral partnerships for low income
land development in Brazil**

**Multi-sectorale samenwerking ten behoeve van
lage-inkomens huisvesting in Brazilië**
(met een samenvatting in het Nederlands)

**Parcerias multisetoriais para urbanização de lotes de baixa
renda no Brasil**
(com um resumo em português)

PROEFSCHRIFT

ter verkrijging van de graad van doctor
aan de Universiteit Utrecht
op gezag van de Rector Magnificus, Prof.Dr.W.H.Gispen
ingevolge het besluit van het College voor Promoties
in het openbaar te verdedigen op vrijdag 7 juni 2002
des ochtends te 10.30 uur

door

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Geboren op 9 november 1960 te Rio de Janeiro

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Acknowledgements

My special thanks to some people and institutions who were of great help throughout this research project:

Professor Menno Vellinga, for promoting my candidacy.

The late Dr. Jan van der Linden, my Supervisor during the first two years of this research, who was always enlightening in his academic and personal advices.

My Supervisor Dr. Paul van Lindert, for so many valuable comments along his committed and friendly supervision.

My Supervisor Dr. Peter Nientied, without whose insights, encouragement and flexibility, this work would not have reached the end.

Miss Sonia Corrêa, for the support with the edition of digital pictures, Mr. Darrel Kimble, for the careful final text revision and Mr. Sylvester Vester, for translating the abstract to Dutch.

The Netherlands Fellowship Programme for sponsoring me throughout the project.

All the technicians and community members interviewed of the 4 Brazilian cities studied, who shared with me their precious time, knowledge, impressions and experiences.

My family, for feeding me with their love and renovated support – particularly my husband and my late father, for constantly showing me the beauty of academic life.

Summary

Objective and Problem definition

This work focuses on the study of the potential use of instruments which rely on a close interaction between the public, the private and the third sectors for increasing low income urban land development in Brazil. It is based on the recognition that the Brazilian housing problem is serious, threatening the development and environment of urban centres in the country, being also intimately dependent on the difficult access to adequate land by a significant portion of the urban population.

The idea of exploring the theme of partnerships for urban land development as an alternative solution to low income groups has arisen from a set of perceptions of changes in the international scene and in the Brazilian context. There are two main arguments, however: the recognition that *neither sector alone has adequately managed to address the issue of housing for low income groups* and, *the urge for new roles to be performed by the public, the private and the third sectors*.

The solution to this housing problem will increasingly have to involve legal options for land appropriation by low income groups, as opposed to the dominant strategy of informal/illegal land development. Instruments that depend on a more productive interaction between sectors in search of mutually satisfying solutions to existing problems are, at the least, an attractive idea to explore. This more collaborative interaction has been frequently called “partnership”. Although public-private partnership is a well established phrase, this work adopts the terminology “multi-sectoral partnership” instead (borrowed from Hastings 1996), as a recognition of the increasing importance of the “third sector” and organised civil society in joint action schemes, particularly on behalf of more vulnerable groups.

The emphasis on land development is intended and assured during the development of the work. Moreover, this research also emphasises the role of local governments in orchestrating the land market and in initiating the process of working through joint schemes. A multidisciplinary perspective is also sought as opposed to a typically strict planning perspective to the extent that it is important for the legal, the political and the economic dimensions to also be recognised.

Research questions

There are several research questions guiding the present work. The main questions are:

- I. Can partnership arrangements contribute in any way to increase the supply of legal housing alternatives to the poor? If so, under which conditions? How might the particular sector's interests possibly be combined in a convergent agenda? What are the elements for building a framework to guide partnership arrangements in Brazil?
- II. To what extent could the findings and conclusions possibly be generalised? What is the foreseen scenario for the use of multi-sectoral partnership arrangements in Brazil?

There are also other derived questions, which will be dealt with during the development of the work and relate to the specific Chapter's themes.

Research structure

This thesis is structured in two parts with three chapters each, plus introduction and final conclusions and recommendations. Part I deals with *The Urban land question and the strategic performance of the public, the private and the third sectors (interventions and interactions)* while Part II deals with *The instrument of partnership (theory and practice) and the proposed framework to guide multi-sectoral partnerships in Brazil*. Chapter 1 discusses primarily the land issue in Brazil and covers issues ranging from the structure of land distribution in the Country to the dynamics of the land market. Chapter 2 discusses what have been the public and private (formal and informal) interventions in the land market and includes the debate on state reform and on the approach towards a more balanced distribution of functions between the sectors. Chapter 3 analyses the scope of action between the three sectors, the types of multi-sectoral co-operation and the corresponding institutional arrangements. Chapter 4 introduces the universe of partnerships: the concept is revised, its main characteristics and the conditions for its application are discussed, and international experiences are discussed. Chapter 5 presents Brazilian experiences, including the discussion of four Brazilian applications of partnership-based instruments, while Chapter 6 proposes a framework to guide partnership arrangements, discussing the relevant elements to be addressed and unravelling the strategies that may be more beneficial to low income groups in their housing options.

Finally, the conclusions point out the degree of viability and generalisation of partnership arrangements in the Brazilian context and the different aspects of the changes required for their success, while some recommendations are given (of both practical and theoretical nature).

Conclusions

Concerning the housing situation in Brazil. The root of the housing problem is economic and social and not only technical. The housing problem is also aggravated by certain characteristics of the Brazilian land market, which allow for land speculation to be a common practice in large cities. This is to say that the housing issue is by no means trivial, but is, rather, a complex issue with many facets. However, it should not be seen as an irresolvable problem either. As pointed out during the development of this research, governments that have been successful in promoting adequate housing policies, particularly in promoting administrative continuation of such policies, have had positive outcomes.

Concerning the emphasis on land and the public sector's role. It is recognised here that the public sector has an irreplaceable role in orchestrating the required changes to allow for a more efficient and effective land market. The idea of working with the instrument of partnership in no way suggests that the predominant role of the public sector is obscured.

Concerning the debate on the required sectors' changes. The individualistic approach reflected by the informal land development has proven to be a non-sustainable development model, particularly with society's increasing concern with environmental issues. A more co-operative relationship between the three sectors implies changes as to the sectors' performance. From the public sector's side, the changes discussed go in the direction of creating a public entrepreneurialism. From the private sector's side, the change goes in the direction of becoming more involved with social development, not with a philanthropic-type approach, but in a way that increases its market share under a legal umbrella or even expands market boundaries. The necessary third sector change relates to moving from a traditional demanding role to a more proposing role, assuring the involvement of organised groups to influence government definition of policies and priorities.

Concerning the search for co-operation. It is recognised that the complexity of contemporary societies implies increasing interdependencies between sectors. Thus, a

co-operative approach is advocated to better qualify the sectors in dealing with this new situation. Indeed, it is seen in Chapter 3 that co-operation is a key concept for both improving individual sector performance in traditional roles and enlarging the scope of action in new fields.

Concerning how to approach partnerships. Although partnerships are frequently associated with the idea of privatisation, this work has proposed a different way to approach the instrument. In the specific case of multi-sectoral partnerships for urban land development addressing low income groups, partnerships are considered as a way to increase the participation of the public sector in this market segment which has traditionally been dominated by the informal private sector. It could be better understood as an expression of a shared management policy.

Concerning the concept of partnership. In general terms, the public-private partnership concept in the literature is still vague and does not offer a proper model to guide its use (Weaver and Manning 1992). In Chapter 4, a distinction is proposed between the use of the term partnership, first as a mere principle of collaboration among sectors, and second, as an instrument to implement a defined development policy. It is the latter concept that is the object of the present work.

Concerning partnership as a policy tool. A significant implication of considering multi-sectoral partnership as a development tool is that it may be used for achieving different purposes. Chapter 6 identifies three broad policy strategies for local development, for the achievement of which partnerships may be used: problem-solving, social inclusion, and social change. They are presented as different moments on a continuum line of development strategies which move their characteristics from bureaucratic, provision-oriented, narrow-focused, project-based and of limited geographic scale to democratic, empowerment-oriented, broad-focused, programme-based and of wide geographic scale; this last grouping constituting the situation to be sought.

Answering the questions

Partnerships have the potential of bringing sectors together to reach mutually beneficial solutions. Multi-sectoral partnerships may make a significant contribution to improving land access in so far as they are used to implement developing strategies that aim at benefiting the poor. The more socially inclusive and capable of promoting social change, the more beneficial they will be.

Identified situations where it makes sense for the sectors to join efforts (situations presenting some level of interdependence and deadlock) should be approached strategically. This means replacing the traditional competitive relationship between sectors with a co-operative environment. In practical terms, objectives should be analysed as to whether they match in a compatible arrangement.

The framework developed in Chapter 6 proposes a set of steps to be followed in partnership arrangements particularly aiming at improving their contribution to the housing issue. In summary, they relate to actions as to: a) judging the suitability of using partnerships; b) establishing the right environment for the partnership start-up; c) guaranteeing the adequate process conditions for partnership development; and d) monitoring and evaluating the process.

Multi-sectoral partnerships are basically interactions between certain groups of people which are determined locally. It may be, however, replicated and adapted to other local contexts, provided that all contexts share the same basic problem configuration. Even when the situations differ, the general framework of the partnership may contribute elements subject to generalisation.

The possibility of the emergence of partnership application will depend upon local circumstances and the ability of the respective sectors to reach a convergent agenda. It will ultimately be highly dependent on the performance of local governments in guiding and generating development opportunities, and the capacity of society in better distributing and exercising political power.

Implications and recommendations

The conclusive chapter lists a series of implications and recommendations. As for theoretical implications, mention should be made as to the contribution of the present work to the debate on the setting in which to help approach the potential use of multi-sectoral partnerships in Brazil. The main contribution is the outline of a framework to help guide potential partnership use. It is designed as a sequence of steps to help keep the focus on the sensitive areas to be addressed in partnership schemes. It highlights the need to link the use of partnership as a tool to an established development strategy, and it proposes a framework in which to place the partnership application according to the respective strategies, so that the position obtained becomes visible *vis-à-vis* what is considered a more desirable situation.

As for practical implications, they reflect once more the preponderant role attributed to the public sector and are given with other recommendations that are also addressed to the third sector and to research institutions.

Final Remarks

The magnitude and diversity of the housing problem in Brazil requires the search for a variety of solutions, among which the partnership instrument should be further investigated. The intent of the present work is not restricted to simply qualifying or disqualifying the use of multi-sectoral partnership as a policy tool. Instead, the idea is to investigate the (multidimensional) relevant issues that should be considered as a framework to guide the potential use of partnership schemes.

The study of the experiences revealed different degrees of success in the use of partnership arrangements. The solutions with a greater social coverage and that better address the several aspects of the housing problem are the ones which are able to pursue social inclusion and promote social change. In practical terms, that means solutions which are democratically driven, aiming at empowering target communities, approaching the problem with a multidisciplinary focus and having a programme-building orientation city wide. The most successful cases also reveal that the most beneficial experiences for the poor are the ones which centre the partnership upon the relationship between the public and the third sectors. Moreover, they reveal that a long-term monitoring system supported by either the public or the third sector is crucial for consolidating and perpetuating the process of social change triggered by the partnership. Finally, they indicate the importance of administrative continuation for the projects or programmes.

The further application of multi-sectoral partnership in Brazil will depend on the level of articulation and political confrontation between the three sectors. There is evidence, however, that there is a movement of local governments which are moving in the direction of a closer interaction with other sectors for a more sustainable and balanced urban development. There is also evidence that society is organising in search of alternative solutions to deal with public matters, constituting a non-governmental public management (Bonduki 1996, p.265). It is in this context that the idea of multi-sectoral partnerships may flourish to the benefit of the poor.

The final point to be raised is that considering that urbanisation is, indeed, a wealth-producing process (Doebele 1994, p.49), enlarging land access to poor

communities is ultimately a way of incorporating excluded groups of people into the land valorisation process and, therefore, an effective way of distributing wealth. Considering the preponderant role credited to local governments in steering the land market, ultimately, the multi-sectoral partnership tool will be only effective in adequately addressing the housing issue in the hands of governments committed to inducing and conducting social transformation processes, allowing for a more equitable and sustainable urban development.

Samenvatting

Doelstelling en Probleemomschrijving

Deze studie richt zich op het mogelijk gebruik van instrumenten die zijn gebaseerd op nauwe samenwerking van de publieke, private en derde sector ten behoeve van een grotere bereikbaarheid voor de lagere inkomensgroepen van het gebruik van land in de urbane gebieden van Brazilië. Vertrekpunt is de constatering dat er in Brazilië een ernstig volkshuisvestingsprobleem bestaat en dit de ontwikkeling en kwaliteit van de stedelijke gebieden van het land bedreigt, en dat mede ten nauwste samenhangt met de slechte beschikbaarheid van een geschikt stukje grond voor een belangrijk deel van de stedelijke bevolking.

Uitwerking van de partnerschapsgedachte bij stedelijke grondontwikkeling als alternatieve oplossing voor lagere inkomensgroepen, vloeide voort uit de vaststelling van een aantal veranderingen die zich in de wereld en in Brazilië hebben voorgedaan. Twee overwegingen zijn echter het belangrijkste: *De vaststelling dat geen van de sectoren alleen in staat is gebleken adequate oplossingen te bereiken voor het huisvestingsvraagstuk van de lagere inkomensgroepen, en de behoefte aan herziening van de rol van de publieke, de private en de 'derde' sector.*

De oplossing voor dit volkshuisvestingsprobleem zal in toenemende mate mede dienen te worden gezocht in legale mogelijkheden voor grondbezit door lagere inkomensgroepen, als alternatief voor de huidige praktijk van overwegend informeel cq. illegaal grondgebruik. Instrumenten te overwegen die gericht zijn op een meer effectieve wisselwerking tussen de sectoren bij het zoeken naar wederzijds aanvaardbare oplossingen voor de bestaande problemen, vormt op z'n minst een aantrekkelijke gedachte. Hoewel de term publiek-private partnerschap een ingevoerde term is, wordt in deze studie in plaats daarvan de uitdrukking 'multi-sectoraal partnerschap' gehanteerd (ontleend aan Hastings, 1996), om het toenemende belang tot uitdrukking te brengen van de "derde sector" en maatschappelijke organisaties, die op allerlei wijze samenwerken ten behoeve van met name de kwetsbare groepen in de samenleving.

Van meet af aan ligt de nadruk in deze studie welbewust op het aspect grondgebruik. In het bijzonder wordt in dit onderzoek ook de rol benadrukt die lokale overheden hebben om de gronduitgifte te organiseren en in het op gang brengen van het proces door middel van samenwerkingsverbanden. Gekozen is voor een multidiscipli-

naire benadering in plaats van een strikt planologische invalshoek, in die zin, dat het belangrijk is om ook de juridische, politieke en economische dimensie te onderkennen.

Onderzoeksvragen

Verskillende onderzoeksvragen lopen als een rode draad door deze studie. De belangrijkste vragen zijn:

- I. Kunnen partnerschaps-overeenkomsten op enigerlei wijze bijdragen aan het vergroten van de mogelijkheden tot legale huisvesting voor de armen? En, indien dit het geval is, onder welke voorwaarden? Op welke wijze kunnen de belangen van de diverse sectoren zodanig op elkaar worden afgestemd, dat deze niet langer tegenstrijdig zijn? Welke elementen zijn er voor nodig om in Brazilië een kader te creëren van in acht te nemen regels bij het aangaan van een partnerschap? In hoeverre kunnen de bevindingen en conclusies in de praktijk worden gebracht? Welk scenario is te verwachten met betrekking tot het toepassen van multi-sectorale partnerschappen in Brazilië?

Er spelen hiernaast nog andere vragen die van voornoemde vragen zijn afgeleid en die in de loop van het rapport in de specifiek daaraan gewijde hoofdstukken aan de orde zullen komen.

Opzet van het onderzoek

Deze dissertatie is opgebouwd uit twee delen met elk drie hoofdstukken, alsmede een inleiding, slotconclusies en aanbevelingen. Deel I handelt over *Het vraagstuk van het stedelijk grondgebruik en de strategische opstelling daarbij van de publieke, de private en de derde sector (handelwijzen en wisselwerkingen)*, terwijl Deel II is gewijd aan *Het partnerschap als instrument (in theorie en praktijk), en een kader wordt voorgesteld van regels voor multi-sectorale partnerschappen*.

Hoofdstuk 1 gaat vooral over de kwestie van het grondgebruik in Brazilië en gaat in op kwesties die variëren van de structuur van gronduitgifte op het platteland, tot de specifieke kenmerken van de grondhandel. Hoofdstuk 2 bespreekt op welke wijze de publieke en private sector (formeel en informeel) hebben geopereerd met betrekking tot de grondhandel en gaat verder in op het maatschappelijk debat over staatsrechtelijke vernieuwing en de benadering in de richting van een meer evenwichtige verdeling van functies over de sectoren. Hoofdstuk 3 analyseert het werkkterrein

tussen de drie sectoren, de verschillende manieren van multi-sectorale samenwerking en de daarmee samenhangende formele overeenkomsten. Hoofdstuk 4 introduceert de wereld van het partnerschap: ingegaan wordt op het karakter ervan, de belangrijkste kenmerken en toepassingsvoorwaarden worden belicht, en aandacht wordt besteed aan internationale voorbeelden. Hoofdstuk 5 behandelt voorbeelden in Brazilië, waaronder de bespreking van een viertal Braziliaanse toepassingen van op partnerschap gebaseerde instrumenten, terwijl hoofdstuk 6 een kader presenteert van regels voor partnerschaps-overeenkomsten, waarbij wordt ingegaan op de relevante elementen die hierbij aan de orde zijn, en licht wordt geworpen op de verschillende aanpakken die gekozen kunnen worden om de huisvestingskansen van lagere inkomensgroepen te vergroten.

Tenslotte geven de conclusies de mate van levensvatbaarheid en haalbaarheid van partnerschaps-overeenkomsten in de situatie van Brazilië, en de verschillende aspecten van de veranderingen die nodig zijn om deze tot een succes te kunnen maken, terwijl tevens enkele aanbevelingen worden gedaan (van zowel praktische als theoretische aard).

Conclusies

Met betrekking tot de volkshuisvestingssituatie in Brazilië. In de kern is het huisvestingsvraagstuk economisch en sociaal van karakter, en niet technisch. Het huisvestingsprobleem wordt daarbij versterkt door bepaalde kenmerken van de Braziliaanse grondhandel, waardoor grondspeculaties in de grote steden de normale praktijk is. Dit wil geenszins zeggen dat het huisvestingsvraagstuk eenvoudig is, integendeel, het is een gecompliceerde kwestie met vele kanten. Anderzijds behoeft het ook weer niet als een onoplosbaar probleem te worden gezien.

Zoals in dit onderzoek naar voren wordt gebracht, hebben overheden die met succes een volkshuisvestingsbeleid hebben gevoerd - in het bijzonder een op de lange termijn gericht overheidsbeleid op dit terrein – positieve resultaten geboekt.

Met betrekking tot de nadruk op het aspect 'grondgebruik' en de rol van de publieke sector daarbij. Onder ogen dient te worden gezien dat de publieke sector een onvervangbare rol speelt in het tot stand brengen van de benodigde veranderingen om te komen tot een meer efficiënte en effectieve grondhandel. Te denken aan toepassing van het instrument 'partnerschap' houdt overigens op geen enkele wijze in dat de essentiële positie van de publieke sector verkleind zou zijn.

Met betrekking tot het debat over de veranderingen die in de sectoren nodig zijn. De op het individu gerichte benadering, tot uitdrukking komend in het informele grondgebruik, heeft bewezen een niet-duurzaam ontwikkelingsmodel te zijn, in het bijzonder door de toenemende zorg in de samenleving met betrekking tot het milieu. Een meer op samenwerking gerichte verhouding tussen de drie sectoren houdt verandering in van de opstelling van elk van die sectoren. Aan de kant van de publieke sector gaat de genoemde verandering in de richting van het creëren van een publiek entrepreneurschap. Aan de kant van de private sector gaat de verandering in de richting van een grotere betrokkenheid bij de sociale ontwikkeling, niet met een filantropische karakter, maar zo dat – blijvend binnen de wettelijke grenzen - het marktaandeel en zelfs de markt zelf, groeit. De verandering die in de derde sector nodig is heeft te maken met een verschuiving van een traditioneel vragende rol naar een rol waarbij voorstellen worden gedaan, daarbij de betrokkenheid zekerstellend van georganiseerde groepen bij het beïnvloeden van het overheidsbeleid en de gestelde prioriteiten.

Met betrekking tot de speurtocht naar samenwerking. Duidelijk is dat de complexiteit van de moderne samenlevingen tevens een toenemende onderlinge afhankelijkheid meebrengt tussen de sectoren. Hierin ligt dus gelijk een pleidooi voor een op samenwerking gerichte benadering, waardoor de sectoren beter met deze nieuwe situatie kunnen omgaan. En inderdaad, in hoofdstuk 3 wordt vastgesteld dat samenwerking een sleutelbegrip is voor zowel een beter functioneren van de sector zelf in de traditionele activiteiten, als in het vergroten van de activiteiten op nieuwe gebieden.

Met betrekking tot de vraag hoe een partnerschap aan te pakken. Hoewel partnerschappen regelmatig in verband worden gebracht met het concept van privatisering, is in dit onderzoek een andere benadering voorgesteld om met dit instrument om te gaan. In het specifieke geval van multi-sectorale partnerschappen gericht op gronduitgifte in het stedelijk gebied aan de lagere inkomensgroepen, worden partnerschappen beschouwd als een manier om de deelname van de publieke sector in dit marktsegment te vergroten, waar dit van oudsher werd gedomineerd door de informele private sector. Zeer wel kan dit worden beschouwd als een vorm van een beleid tot gemeenschappelijk beheer.

Met betrekking tot het concept partnerschap. In het algemeen is in de literatuur het concept van publiek-private samenwerking nog behoorlijk vaag en er bestaat geen

helder model om het gebruik ervan te reguleren. (Weaver en Manning, 1992). In hoofdstuk 4 wordt voorgesteld een onderscheid te maken tussen het gebruik van de term partnerschap enerzijds ter aanduiding van het principe van samenwerking tussen sectoren, en anderzijds als instrument om een geformuleerd ontwikkelingsbeleid te verwezenlijken. Het voorliggende onderzoek houdt zich bezig met het concept ‘partnerschap’ in deze tweede betekenis.

Met betrekking tot partnerschap als beleidsinstrument. Het beschouwen van het multi-sectorale partnerschap als ontwikkelingsinstrument heeft als belangrijke consequentie dat het kan worden gebruikt voor het bereiken van verschillende doeleinden. Hoofdstuk 6 onderscheidt drie globale beleidsstrategieën voor locale ontwikkeling, voor het bereiken waarvan een partnerschap kan worden gebruikt: oplossen van een probleem, sociale participatie, en sociale veranderingen. Ze worden gepresenteerd als verschillende fase op een continue lijn van ontwikkelingsstrategieën, waarbij hun kenmerken verschuiven van: bureaucratisch, aanbodgericht, beperkt gezichtsveld, projectgericht en van een geringe geografische schaal, naar: democratisch, vraaggericht, breed gezichtsveld, beleidsgericht en met een grote geografische schaal. De laatste opsomming geeft de situatie aan waarnaar wordt gestreefd.

Beantwoording van de vragen

Partnerschappen hebben in zich om sectoren bij elkaar te brengen om oplossingen te bereiken die voor alle partijen gunstig zijn. Multi-sectorale partnerschappen kunnen een wezenlijke bijdrage leveren aan het verbeteren van de beschikbaarheid van grond, voor zover ze worden toegepast als ontwikkelingsstrategie gericht op de bevoordeling van de armen. Hoe socialer van karakter en gericht op sociale verandering, hoe groter de verbetering voor de armen zal zijn.

Specifieke situaties waarin het voor de sectoren zinvol is om inspanningen te bundelen (gevallen waarin sprake is van een zekere onderlinge afhankelijkheid en impasse) dienen strategisch te worden benaderd. Dit houdt in dat de voordien concurrerende verhouding tussen sectoren verandert in een op samenwerking gerichte omgeving. In de praktijk dienen de doeleinden te worden geanalyseerd op de vraag of zij verenigbaar zijn.

Het kader dat in hoofdstuk 6 is ontwikkeld, houdt een serie stappen in die dienen te worden doorlopen bij partnerschaps-overeenkomsten welke in het bijzonder zijn gericht op hun bijdrage aan het huisvestingsvraagstuk. Samengevat gaat het om:

a) beoordeling van de geschiktheid voor toepassing van een partnerschap; b) totstand brengen van de juiste condities om een partnerschap te beginnen; c) zekerstellen van de noodzakelijke omstandigheden gedurende het hele proces waarin het partnerschap zich ontwikkelt; en d) monitoren en evalueren van het proces.

Multi-sectorale partnerschappen zijn in de kern interacties tussen bepaalde groepen mensen op een bepaalde plaats. Ze kunnen echter worden nagevolgd en overgenomen op andere plaatsen, ervan uitgaande dat zich op die plaatsen in beginsel dezelfde probleemsituatie voordoet. Zelfs wanneer de situaties verschillen, kan het algemene kader voor partnerschappen elementen aandragen die kunnen worden veralgemeniseerd.

De mogelijkheid dat een partnerschap kan worden toegepast hangt af van de lokale omstandigheden, alsmede van het vermogen van de respectievelijke sectoren om een gemeenschappelijke agenda op te stellen. Uiteindelijk hangt het er in hoge mate van af of de lokale overheden erin slagen ontwikkelingskansen te scheppen en verder te ontwikkelen, en het vermogen van de samenleving om de politieke macht te verdelen en uit te oefenen.

Gevolgtrekkingen en aanbevelingen

Het slothoofdstuk bevat een serie gevolgtrekkingen en aanbevelingen. Wat betreft de theoretische gevolgtrekkingen is een opmerking op z'n plaats over de bijdrage die het onderhavig onderzoek levert aan het debat gericht op toepassing van multi-sectorale partnerschappen in Brazilië. De belangrijkste bijdrage is de schets van een kader met regels bij het mogelijk gebruik van een partnerschap. Het is ontworpen als een reeks van stappen om de lastige aspecten die bij een partnerschap een rol spelen in de gaten te houden. Het benadrukt de noodzaak om verband te leggen tussen het gebruik van een partnerschap als instrument en een geformuleerde ontwikkelingsstrategie, en het biedt een kader waarin de partnerschaps-toepassing kan worden geplaatst, zodanig dat de verkregen positie direct zichtbaar maakt wat als meest gewenste situatie kan worden beschouwd. Wat betreft de praktische gevolgtrekkingen kan worden opgemerkt dat deze de overwegende rol van de publieke sector herbevestigt, en zijn gemaakt tesamen met andere aanbevelingen welke mede zijn gericht tot de derde sector en onderzoeksinstellingen.

Slotopmerkingen

De ernst en complexiteit van het huisvestingsvraagstuk in Brazilië verlangt dat we op zoek gaan naar een variëteit aan oplossingen, waarvan het instrument van het partnerschap verder onderzocht zou dienen te worden. Het oogmerk van de voorliggende studie is niet slechts om het multi-sectorale partnerschap aan te merken als geschikt of ongeschikt als beleidsinstrument. Het gaat er veeleer om onderzoek te doen naar de belangrijkste, (veeldimensionale) aspecten welke tesamen het kader vormen om het mogelijke gebruik van enigerlei vorm van partnerschap te beoordelen. Het onderzoek naar de diverse toepassingen laat een verschillende mate van succes zien bij het gebruik van partnerschaps-overeenkomsten. De oplossingen die een sterker sociaal karakter hebben en die zich meer richten op de diverse kanten van het huisvestingsvraagstuk bleken de oplossingen te zijn die in staat zijn sociale participatie tot stand te brengen en sociale veranderingen te bewerkstelligen.

In concreto gaat het om oplossingen met een democratisch karakter, gericht op de sociale ontwikkeling van een bepaalde doelgroep, een multidisciplinaire aanpak van het probleem en met een oogmerk tot beleidsvorming voor de gehele stad. De meest succesvolle gevallen laten ook zien dat bij de toepassingen die het gunstigste zijn voor de armen, het partnerschap is toegespitst op de relatie tussen de publieke en derde sector. Bovendien maken ze duidelijk dat een systeem waarbij het partnerschap gedurende een lange termijn wordt gevolgd en in de gaten wordt gehouden – onderhouden door of de publieke of de derde sector - essentieel is voor de instandhouding en voortzetting van het proces van sociale verandering, dat door het partnerschap in gang is gezet. Ze geven tenslotte ook het belang aan van politiek-bestuurlijke voortzetting van de projecten of programma's.

Een verdere toepassing van het multi-sectorale partnerschap in Brazilië zal afhangen van de mate van duidelijkheid en politieke confrontatie tussen de drie sectoren. Er zijn echter aanwijzingen dat er een beweging van lokale overheden bestaat die, met het oog op een meer duurzame en evenwichtige stedelijke ontwikkeling, opschuift in de richting van een nauwere samenwerking met andere sectoren.

Evenzo zijn er aanwijzingen dat de samenleving op zoek is naar alternatieve oplossingen voor publieke aangelegenheden, gericht op niet in overheidshanden rustend publiek management (Bonduki 1996, p.265). In deze context zou de gedachte van multi-sectorale partnerschappen zeer wel tot ontwikkeling kunnen komen, ten gunste van de armen.

Het laatst aan te snijden onderwerp betreft de overweging dat verstedelijking in feite een welvaartscheppende activiteit is (Doebele 1994, p.49). Verbetering van de beschikbaarheid van grond voor arme gemeenschappen is uiteindelijk een manier om uitgesloten groepen mensen te betrekken bij het proces van waardeestijging van grond, en derhalve een effectieve manier van welvaartsverdeling. De dominante rol in overweging nemende die aan locale overheden is toebedeeld bij het reguleren van de grondhandel, zal het multi-sectorale partnerschap uiteindelijk alleen effectief kunnen zijn in de aanpak van het huisvestingsvraagstuk als daaraan overheden deelnemen die zich inzetten voor het op gang brengen en voortzetten van sociale hervormingen, daarmee de weg openend voor een meer rechtvaardige en duurzame stedelijke ontwikkeling.

Resumo

Objetivo e Definição do problema

O presente trabalho estuda o uso potencial de instrumentos que utilizam uma interação próxima entre os setores público, privado e o terceiro setor, visando aumentar o acesso à terra urbana por populações de baixa renda. É baseado no reconhecimento de que o problema habitacional brasileiro é grave, ameaçando o desenvolvimento e o meio-ambiente dos centros urbanos no país, estando, também, intimamente relacionado à dificuldade de acesso à terra por uma parcela significativa da população urbana.

A idéia de explorar o tema parcerias para urbanização de terras como solução alternativa para os grupos de baixa renda nasceu de uma série de percepções de mudanças ocorridas no cenário internacional e no contexto brasileiro. Os dois argumentos mais importantes, no entanto, são: *o reconhecimento de que nenhum setor isoladamente conseguiu dar uma resposta adequada à questão habitacional para baixa renda, e a necessidade de mudanças nos papéis desempenhados pelos setores público, privado e o terceiro setor.*

A solução para a questão habitacional terá, cada vez mais, que envolver opções legais para a apropriação de terras por camadas de baixa renda, em contraposição à estratégia dominante de urbanização informal/ilegal. Instrumentos que dependam de uma interação mais produtiva entre os setores na procura de soluções mutualmente satisfatórias para os problemas existentes são, no mínimo, uma idéia atraente a explorar. Esta interação colaborativa entre os setores tem sido frequentemente denominada “parceria”. Embora a expressão “parceria público-privado” esteja consolidada, o presente trabalho adota a terminologia “parcerias multi-setoriais” em seu lugar (emprestado de Hastings, 1996), em reconhecimento à importância cada vez maior do terceiro setor e da sociedade organizada em ações conjuntas, especialmente no que concerne à defesa dos interesses de grupos vulneráveis.

A ênfase na questão da terra é intencional e explícita no desenvolvimento do presente trabalho, que também enfatiza o papel dos governos locais como orquestradores do mercado de terras e como principais articuladores de arranjos conjuntos. A visão multidisciplinar também é adotada na medida em que se reconhece a importância das dimensões legais, políticas e econômicas em contraposição a visão meramente de planejamento.

Perguntas da pesquisa

Várias perguntas guiam o presente estudo, sendo as principais:

- I. Os arranjos de parcerias podem contribuir de alguma forma para aumentar a oferta de alternativas legais para populações de baixa renda? Em caso positivo, sob quais condições? Como os interesses particulares dos diferentes setores poderiam ser combinados em uma agenda convergente?
- II. Em que medida as conclusões e descobertas podem ser generalizadas? Qual o cenário previsto para o uso de parcerias multi-setoriais no Brasil?

Existem, também, outras perguntas secundárias que são respondidas no decorrer do desenvolvimento do trabalho e dizem respeito especificamente aos temas dos respectivos capítulos.

Estrutura da pesquisa

A tese está estruturada em duas partes com três capítulos cada, mais a introdução e a conclusão. A Parte I discute a *Questão urbana* e os *Desempenhos estratégicos dos setores público, privado e do terceiro setor (intervenções e interações)*, enquanto a Parte II trata do *Instrumento de parceria (teoria e prática)* e do *Quadro de referência proposto para orientar parcerias multi-setoriais no Brasil*. O Capítulo 1 discute principalmente a questão da terra no Brasil e cobre também questões que vão desde a estrutura de distribuição de terra no país até a dinâmica do mercado de terras. O Capítulo 2 discute quais têm sido as intervenções públicas e privadas (formal e informal) no mercado de terras e inclui o debate sobre a reforma do estado e sobre a abordagem em direção de uma distribuição mais balanceada de funções entre setores. O Capítulo 3 analisa o escopo de ação entre os três setores, os tipos de cooperação multi-setoriais e os respectivos arranjos institucionais. O Capítulo 4 introduz o universo de parcerias; o conceito é revisitado, suas principais características e as condições para as suas aplicações discutidas, além de apresentadas algumas experiências internacionais. O Capítulo 5 apresenta as experiências brasileiras, incluindo a discussão de quatro casos de aplicação de instrumentos baseados em parcerias, enquanto que o Capítulo 6 propõe um quadro de referência para orientar o uso de arranjos de parcerias, discutindo os elementos relevantes a serem abordados e revelando as estratégias que são mais benéficas para grupos de baixa renda no que diz respeito a suas opções habitacionais. Finalmente, as conclusões apontam o grau de viabilidade e generalização de arranjos de parcerias no

contexto brasileiro e os diferentes aspectos das mudanças exigidas para o seu sucesso ao mesmo tempo em que algumas recomendações são dadas (tanto de cunho prático como teórico).

Conclusões

Com relação à questão habitacional no país. A raiz do problema habitacional é econômica e social e não simplesmente técnica. A questão habitacional é também agravada por algumas características do mercado de terras no Brasil, que permitem que a especulação imobiliária seja uma prática comum em grandes centros urbanos. Com isso, deseja-se admitir que a questão habitacional não é trivial, mas ao contrário, é uma questão complexa com muitas facetas. Por outro lado, não deveria ser vista como uma questão sem solução. Como ressaltado ao longo da pesquisa, os governos locais que tem conseguido ser bem sucedidos em promover políticas habitacionais adequadas, particularmente promovendo continuidade administrativa, tem alcançado resultados positivos.

Com relação à ênfase na questão fundiária e no papel do setor público. O presente trabalho reconhece que o setor público possui um papel insubstituível na orquestração das mudanças necessárias para permitir um mercado de terras mais eficiente e eficaz. A idéia de trabalhar com instrumentos de parceira de forma alguma pretende sugerir que o papel preponderante do setor público nesta questão seja obscurecido.

Com relação ao debate sobre as mudanças necessárias para cada setor. A abordagem individualista refletida pelo desenvolvimento informal provou não ser um modelo de desenvolvimento sustentável, particularmente com a crescente preocupação da sociedade com questões ambientais. Um relacionamento mais cooperativo entre os três setores implica em mudanças com relação ao desempenho de cada setor. Do ponto de vista do setor público, as mudanças discutidas vão na direção de se criar um *empresariamento* público. Do ponto de vista privado, as mudanças indicam tornar-se mais envolvido em desenvolvimento social, não com uma abordagem filantrópica, mas como uma forma de aumentar sua participação no mercado dentro de um arcabouço legal ou mesmo expandir suas fronteiras de mercado. As mudanças necessárias ao terceiro setor relacionam-se em substituir a lógica demandante tradicional por uma lógica mais propositiva, assegurando o

envolvimento de grupos organizados para influenciar a definição de políticas e prioridades governamentais.

Com relação à busca de cooperação. É reconhecido que a complexidade das sociedades contemporâneas implica em uma interdependência maior entre os setores. Uma abordagem cooperativa é, desta forma, defendida como uma estratégia para melhor qualificar os setores a enfrentar essa nova situação. De fato, visto no Capítulo 3 que cooperação é um conceito-chave tanto para melhorar o desenvolvimento individual dos setores em papéis tradicionais, como para ampliar seu escopo de atuação em novos campos.

Com relação a como abordar parcerias. Embora as parcerias sejam freqüentemente associadas à idéia de privatização, este trabalho propõe uma visão diferente de abordar o instrumento. No caso específico de parcerias multi-setoriais para a urbanização de terras direcionadas à população de baixa renda, as parcerias são consideradas uma forma de aumentar a participação do setor público neste segmento de mercado, que tem sido tradicionalmente dominado pelo setor privado informal. Desta forma, o instrumento é melhor entendido como uma expressão de política de gestão compartilhada.

Com relação ao conceito de parceria. Em termos gerais, o conceito de parceria público-privado na literatura é ainda vago e não oferece um modelo para guiar sua utilização (Weaver and Manning 1992). Na Capítulo 4, é proposta uma distinção entre o uso do termo parceria, primeiramente como um mero princípio de colaboração entre setores e posteriormente, como um instrumento para implantação de uma política de desenvolvimento definida. É esse último conceito o objeto do presente trabalho.

Com relação à parceria como um instrumento de política. Uma implicação importante de se considerar a parceria multi-setorial como um instrumento de desenvolvimento é que ela pode ser usada para alcançar diferentes objetivos. O Capítulo 6 identifica três estratégias amplas de políticas para o desenvolvimento local, que podem ser alcançadas através do uso de parcerias: a resolução de conflitos, a inclusão social e a transformação social. Elas são apresentadas como diferentes momentos de uma linha de um *continuum* de estratégias de desenvolvimento que movem suas características desde ações burocráticas, orientadas para a provisão, com foco estreito, baseada em projetos e cobrindo uma área geográfica limitada até ações democráticas, orientadas para o empowerment, com foco amplo, baseada em programas e com um escala geográfica mais aberta.

Respondendo as perguntas

As parcerias possuem o potencial de aproximar os setores para alcançar soluções mutuamente benéficas. As parcerias multi-setoriais podem trazer uma contribuição importante para melhorar o acesso à terra na medida que sejam usadas para implementar estratégias de desenvolvimento cujo objetivo seja beneficiar os mais pobres. Quanto mais inclusivas e mais capazes de promover transformações sociais elas forem, mais benéficas serão.

Identificadas as situações em que faz sentido para os setores juntar esforços (situações apresentando algum nível de interdependência e situações de impasse), tais situações deveriam ser abordadas estrategicamente. Isso significa substituir o relacionamento tradicional competitivo entre os setores por um ambiente cooperativo. Em termos práticos, os objetivos deveriam ser analisados para avaliar se eles combinam em um arranjo compatível.

O quadro de referência desenvolvido no Capítulo 6 propõe um conjunto de passos a serem seguidos em arranjos de parceria particularmente objetivando melhorar sua contribuição para a questão habitacional. Em resumo, elas dizem respeito a ações como: a) julgar a adequação do uso de parcerias; b) estabelecer o ambiente correto para o início de parcerias; c) garantir as condições de processo adequadas para o desenvolvimento de parcerias; e d) monitorar e avaliar o processo.

As parcerias multi-setoriais são basicamente interações entre certos grupos de pessoas que são determinados localmente. Podem ser, no entanto, replicadas e adaptadas para outros contextos locais, desde que todos os contextos compartilhem a mesma configuração básica de problema. Mesmo quando as situações diferem, um quadro de referência geral de parceria pode contribuir com elementos sujeitos a generalização.

A possibilidade de emergência da aplicação de parceria irá depender das circunstâncias locais e da habilidade dos respectivos setores em alcançar uma agenda convergente. Em última instância irá depender fortemente do desempenho de governos locais em orientar e gerar oportunidades de desenvolvimento e da capacidade da sociedade em melhor distribuir o exercício do poder político.

Implicações e recomendações

O Capítulo conclusivo lista uma série de implicações e recomendações. Com relação às implicações teóricas, deveria ser mencionada a contribuição do presente

trabalho para o debate do ambiente no qual o uso potencial das parcerias multi-setoriais pode ser abordado. A contribuição principal é o delineamento de um quadro de referência para ajudar a orientar o uso potencial de parcerias. É desenhado como uma seqüência de passos para ajudar a manter o foco nas áreas mais sensíveis a serem abordadas em esquemas de parcerias. A necessidade de se ligar o uso de parcerias como um instrumento de uma estratégia de desenvolvimento estabelecida é enfatizada e o quadro de referência propõe posicionar a aplicação de parceria de acordo com as respectivas estratégias, de modo que a posição obtida fique visível em relação ao que é considerado uma situação mais desejável, no que se refere ao alcance de populações de baixa renda.

Com relação às implicações práticas, elas refletem mais uma vez o papel preponderante atribuído ao setor público e são discutidas com outras recomendações dirigidas ao terceiro setor e a instituições de pesquisa.

Comentários finais

A magnitude e a diversidade do problema habitacional no Brasil exige a procura de uma variedade de soluções, dentre as quais o instrumento de parceria deve ser investigado. A intenção do presente trabalho não está restrita a simplesmente qualificar ou desqualificar o uso de parcerias multi-setoriais como um instrumento de políticas. Ao invés disto, a idéia é investigar as questões relevantes multi-dimensionais que deveriam ser consideradas como um quadro de referência para orientar o uso potencial de esquemas de parcerias.

O estudo das experiências revelou diferentes graus de sucesso no uso de arranjos de parcerias. As soluções apresentando maior alcance social e melhor endereçamento das várias dimensões da questão habitacional são as que melhor apresentam condições de perseguir a inclusão social e promover transformação social. Em termos práticos, isso significa soluções que sejam democráticas, com o objetivo de obter o *empowerment* de populações de baixa renda, com um foco multi-dimensional e possuindo a orientação de estabelecer a construção de programas no âmbito da cidade. Os casos mais bem sucedidos também revelam que os mais benéficos para os pobres são aqueles que centram a parceria nas relações entre o setor público e o terceiro setor. Além disso, eles revelaram que um sistema de monitoramento de longo prazo apoiado ou pelo setor público ou pelo terceiro setor é crucial para consolidar e perpetuar o processo de transformação social disparado pela

parceria. Finalmente, eles indicam a importância da continuidade administrativa para os projetos ou programas.

A articulação futura de parcerias multi-setoriais no Brasil irá depender do nível de articulação e confronto político entre os três setores. Há evidência, no entanto, de que há um movimento de governos locais que estão movendo-se na direção de uma interação mais próxima com os outros setores visando um desenvolvimento urbano mais balanceado e sustentável. Existe também evidência de que a sociedade está se organizando na procura de soluções alternativas para lidar com questões de interesse público, constituindo uma gestão pública não governamental (Bonduki 1996, p.265). É dentro desse contexto que as parcerias multi-setoriais podem florescer.

O ponto final a ser levantado é que, considerando que a urbanização é de fato um processo que produz valor e, portanto, riqueza, (Doebele 1994, p.49), aumentar o acesso à terra para comunidades de baixa renda é, em última instância, uma forma de incorporar grupos de excluídos no processo de valorização da terra e, portanto, uma forma efetiva de distribuir riqueza. Considerando o papel preponderante creditado aos governos locais no direcionamento do mercado de terras, o instrumento de parcerias multi-setoriais só será efetivo em endereçar as questões habitacionais nas mãos de governos comprometidos em induzir e conduzir processos de transformação social, permitindo um desenvolvimento urbano mais igualitário e sustentável.

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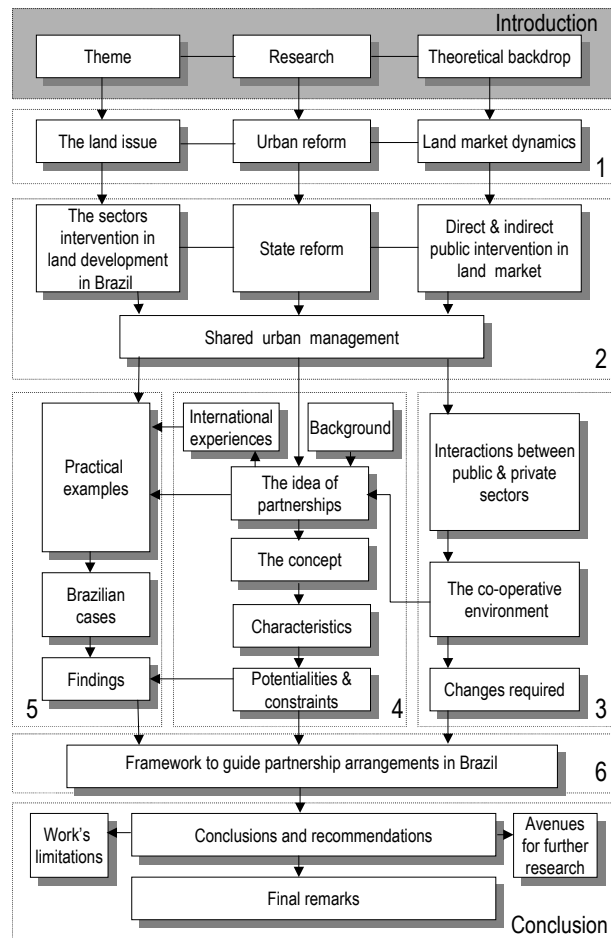
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Introduction



Theme

This work focuses on the study of the potential use of various instruments which rely on a close interaction between different segments of society (the public, the private and the third sectors) for increasing low income urban land development in Brazil. It is based on the recognition that the Brazilian housing problem is serious, threatening the development and environment of urban centres in the country, being also intimately dependent on the difficult access to adequate land by a significant portion of the urban population. The solution to this housing problem will increasingly have to involve legal options for land appropriation by low income

groups, as opposed to the dominant strategy of informal/illegal land development. As will be further discussed, the land market is subject to a process of fierce competition between sectors as to the allocation of uses that meet their particular interests. Instruments that depend on a more productive interaction between sectors in search of mutually satisfying solutions to existing problems is, at the least, an attractive idea to explore.

Although both Brazilian and international experiences are used to illustrate the trend of a more collaborative interaction between the three sectors – the public, the private and the third sectors – for urban development in general, the central objective of this thesis is to analyse the possibility of using such instruments for increasing land access to low income groups in Brazil. This more collaborative interaction has been frequently called “partnership”. Although public-private partnership is a well established term, this work adopts the terminology “multi-sectoral partnership” instead (borrowed from Hastings 1996), as a recognition of the increasing importance of the “third sector” and organised civil society in joint action schemes, particularly on behalf of more vulnerable groups.

The idea of exploring the theme of partnerships for urban land development as an alternative solution to low income groups has arisen from a set of perceptions of changes on the international scene and in the Brazilian context. There are two main arguments, however: the recognition that *neither sector alone has adequately managed to address the issue of housing for low income groups* and, *the urge for new roles to be performed by the public, the private and the third sectors*. These arguments are fuelled by, among other things, the impact of changes triggered by structural adjustments and market globalisation,ⁱ and the failure and limitations of both socialist and market-driven approaches to solve social and economic problems.

Multi-sectoral partnerships are investigated through their potential contribution of combining the comparative advantages of each sector in a joint-action scheme, while overcoming the flaws of an individualistic approach; and rethinking the limits and potential of each sector's role (and its interaction with the other sectors). In this sense, multi-sectoral partnerships have been regarded as encompassing the concept of third-way economics (Payne 1999, p.208; Montanheiro 1999, p.1).

Other (secondary) factors also play a role in justifying the interest in investigating multi-sectoral partnerships. To be discussed further, these factors relate to changes in: a) the informal mechanisms of land delivery; b) the non-sustainability of the traditional model of spontaneous growth development (particularly as to its social and environmental costs); c) the new legal paradigm established after the approval of the 1988 Brazilian Federal Constitution; and d) the understanding of urban development as a political bargaining process in which the allocation and appropriation of land is achieved through an intense negotiation process.

In addition, there is the general interest in partnerships which all of a sudden have been transformed by politicians and the general media into a universal remedy for most of the identified urban problems. There is also a need to consider the debate on partnerships within the Brazilian context, particularly addressing their potential contribution to low-income land development. The aforementioned items are discussed within this introduction under the sub-title Theoretical backdrop.

Outlining the research

Problem definition

This research addresses the possibility of using partnerships to increase legal land options for the poor. It is based on the recognition that the present dominant approach of allowing major urban centres to expand “spontaneously” by informal and

illegal practices of subdividing and occupying peripheral land is no longer socially and politically acceptable nor environmentally sustainable. The instrument of partnership between sectors is investigated through its potential of serving, along with other housing solutions, as an alternative/additional solution to traditional informal practices of land delivery. The underlying idea is to increase the housing supply range of options to meet the diversity of housing demand. This instrument is also investigated through its capacity to instil more inclusive policies based on changing the traditional performance of those involved in low income land development.

The emphasis on land development is intended and assured during the development of the work. Moreover, this research also emphasises the role of local governments in orchestrating the land market and in initiating the process of working through joint schemes. A multidisciplinary perspective is also sought as opposed to a typically strict planning perspective to the extent that it is important for the legal, the political and the economic dimensions to also be recognised.

Research questions

There are several research questions guiding the present work. The main questions to be answered are dealt with in Chapter 6, a framework guiding partnership arrangements; and in the final conclusions and recommendations, and relate to question numbers I and II:

- I. Can partnership arrangements contribute in any way to increase the supply of legal housing alternatives to the poor? If so, under which conditions? How might the particular sector's interests possibly be combined in a convergent agenda? What are the elements for building a framework to guide partnership arrangements in Brazil?

- II. To what extent could the findings and conclusions possibly be generalised?
What is the foreseen scenario for the use of multi-sectoral partnership arrangements in Brazil?

There are also other derived questions, which will be dealt with during the development of the work:

- III. What are the characteristics and bottlenecks of the land market in Brazil?
What are the strategies of low income groups as to their housing needs? What are the intervention areas that require revision?
- IV. What can be inferred from the analysis of the various sectors' traditional performance as to improvements to be sought? What are the nature, interests and comparative advantages of each sector? How do they interact?
- V. What constitutes a partnership between sectors? What are the key elements that influence its application? Has the instrument of partnerships already been successfully applied in Brazil and abroad? Where, how and under what circumstances? How might other cities' experiences possibly contribute to the possible implementation of the instrument in a particular city?

Research structure

This thesis is structured in two parts with three chapters each, plus this introduction and the final conclusions and recommendations. Part I deals with *The Urban land question and the strategic performance of the public, the private and the third sectors (interventions and interactions)* while Part II deals with *The instrument of partnership (theory and practice) and the proposed framework to guide multi-sectoral partnerships in Brazil*. Figure I.1 illustrates the research structure.

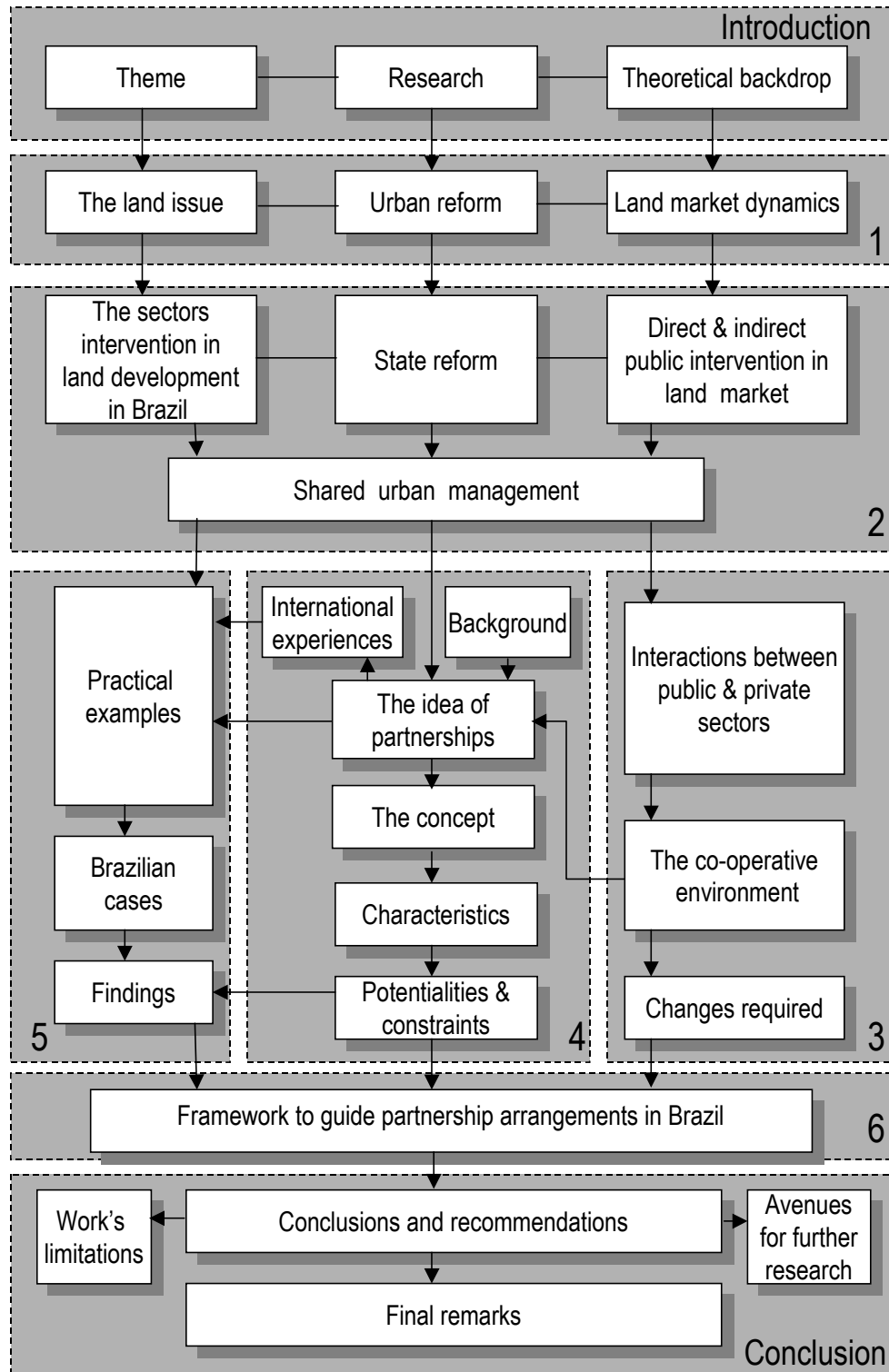


Figure I.1 – The research structure

Chapter 1 discusses the land issue in Brazil and covers from the structure of land distribution in the country, to the dynamics of the land market, the governmental land policies and the respective traditional low-income strategies towards gaining

access to land. Two other issues are also discussed: the role of law in urban development and the urban reform movement, which contributed significantly to the incorporation of new principles in the urban policy chapter of the 1988 Constitution.

Chapter 2 discusses what have been the public and private (formal and informal) interventions in the land market and includes the debate on state reform and on the approach towards a more balanced distribution of functions between the sectors through a shared urban management.

Chapter 3 analyses the scope of action between the three sectors, the types of multi-sectoral co-operation and the corresponding institutional arrangements.

Chapter 4 introduces the universe of partnerships: the concept is revised, its main characteristics and the conditions for its application are discussed, and international experiences are revised.

Chapter 5 presents Brazilian experiences, including the discussion of four Brazilian applications of partnership-based instruments, while Chapter 6 proposes a framework to guide partnership arrangements, discussing the relevant elements to be addressed when working through partnerships.

Finally, the conclusions point out the degree of viability and generalisation of partnership arrangements in the Brazilian context and the different aspects of the changes required for their success, while some recommendations are given (of both practical and theoretical nature).

Research outcome

The present work ends with the development of a proposed framework to be used as a guideline for local governments whenever working within partnership arrangements. It is meant to be an initial checklist, mainly addressed to local

governments, of the most relevant and sensitive issues pertaining to partnership arrangements.

Theoretical backdrop

Although the points initially raised are discussed in more depth in the following chapters, they are listed and summarised below to present the argument:

1) The focus of research and government paying attention to the housing issue has shifted from the construction of the housing unit itself to the access of serviced land (Angel et al. 1983, Baken and van der Linden 1992). There is an increasing recognition that housing and land issues are definitely interconnected, and that it is impossible to achieve improvements in housing conditions without taking measures that deal with land access and land appropriation (Rezende, 1995).

In other words, land has been more and more acknowledged as a crucial element to be considered in housing policies. Moreover, the informal land market has been changing significantly in the last decades. While it is still responsible for a great part of the housing production for low income groups in Third World cities (Durrand-Lasserve 1998), the pattern of land delivery has changed, moving from no-cost land supply (such as invasions and traditional allocation) to commercialised forms of informal supply (such as illegal subdivisions and informal market mechanisms in existing slums) (Baróss and van der Linden, 1990). In other words, it has become more difficult for low income groups to gain access to land in urban areas.

There is also evidence that the informal mechanisms are reaching a saturation point (Rolnik 1997), with the process of densification in the existing informal settlements, aggravating environmentally harmful conditions and complicating a possible future site regularisation.

2) The informal land market is a 'second best' solution, considering the costs of informality for the communities involved, and also for the governments, particularly local governments, which are, in fact, usually responsible for *a posteriori* regularisation programmes. Furthermore, the informal land market is usually related to risky environmental actions, the costs of which for the whole of society have increasingly been regarded with concern (Menna Barreto, 1990). Solutions should be sought to overcome the existing situation constraints and should take into account the real city, as opposed to an ideal city, since only reality can define the actual problems and possible solutions. The adequate problem identification implies an understanding of the dynamics of the market as a whole, particularly the factors upon which lies the production of the existing dichotomy between the legal and the illegal cities. It is the identification of these very factors which will guide the following range of workable interventions.

As to the range of conceivable solutions, thinking in a pluralistic way is mandatory. In other words, the diversity and seriousness of the issue of accessing land require multiple solutions capable of responding to urban diversity and all its nuances. This is aggravated by the environment of constant change imposed by contemporary societies:

In approaching the issue of housing the poor, rather than searching for an algorithm which can solve the problem once and for all, we must nurture and develop our ability to respond more flexibly and more appropriately in a dynamic world where change appears to be the order of the day (Angel et al., 1983, p.10).

3) It is acknowledged that neither sector alone is able to adequately solve the housing problem for low income groups (Payne 1999). The housing needs of the poor are still being fulfilled largely by self-help housing built illegally at the expense of preservation areas, such as forest and water reserves, risky sites (steep hillsides and

areas subject to flooding), or even public areas which are being kept idle waiting for public works to be implemented (usually a new road or the expansion of an existing road).

4) The 1988 Brazilian Constitution is an important milestone for the management of cities. The urban policy chapter creates and strengthens principles as to the very function of the city and of urban properties, submitting them to its social function.

The reform initiated at the federal level has produced a cascade effect since many state constitutions and municipal organic laws have not only incorporated the aforementioned principles, but have also moved further in the direction of better equipping local governments to deal with urban issues.

This is not, however, a simple and smooth process. It is not possible to dissociate the progress and limitations of the legal apparatus to other changes in the political and social sphere. Brazil is a relatively new democracy, still striving to institutionalise numerous economic, social and political rules. Thus, the incorporation and application of many constitutional principles and instruments are hindered by groups whose privileged positions are at risk. Despite that, creative governmental experiences, particularly at the local administration level, indicate that there is some room for change.

What is important to recognise here is that the 1988 Constitution has initiated a new era for the administration of cities by establishing the basic principles upon which the interactions among urban actors should be based. Urban property is now submitted to the urban policy established by municipalities (through their master plans) and is also submitted to the social function of the city, which should be defined

locally, at state and municipal levels. As far as the legal framework is concerned, there is a new urban paradigm prevailing for public intervention in the cities.

5) The vision here is that urban development is basically a political process and the access to land is a result of an intense process of negotiation among urban actors. As important stakeholders in this process, it is possible to identify the landowners, the real estate developers, the local government and everybody who form the demand for urban land for all possible purposes, including the group of urban dwellers. The basic impasse is that a great part of urban dwellers, not having the means for acquiring the product “urban plot”, are left out of this competition for land and end up occupying sites of low/no value. This is accompanied by the fact that these sites have a low level of services or no services at all.

The idea put forth here is that:

The land market is not seen to result directly from demand and supply, in the abstract, but rather as being deeply tied up with the process of distribution and politics (Durrand-Lasserve, 1994, p.55).

The negotiation agenda, however, is not static. Interests are constantly being redefined, and since 1988 the local government has had the possibility of better orchestrating the land market based on public interest. Thus, on the one hand, there is the situation in which politics permeate all the social relations of urban development and, on the other hand, there is a new configuration which changes the rules of the negotiation agenda by enabling local governments to intervene more actively in the land market.

Again, because it is a political process and the government is by no means “a neutral agent in charge of protecting the public interest and social welfare” (Fernandes and Varley, 1998), the outcome will depend on the political confrontation of the groups involved. The major challenge is, then, the capacity of society to better

distribute and exercise political power, and particularly to qualify the more vulnerable groups to have a more proposing and influential role in the process of public decision-making:

In particular, it has become increasingly evident that a proper response to the growing housing problem in Brazil – and the only way to promote urban reform in the country – fundamentally depends on the following factors: a wider democratisation of the overall political decision-making process, especially to address the fundamental question of land/wealth reform; the systematic, technical and financial cooperation between all governmental levels; and the formation of public-private partnerships within a clearly defined legal-institutional, socially-orientated framework (Fernandes, 2001, p.17).

6) The on-going structural economic changes and the effects of the globalisation of the economy have broken the previous balance between the role of the public and the private sectors almost everywhere. While in developed countries, this means abandoning the basic principles of welfare state policies, advocating the reduction of governmental intervention in the social sphere, in developing countries the general approach has been to leave the market to manage economic activities, while the government concentrates its efforts on social investment. Thus, whereas in the former the idea is to reduce social investment, the neo-liberal argument for the reduction of the state in the latter is aimed at increasing the government's participation in social policies.

The argument put forth here is that, as far as land policies are concerned, rather than advocating a withdrawal from the state, it is important to change the focus of state intervention, based on an integrated understanding of the land market. Thus, some effort should be spent on building a preventive policy and in creating a corrective policy, both having the objectives of: a) bridging the gap between the

formal and informal markets, and b) increasing the supply of legal housing alternatives for the poor (Oliveira, 1993).

This requires a more active, responsive and articulated government, being able to play its role in the negotiation process of the land market, making use of the instruments foreseen in the constitutional text and promoting a more cooperative environment in which the sectors may interact. For this, new institutional arrangements will be needed.

7) The need for developing new relationships between public and private sectors in urban development has received a great deal of attention and discussion from academics and practitioners in recent years (Durrand-Lasserve 1987, Weaver and Manning 1992). Several new instruments for urban intervention (some of which are just revised versions of old instruments) have been indicated as having the potential of contributing to a better interaction between the two sectors. Amongst them, the phrase “public-private partnership” has been recurrent. Indeed, the term “partnership” between public and private sectors has been frequently found in the journalistic media in Brazil, to describe intentions, projects or government programs.ⁱⁱ In fact, however, there has been limited work carried out on the conceptualisation or the description of its possible application.ⁱⁱⁱ The term now seems to have been incorporated in the political rhetoric as part of a “modern” jargon which suits both the general and dominant context of economic neo-liberalism and the progressive agenda of left-wing governments. Therefore, it is crucial to analyse what use is made of partnership applications, and what the situations are in which they do indeed contribute to improving low income housing.

Multi-sectoral partnerships involving profitable areas of development are already a delicate arrangement to manage considering the cultural differences of each

sector involved. This is significantly aggravated in situations where profit is hampered by the affordability level of the target community, which is the very case of the present study. In such circumstances it is of great importance to clearly establish the strategies, the conditions and the objectives required to meet the goal and the evaluation criteria used to assess its result. Above all, this work is developed on the perception that improvements in the current practices of land access by vulnerable groups are important (and possible) to occur.

The present work aims to contribute a further step in the debate of partnership-based instruments in Brazil, by indicating the different contexts in which the partnership instrument has been (or may be) used, and particularly the different outcomes that may result from its application. The proposed framework is sought as a contribution to guide the multi-sectoral partnership instrument while unravelling the strategies that may be more beneficial to low income groups in their housing options.

Notes

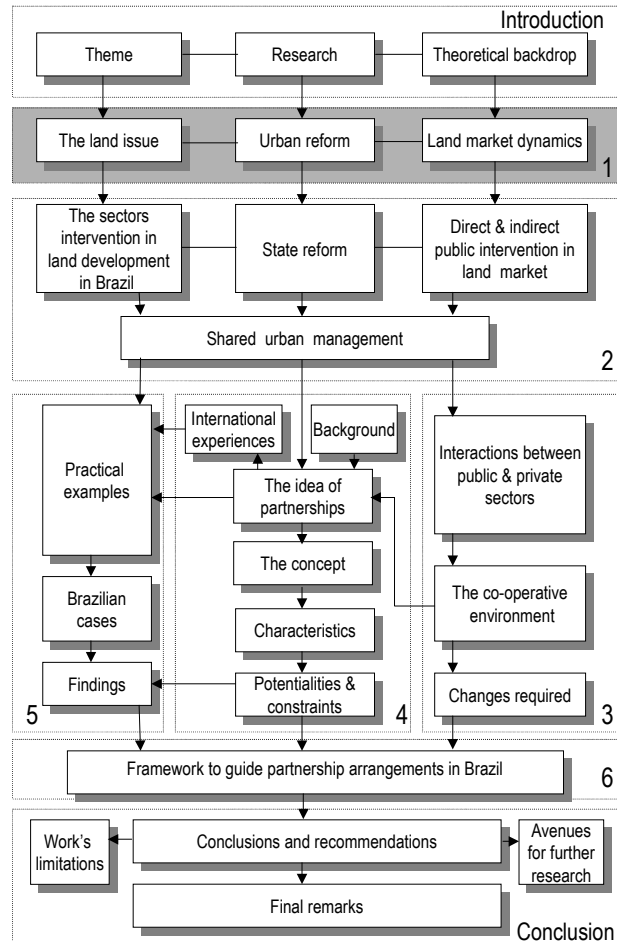
ⁱ On the one hand, structural adjustment programmes have had a negative impact on social development because they have imposed strict measures on public expenditures of the countries involved, which have been directly reflected in social investment cutbacks. On the other hand, market globalisation has increased the pressure on the market for competitiveness (this includes, e.g. competition between cities). These two processes combined characterise the difficult situation of many developing countries. It is in this context that there is an urge for new roles to be performed by the different sectors of society.

ⁱⁱ According to Wald (1996, p.134), partnership (*parceria*) is probably one of the most used words by government representatives at all levels, including the speeches of President Fernando Henrique Cardoso.

ⁱⁱⁱ For a conceptual overview of partnerships see Weaver and Manning 1992, Mackintosh 1992, Kouwenhoven 1993 and Hastings 1996, and for practical examples of the application of public-private partnerships see Payne 1999.

Chapter 1

The Land Issue in Brazil



Chapter objective and structure

The present Chapter discusses the land issue in Brazil, and aims at indicating the traditional bottlenecks of the land market. It begins by giving an overview of the land structure in the country and its main features, and the methodology approach used. Then, the land market dynamics and their intrinsic elements are discussed, followed by a brief historical perspective on land policies and the low income strategies used to gain access to urban land. Since such a process of land appropriation has been traditionally based on illegality, the relation between law and urban

development is also analysed. Next follows a discussion dealing with the urban reform movement, which occurred during the elaboration of the 1988 Federal Constitution, and which incorporated important new principles to guide urban development, particularly as to the role of local governments. Finally, some conclusions are drawn as to the constraining aspects of land supply, and the possible way to proceed in order to improve land market efficiency in Brazilian cities.

Land structure in Brazil

Brazil is a unique country in many respects. It is a continent-sized country with 8.5 million km² of land. It is the largest in the world from the perspective that most of its land is suitable for human life. There are no deserts or frigid areas, and even though the quality of soil and climate differs in the five regions of Brazil, it is still possible to live throughout most of these regions.ⁱ Nevertheless, land is a scarce resource for the majority of the Brazilian population. It is scarce in the rural areas where a former project for agrarian reform was never able to be fully implemented due to the vested interests of rich traditional landowners.ⁱⁱ The land access situation in urban areas is even more serious where land use is heavily disputed due to fierce competition.

There are many particular features of the Brazilian land structure. First of all, it is highly concentrated, which reflects one of the main problems of the Brazilian economy, that being the uneven distribution of national wealth. According to Tolosa (1997), the high level of concentration of wealth in Brazil has persisted through different economic situations such as the intense economic boom of the late 1960's and beginning of the 1970's, and then the deep recession of the 1980's; it has become a stigma for Brazilian society. The figures are astonishing: in 1981, the 1% richest economically active inhabitants dominated 13% of the country's income, while in

1990 this same percentage group held 14.6% of the national income; 53.2% of the nation's income was concentrated in the hands of 6.5 million inhabitants representing the richest 10% of the economically active population (IBGE, 1990 *apud* Rezende, 1995). The GINI index, which is the international convention for measuring the pattern of income concentration, reached 0.652 in 1989, its worst figure since 1976 (*ibid.*). It is in the large cities that this phenomenon is most visible:

Urban space clearly reflects, and reinforces, the unequal conditions of wealth distribution in the country, which are among the world's worst, as well as its tradition of political exclusion of the less favoured population (Fernandes and Rolnik, 1998, p142).

A second feature of Brazil is that most of its land is privately owned and this privatistic mentality has been dominant among legislators, jurists and public administrators, in opposition to the idea of land being disposed to a more public or communitarian use. This has long historical roots:

It should be stressed that, as an inheritance from the centuries of colonial rule, most Brazilian land is privately owned, which accounts for the existence of few public spaces in the cities and elsewhere. Urban legislation enacted at all levels of government was rarely concerned with democratising land acquisition by the poor. On the contrary, especially at the local level, urban laws have been one of the main factors reproducing the overall conditions of segregation of economic activities and the denial to much of the urban population of access to the advantages of living in metropolitan areas (*ibid.*).

A third feature is the rapid process of urbanisation which the country went through during the 20th Century, and which reached its climax during the 1950's and 60's. For example, in 1940 Brazil had around 80% of its population living in rural areas, while today figures show that 80% of the population is urban with more than 40% living in metropolitan regions.ⁱⁱⁱ Although the annual growth rates in large cities have been significantly decreasing, the peripheral parts of the metropolitan areas continue growing faster than the respective central parts.^{iv} Thus, demographic

pressure has fallen upon the whole metropolitan area. The issue of a highly concentrated pattern of land ownership in private hands preceded the rapid urbanisation process, which together with a well established custom of protecting private landholders' interests has left little leeway for public action:

The structure of land ownership was already well established before rapid urban growth began. The domination of the economy by export agriculture had led to a highly concentrated pattern of landholding with many large estates. During more than four centuries of colonisation (1500-1822), imperial rule (1822-1889) and republican government (from 1889), Brazil had experienced an intense process of privatisation of land use, which was officially endorsed by imperial legislation in 1850. (*op. cit.*, p.152).

Last but not least, a fourth important feature is that land has always been seen as capable of holding its value. For lack of more secure investment opportunities, land has been used as an important investment alternative. In urban areas, especially as a consequence of the intense process of urbanisation which has occurred, speculating with land could bring high extra gains to land holders. As will be discussed later, the non-use of land has been seen as a legitimate right of landowners. The outcome has been that land speculation has been a common element in the Brazilian economy both in rural and urban areas.

Approaching the land issue

Urban land markets are complex, diverse and segmented. One important aspect when dealing with land is to make the method adopted in approaching it clear. There are two basic conflicting sets of methods with direct implications in their proposed mechanisms for intervention: those oriented towards a political economy of land delivery, which focus upon the agents involved in the land production process, and those based on the neo-classical economic framework, which emphasise the importance of studying the functioning of the land market in terms of supply and

demand. Whereas the first approach highlights the political and institutional nature of problems, the second one stresses the technical nature of problems.

This work approaches the land debate by identifying the need to focus on the factors dealing with the production of land as a requirement for any public intervention:

Specifically, this means a focus on land developers of rich and middle-income subdivisions – their patterns of ownership, practices of dividing up and promoting residential land, their discretionary practices, the relative profitability of land versus other investments, the opportunities to disestablish “community” land, and so on. For low income groups the focus had been on the production of land by illegal practices of company-led or private landlord subdivisions, squatter invasions, and on the myriad ways in which community land is introduced to the market. In short, these are considered to be segmented land markets in which there is a wide range of actors, agents and social relations; degrees of formality and legality; variation in the size of holdings and practices of subdivision; different methods of financing land acquisition; and complex patterns of negotiation and regulation with local institutions. Thus, it is unhelpful to seek to diagnose the land problem in the rather simplistic terms of supply and demand, or to formulate policy interventions that do not begin to address the underlying causes, but which, at best, touch only the effects (Jones and Ward 1994, pp. 18-19).

There is a considerable area of knowledge which has researched the process of land valorisation, land price trends, land market assessment, the performance of the second-hand market and so on.^v Although we acknowledge the great importance of these issues, it is beyond the scope of the present work to debate them. What is important here, considering the local government perspective adopted, is to identify the role that the state performs in the process of land development and real estate production. Of particular importance is the impact of public intervention upon the formation of land value and upon the private appropriation of gains accruing to urban land as a result of social actions.

The government impact in the land market occurs through a direct public participation in land development, or through an alteration of the conditions of specific tracts via public investment in the infrastructure, by changes in land use criteria or merely through the establishment of public policies. Particularly, what matters here is understanding the very factors that help create and perpetuate the existence of the dual city: formal and informal. Moreover, considering that urbanisation is a wealth producing process, it will be through the sharing of this wealth that adequate land for housing the poor will be made available (Angel et al, 1983, p.534). Therefore, the identification of mechanisms and instruments that help institutionalise this sharing process also matters from a policy perspective.

In the following chapter, this issue will be re-explored while dealing with the range of options available for public sector intervention in the land market.

Land market dynamics - general comments

Land is a key component for most human activities. In rural areas, agrarian production is directly influenced by the soil characteristics and weather conditions of a particular piece of land. However, when we talk about urban activities, they are not solely dependent on the natural and physical characteristics of a piece of land - its size, topography and location - but they are particularly sensitive to its urban features. In other words, urban land has some specific qualities that depend on its insertion into the urban tissue and its connection with the infrastructure network and social services which serve it. Physical and social infrastructures give a piece of land accessibility to essential services and networks (water supply, sewerage, electricity, transportation, telecommunication, mail, fire brigade, schools, hospitals, police and so on), which have direct implications on its value. Thus, a piece of land in the city does not “exist” in isolation relying only upon its own intrinsic characteristics, but it is instilled within

the urban fabric with intense interaction with its neighbours and the whole set of networks which possibly serve it.

The land market has many complicating factors which make it a rather complex market to understand, to analyse, and, consequently, in which to intervene. One primary factor is related to the specific features of land as an economic good. Baken and van der Linden (1992, p.1) review, list and analyse five of these features. The first feature is that, unlike other economic goods, the value of land is, in principle, completely derived from the use of the land. Thus, if you change the use of the land you also change its value. The second feature is that the total land supply is completely inelastic; in other words, it cannot be created or destroyed (apart from some exceptional cases), but for each type of individual use it is, in principle, expandable. The third feature is that each piece of land is unique and immobile and, therefore, non-exchangeable. The fourth is that, unlike virtually all other commodities, land in itself is not physically depreciable and is therefore permanent, although its acquired qualities may change with time. The fifth feature is that, besides being used for production and housing purposes, land is also used as a vehicle for investment or as a basis for savings. A basic dilemma of the land market is that the combination of the above features may lead to a situation in which the price mechanism loses its stabilising power. An increase in land prices (as a consequence of an increase in land demand) will not necessarily lead to an increase in land supply (*op. cit.*, p.2); on the contrary, it might lead to higher prices and reduced supply. This is the rationale behind land speculation.

A second complicating factor related to land markets is the fact that it is subdivided into sub-markets or market segments that are highly interrelated (*ibid*). This means that what happens to one sub-market will have an impact on others.

Moreover, the production of urban land (implying certain qualifications) depends on the interaction of several different types of markets such as physical infrastructure, social services, and transportation. Some of these markets are under the control of the public sector and some depend on the private sector. Thus, the development of land is derived from the interaction of both the public and private sectors which do not necessarily share the same goals.

A third factor is related to the very functioning of the market itself. Land with certain urban qualities is a scarce resource in the major cities of developing countries which are characterised by deep inequalities in housing conditions. Regardless of the many explanations one might formulate as to why serviced land is becoming scarce, the result is that the scarcity of land has a direct consequence on its price. The real estate industry therefore profits from the limited supply of serviced land. In fact, it has been argued that much of the profit in the land business rests on the (artificial) scarcity of land rather than on reduced development costs (*op. cit.*, p.8). The real estate market works by “producing” and “reproducing” land with uncommon conditions because it is precisely the particular set of qualifications attributed to a specific plot which allows for a differentiated price. The bigger the gap between what is being offered on a particular site and in the rest of the city, the more people will be willing to pay for that particular site. This constitutes an element of self-limitation to the expansion of real estate activity since the development of industrialisation in the building market would require that serviced land always be available as a pre-condition for the activity.

The built-in speculative logic of the market is responsible for the production and reproduction of land scarcity, but other factors also play a role. Baróss (1990) considers that scarcity is a result of the orthodox planning model which, through the

traditional stages of Planning-Servicing-Building-Occupation, transforms abundant raw land into a scarce resource. Smolka (1993) explains the gap between the illegal and legal city based on the way in which the space is differentiated through the provision of infrastructure and services. It is recognised here that there are numerous factors that influence the functioning of the land market, and which have to be considered for any land policy to be effective.

Land policies and low income strategies

Land has been increasingly regarded as a crucial element in housing policies. In fact, the focus of many governmental interventions has shifted from conventional housing schemes to simply facilitating access to serviced land. In Brazil, according to the official rhetoric, land has also been more and more recognised as a key factor in the development of cities, and the land market is recognised as an important arena for public intervention. In practice, however, Brazil has clearly suffered from a lack of a consistent land policy addressing the improvement of land access by low income groups. As a result, land has been and still remains difficult to be legally accessed by poor populations in the Brazilian urban areas.

Based on research aimed at mapping the housing deficit in the country by states and income brackets, Gonçalves (1998) estimates that the core deficit in Brazil was 5.4 million units in 1996.^{vi} The author remarks, however, that this is a conservative figure since the criterion used was to match the number of families and the number of units.^{vii} *Favelas*,^{viii} illegal subdivisions, *cortiços*^{ix} and occupations of risky areas are still common practices for the bottom layers of the population in the cities. Nevertheless, according to Gonçalves (*ibid.*), 87.8 % of the housing deficit refers to families whose earnings are below three minimum wages.^x

The emergence of the housing problem in Brazil has long historical roots. Although it is beyond the scope of the present work to analyse the matter in depth, it is important to remark that the housing problem has developed along with the development of the cities and as a reflection of the economic models followed by the national government during the 20th century because investments in the urban infrastructure have never been a priority in the political agenda.^{xi} In the cities, local governments have had to face high migration rates while not having the required resources to adjust the urban area to the process of tremendous growth. Resources then have been channelled to restricted central neighbourhoods while poor populations have been gradually driven to peripheral areas or hillside areas and left to their own “planning processes,” which have led to a high level of physical and social segregation (the formal city *versus* the informal one).

One important feature of the housing market in Brazil is the emphasis of the population on private ownership of the housing unit to the detriment of tenancy. This situation, however, was very different back in 1940 when the majority of the population were tenants (in São Paulo almost 70%) (Bonduki, 1998, p.218).^{xii}

The main cause for such a pattern change was the decision of the federal government to start regulating the rental market from 1942 onwards, using the excuse of protecting urban workers. One of the first measures was to freeze the rental values for residential purposes by law (*lei do inquilinato* – tenancy law), which is considered to be the basic reason for the change in the pattern of housing provision in the country. Investors in houses to let were increasingly driven to more profitable types of investments, according to Bonduki (*op. cit.*), thereby accommodating the real objective of government – channelling private investments to finance the embryonic industrial park.

This ambiguous public measure not only affected the profitability level of the market segment (houses to let), but also restricted the housing supply for medium and low income groups for more than 2 decades (*op. cit.*, p. 217).

While private resources were channelled to industries and public resources were concentrated in central areas of the modern industrial city, workers had to satisfy their housing needs by their own efforts, mainly through informal/illegal processes of land occupation (invasion or illegal subdivisions).

The National Housing Bank (BNH) created in 1964 explored and reinforced the dream of privately owned houses through a set of developments based on selling the final unit instead of renting it.

In São Paulo 79% of the housing units in 1920 were occupied by tenants compared to 38% in 1970, whereas 19% were occupied by owners in 1920 compared to 54% in 1970 (Bonduki *op. cit.*, p.282).

In the major cities of Brazil, the contrasts between beautifully planned and serviced areas and poor, degraded and unserviced areas are presently a common feature. In Rio de Janeiro, many slums are located on the hillsides of high income neighbourhoods, making it very easy to recognise which is the legal and which is the illegal city. Wealth disparity and social segregation are basic elements of existence in the dual city:

The illegal city is first and foremost the product of a form of society in which the logic of production and exchange is associated with unequal access to resources and wealth. It is also the result of levels of housing production and service provision that are clearly inadequate, the result either of a deliberate political strategy or simply of economic constraints preventing social actors and public authorities from keeping up with the needs of a rapidly growing urban population (Durrand-Lasserve 1998, p.240).

The literature provides many examples of the informal city becoming more diverse with the predominance of market mechanisms (*op. cit.*, p.234). In other words, access to illegal settlements is increasingly commercialised. It also seems to be a trend that public authorities do recognise the existence of such informal practices, evidenced by the establishment of regularisation programmes in many countries (with a respective improvement in the living conditions of the concerned population). However, it also seems to be true that the informal mechanisms of housing delivery are still a strong present phenomena, accounting for between 15% and 70% of the urban population in developing countries (*op. cit.*, p.234). In Brazil the figures indicate that a significant percentage of the population in major cities lives in illegal settlements: in São Paulo, 67% is reported to be living in illegal and precarious conditions (Somekh, 1996 *apud* Fernandes and Rolnik, 1998). In Rio, the local government estimates that 30% of the population was living in slums and illegal subdivisions in 1992 (SMU, 1992).

Although there are many particulars related to the illegal practices of land occupation, they basically fall into two broad categories: land invasion and illegal subdivision. In Brazil, both forms of illegal practices have been used by low income populations as their housing “strategy”. First, there are the *favelas* – basically the invasion of private (or public) land, usually on topographically unfavourable and unserviced sites. Second, there are the illegal subdivisions, which can vary substantially in their degree of illegality but are related to the acquisition of unserviced plots which have been subdivided and sold without respect to one or more aspects of the existing regulatory framework.

In relation to such illegal practices, the public attitude has generally been rather complacent. While the official rhetoric has clearly been aimed at repressing them, the

practical outcome has been more of being oblivious to the illegal phenomenon. Until the late 1970's, apart from specific cases in which displacement was sought due to the high value of occupied land, the general public approach was to let the informal market grow "spontaneously". The indifferent attitude of local governments had two reasons. First, there was an implicit recognition that the government did not have any better options for the poor. In a way, these informal options served to keep the whole system in balance while their illegal character gave governments a convenient excuse not to intervene. Second, the balance of the system relied on the fact that the informal solutions would match the low level of salaries paid to this poor population thereby avoiding social riots while offering second best solutions (in fact, illegal solutions). It also served as an important political tool for manipulating these informal settlers, especially during periods preceding municipal elections.

With the process of democratisation which arose after the end of the military government (1984), the country witnessed a spread of community based organisations. With pressure from such groups, illegal settlements then started to be upgraded through regularisation programmes which were and still are costly and complicated to implement, both from the illegal settlers' and the local governments' viewpoints. The regularisation programmes imply *post-facto* planning which presumes either accepting the illegal standards and simply providing the necessary basic infrastructure, or adapting the existing situation to legal standards. Depending on the case, it also raises questions of difficult solutions in terms of land tenure regularisation. Moreover, many of these settlements are located on physically difficult sites (steep areas or areas subject to floods) which make the infrastructure provision complicated. Thus, the regularisation programmes become rather complex because they require three different levels of intervention: the administrative, the legal and the

physical regularisation (Ceneviva, 1995). Moreover, these levels are inter-linked. The first one deals with the administrative procedures undertaken at the municipal level through which the subdivision plan has to be approved and accepted (after the required infrastructure is implemented). Thus, it is linked to the implementation of the necessary infrastructure. The existing plots and streets become recognised assets by the municipal government only after the plan approval. The legal regularisation or the official real estate register can only take place if the plots are recognised by the municipality. Therefore, the process is cumbersome in going from acquiring a piece of land in an illegal subdivision to obtaining the legal deeds for a serviced plot.

It is thus clear that the housing strategy of the low income population was and still is heavily based on illegality in Brazil. Public policy was to first dissociate official rhetoric from praxis by ignoring the illegal phenomenon, and then to intervene at the expense of the low income population whenever the value of the occupied land was highly attractive for other uses. Second, policy was implemented through costly regularisation programmes, the objective of which was to bridge the gap between the formal/legal and informal/illegal cities.^{xiii} Never was an effective attempt made to intervene in the very rules of the game, in the factors which produced and reproduced the gap between the two cities.

From the middle of the 1970's onwards, the official response to low income land development has been mainly through sites and services, and by upgrading projects. Conventional sites and services schemes have failed in general because they have often overlooked the issue of the affordability level of the target groups. The chosen sites have been too distant from job centres (the search for cheap land resulted in sites located at the fringes of the city), and the target communities have not been able to afford commuting. Social networks have also often broken down, destroying

part of the survival strategies of families. Moreover, the benefited communities have rarely been active participants in programme development. Upgrading programmes are important elements in housing policies because they take into consideration the existing social and economic networks of the target communities. Besides, they seldom waste the physical investments the communities have already made in the settlement as to their housing units and the physical collective infrastructure. However, housing policies cannot use upgrading programmes as their central policy tool for future development because that would simply be accepting informal, unplanned city occupation and all its consequences. In other words, local governments should upgrade and regularise existing illegal settlements, but they should also pursue other forms of new land development outside the illegality domain.

It is already recognised that the housing problem goes far beyond the mere access to a housing asset (unit or plot). Rather it relates to guaranteeing to vulnerable groups access to the job market, to social and physical service networks, and also to making sure that those groups' demands are addressed in the formal city planning process. In other words, it is related to bringing excluded populations into citizenship, in its full conception.

Law and urban development

The importance of the law in urban development has been recently emphasised by some authors (Fernandes and Varley, 1998), who also remark about the lack of proper attention given to it by urban researchers. This is particularly relevant considering the fact that low income strategies to gain access to urban land is intimately linked to different forms and levels of illegalities and informalities. As varied as it can be according to local circumstances, the great majority of the urban poor in the large cities of the developing world solve their housing problems by

raising some kind of conflict around law, property and urban space. McAuslan points out a paradox:

...in the real world of urbanisation, law and urban development are almost synonymous, while in the world of research and urbanisation, law has never been accorded a central role (1998, p.18).

Moreover, the rapid economic restructuring which has affected most contemporary societies has transformed the existing traditional regulatory and institutional framework into obsolete or outdated elements for all practical purposes (Azevedo 1998, p.260).

In a book edited by Fernandes and Varley (*op. cit.*, p.4), three major points are referred to as the basis for the analysis of the role of the law in the process of urban change in developing countries. The first is that one cannot talk about a single, unitary concept of property rights, but rather, one must talk about diverse treatments of the concept of property rights according to the law. Private ownership in urban areas is often problematic given the fact that the state's ability to impose conditions on the economic exploitation of property in the public interest is constrained by liberal legal ideologies. The second point is that even in countries with a tradition of legal positivism, the land market is often regulated by unofficial criteria which, rather than following an exclusive logic of their own, result from an intimate though contradictory dialogue with the official legal system. And third, the authors point out that research has shown that there are degrees of illegalities, some forms of them being more socially acceptable or tolerable than others.

It is also important to note that illegality is not exclusively related to the poor. Several illegal forms of the production of urban land and housing are frequently observed in the more privileged parts of third world cities (*op. cit.*, p.5). These refer to upper class closed condominium developments which block public access to the road system as well as to the occupation of environmentally protected areas.^{xiv} The

populations belonging to the two extremes of the class pyramid disregard urban legislation and property rights for different reasons. The poor extreme bases its illegal practices on the actual need to solve housing needs, whereas those of the rich extreme act illegally based on the belief that their privileged situation will allow them to be treated differently and exceptionally by the legal system.

Fernandes and Varley (*op. cit.*) discuss the reasons why law has been overlooked or even neglected by urban sociologists and political scientists. In general, the argument is that critical urban research has failed to understand the legal dimension of the urban phenomenon, the law having been either dismissed or taken for granted. Not only has the research been unable to provide a satisfactory account of the legal phenomena in general, but it has also contributed poorly to the understanding of the intricate network of (il)legal social relations established in the city, particularly those relating to the use of land. On the one hand, the often dismissive approach of urban law reflects “a narrow perspective of the die-hard Leninist theory of the state, which has conceived law as a mere instrument manipulated by a monolithic (bourgeois) state.” (*op. cit.* p.6). On the other hand, most urban research has not gone very far towards identifying the nature of the relationship between the state and its legal apparatus. It has largely and implicitly considered legal relations as being politically and socially neutral. The result is that:

...both progressive urban research and socially oriented projects have very often recommended the enactment of legislation as a solution to urban problems, as if legislation itself were an unproblematic instrument of urban planning and reform. By failing to problematize law, they unwittingly reinforce the positivist position that law is an autonomous politically neutral, domain of knowledge (*op. cit.*, p. 7).

This is an important preface to understanding the development of urban legislation within the Brazilian context. Triggered by a social movement advocating

the need for urban reform, important innovations were introduced in the letter of the Federal Constitution of 1988, which by itself does not guarantee the achievement of the results sought, as is next discussed.

Urban reform

Urban reform was a national movement which started in the 1980's as a strategy of some sectors of the Catholic Church to unify urban demands scattered in different cities, aiming at assisting popular movements in their particular struggles (Rezende 1995, p.25). It became an important arena for the discussion of urban issues during the period preceding the elaboration of the 1988 Constitution. With the incorporation of other groups of society (mainly academics and urban planning related professionals), the movement achieved visibility at the national level with the elaboration of a popular amendment which consolidated the pleas and proposals intended to be incorporated into the law.^{xv} As a contributing element to the emergence of this process, it indicated the seriousness of the economic situation in the country and the surge in social movements, particularly those related to increasing access to land and to consolidating democracy (*ibid.*).

The main objectives of the popular amendment were: to ensure the submission of property rights to the collective interest; to establish policies addressing infrastructure upgrading; and to broaden popular participation in plans and policies. This would be reflected in measures which targeted property speculation, the democratisation of access to urban land, the recognition, regularisation and upgrading of illegal settlements, and the adoption of a participatory form of urban management.

The 1988 Constitution brings an important new scenario to the practice of urban planning. First, it strengthens the role attributed to local governments, transferring to them the power to enact urban legislation on the use and development of urban space,

and the responsibility for the implementation of urban and housing policies.^{xvi} Whereas the previous Constitutions considered the municipality as only an administrative part of the state government, the 1988 Constitution raises the municipality to the status of part of the federation and gives it new responsibilities. Municipalities also obtain the right to create their own organic law and the duty to elaborate a master plan for municipalities with populations of over 20,000 people. Second, it brings in the concept of the social function of the city and reaffirms the principle of the social function of property, giving the means to the state to guarantee its fulfilment. Third, “it ensures the possibility of some, albeit still rudimentary, popular participation in decision-making” (Fernandes and Rolnik, *op.cit.*, p.149).

The movement for urban reform gave the initial but fundamental idea of the concepts introduced later in the Federal Constitution of 1988 as to the right to the city and the right to the land, translated as the *social function of the city* and the *social function of property*.^{xvii} The social function of the city is not defined by the Constitution, which transfers this responsibility to the states and municipalities. It relates, however, to the right to the city, reflected by the rights of citizens to gain access to housing, urban services, and adequate conditions for work, leisure and transportation.

The basic principle of the social function of property had already been part of the 1934 Federal Constitution and since then has been repeated in all other Constitutions. The idea has been that property rights are to be recognised only when the use of a property fulfills its social function. The innovation of the 1988 Constitution is that it makes it explicit under which circumstances the social function of a property is to be fulfilled, giving a practical dimension to the principle by

submitting it to the guidelines of a city's master plan. Thus, the very concept of property rights has changed:

Private property rights therefore no longer have a pre-determined content, since the new Constitution converts private property rights into a *right to property*, that is, a legal obligation, with a social purpose whose contents will vary according to local circumstances (*op. cit.*, p.148).

Ultimately it is the state that is responsible in determining, by guidelines approved through the master plan, the permissible types of land use and construction of individual landholdings in urban areas. In addition, instruments have been created to ensure that the state has the means to enforce the principle of the social function of property. These new instruments are to be applied sequentially to idle or under-utilised land: compulsory subdivision and building, progressive property taxation and flexible expropriation. The right to adverse possession in urban areas (*usucapião especial urbano*) is also approved. Accordingly, squatters occupying up to 250 m² can regularise their occupancy after five years of peaceful possession of the property. Moreover, the possibility exists for civil society to formulate bills and submit them to a local council, as well as the possibility to be consulted via plebiscites and referendums.^{xviii}

It is unquestionable that the 1988 Constitution has created and incorporated important principles and instruments which generate the possibility of a new era for urban development. Although there is evidence showing interesting and innovative experiences as to urban management in Brazil, this has not been proven to be sufficient for structural changes in the urban management of major Brazilian cities. One problem has been that the Constitution stipulates that some of those instruments should be detailed by a complementary federal legislation. Therefore, their application has been postponed to a later time with the need for the elaboration of the pertinent

law, which has only recently occurred with the approval of a federal law named “Estatuto da Cidade” (City Statute) in July 2001.^{xix} Some other decisions have been transferred to local authorities such as the elaboration of the master plan, which has become a central element in a guideline for urban development and for the application of all instruments adherent to it. Again, the conflict of interests has been postponed to a later stage and to another level, the local level. In some major cities, the master plan has not yet been approved (as in São Paulo), and the Constitution does not foresee a way to enforce it.

Another problem is the cultural approach to private property, traditionally based on the highly individualistic definition present in the Civil Code of 1916, still in force:

...the law guarantees the owner the right to use, to profit from and to dispose of his goods and to get them back from the power of whoever possesses them unjustly.(article 524).

As an additional matter, the traditional legal apparatus “has long tended to favour individual rights to the detriment of socially legal restrictions on the use of urban property” when deciding upon conflicting interests (Fernandes and Rolnik, *op. cit.*, p.141). All these progressive changes are only possible to come to terms with (or have a practical dimension) if the political process of democratisation in the country consolidates and leads to deeper changes in the distribution and exercise of political power.

This leads to the limitations of the regulatory framework, which are necessary but insufficient conditions for effective change:

It is obvious that the arsenal of legal instruments for urban management cannot be effective without the political support needed to guarantee implementation of the laws in question. In other words, even the most sophisticated and democratic legal regulations cannot make a real difference if the wider social and cultural environment is not conducive to change (Azevedo *op. cit.*, p.269).

Although the application of many of the constitutional principles still requires further detailing and is subject to local political processes, it is important to remark about the relevance of the attributes of the new Constitution, which have led to a new legal paradigm. Indeed, the 1988 Constitution recognises the political dimension of the process of decision-making and with that, “urban law has been placed where it always belonged: in the political process” (Fernandes and Rolnik *op. cit.*, p.149). That is why it is also noted that urban reform cannot be conferred by law, but has to be attained through the political process (*ibid.*).

The trickle down effect

After the approval of the 1988 Federal Constitution, the time was ripe for states and municipalities to elaborate their state constitutions, their organic laws and respective master plans. In general terms, the municipal organic laws and the master plans have reflected the principles created at the constitutional level and in some other cases, new instruments have also been created. The main new aspects having been raised relate to: the democratisation of urban management (incorporating participatory channels), the incorporation of the informal city in the city’s planning, and the concern with controlling land use and occupation to increase access to land, housing and public utilities.

It is important to remark that master plans are revised according to a new paradigm, no longer as a mere instrument for physical and territorial planning, but as an instrument for the implementation of sectoral urban policies such as housing and land policies. They differ from traditional blueprints because they recognise and incorporate the multiple dimensions of development such as the economic, the social and the cultural as important inputs for city planning.^{xx} The strategy of many cities has been not only to incorporate the principles foreseen by the 1988 Constitution, but

also to go a step further, and create new ones and regulate those of the federal legislation. Thus, confrontation between the different interests has been transferred to the municipal councils.

Ribeiro (1995, p.139), based on research which analysed the municipal organic laws of the 50 largest municipalities in Brazil, concludes that institutional and juridical reform set the conditions for a new model for urban planning and management based on: 1) the universality of the urban right;^{xxi} 2) a more democratic city management and; 3) redistribution of the cost and burden of urbanisation. The author remarks that there is not enough information to check whether such a new model is, in fact, guiding the decision making process of local governments with the implementation of public policies which incorporate social needs and demands. It is, however, possible to say that the dissemination of the general reform agenda and, in particular, of urban reform, has led to the introduction of new patterns of local management.

The results of the aforementioned research show that there has been a consolidation of the notions of the urban right, present in 25 out of the 50 organic laws studied (*op. cit.*, p.117). As to the democratic management of the city, some issues may be pointed out. First, there has been a real decentralisation of urban policies, now transferred to the municipal level. There has been an intrastate decentralisation reflected by the fact that 18 municipalities have instituted the participatory budgeting^{xxii} in their organic laws, while 12 municipalities have approved the obligation for executive powers to produce their balance of expenditures according to their geographical allocation within the city. These measures ensure more visibility to the chosen priorities, apart from helping mobilise the population to take part in the participatory budgeting process (*op. cit.*, p. 120). Moreover,

administrative decentralisation has also been achieved through the establishment of decentralised units in 27 organic laws studied (three of which instituted a process of decentralised decision making).

As to instruments for increasing popular sovereignty, 49 cities have incorporated the popular initiative for elaborating laws, 17 the popular initiative for requesting a plebiscite and 14 the popular initiative for having a referendum, with the majority requiring a quorum of 5% of the population. Councils (of both consultative and deliberative nature) have also been extensively created on the various sectoral matters of public administration. Approximately 42% of these councils have in fact been implemented - 20 for urban policy and six for housing.

Concerning land use management and the reform of property rights, 15 municipalities have defined the social function of property in a more qualified way than the one established by the 1988 Federal Constitution. Table 1.1 illustrates the new instruments created by the municipalities apart from those foreseen in the 1988 Federal Constitution to regulate urban land use.

With regard to the municipalisation of urban policies, the Constitution gives little attention to housing and infrastructure. These are both stated by the 1988 Federal Constitution to be concurrent competencies of the federal, state and municipal governments. The municipalities, however, have incorporated housing policies in their organic laws and master plans. However, it is clear that the dissemination of housing policies is based on the approach of upgrading existing precarious housing units with the incorporation of regularisation programmes of illegal settlements, as shown in Table 1.2.

Table 1.1 – Instruments for land use regulation

Instruments	Organic laws	Master plans
Development rights	10	15
Urban development fund	25	14
Discrimination of public land	20	0
Public land reserve	8	0
Inter-linked operations	4	0
Special interest areas	19	0
Pre-emption right	3	3
Surface right	2	2
Differentiated tariffs/charges	8	2
Transfer of development rights	11	6
Land banking	0	5
Real estate consortium	0	5
Urban impact report	3	4
Concession of real use	0	27

Source: IPPUR/UFRJ, 1994 *apud* Ribeiro, 1995.

Table 1.2 – Modalities of housing policy

Modalities	Municipalities
Slum upgrading	34
Regularisation of illegal subdivisions	39
Building/financing schemes	43

Source: IPPUR/UFRJ, 1994 *apud* Ribeiro, 1995.

Ribeiro (1995) also remarks that the notion of partnerships for housing programmes between the private and the public sectors has frequently been raised, particularly with the creation of two instruments: social interest operations (through which the local government stimulates the development of idle land in strategic locations addressing low income groups), and consortia for land development (through the association of the local administration, landowners and developers for the implementation and financing of housing and urban projects) (*op. cit.*, p.136).

As to the obligation to elaborate master plans, the cities of Rio de Janeiro and São Paulo have illustrative stories. In the city of Rio de Janeiro, the plan was approved in 1992. The conflicts of interests were so strong in São Paulo, however, that the first plan presented was never approved.^{xxiii} At present, a new plan is being discussed at the Municipal Council of São Paulo. In Rio, however, although the master plan was formally approved, many of its instruments are still absent in the policies and praxes of local government. This is explained by the fact that the mayors who have been elected after the plan have not completely agreed with many of the foreseen dispositions for public intervention, having had a different set of priorities. Moreover, the idea of more social control mechanisms built into the system has been perceived by the Mayor as a loss in his political decision capacity. So the tendency has been to put into practice solely what has been seen as politically convenient.

Again, it is possible to admit that, notwithstanding the importance of the approval of many of these instruments, in practice they still lack effectiveness. In general, the full adoption of many approved instruments has been hampered by politicians either having been confronted by the effects of inevitable reactions against establishing limits to property rights, or having been confronted by the limits that many of the aforementioned instruments impose on the executive function.

Conclusions

This chapter has highlighted the main problems involving land access in Brazil, which are responsible for preventing an adequate functioning of the land market. It has also pointed out the need to enlarge legal land access by low income groups as a way of escaping the existing pattern of illegal/informal low income land occupation.

The issues discussed reveal that many variables do play a role in limiting land supply and point to the need of rethinking public intervention on different levels, but

guided by a comprehensive perception of the functioning of the land market. It is necessary to induce the market to release idle land that is considered a priority for public use; it is necessary to recover speculative gains which are obtained by public and social investment in land; it is important to better distribute physical and social infrastructure throughout the city aiming at reducing the great material and symbolic inequalities in the constructed environment; and it is crucial to find alternative strategies for housing low income groups while still promoting the incorporation of existing illegal practices within the planning boundary. Moreover, it is vital to incorporate participatory mechanisms into the practice of urban management tackling what McAuslan (1998, p.46) considers to be the main challenge for cities: the development of legitimacy in urban governance.

The articulation of the role of law and the illegal housing strategies adopted by low income groups has also been indicated as one field which requires further investigation. At the same time that urban legislation has been overlooked by researchers, it has direct practical implications concerning the availability of housing options, particularly for the more vulnerable groups. It is therefore an important field for public intervention, being also potentially an important negotiable matter in joint operations schemes between sectors.

The Brazilian situation, although serious as to its low income housing conditions, is somewhat also promising given the impact of the movement triggered by the 1988 Federal Constitution of basing the management of cities on more democratic and socially sensitive principles. Although this process is far from being consolidated, there are clues that Brazilian local governments have strengthened their governing capacity in this direction.

Notes

ⁱ Brazil is geographically divided into 5 regions: Northern, North-eastern, Centre-western, Southern and South-eastern.

ⁱⁱ Since 1995, the federal government has started a process aimed at creating new instruments to achieve more effectiveness in the agrarian reform such as accelerating the expropriation process of idle land and minimising the value of the compensations to be paid. According to INCRA (1998), more than 9 million of hectares have been addressed to rural settlements, benefiting 287,539 families from 1995 to 1998. The GINI index for land concentration has changed from 0.82 in 1992 to 0.78 in 1998. Considering that from 1964 until 1985 the agrarian reform had settled only 218 thousand people, there have been clear improvements in this area. Nevertheless, it is still a very serious problem in Brazil leading to frequent violent confrontations between rural settlers and land owners.

ⁱⁱⁱ See Tolosa, 1997 p.24 and Fernandes and Rolnik, 1998, p.140.

^{iv} As an illustrative datum, the central area of São Paulo has grown at an yearly rate of 1.0% between 1980/1991 while its periphery has grown at 3.1% during the same period (Source: Census, IBGE, 1991).

^v The book edited by Jones and Ward (1994) offers a collection of papers using different methodologies covering these themes

^{vi} The numbers concerning the national housing deficit differ depending on the source consulted. SUDENE (the Superintendent for the development of the North-eastern region) estimated the Brazilian deficit at 6,468,667 units in 1989. Caixa Econômica Federal (the second largest Brazilian state bank) has calculated that in 1992 the deficit was 8,903,398 units. Cepal has pointed out that the Brazilian deficit was 15,404,033 units for the period 1985 - 1992. For a discussion on the problems of calculating the housing deficit see FJP, 1995 and Gonçalves, 1998.

^{vii} The argument of the author is to avoid arbitrariness by considering the relation between the number of dwellings/number of families equal to 1. In Argentina, for instance, this relation is 1.12 and 1.42 in the USA. So, this housing deficit estimate is considered rather conservative.

^{viii} *Favelas* are traditional illegal occupations of public or private land by groups of people in generally poorly serviced spots.

^{ix} *Cortiços* (or collective dwellings) are the subdivision of old buildings which are usually densely occupied by low income families who share precarious facilities (such as bathrooms and kitchens).

^x The minimum wage in Brazil is at present R\$ 182,00 equivalent to US\$ 86.00 in June 2001.

^{xi} For a historical perspective on the housing problem in Brazil see Ribeiro, L.C. and Pechman, R. (1983) and for an analysis relating economic models of development and urban development in Brazil, see Campos Filho (1992).

^{xii} A different approach to tenure has been recently used in Brazil through the adoption of the Concession of the Real Right to Use (CRRU), notably in two cities – Porto Alegre and Recife. It is a form of property rights (such as the leasehold) over public land. It is not a mere administrative permit, so it cannot be easily evoked. It can be registered at the public registry office, and it allows the beneficiaries to transfer the right to legal heirs. The time limit of most titles has varied between 30 and 50 years. The CRRU has stimulated the regularisation of favelas on public land, and it is based on the notion that public land should not have to be privatised for the recognition of housing rights to take place. The adoption of CRRU, however, has so far been limited in scale.

^{xiii} Although informality does not necessarily means illegality, “these two notions largely coincide or overlap” (Durrand-Lasserve and Tribillon, 2001). Informality implies a variety of different irregular situations in land appropriation, whereas illegality carries a clearly more negative and repressive connotation. In reality, however, the borderline between formal and informal is many times difficult to define. Illegality has also many nuances, degrees and levels. It is common to find an illegal situation (building or settlement) with many legal features. In practical terms, however, they are very much intertwined. The ESF/N-AERUS Workshop held in Leuven, Brussels during 23-26 May 2001 dealt precisely with this theme.

^{xiv} The city of Rio de Janeiro provides several of such examples where the law has been disregarded by high income groups.

^{xv} The Popular Amendment on Urban Reform was formulated by several collaborating sectors of the civil society and gathered the signature of approximately 130.000 people. According to Fernandes and Rolnik (1998, p.147), the supporting organisations were mostly the urban social movements, especially housing movements, with the participation of committed professionals from the fields of law and urban planning.

^{xvi} Although federal and state governments also have the power to enact laws and formulate land-use programmes, their powers are limited to very general directives or specific issues that cannot be solved at the local level (Fernandes and Rolnik, 1998, p148).

^{xvii} For more on the Urban Reform see Maricato, E., 1994; Ribeiro, L.C. et al., 1995; Rezende V., 1995; and Fernandes, E. and Rolnik, R., 1998.

^{xviii} This is valid for the three levels of government.

^{xix} The approval of such a law (No. 10257 - 10th July, 2001) has raised again a wide debate on urban instruments. There are, however, still some jurists advocating the need for specific legislation to allow the use of more progressive instruments for public intervention in urban areas.

^{xx} Considering that the obligation of elaborating master plans is federal, addressed to all cities with populations over 20,000 people, it is difficult to state the extent to which these new master plans have been used as instruments of strategic planning. Anyway, they have generally embodied elements of

strategic planning, such as flexibility and responsiveness, reflected by the incorporation of many instruments that provide local governments with more intervention capability.

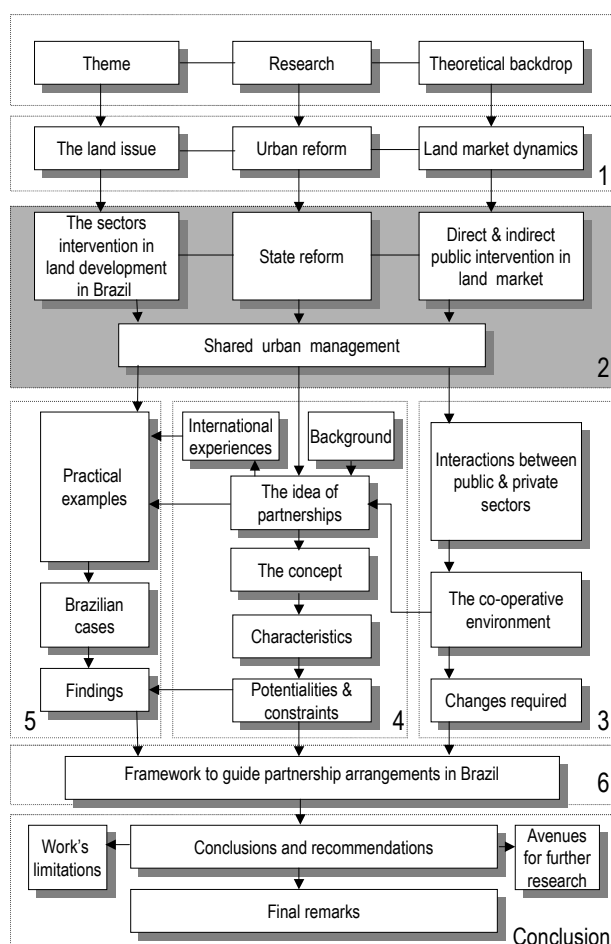
^{xxi} Urban right is defined as the universal access to housing, transportation, basic infrastructure: drainage, water supply, sewerage, refuse collection, health system, education, culture, sports and leisure (Ribeiro, 1995, p.117).

^{xxii} These numbers refers to the research of Ribeiro dated from 1995. As will be further discussed, however, the participatory budgeting process has expanded its application to 140 local governments for the mandate period of 1997-2000.

^{xxiii} The research mentioned before which was developed by IPPUR concerning the organic laws of the 50 largest municipalities in Brazil indicated that only 22 out of 50 municipalities interviewed had approved a master plan (See “Questão Urbana, Desigualdades Sociais e Política Pública: avaliação do Programa Nacional da Reforma Urbana, Research Report, mimeo., Rio de Janeiro, IPPUR/UFRJ, 1994).

Chapter 2

Public and Private Interventions in Housing and Land Development



A brief historical review

The evolution of housing and land development policies has shown many different approaches, depending on the place and the period of implementation. In general terms, however, developing countries have been very much influenced by the guidelines set by international donor agencies which have followed the same basic track:

Prior to 1970, the emphasis was on the creation of public land management and housing agencies. These were to undertake housing and urban development projects with the support for the World Bank and the United Nations Development Programme. During the 1970s, a new approach emerged, emphasising tenure legalisation in informal settlements, 'site and service' schemes and settlement upgrading (UDSAID 1991; Payne 1988). More recently, the emphasis has been on urban management, improving institutional performance, decentralization, privatization, public-private partnerships and social policy 'safety-nets' to ensure political stability (Durrand-Lasserve 1998, p.237).

As already mentioned previously in the present work, housing policy emphases have moved from focusing on the housing unit to facilitating access to land, from national policies to local policies, from direct governmental provision to indirect mechanisms for benefiting the poor. Behind these ideas, there has always been the discussion about what would be the right balance between public and private interventions in the housing market. Who, after all, should be responsible for delivering good housing? After a brief discussion of the theory of public intervention, the remainder of this chapter will place Brazil in this debate, addressing the questions of what has been the participation of each sector in low income housing and land development, and what is currently the agenda for the required changes in each sector's performance in order to increase land access for low income groups.

Understanding public sector intervention

Public intervention may be accomplished through direct and indirect mechanisms. Here, direct mechanisms are considered to be those which affect directly the supply of serviced land or housing units. Thus, direct mechanisms occur through programmes addressing: the construction of housing units, the production of serviced plots (sites and services), the regularisation of illegal settlements and slum upgrading.ⁱ The instruments which are indicated for the implementation of public direct

intervention are: land sharing, land readjustment (or land pooling), and legal instruments such as the concession of the real right to use, usufruct rights,ⁱⁱ expropriation, surface rights and pre-emption rights (Rezende, 1995, p.163). Since many of these instruments imply interaction with the private and third sectors, which is the central theme of this thesis, they will be studied in more depth in subsequent chapters.

The indirect mechanisms of public intervention relate to the application of instruments which alter the conditions of land supply either by expanding them, or by creating the required resources for the application of direct mechanisms (*ibid.*). It is possible to identify three broad areas in which governments can intervene indirectly in the land and housing markets: 1) trunk infrastructure provision, 2) standards and regulations, and 3) specific instruments which aim at organising the production of land, either by recapturing part of land valorisation, influencing the release of land in priority areas, or by collecting revenues to finance infrastructure provision or housing related projects.ⁱⁱⁱ

The way governments use intervention mechanisms implies both positive and negative outcomes in the land market in terms of land prices and land supply:

Governments exert great influence, both positive and negative, over land-market outcomes. Through investments in infrastructure and regulations over land development, governments powerfully shape the operations of land markets, potentially creating substantial increases in land values. In other cases, government actions are less beneficial, with plans and regulations unintentionally causing serious negative side-effects on land-market operations. Given the important role that governments play in shaping land-market outcomes, it is extremely important for the implications of their investment and regulatory decisions to be understood (Dowall 1994, p. 27).

Although it is acknowledged that there are many variables regulating the land market which are far beyond the monopoly of a single sector, it is also recognised that

the public sector has historically failed in using its intervention mechanisms to accomplish the difficult task of making land available for more vulnerable groups of society. The next items discuss the three broad intervention areas that have indirect but important influence over the land market: infrastructure provision, land use regulations, and duties concerning land.

Infrastructure provision

Local governments have an important role in, and also a great deal of leeway for, action considering their role as supplier of physical and social infrastructure (Baróss, 1991). Infrastructure is a fundamental element to the extent that it confers upon the urban land quantitative and qualitative use conditions (Kleiman 1992, p.140). It also guides the direction of city growth, shaping and influencing private decisions on housing and economic development.

It is widely recognised that local governments have concentrated public investments in central areas of the city (Rolnik 1997, Sachs, 1999), which is one of the pointed reasons for the gap between the formal and informal cities. Altering such a practice and expanding the serviced area to peripheral zones would have an important impact on the land market, both formal and informal.

As pointed out by Tolosa (1997), this implies difficult political negotiating because vested real estate interests and privileged groups exert strong political pressure to maintain the *status quo* of continuing to replace the existing congested infrastructure in central areas. This is, however, a major area for public intervention reform.

Land use regulations

Regulations also play an important role in influencing land market behaviour. These relate to the regulatory role of governments through the approval of regulations on land use, building codes, subdivision laws and administrative procedures among others. These regulations establish the criteria for subdividing, servicing and utilising land, thus also intervening, albeit indirectly, in the land market.

There is a general recognition that the “urban planning norms concerning design, construction and servicing standards are singularly ill-adapted to the needs of most of the population” and “that they increase social segregation by ‘creating’ illegality” (Durrand-Lasserve 1998, p. 243):

The fact is that in developing countries law serves to distance the ‘legal’ from the ‘illegal’ city, increasing the value of the former (Azevedo 1998, p.269).

The central issue here is to examine the fundamental principles supporting the regulations, particularly as to urban standards (land-use, building and subdivision laws). Thus, attention should be paid not so much to the norms and procedures themselves, but to the redefinition of their underlying objectives (Durrand-Lasserve *op. cit.*, p.244). Essentially, the legislation should be reviewed by asking the basic question: who does it serve? In other words, what is intended with the specific norm, and what is being achieved in practical terms. This means being able to assess the extent to which the land market is efficient.

At the least, two criteria should be incorporated in the analysis of the regulation standards. The affordability level of the population is one of them. The principle behind the standards should be to increase serviced land supply and to promote a rational land use. A close look into the informal/illegal land development mechanisms is important to feed governments with input to review the regulatory framework. The occupation and building standards of illegal subdivisions and slums are not only

affordable in practical terms, but they are also being implemented in reality, shaping the development of at least a significant part of the city. It is also important to acknowledge that informal development is commonly associated with environmentally unfriendly actions (Farvacque and McAuslan 1991, p.70). Thus, it is also important to keep a long-term perspective on the subject in order not to jeopardise the living standards of future generations. In other words, it is not being defended here that informal standards of land occupation should automatically be made official, but that the official standards should be made more affordable.

Apart from not addressing the affordability level of the population, the existing regulatory framework also lacks flexibility, which is a second important criterion to be incorporated. Urban realities have become too diverse and complex to be tackled by the usual rigid, detailed and many times elitist rules of urban codes.^{iv} Flexibility here has two aspects, (1) the possibility of leaving space for unplanned land use, strengthening the discretionary power of municipal administrations, and (2) incorporating the dimension “time” into the regulatory framework, allowing for incremental development. Moreover, the rules in Brazil tend to be complicated and unclear to the layperson. The need to simplify planning norms and procedures is generally acknowledged (Durrand-Lasserve 1999, Payne 1999) in the sense that they become understandable for the average citizen, socialising their scope of application and increasing their effectiveness.^v

The fact that urban legislation needs to be reviewed in the light of certain criteria does not mean that the solution is necessarily to de-regularise. The difficulty rests exactly on identifying which specific norms are hindering land access to the poor (these should therefore be revised), which ones should be enforced, and even which ones should be created:^{vi}

There are, then, no standard recipes for improving urban law, and we should be wary of taking up dogmatic positions on the subject. In some cases new laws are needed; in others, effective enforcement of the existing legislation would be enough. (Azevedo 1998, p.270).

According to Rezende (*op. cit.*, p.188), land use regulations should be more simple, modest (in the sense of not being intended to regulate everything) and integrated, thereby clarifying their contribution to the city in general and to low income groups in particular.

Duties concerning the land (taxes and other obligations)

These relate to instruments through which the government has the means to correct some of the distortions pertaining to land markets, assuring a more predictable flow of land supply and a more efficient land occupation, apart from collecting revenues. These include all sorts of taxes on land such as on land valorisation, on land use and on idle land. There are also other legal instruments which allow the government to guide and force the occupation of strategic areas of the city, such as compulsory land subdivision and compulsory land building or specific limits on property rights.

Obligations

Compulsory land subdivision and construction are instruments created by the 1988 Brazilian Federal Constitution, that allow municipalities to force land delivery in areas considered as having priority for development, according to the city's master plan. It is included as part of a broader package of instruments applied in a specific order to idle or under-utilised areas considered to be strategic locations. After the obligation of compulsory subdivision or construction, the municipal government can also use timely progressive property taxation and, if all of these fail, the land can be expropriated with the respective compensation paid with public debt titles. There is

controversy, however, as to whether these instruments may be used by municipal governments before the approval of a specific federal amendment law. A general federal law (named the City Statute) has been recently approved institutionalising many new instruments for public urban intervention as required by the Federal Constitution. Still, there are many jurists debating the need for a specific municipal law amendment detailing the application of these instruments according to the municipal master plan.

Taxes upon the land

Taxes may be used to stimulate or to avoid the development of certain types of land use, to prevent the non-use of the land or even to establish limits to land valorisation (*op. cit.*, p.193).

The property tax on land is the most common land tax. In Brazil, this means property tax on the land and construction upon it, with tax collection being a function of local governments.^{vii} There are strong arguments in favour of taxing solely the land value. The idea is that taxing the land will more strongly encourage a more efficient use of it, while heavy taxes upon the property will discourage property investments. The problem with the property tax is that in order to be effective in capturing the land valorisation derived from investments in the city, the tax base has to be frequently reassessed.

Tax upon idle land is considered by many authors as the best way to fight land speculation and foster its occupation (Baken and van der Linden 1992). The idea of the progressive property tax on idle or under-utilised areas created by the 1988 Brazilian Federal Constitution can be included in this category. The progressive property tax, however, even when effectively applied, does not ensure that the

occupation of the land will address the residential use, particularly for low income groups. For that, other complementary instruments are required.

Other types of taxes upon land aim at recovering part of the increase in land valorisation. The betterment tax is included in this category, the objective of which is to recover from landowners the costs of specific infrastructure upgrading projects implemented by public agencies. The problem with the application of this instrument lies in the difficulty of measuring the amount to be charged (in proportion to the increase in the real estate valorisation), and the physical sphere of influence of that particular project, whose costs are being recovered. In Brazil, this tax was first created at the national level in 1967, and although the 1988 Constitution has maintained it, the betterment tax is not a usual tax to be applied.

Another way of recovering part of the land valorisation is by the sale of development rights, through which the government charges the developer at the moment it acquires the development rights over a property.^{viii} In Brazil, a similar instrument is called *solo criado* or *outorga onerosa do direito de construir*. When the development is to be built above a particular limit, the developer has to acquire the respective development rights. The idea is that larger developments benefit from past public investments in the city which also help to put pressure on the market for more public investments. The sale of development rights aims, therefore, at recovering part of the land valorisation, and also at financing future upgrading infrastructure projects. The income generated by the *solo criado* is usually directed towards the provision of infrastructure or low income housing. But apart from being formally adopted in several municipal organic laws, in Brazil it is not as yet a usual instrument.

Another tax which aims at reclaiming part of the land valorisation is the one on real estate profit. In Brazil, this tax is collected by the federal government at the time

of the sale of a property. It is calculated based on the difference between the purchasing and selling prices, also taking into consideration the period during which the owner held that particular property. It is not addressed to the average citizen who owns only one property but aims at capturing part of the land valorisation from real estate speculators. It is usually an easy tax to collect, provided that the majority of the transactions are done through a real estate register. Additionally, it has been considered capable of promoting social justice (Rezende 1995, p.199).

Finally, there is a specific form of sale of development rights, called inter-linked operations, which is being implemented in some Brazilian cities. The idea is the exchange of urban standards in addition to what is allowed by ordinary legislation (such as building parameters and special land use conditions) for counterparts given by developers, in the form of the provision of low income housing units or cash directed to a specific urban fund. This is a rather controversial instrument due to the fact that its principle is based on the derogation of municipal urban laws. Considering that there is a great level of negotiation involved in the application of such an instrument between the public and the private sectors, this experience will be further analysed in chapter 5, under the heading of "Application of partnership instruments."

The design of a tax system which aims at reducing land prices and hindering land speculation is not an easy task. The main difficulty is that the achievement of one objective does not guarantee the achievement of the other (*op. cit.*, p.201). Another issue of great importance is identifying who, after all, is paying for the tax burden, which in some cases ends up being the final consumer. Moreover, the amount charged should also be the subject of great attention so that land development is not impeded:

... a compromise always has to be sought between capturing the maximum and leaving sufficient profit for the owner to encourage him to invest in his land (Baken and van der Linden 1990, p.32).

Solutions cannot be generalised and will depend upon local circumstances and upon the political support for specific choices. However, it is important to remark that local governments do have a wide range of mechanisms to intervene in the land market if such is technically desirable and politically feasible.

Public sector intervention in Brazil

To a great extent the public intervention in the housing market in Brazil has followed the guidelines set by international donor agencies. In 1964, the military government created the National Housing Bank (BNH), which through its Housing Financing System (SFH) seemed to be a promising attempt to implement a housing policy at the national level. During its 22 years of existence (1964-1986) 4.5 million housing units were financed, of which 1.5 million were for popular sectors, but only 250 thousand were addressed to the bottom layer of the population (with monthly incomes between one and three minimum wages) (Azevedo 1988).^{ix}

The SFH model implemented via BNH failed for two reasons. First, part of the resources was deviated to finance public works in municipalities instead of housing development. Second, the gap between the price of the housing unit and the worker's income became too large, due to the relative rise in housing prices and the loss of salary purchasing power.

With the dismantling of the National Housing Bank, there has been a significant reduction in governmental housing initiatives with a corresponding reduction in resources addressing the housing sector during the 1980's and 90's. In Brazil, the direct provision of housing units or plots for low income groups has been historically very small *vis a vis* the actual deficit.

With the failure of the dream of a massive direct public provision of housing units, policy emphasis was partly transferred to ‘site and services’ schemes which also failed due to the lack of proper understanding of low income needs, particularly with respect to the issue of accessibility, which was aggravated by the difficulty of assembling land in attractive locations for the target population.^x

In the 1970’s political democratisation opened the way for communities to press for regularisation and to upgrade existing informal settlements. It became more politically unacceptable to implement slum clearance policies and, consequently, regularisation and upgrading programmes, albeit cumbersome, spread in major cities.^{xi} The general guidelines for the regularisation of illegal subdivisions are given in federal legislation, law 6766 dated from 1979. In 1983 the city of Rio de Janeiro created a forum for the regularisation of illegal subdivisions at the Attorney General of the State, whereas in São Paulo, although *ad-hoc* regularisation actions had been taking place since the 1930’s, it has been from 1981 onwards that a regularisation programme has really been initiated (Oliveira,1993).

At present, the ideas which are manifested in the political rhetoric relate to improving urban management, developing institutional performance, decentralising, privatising and implementing public-private partnerships. It is noteworthy, however, that as to urban policies, the 1988 Brazilian Federal Constitution promotes a political decentralisation (with the creation of new instruments) enabling local governments to intervene more actively in the management of cities.^{xii} Thus, the trend for urban management in Brazil, as far as the legal framework is concerned, does not point toward a withdrawal of the public sector. This is an on-going process which relates to the reform of the state, a topic which will be the subject of further analysis later in the present chapter.

As to direct public intervention in the housing market, the few governmental housing schemes have never managed to be a proper answer to the large existing deficit. In spite of this, there have been interesting municipal experiences in the low income housing sector (such as the self-management programme undertaken by the Worker's Party Administration in São Paulo, during the period 1988 - 1992).^{xiii} However, such experiences with direct government interventions have never managed to become large scale programmes either because they have lacked administrative continuation or because they have been highly subsidised and resources remain far behind demand.

As to indirect mechanisms of intervening in the land market, the governments in large Brazilian cities have also played a weak role. In reality, local governments have had a complacent attitude towards distortions in the land market. Such an attitude has two dimensions: first, by allowing land investors to garner enormous gains with land speculation practices, either through holding land in well serviced areas of the city; through the granting of higher building rates; through allowing more profitable land uses; or even through letting them reap increases in land value derived from public investments in the infrastructure.^{xiv} As remarked about in Chapter 1 land speculation is an important feature of the urban development process in Brazil. Land has fundamentally been seen as a reserve value and is one of the main types of internal savings. As illustrative data: in São Paulo, it is estimated that in 1983 41% of the total urban area was empty, 20% in the central areas and more than 50% in the peripheral areas (Sachs 1999). This process is present in several Brazilian metropolitan areas:

As a result of intense speculation, the hoarding of land which has been serviced at state expense is responsible for the existence of a large percentage of privately owned vacant plots in metropolitan areas (estimated at up to 40 percent of all properties in some cases), as well as

marked discontinuities in the physical expansion of urban areas (Fernandes and Rolnik 1998, p. 141).

The second dimension of the complacent governmental attitude towards the market is demonstrated in allowing the informal practices of *cortiços*, slums and illegal subdivisions to proliferate in the city. Although the official rhetoric has always been against such practices, the figures in large cities such as Rio and São Paulo, show that in reality there has been a tolerant attitude regarding their emergence and proliferation, characterising what has been called consented disobedience (Grostein 1993). There have been specific acts of repression, but these seem to be selective against substandard occupations of valuable sites within the city. Even though the level of complacency has differed in the aforementioned cities, the general public attitude towards the market has been undoubtedly permissive.

As to infrastructure provision, it has already been argued that the government has historically concentrated public investments in central areas of major cities, such as Rio and São Paulo, producing highly differentiated and segregated cities. The production of these differentiated spaces is the basis for the gap between the formal and the informal cities. According to Santos (1990), in 1973 90% of all investments in the city of São Paulo were concentrated in the area of the expanded centre of the city. In Brazil, the pattern of land use and investment concentration has implied a high demographic concentration, overburdened infrastructure in central areas and scarcity of urban services in the periphery (Tolosa, 1997). The government has therefore never used the distribution of the public infrastructure to intervene indirectly in the land market by blocking the production of the dual city and guiding the development to strategic areas. On the contrary, it has in many ways reinforced the model of richly serviced central areas versus poorly serviced peripheral areas.

Urban legislation and regulations have also contributed to the creation and re-creation of the duality of the planned and unplanned cities. They are overly detailed, usually written in an hermetic and highly technical language and above all, they are elitist, not taking into consideration the practical dimension of their application. In other words, the regulations are dissociated from reality, not being confronted with the outcomes that they help to create, particularly as to their exclusionary effect reflected by the prominence of the unplanned, unregulated and informal mechanisms of land delivery and occupation.

Private sector intervention in Brazil

On commercial grounds within a conventional legal regulatory framework, the formal market alone has proven to be unable to solve the housing problem of low income populations in Third World cities. The basic reason for this is the fact that low income groups do not constitute an effective demand. In other words, such low income groups do not have the financial means to pay for the commodity 'land' when confronted with formal urban market prices. Therefore, their housing *needs* cannot be translated into effective *demand* (Bolaffi 1975, Baken and van der Linden 1993). The real solution for the poor rests, in fact, in the informal housing market, which in Brazil, takes the form of illegal subdivisions, illegal land occupations (*favelas*) and collective dwellings (*cortiços*). Although the informal land market has changed significantly in the last decades (as discussed in Chapter 1), it is still responsible for a great part of the housing production for low income groups in Third World cities.^{xv}

The informal housing market

The informal private sector is the one which provides informal housing options for low income populations. It is represented by land owners and illegal subdividers

(who may have different or overlapping roles) who subdivide land disregarding regulations, and informal dwellers who either buy plots in the illegal subdivisions, occupy other people's land (in the case of favelas), or who occupy collective dwellings (in the case of *cortiços*). The present analysis mainly addresses illegal subdivisions and favelas, since the case of collective dwellings does not relate specifically to the issue of land development.

The informal market represents an important potential source of – at least partial – solutions to the housing problem in the sense that its *modus operandi* is accessible (affordable) to the poor. Its main advantage is that informal settlers are able “to internalise the price increases that will result from the gradual absorption of their settlements into the urban structure.” (Baróss 1990, p.57). Baróss' argument is that the traditional development sequence: *planning – servicing – building – occupation (PSBO)* requires a high up-front outlay that low income dwellers are unable to afford, thereby creating land scarcity. On the contrary, the informal model of urban development follows the sequence in reverse: *occupation – building – servicing – planning (OBSP)* through which the gradual valorisation of the land (linked to the gradual infrastructure provision) can be better absorbed by illegal settlers.

It is important to remark, however, that in the long run this process does not necessarily deliver the same goods (plots with services) at a lower price. There is evidence that the plots delivered by the informal sector are more expensive for buyers after all (Mitra and Nientied 1989). The main advantage of this process is the fact that servicing and building costs are spread through time, making plots affordable for buyers. Therefore, the incremental approach is an essential element of the success of informal land delivery.

Baróss also points out an interesting paradox: institutions have strongly pursued the PSBO model, while the expansion of city growth has been significantly based on OBSP sequencing. In fact, it is argued that the more reality demonstrates the prominence of the OBSP sequence, the more planning institutions call for the need to apply the PSBO model (*op. cit.*, p.68). This reveals one of the reasons for the failure of planning activity which will be considered in the following discussion. However, the author also recognises that there are other implications in informal land delivery: the risks of paying penalties and bribes, and the evident social costs of living in poorly serviced areas. In addition, the environmental costs of informal unplanned land occupation are becoming increasingly more visible in large Brazilian cities.

The informal land market is a 'second best' solution, considering the costs of informality for the communities involved and also for governments, particularly local governments which are, in fact, usually responsible for the *a posteriori* regularisation programmes. It is plausible to conclude that private sector intervention in the informal housing sector should also be subject to changes, especially considering society's increasing environmental concern about the use and waste of available resources and the social costs for the communities involved.

Analysing informal land delivery in the light of its positive and negative aspects, it is possible to identify the gradual or incremental servicing approach as a positive element since it is particularly this feature which makes land occupation affordable for the final dweller. To the contrary, however, "spontaneous" land occupation based on an absolute lack of planning cannot be considered positive. The implications it has for the pattern of city growth (given environmental concerns), the problems it may cause in future legalisation procedures and its technical difficulties

(as far as servicing in densely populated area is concerned) indicate that planning should be placed in an earlier stage of the process.

Baróss also considers the possibility of the sequence: *planning – occupation – building – servicing*, through which planning activity would guide informal land occupation followed by the building of the housing unit, and then the servicing of the area in the same manner as the traditional informal way. Thus local governments through their planning role may use the POBS model to guide land development in locations considered as strategically important for development.

It is important for governments to carefully examine informal land provision in order to learn what its positive aspects are (such as the possibility of being incorporated into the legal framework), and what the negative aspects are, in order to guarantee enforceable measures to combat them. It is not possible, however, to ignore the potential role that planning can play if present in an earlier stage of this process.

State reform

The issue of state reform has deserved a great deal of consideration in both developed and developing countries during the past decades. There is, however, an important distinction to be made as to the nature of the state crisis in each of these groups of countries, triggering the debate about what should be subject to reform. According to the neo-liberal theory, whereas the developed countries face their state crisis as a consequence of the state welfare policies of the 1950's and 60's, which overburdened the political system and led to geometric growth in social expenditure, in the less developed world the state crisis is attributed to developmentalist ambitions and massive direct intervention in the economy (Azevedo, 1998).^{xvi}

For developing countries, the role of the state is to point in the direction of reducing its direct participation in the production of goods and services, while the private sector is to stimulate investment in strategic or priority areas for development. On the other hand, there has been an increase in the regulatory and conflict mediating role of the state (Tolosa, 1997). Another recurrent element in the analysis of the new roles of the state is the need to share with the private sector and civil society the responsibility for traditional public activities. In this context, public-private partnerships are indicated as making a potentially interesting contribution to public management.^{xvii}

There is consensus, however, that we are watching a restructuring of the role of states in most developing countries which has been triggered not only by fiscal crises and the effects of restructuring imposed by the globalisation of the economy, but also by the discussion as to what should be the very core-business of governments. Azevedo (1998) points out that the neo-liberal argument put forth is that governments should not tie up resources in productive activities when they would be better spent on social investment, which is usually lagging far behind the population's demands. This is the basic reason for defending the privatisation of para-statal profit companies. The practical outcome is that unlike the situation in developed countries, the argument for reducing the participation of the state in developing countries is that after delegating to the market the management of economic activities, the state will be concentrating solely on its main business: social investments. The degree of participation of the state in the economy as well as the exact intervention areas seem to be the crucial points.

In Brazil, on the one hand, we have watched the administrative shrinking of governments and the reduction of resources, specially those addressed to financing the urban infrastructure. On the other hand, it is plausible to admit that the effects of

globalisation will imply a higher demand for urban services, especially in the main metropolitan areas of the country (Rio de Janeiro, São Paulo and Belo Horizonte) contrasted with the scarcity of available resources.

The situation of municipal governments is delicate. Since the approval of the Federal Constitution of 1988, municipalities have received a large number of new obligations. They are responsible for basic health services and primary education, besides public transport, land use and historical and cultural preservation. The 1988 Constitution has promoted fiscal reform based on the decentralisation of revenues and duties. The issue, however, is that revenues are not enough in many cases to cover the costs of the transferred duties. Moreover, many of the municipal services (such as health and education) have problems charging their full costs (Tolosa, 1997).

We can identify two broad areas pertaining to the public sector in which reform is needed: planning and policy.

Planning – towards fostering development

A basic problem in public sector performance relates to urban planning practice. Traditionally, planning has been concerned with normative issues, regulations, zoning and so on. Later on, the planning focus migrated to public finance and resource mobilisation and at present, planning is having to face issues related to local development in a broader context, such as incentives for local economic activities, capacity building, and income or job generation concerns.^{xviii} In many aspects, however, planning practice in Brazil is still moving from the first stage (focus on the regulatory role) to the second stage (concern about financial issues), imposed by the evident financial crises of governments. The third stage of planning (local development), however, is still to be achieved. The basic problem of this situation is that while the normative approach dominates, development is regarded as a process to

be controlled, while the emphasis of the third planning stage is on leveraging development. This is particularly important considering that innovative practices such as partnerships require from authorities a more developmental mindset than a control-dominated one (Dewar 1999, p.83):

Entrepreneurial planning aims to create opportunities, stimulate investment and promote development. Entrepreneurial planning is quite different from the traditional planning activities of development plan-making and development control. It is action oriented or implementation centred rather than process orientated, requiring planners to work with speed, creativity, flexibility and informality (Lock 1988). Entrepreneurial planners seek to work alongside market operators, understanding their priorities, imitating their behaviour and influencing their decisions. It is a style that Brindley et al. (1989) call leverage planning, since it aims to lever private sector investment into a weak market through applying public sector finance. Despite political rhetoric placing faith in the market, entrepreneurial planning is a highly interventionist approach that requires the public sector to play a very active rôle in development promotion (Stoker & Young 1993) (Adams 1994, p.136).

The underpinning idea of leveraged planning is that development is something desirable and necessary.^{xix} For the normative planning approach, development is regarded as something controversial and somewhat dangerous, implying a relationship between the public and private sectors based on antagonism and suspicion. It is acknowledged, however, that “in most cities, the control of urban growth by conventional planning norms and regulations is becoming less and less effective” (Durrand-Lasserve 1998, p.239), which is reflected by the spontaneous process of illegal settlement.

The need for changing the planning perspective is clear with its emphasis moving from controlling development to influencing development.:

Indeed, any thought that urban planning could *control* or direct the process of urban change would quickly give away to the realization that, in a market economy, it should seek instead to *influence* such change (Adams 1994, p.222).

Another dimension of the traditional normative approach is that by not considering the social and economic processes of development, it evolves dissociated from the real world, working on an idealised and static model of reality. The practical result is that it rarely touches reality with the production of over-comprehensive unfeasible blueprints. In contrast, planning should incorporate the idea of flexibility in order to follow the inevitable path of change in contemporary societies, and the recognition that if it is not possible to tackle everything, intervention should at least be directed to strategic issues:

In these circumstances, the most appropriate option for cities in developing countries is 'strategic' or 'adaptive' planning (Cintra and Andrade 1978), or 'situational' planning (Matus 1993). This means retaining a broad perspective on a limited number of variables and issues considered to be of strategic importance, focusing on certain crucial aspects, but giving up any pretence of regulating everything in minute detail. This approach to planning starts from the recognition of the enormous heterogeneity of the public sphere (Azevedo 1998, p.267).

Regardless of the name given to it, planning activity has to be rethought in its instrumental role aiming at the best way of influencing a fast moving and diverse reality to achieve a desirable policy.

Policy – a pro-active approach

There is a need for redefining the role of local governments with respect to the land market. Instead of reducing their roles, local governments should be encouraged to intervene more actively in organising the land markets, both formal and informal, seeking not only to increase the allocative efficiency of land market outcomes, but also to improve their equity by targeting land resources available to low and moderate income groups (Oliveira 1993). A broader package of measures concerning legal reform, distribution of services, credit lines and proper taxation is required (Durrand-Lasserve 1998).

Considering that the public sector is not a homogeneous entity, public policies tend to express objectives of different bodies and institutions, elaborated in response to wider social and institutional changes. As a consequence they may be ill-defined or even contradictory (Azevedo 1998). There are two opposite common situations as to public policies – either they tend to be over-comprehensive (and therefore unattainable), or they tend to be too segmented (with no integration between them).

The challenge for public intervention is to elaborate an integrated policy in which not only a corrective policy is sought, tackling the existing accumulated problems in the city, but also its implementation combined with a preventive policy, the latter aiming at increasing the legal alternatives of access to land for low income groups.

There are two main dimensions to strategic planning in Third World metropolitan areas (*ibid.*). The first is the city government's function of institutional coordination, which should replace the need of the government speaking as a single voice. This approach recognises the existence of different institutional agendas and the enormous heterogeneity of the public sphere.

The second dimension is the involvement of the whole of society in the definition and attainment of the social and economic objectives to be pursued. The scale and complexity of the urban problems in contemporary societies indicate that the solution is beyond the control of the public sector alone. It means that the whole of society will have to co-operate sharing among many actors the costs and benefits of urban development. The role designated to the public sector, therefore, is an essential leadership role, acting as a catalyst in attracting and managing the interest and resources caught from the private sector to implement the required changes. Such a role requires a wider view of the scope of actions of the public sector, which will

inevitably ask for a new pattern of relations between the three sectors. Negotiation will be necessary to arrive at a basic minimum of shared aims and objectives both inside and outside the governmental sphere.

Shared urban management

The present configuration of, on the one hand, shrinking governments with limited investment capacity, and on the other hand, an explosive demand for urban services will require from governments, particularly local governments, a considerable effort in identifying new sources of financial arrangements to invest in urban infrastructure and in creative administrative management. This implies finding effective means of sharing with the productive sectors of the society and the diverse social actors (citizens) the responsibility for managing the urban arena, according to criteria set by the public sector. The leading role of the state, particularly local governments, is emphasised. It is their responsibility to set the guidelines and the priorities to be achieved in the search for establishing new institutional arrangements (Azevedo, 1998), consortiums with other cities and levels of government, and co-operation among local groups and external partners (Tolosa, 1997). It is definitely a change in the approach to local administration:

Greater efficiency and the creation of opportunities for real change require more than the co-ordination of state activities ...; they also require the rest of society to become more involved and share more responsibility with the state. In complex societies the local state is simply not capable of defining, alone and unaided, the path that cities should take. It does, however, have an essential leadership role, bringing together different interest groups to sort on a basic policy agenda, and creating coalitions which will be strong enough, and enjoy sufficient legitimacy, to see through major changes in the different areas for which the city government is responsible (Azevedo, 1998 p. 268).

There are a number of important elements to be taken into account with respect to the creation of a social pact in order to achieve a more balanced urban environment. The first element concerns the need to alleviate urban poverty, in other words, the need to invest in the living conditions of the urban poor. The provision of basic social services to poor populations is essential to combat inequalities and poverty and, since most low income groups live in urban degraded areas, anti-poverty policies also have an environmental dimension (Tolosa, 1997).

The second element is to establish an agenda as to the set of social and economic priorities and objectives to be achieved through urban planning. If a more relevant role is to be played by local governments as to land management, it is imperative that they establish beforehand what the main policy objectives are to be attained. Having that clearly set, it is easier to choose the instruments required to accomplish the objectives.

The third element is to take the initiative of the institutionalisation of other levels of participation rather than the traditional institutional channels:

In the complex and rapidly changing societies of most developing countries, political participation cannot be limited to traditional channels of representation (the right to elect and to stand for election). It requires other, more direct, forms of democracy for citizenship rights to be fully realised, especially at the local level. In short, the management of public affairs is too important to be left to the government (Azevedo 1998, p.261).

Thus, what is advocated is the institutionalisation of the 'neo-corporatist participation'^{xx} as it can be an important step forward in the search for the effective exercise of citizenship and popular control over the state:

Popular participation in the formulation of local laws, master plans and budgets seems to hold out the possibility of a new social contract, a new relationship between the public and the private sectors, incorporating social groups that have traditionally been excluded from the public arena of negotiation (*op. cit.*, p.264).

The fourth element is to search for the co-operative instruments (and arrangements) of urban management (aiming at improving the quality of urban life for the majority of the population and expanding the citizen's responsibility for the city's management). In this respect, Tolosa (1997) identifies two required actions: to promote the economic integration and political co-operation among municipalities within the same region, and to re-think the local administrative machinery in order to make it more responsive to potential investors, to other governmental levels and to local communities.

Conclusions

The analysis of both public and private intervention in the Brazilian land market indicates the urge for reform. Public intervention in the land market highlights two points. First, the land markets in Brazil have been functioning with very little public intervention and still have proven to be severely distorted. Thus, the solution does not seem to be merely in the direction of less public intervention. As discussed above, the government has largely failed to make use of the existing mechanisms of public intervention: both direct and indirect. Apart from scattered interesting projects, the participation of the public sector in the land market has not been sufficiently beneficial for low income groups.

Second, public intervention has to be stronger than it has been (with a more proactive approach) and also different than it has been (acting on the core causes of the production and re-production of the inequalities in living conditions throughout the city). The agenda for public sector reform, as far as urban planning is concerned, has been established by the 1988 Brazilian Federal Constitution.

There are strong arguments to justify government intervention in the land market. The strongest of them is that a large part of the population is unable to solve their housing needs in the formal market (Rezende 1995, p.137).

The analysis of past private sector intervention also points out the need for reform. On the one hand, the formal private sector does not cater to the housing needs of the poor and, on the other hand, the informal private sector does reach the poor, but at high social costs for the population involved, at high financial costs for the later municipal regularisation programmes and at high environmental costs for the city as a whole. It is acknowledged that some of the features pertaining to the informal mechanisms of land delivery are important to be formally instituted in housing policies, but it also seems plausible to conclude that incorporating planning into the informal occupation process could certainly contribute to the reduction of the negative related costs.

A combination of both sectors' interventions should be sought, under the direction of the public sector, to accomplish social and economic goals set with the involvement of the civil society. In this respect, the need is also recognised to guarantee a decision-making process which takes into account the needs and demands of the poor, mainly represented by third sector institutions. This inevitable intense exercise of negotiation and democracy building constitutes a real challenge facing Brazilian cities.

Notes

ⁱ Although land banking, land reserve and the nationalisation of land are also seen as direct mechanisms of public intervention in the land market, they are not considered here either because they are either technically and politically unfeasible, or socially unacceptable in the Brazilian context.

ⁱⁱ Also called adverse possession or squatters' rights (Fernandes and Rolnik, 1998).

ⁱⁱⁱ There are other factors influencing the behaviour of the land market, such as transportation (public and private), and natural features (proximity to sea shore, mountains, waterfront, specific climate conditions and so on), which will be omitted in order not to deviate the discussion from the focus on the present work – land development.

^{iv} This argument is put forward by a number of authors, among them Ward (1983), Doebele (1987), and Baken and van der Linden (1992).

^v In 1992, the municipal government of São Paulo elaborated a proposal of law aiming at increasing the supply of serviced land for low and medium income groups. It proposed reductions on standards related to plots sizes, street width and pavement requirements, as well as the allowance of a more flexible layout aiming at making better use of different sites' conditions. This proposal also brought in an innovation in the sense that it proposed the possibility of trade-offs which should be negotiated by the private and public sectors. The municipal government would relax certain urban standards and, as a counter-balance, some restrictions would be imposed on the development aiming at assuring that the final products would really be addressed to the target population. In the description of the proposal, a comparison showed that a plot built up under the proposed conditions could cost up to 57% of the cost of a normal plot built up under the existing law.

^{vi} The problem in the city of São Paulo is that the land which is still left for low income population occupation (in the city outskirts) is qualitatively poor, either because of topographic conditions or for reasons related to soil quality. Therefore, technicians argue that due to environmental risks, regulations should be more strict in these areas instead of less.

^{vii} IPTU – imposto predial territorial urbano.

^{viii} The principle behind this is the separation of property rights and development rights as two distinguished rights; the latter one being a concession of the public administration.

^{ix} For more on the Brazilian housing policy crisis, see Azevedo (1996).

^x This is particularly significant in cities like Rio where a great part of the existing slums are located in central neighbourhoods. Moving to distant locations would mean for the concerned population the loss of their jobs and the social network which partly supports their survival.

^{xi} Durrand-Lasserve (1998, p. 253) argues that “there are virtually no evictions any more, and where evictions do still take place, they are limited to areas of strategic importance (high-value central locations, commercial or industrial zones) and environmentally sensitive or protected areas”.

^{xii} This does not mean that local governments are well equipped for their new duties, particularly with regard to their financial capacity.

^{xiii} Described in Bonduki 1992 and Denaldi 1994.

^{xiv} The land price per square meter in the city of São Paulo has tripled from 1960 to 1980, while the purchasing power of the minimum wage has decreased 50% (Cogep 1978 *apud* Sachs 1999).

^{xv} The proliferation of informal settlements in Third World cities is widely reported in the literature. These settlements constitute informal sub-markets which are frequently associated with low-income groups. The meaning of informal here is related to illegal, semi-legal or irregular activities and is defined in different ways according to different countries and their respective legal frameworks.

^{xvi} There is a controversial debate about this. To the neo-Marxist school the current crisis in advanced capitalism is a consequence of the transition from the Fordist model (large factories and production lines), to a new model of flexible accumulation (Valladares and Preteceille, 1990) with small and medium-sized modern companies employing highly qualified workers and advanced technology.

^{xvii} See Osbourne and Gaebler, 1992.

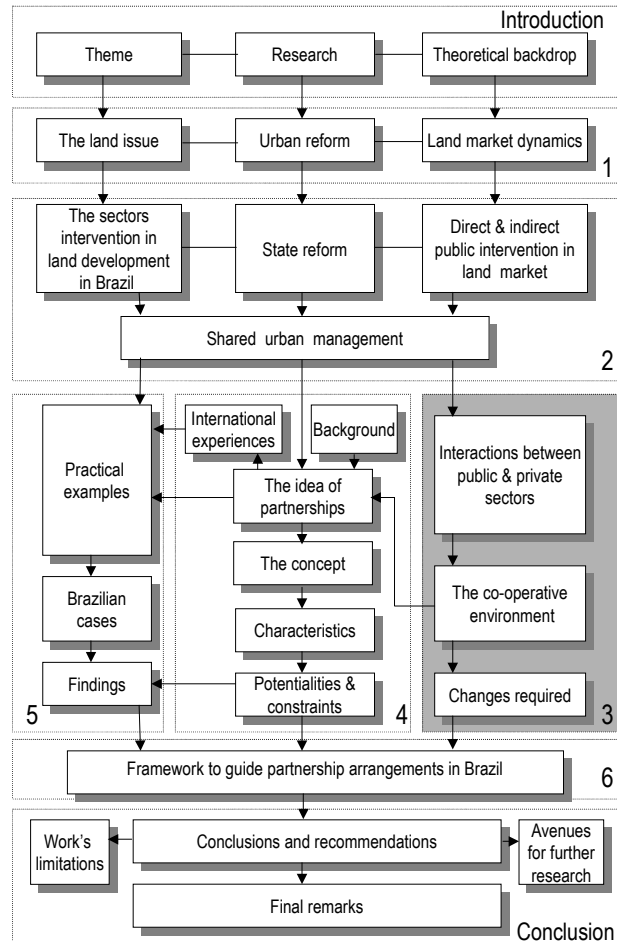
^{xviii} It is argued that developing countries have remarkable similarities in problem definition and policy design and implementation as a product of a consensus between governments and financial institutions on a common policy objective: promoting the development of the formal market (Durrand-Lasserve 1998, pp.238). Brazil is not an exception and this holds true particularly as to the role of the central government. Although local governments have performed an instrumental role for private sector development as well, they are also confronted by the effects of such a development model which has generated an unequal distribution of wealth and an uneven access to resources. Thus, a contradictory relationship with development has prevailed particularly among official urban planners. The difference now is that development is perceived as being necessary to the city as a whole, and more visible efforts are being made to incorporate vulnerable groups of society into this process.

^{xix} In some places there is an intimate link between the planning and the development role of the local government. In Boston, for instance, the BRA (Boston Redevelopment Authority) is at the same time the planning and the development agency.

^{xx} Azevedo (1998, p.261/266) makes an important distinction between 'classic' urban social movements and other forms of organised action of an instrumental and short-term nature. While the former is focuses on collective, non-negotiable goals (such as gender, racial equality, defence of the environment), the latter is demand-driven aiming at obtaining collective goods (such as housing, urban services etc.). Participatory planning has mostly been using demand-driven movements attached to specific projects to, among other things, involve the community in decisions concerning the application of limited resources and increase government legitimacy. 'New corporatist' participation is a different form of community involvement which, through the establishment of collective bodies, committees and councils, is able to influence, directly or indirectly, the definition of government policies and priorities.

Chapter 3

Interactions between Sectors



Introduction

The past decade has been characterised by a large debate about the division of attributions between the state and the market and, particularly, about the most suitable roles the state should play. The outset of this debate was the crisis which hit capitalism and socialism in the early 1970's, and which has since then continued as an economic crisis, on the one hand, and a crisis of the state itself, on the other (Farah, 1990).¹ While developed capitalist countries have put in check the institution of the

welfare state,ⁱⁱ which was established during the post-war period, the great socialist bloc has dissolved and has been restructured, opening its economy to private initiative. Meanwhile, developing countries have dealt with deep economic crises which have been aggravated by structural adjustment programmes. It is also argued that in developing countries such as Brazil, because the welfare state has not been entirely consolidated, the crisis of the state is an even more complex matter (*ibid.*). There is, however, some disagreement as to what extent governments, particularly in the developed world, have really become smaller:

What seems most worrying is the perception in so many western nations that the market reforms of the past 10 or 15 years went too far, and that it is time to reaffirm the role of the state. In many developing countries, and above all in the former communist countries, market reforms have indeed rolled back the state – not so much because their citizens chose that course but because their states simply collapsed. In the West, however, progress towards smaller governments has been more apparent than real. On close examination, even the most dedicated reformers – Ronald Reagan in America and Margaret Thatcher in Britain – did not achieve a great deal. In America the growth of government was checked, at best; in Britain the state had shrunk a little by the end of 1980s, but one more term of Conservative government restored it to the dimensions of 1979. Elsewhere in the West the state kept growing, checked only occasionally by fiscal crisis (*The Economist*, 20 September 1997, p.56).

It is unquestionable, though, that the state has been put in check in both developed and developing worlds; in communist as well as in capitalist countries. The debate on the role and the size of the state comprises several streams of thinking, and each one explains the crisis of the state in a different way proposing different solutions accordingly. In this context, the neo-liberal paradigm has emerged and has become increasingly popular. According to it the state should not have a leading role in sustaining economic and social development. The economy should thus be led

primarily by market forces.ⁱⁱⁱ It is, however, recognised that the market alone is also unable to provide social development for all segments of society (Payne 1999).

In Brazil, during the last decade, another paradigm emerged, based on personal rights, on democratic principles and on the idea of citizenship, which was reflected by the proposal of urban reform developed by an ample set of actors and articulated by a group of intellectuals (Daniel, 1994). As discussed in Chapter 2, the urban reform movement during the 1980's in Brazil aimed at the establishment of a new pattern of public policy, based on (1) the democratic management of cities, (2) the strengthening of public regulation over urban land use and (3) the inversion of priorities with respect to urban investment policy (Ribeiro, 1994). Briefly, these two different perspectives have shaped the Brazilian debate about this subject.

Farah (*op. cit.*) points out the need to re-establish the discussion about the articulation between public and private sectors in contemporary societies, avoiding the oversimplified views in which either a pattern of governmental intervention is advocated (which seems incompatible with the new international reality), or alternatively, a radical withdrawal of the state is defended. It is also pointed out that a central issue of this discussion refers to the very articulation of public and private sectors in the provision of public services and goods, involving on the one hand, the state attributions, and on the other, the participation of the private sector in its provision (*ibid.*).

In this context, the idea of the “third way” has emerged focusing precisely on replacing the traditional dualism of the right and left political wings, based on the need to develop alliances between sectors in order to provide pragmatic solutions to development. The concept of partnership then becomes a central issue:

The search for more pragmatic political philosophies, policies and programmes which combine the benefits of efficiency and equity, or economic viability and the wider public interest, has

focused attention on public-private partnerships as embodying the so called 'third way' (Payne 1999, p. 208).

This chapter discusses the relationship between the public, the private and the third sectors, identifying the scope for each sector's intervention and the possible forms of interaction between them, focusing on urban land issues. The aim of this chapter is to answer what are the nature, interests and comparative advantages of each sector, and how they possibly interact, making use of each sector's strengths, to improve their relationship on land management.

The public, the private and the third sectors

Before going deeper into the distinction between the public and private sectors, it is important to define what is meant by each in the present work. The public sector refers to governmental institutions at local, regional and national levels. Notwithstanding the acknowledgement that the public sector is not a homogeneous entity, and that it encompasses many differences and particulars both within a level and between levels, the public sector will be treated in this work as a synthesis of the performance of the three public sector levels in the issue of shelter provision. More emphasis will be given, however, to the relationships between the local public sector (the municipal level) and the other sectors (the private and third sectors).

The private sector refers to private institutions and corporations which are organised to generate a profit from the investment of their resources (in this case, the provision of shelter). It encompasses, however, two different practices. The first one is the formal, capitalist practice and the second is the informal practice (occasionally considered a pre-capitalist practice), which can embrace a great variety of circumstances:

... the private sector uses informal, or semi-formal practices, legal or illegal. These practices cover a very wide range of situations, depending on the future use of the dwelling unit, from 'self-help housing production' where the dwelling is to be inhabited only by the constructing household; to domestic production, where part of the unit is destined for sale or rent; to a petty commodities or 'pre-capitalist' mode of production, where the dwelling is intended for sale, or sometimes rent, generally on the informal market (Durrand-Lasserve 1987, pp. 325-326).

The informal private sector as to land development comprises basically two different actors: the informal developer and the informal occupant or settler. The informal developer shares the same rationale as the formal private sector (making profit) with the difference that it acts outside the formal market or legal framework. The informal occupant, however, approaches the rationale of the third sector aiming at social development and is generally represented by third sector organisations (CBOs or NGOs). In this work, the term private sector will refer solely to the formal private sector (also named the commercial private sector), and when necessary or required, the informal sector will be mentioned in its specific terms.

In Brazil, as the country steps forward in democracy consolidation, the importance of the so-called third sector becomes more visible. The third sector refers to: 1) organisations of people the objective of which is the improvement of life quality of their members ("community-based organisations" or CBOs) and 2) institutions which support and mediate on behalf of these organisations ("non-governmental organisations" or NGOs) (UNCHS 1993, p.11). In other words, it refers to organised civil society, which as will be discussed later, has become an important player in interactions with the public sector in the field of human settlement development.

These definitions are important to the extent that they point out the basic distinctive characteristics and objectives of the three sectors. However, such characteristics are many times difficult to perceive in reality since there are many

different institutional arrangements. The three sectors “exist along a continuum rather than as completely separate entities and often blend into each other” (*op. cit.*, p.12).

In general terms, however, the three sectors have different ‘organising principles’ offering strong and weak attributes as to their role in the shelter process. This is further analysed below.

The public sector

The public sector has a more comprehensive view of the problems since its perspective is city-wide (the local level), regional or nation-wide (in Brazil, the state and federal levels, respectively). It also tends to have a more mid- or long-term perspective (although this may be jeopardised by the length of mandate tenures), and more importantly, its operation includes addressing social benefits on behalf of the general public interest. There are, however, negative aspects to traditional (and usual) public sector management:

The public sector tends to be bureaucratic and hierarchical, occupied as it must be with enforcement (of law and order), collection (of taxes and other revenue), and regulation (the maintenance of minimum standards). The public sector agencies are not good at producing low cost shelter, since they lack the flexibility and ability to innovate and to respond quickly and on a small scale to new opportunities and circumstances... However, the public sector plays an essential role in setting the overall legal and regulatory framework within which other actors can play their part effectively” (*op. cit.*, p. 13).

Another important element is that the public sector is (or should be) accountable for its actions and decisions. Society can (or should) control the decisions pertaining to the public sector. This is a delicate issue especially in countries such as Brazil in which social mechanisms of checks and balances are still being institutionalised and consolidated. Different cities have been having diverse experiences as to the quality of their local governances, ranging from innovative approaches with direct positive

effects on their respective populations, to discontinued local policies and corrupted local management leading to political crises and paralyses in their administrations:

Changes in the local political sphere have also been responsible for both the abandonment and/or failure, on the one hand, and the success, on the other, of urban planning experiments. An example of the first type of outcome is provided by São Paulo, where a conservative government elected in 1992 immediately put a stop to the progressive urban policies of the previous government. Consistency in local government planning efforts is exemplified by Curitiba, in the south of Brazil, which has been internationally praised for the success of its planning strategies (Fernandes and Rolnik 1998, p.150).

The private sector

The private sector essentially works based on the rationale of maximising returns on investment. This is why efficiency is always associated with private sector performance as “the primacy of profit motive helps to ensure that resources are used in the most efficient way, and that input/output ratios are maintained at the right level” (UNCHS 1993, p.15). This holds true considering that the market operates freely with competition among private enterprises (or producers). The economic horizon of the private sector also tends to differ from the public sector:

The private sector functions according to short and mid term criteria (corresponding to the capital turnover that it aims to valorise), reasons and decisions in terms of investment opportunities and is principally concerned with the direct effects of intervention at the microeconomic level (that of the project) (Durrand-Lasserve 1987, pp. 326/327).

However, the diffuse term “public interest and social benefits” is not necessarily taken into account in the private sector’s decision making process. The search for profit is an obstacle to the involvement of the private sector in the shelter provision for low income groups. The larger the “needs-demand gap” between what people can afford and what the market can provide, the less likely it is for the private sector to be interested in low income shelter provision.

There is, however, evidence that companies are becoming more involved in what are traditionally considered to be public matters (such as social development) overcoming the “black and white” understanding of public and private:

Experiments with “socially-responsible capitalism” are increasingly common in industrialised countries, and are leading to a fresh and radical re-thinking of traditional conceptions of “public” and “private” (UNCHS 1993, p.12).

An interesting movement which also changes the traditional perception of the private sector is identified according to which companies are investing in solving problems of the social sector as a way to stimulate their own business development:

These companies are moving beyond social responsibility to corporate social *innovation*.... They view community needs as opportunities to develop ideas and demonstrate business technologies, to find and serve new markets, and to solve long-standing business problems” (Kanter 1999, p.124).

Even considering the existence of more philanthropic minded companies or the existence of innovative corporate approaches, the main driving force behind the commercial private sector is still to maximise profit or return on investments.

The third sector

The third sector represents the people’s perspective on the problems (in this case shelter provision). It normally shows a strong social view of the problems as well as some economic understanding of the affordability of those it represents. CBOs’ views tend to be more locally focused, project-oriented and driven by short- and mid-term objectives, while NGOs tend to have a broader perspective on issues, at least on specific sectors (housing, capacity building, etc.). The third sector, however, has shown high responsiveness and also the ability of being flexible, achieving innovative solutions, although its investment capacity is limited and usually dependent on external support:

People are highly skilled at making the most of limited opportunities, at building incrementally, at innovating and at reacting quickly and flexibly to a rapidly changing environment. However, they can only do these things if the wider environment in which they operate supports them (UNCHS 1993, p17).

It is important, though, to make a distinction between the third sector and the general definition of the informal sector. The third sector is the organised informal sector which considers the interests of informal settlers. Informal settlers, as to the land market, embraces everyone who solves their housing and land access problems outside the formal market. The third sector is the organisation of people (usually part of the informal sector) in CBOs who are frequently supported by NGOs. It is basically the peoples' organisation that increases their bargaining power and promotes them to the status of important players in negotiations with the public and the private sectors. Notwithstanding the acknowledgment of this difference, in this work they will be treated as the same thing unless specific mention is made otherwise.

Table 3.1 – Basic characteristics of each sector

	Objectives	Time horizon	Geographical scale	Strengths	Weaknesses
Public sector	social economic development	mid/long-term	city-wide (local govt.)	multi-disciplinary comprehensive view	bureaucracy low level of responsiveness politicisation
Private sector	profit-oriented	short/mid-term	project level	efficiency	lack of social concern
Third sector	social development	short-term (CBO) mid-term (NGO)	project level (CBO) sectoral level (NGO)	responsiveness people's view	investment capacity

Conflicts between sectors

It is generally accepted that each of the three aforementioned sectors has a particular set of objectives and a particular set of competencies, implying different economic perspectives. Some authors argue that the three sectors have complementary

roles, while others stress more their intrinsic contradictions. According to Durrand-Lasserve (1987, p. 327), “it may be estimated that in countries with a liberal economy, there is more complementarity than contradiction” (between the public and the private sector), although “this complementarity is not always effective.”

As to the land market, when discussing the relationship between the public and the private sector in Brazil, the issue of land speculation (a serious problem in Brazilian cities and a typical capitalist mechanism) is still a source of conflict. As a result, instruments for stronger public intervention in the land market are generally pointed out as a desirable solution among urban planners. It is interesting to note that this approach is generally resisted by private developers but advocated by private builders because the latter also suffer from the lack of a predictable and continuous supply of land.

Durrand-Lasserve argues that the main contradictions arise not between the public sector and the formal private sector, but between these two sectors and the informal sector:

Differences between the public sector and the formal private sector consist basically of a difference in views concerning arbitration in the allocation of public resources. Contradictions between public strategies and informal private strategies, however, are much more obvious (*op. cit.*, p.336).

Another view stresses that the main contradiction lies between the private sector and the third sector since the latter does not constitute a solvent demand to meet the economic objectives of the former (UNCHS 1993. p.131).

It is argued here that there are contradictions between all the sectors, some of which are easier to solve than others. The basic contradiction between the public sector and the private sector is the predominant rationale of the real estate industry which is to obtain speculative gains from the land, and reproduction of land with

scarcity as to land attributes (as discussed in Chapter 1). This exists because the market is permissive, and the public sector does not use the range of instruments available to better guide land development and combat land speculation.

The basic contradiction between the public sector and the informal private sector (informal land developers) is related to the illegalities associated with informal land development (disregard of municipal, state and federal legislation on land subdivision, land-use, preservation areas and so on). This also indicates the contradictions that may arise between the public sector and the third sector (particularly as to CBOs or NGOs representing the interests of informal settlers since the final occupants of informal settlements do not comply with urban legislation associated with their settlement either). Nowadays it is broadly accepted in the public sector that the final informal occupant is not an opponent. As a matter of fact, both actors – the public sector and the final occupant – may share the same basic social goals. Still, in the process of regularising existing settlements, and particularly in the process of creating new illegal settlements, the relationship between the two sectors may be rather conflicting. One specific source of tension between the two sectors is the distribution and time phasing of public investment in basic infrastructure and services throughout the city.

Another interesting relationship to analyse is that between informal private developers and informal occupants, both part of the informal sector. At first glance they may appear to interact without conflicts since they both share the benefits of the informal (and illegal) process of land development.^{iv} However, precisely because it is an outlaw process, abuses are usual in this relationship and conflicts tend to arise when the informal settler is confronted with the hard reality of living in an unhealthy environment, or when there are problems with payment of plot instalments and the

illegal subdivider tries to evict those in debt. These conflicts tend to arise and become more visible if the informal community is organised in CBOs or is supported by an NGO.

There are also contradictions between the formal and informal private sectors. Although they tend to serve different segments of the land-market, the formal private sector argues that informal land development constitutes unfair competition since it does not comply with the rules of the game.

The deepest contradiction, however, is between the formal private sector and the third sector. It relates, as already mentioned, to the fact that low income groups do not have the means to pay for plots or housing units at market prices which meet the private sector economic criteria of an attractive return on investment. Figure 3.1 illustrates the main conflicts between the different sectors in land development.

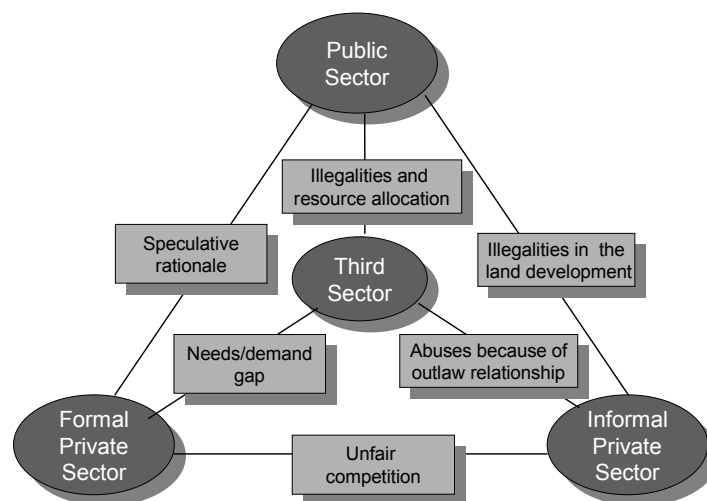


Figure 3.1 – Conflicts between the different sectors in land development

The basic (albeit complex) issue then is how to match the economic objectives pursued by the private sector with the social objectives pursued by both the public and the third sectors within a legal framework.

One possible line of action is to make use of the existing complementarities of the sectors involved to overcome contradictions within each sector's objectives. In the next section the scope for each sector's intervention in the land market, based on its individual competencies as to comparative advantages will be discussed.

Scope of the different sectors' actions in the shelter process

The controversy over what should be the proper role for each sector in modern society involves opinions which span from heavy governmental interventionism to the *laissez-faire* policies advocated by economic liberalism. Achieving balance between the actions of the public and the private sectors in shelter provision is important:

If government errs too far in the direction of *laissez-faire*, the housing options of the poor will not improve substantially because they will be excluded from access to essential inputs, especially land and finance... If the State intervenes too heavily, incentives to private and household-sector production will decline, so reducing the quantity and quality of housing available... It is no exaggeration to say that the successful implementation of the Global Shelter Strategy depends on the ability of governments to find and maintain this balance over time (UNCHS, 1991d, p.67).

The international seminar on '*Managing the access of the poor to urban land: new approaches for regularization policies*' held in Mexico in February 1993, indicated that in general terms, with liberal policies, "... the problem of inequalities in access to land for housing for the different actors has tended to worsen, with a resulting increase in the phenomenon of exclusion and segregation" (IFAL-UNAM, 1993, p.2).

After analysing two Brazilian case studies which illustrate extreme situations with respect to the role of the public and private sectors in the housing land market, it was concluded "... that the possibility for an efficient land policy rests on a narrow

zone, where the government acts as the co-ordinator of the supply of land and house units, and the market acts under the supervision of the government” (Rezende, 1995, p.161).

A prominent role for the public sector is also advocated by other authors:

...the general urban land supply has to be through the government, or within a framework laid down by the government” and that the key issue is “the development of a land and housing policy which first and foremost aims at broadening land supply, to effectively reach the lower income groups, and which recognizes and appreciates existing informal land development practices (Mitra and Nientied 1989, p.48).

Although it is advocated that the public sector should have a prominent role in organising the land market, one should also recognise that it has been a poor performer when it comes to the housing market (as discussed in Chapter 2). At the same time, the private sector has also been unable to meet the demand for land and housing of the majority of urban residents (Durrand-Lasserve 1998). A significant part of the population normally cannot afford the price of the product “housing”^v within the legal/formal production system. The great responsibility for the housing production for the poor in developing countries has been assumed by the informal private market,^{vi} mainly through the efforts of the people themselves. However, in the long run, the final cost of the units produced by the informal market is high for both the occupants of informal settlements^{vii} and for the public sector (which, sooner or later, is required to implement regularization programs).^{viii}

No sector acting independently – state, market or the organised society – seems to be fully equipped to solve the housing problem for the low income population (Payne 1999). Thus a new co-operative relationship between the public and private sectors appears to be an alternative which is worth analysing. It has been noted that the contemporary city, apart from being the locus of the market, becomes itself an

object of economic exploitation in relation to the production and maintenance of its physical infrastructure and the delivery of traditional services allied to the need to deliver new services (Fingermann and Loureiro 1992, p. 34). It has also been pointed out that as a consequence of changes in the pattern of production of the cities, the roles played by the public and private sectors in the provision of urban services have to change accordingly:

To understand this transformation, it is necessary to recall the distinction between provision and production of public services: the government should provide such services, which means identifying the social needs, formulating rational solutions for them, implementing the respective policies and controlling them from a social viewpoint, seeking for equity. When acting in partnership with the private sector, the provision attribution should be held exclusively by the public sector, as it happens today. What may change is the production or implementation of services which not necessarily should be an exclusive task of the public sector. These activities may be transferred to the private sector, totally, as happens in the case of privatization or partially, through the association between public and private sectors (*ibid.*).

The authors also remark that, in the case of assigning the execution or production of services to the private sector, apparently the public sector would lose part or all of its executive role. In reality, however, its role would change qualitatively, growing in importance, because it would have enlarged responsibilities regarding social control over all the aspects of the new relationship. Additionally, the public sector would also have the responsibility to ensure that the association meets the public interest, appraised according to criteria such as equity, clarity, effectiveness and efficiency of procedures.

Based on the characteristics of the public, the private and the third sectors, it is possible to identify each sector's comparative competencies in the process of shelter development. The strengths of the public sector are the broad view and understanding of the problems of the city, the social view of these problems and the capacity of

intervening in the market to correct possible market failures. The public sector has a strong role to play in three basic areas as to shelter provision. The first one is to provide the regulatory framework, ensuring an adequate supply and use of land, reviewing land-use and building legislation to meet the affordability level of the population, punishing unfair land speculation and capturing extra gains derived from land development. The second role is to provide a better distribution of services and infrastructure throughout the city; and the third, to provide credit lines for low income groups.

The strength of the private sector is its economic perspective on the issues, the emphasis on efficiency, on increasing productivity and on reaching a rational investment of resources. Thus, the private sector is better qualified to participate in the production of plots and housing units. Included here is the production of standardised building materials for low income housing, and the industrial methods for housing construction and in-site infrastructure provision. It also has an important role in the creation of a private housing finance market. Also included here are private land owners who can contribute with land, a crucial shelter input (which is largely private in Brazil).

The strengths of the third sector are related to the fact that people themselves, and those who work directly for them, are the ones who really understand their housing needs. Given their reality of permanent resource scarcity, they are also the ones more capable of developing alternative solutions. The third sector is better equipped to work in the (incremental) production of housing units and, at a certain level, in providing in-site basic infrastructure, mobilising people, and in negotiating with communities – the public and private sectors. It has also an important role in

spreading innovative experiences among other communities too. The possible actions, however, vary according to the leading actor.

The strength of CBOs is in producing shelter and providing direct services to their members apart from community mobilisation, whereas NGOs have a stronger role in facilitating the process (the supply of inputs, for example), acting as mediators with the public sector and in disseminating grassroots experiences (UNCHS 1993, p.17).

However, third sector comparative competency is more related to small scale planning and service provision. Finance is also a matter where the third sector needs complementary support. People can and do contribute from their own savings to solve their housing needs, but usually this is not sufficient to ensure access to adequate serviced land and shelter in urban areas. Table 3.2 shows the general distribution of competencies among the three sectors.

Table 3.2 – Levels of each sector’s involvement according to competencies

	planning & regulation	distribution of infrastructure	land development	production of houses	line of credit	Community Mobilisation	mediation
Public Sector	strong	strong	medium	weak	medium	Medium	strong
Private Sector	weak	medium	medium	medium	strong	No	no
Third Sector	weak	weak	weak	strong	weak	Strong	strong

Discussing the “natural” attributes of each sector, it is argued that when there is effective democratic control, the issue shifts from “who does it?” to “how it is done”:

As far as there is a strengthening in the check and balance systems used by society, the requirement for an “institutional” tutorship is diminished. This is the reason why legitimacy of public intervention is no longer given by the nature of agents who manage urban interventions (public or private), but by the real fitness of the interventions themselves. This means producing services in quantity and quality desired by the citizens... (Borgonovi and Cappellin 1992, p.138).

It is further noted that it is necessary to distinguish between a) performing a public function and b) managing the resulting interventions. The former means identifying the goals of public interest and guaranteeing they are achieved, whereas the latter means technically and economically organising the required activities to meet the goals. The former is proper for the public sector, while the latter should be flexibly adapted to different actors according to the nature of the problems (*ibid.*).

What is important after all is to enlarge the adequate housing options for low income groups since society as a whole loses with the present *status quo* of leaving the poor with only informal and illegal options. There is empirical and theoretical evidence showing that each sector has comparative advantages that, when combined, might give a better answer to this problem (UNCHS 1993, Payne 1999). The next section will discuss the changes which are required so that a more co-operative environment between the three sectors can be obtained.

Changes required

Disregarding the position which one defends in the debate about the most suitable roles to be performed by each sector, the establishment of a better relationship between sectors is an issue which deserves further attention. At the same time, the organisation of civil society under the consolidation of democratic principles and the emergence of citizenship rights has promoted the third sector to the category of an important mediator in urban development in Brazil. The relationship of the third sector with the public and the private sectors is also undergoing changes. The development of a new relationship between sectors based on the principle of co-operation will only be possible if each sector develops a good understanding of its own comparative competencies, as well as of those of the other sectors. In other

words, a mutual understanding of each sector's driving forces is essential so that the benefits of co-operation can be achieved.

The required changes for a more converging relationship between the three sectors will be discussed in the next sub-sections. To offer an illustration of the sort of changes being discussed, boxes are included with examples of some of the innovative experiences of each sector's performance taking place in Brazil.

Towards a more entrepreneurial public sector

The performance of the public sector has been criticised by many. In Brazil, public administrations are confronted with several problems such as duplication of functions, lack of managerial capacity; and integrated information systems, unmotivated and unskilled labour and too many bureaucratic controls, among many other problems (Pimenta, 1995, p.171).

There are many different perspectives on what should be the required changes for the establishment of a new public management. Some elements, however, are recurrent in this debate.^{ix} Many authors propose the idea of rethinking public institutions from the private sector viewpoint leading to the development of concepts such as public entrepreneurship.^x Inadequacies and delays in public administration with respect to society's wishes are reflected by the lack of perception that today society expects from public administration, and especially local government, the ability to develop an "entrepreneurial capacity," suitable to the complex requirements of modern life (Borgonovi and Cappellin, 1992, p.138).

Here, entrepreneurial capacity is considered not as a necessary activity to support any private economic undertaking, but in a broader sense, as an attitude to implement appropriate ways of performing any activity. The present challenge to the public sector is to develop an entrepreneurship of public action.

The development of new capacities able to transform the traditional *administrative logic* into a *managerial logic* leading to a new entrepreneurial management logic is pointed out as a central element for a new public approach (*op. cit.*). The main distinctive characteristic of the new entrepreneurial managerial function is the ability to identify the different productive factors required in a project, co-ordinate agents moved by interests which are many times contradictory and, particularly, propose and carry out solutions which anticipate trends in the economy. The accomplishment of such tasks requires collective entrepreneurship. The entrepreneurial role should be undertaken by the municipal administration through the co-ordination of the negotiation process which includes different public and private agents.

The authors (*op. cit.*, p.140-141) identify four guiding principles for the new entrepreneurial management logic:

1. The public entity can no longer be considered as the only institution representing public interest, but as an institution meant to manage the confluence of energies as well as social and economic resources for solutions to the great needs of the community.
2. The solutions should be able to gather financial resources from public administration, private investors (banks and others) and small investors.
3. It is necessary to find innovative managerial practices for the interventions which enable operational agility and public control over the results.
4. In parallel with the development of an “intervention plan”, there is a need for an “implementation plan” to be established. This does not mean defining the intervention model itself but mastering the management of the execution process.

Harvey (1996, p.49) also points out the movement which took place in many developed countries relating to the public sphere which shifted its focus from the (administrative) managerial logic prevailing during the 1960's to the entrepreneurial approach of the 1970's and 80's. He raises, however, some criticisms on this approach

which relate to the danger of incorporating a speculative practice into public intervention.

Other elements are indicated as important factors in modernising the public administration such as the need to institutionalise reliable mechanisms of management control, focusing on performance measurement and the achievement of results (Pimenta 1995). Similar to the *customer-driven* approach, which is nowadays increasingly popular within the private sector, it is also possible to think of a *citizen-driven* approach for the public sector, in which the citizen is seen as a client to be satisfied.

Although it is difficult to generalise the effects of the theoretical debate on reality, it is possible to empirically identify in Brazil the advent of a new approach to public administration (see Box 3.1). Ribeiro and Santos Júnior (1994), analyzing the effects of the elaboration of municipal master plans in Brazil, identify the emergence of new patterns in Brazilian public management which is labelled by them “governance”:

By this term, we mean the local system of decisions based on partnership, agreement, negotiation and co-operation between the various actors involved in the local political scene, aiming at a collective regulation of private interests. There are two basic principles in “governance”:

1. identification of local social forces acting in the city and their respective interests;
2. the establishment of a territorial pact around three basis; the insertion of local economy in the new model of development triggered by the restructuring and globalization of regional and national economies; the guarantee of urban rights which provide a minimum pattern of life quality, defined by environmental, urban and housing conditions; and, reform of the local administrative apparatus aiming at reaching efficiency and effectiveness required for local governments to perform their roles in the “governance” of municipalities (Ribeiro and Santos Júnior 1994, p.16).

Box 3.1 – The recycling programme in Londrina^{xi}

A creative experience was developed by the local government of Londrina in the southern Brazilian state of Paraná. It relates to the use of waste material from the building industry to create bricks that are used to redevelop slum areas through self-help construction. The recycling is done by a municipal body which receives the material, selects it, grinds it and transforms it into sub-products used to produce bricks. The houses built with the recycled material are supposed to lower costs by 50% compared to traditional building methods. One of the good side-effects of this programme is that the municipality might eliminate 400 areas throughout the city which were used as waste material deposit sites. With this experience the local government of Londrina could contribute to shelter development and environment protection simply by using more normal existing resources.

It is plausible to conclude that the quest for new public management reveals expectations of more efficient governments with respect to resource allocation and administrative procedures. It also highlights expectations of a new type of relationship between government and market, and government and civil society. In this context the idea of more co-operative relations between the different sectors becomes a key concept and partnership, negotiation, consortium, shared interests and management innovation become key words.

Towards a more socially responsive private sector

The private sector is increasingly participating in public functions as to urban management either for philanthropic or social responsibility reasons, or for marketing purposes in an attempt to build a positive image of companies in the marketplace, expand market share or serve new markets. In any case, companies are increasingly sponsoring cultural and social events, investing in basic education or ‘adopting’ public spaces (which are upgraded and maintained with private money).^{xii} The idea being consolidated among progressive sections of the private sector is that society as a

whole should contribute to social development, bridging the gaps and inadequacies of public sector performance.

There are many examples of private institutions getting involved in social work and in revitalisation and maintenance of public spaces (see Box 3.2). Still, there is a lot of room for improvement as to the social contribution of the private sector, particularly in a developing country such as Brazil, where the level of competition, the existence of gaps in the legal framework and the political and cultural environments continue to allow the practice of predatory forms of capitalism.^{xiii}

Box 3.2 – The BankBoston Foundation in São Paulo

The BankBoston in Brazil created a Foundation in the downtown area of São Paulo (which is being revitalised) to promote three distinct programmes: an educational, a social and a cultural one. It is located in a large pedestrian area, traditionally regarded as an unsafe spot of the city. The Bank guarantees the security of the area by paying a large number of private security guards (around 150) to look after the area which is now a safe place in which to walk around. Apart from providing a service to the city, the Bank is also increasing both the exchange and use values of its own property.

Towards a more influential third sector

The third sector contributes significantly to shelter provision. Yet its contribution can be enhanced if the environment is encouraging. Basically, two combined actions can be identified to improve the interventions of the third sector. These are identified as: moving from a participatory role in projects to influencing the decision-making process; and to moving from a more traditionally demanding role to a more pro-active proposing role. The third sector has traditionally been strong in building low income housing units and improving housing conditions. This is, however, more of a passive and instrumental role. More stress should be given to

influencing governmental decision-making which also presupposes a more proposing role from CBOs and NGOs:

A very different form of community involvement may be described as ‘neo-corporatist participation’. It entails the linking of residents’ associations to form collective bodies, committees or councils. Such institutional arrangements enable the groups involved to influence, directly or indirectly, the definition of government policies and priorities (Azevedo, 1998, p. 264).

There are experiences in this direction in many Brazilian cities. Of particular importance is the participatory budgeting process, held in several municipalities in Brazil, through which the population influences the local budgeting system by deciding through assemblies the allocation of part of the municipal budget. Chapter 5 will discuss this experience in more depth.

Box 3.3 – The self-management Funaps Programme in São Paulo

A successful and pioneer experience showing what the community can do (when a supportive environment is provided) was developed by the municipality of São Paulo during the period 1989-1992.^{xiv} The programme aimed at the construction of housing units by transferring to the communities themselves the management of the building operation. It was a collective self-help process, managed by the people’s association, assisted technically by NGOs and financed by the local government through the establishment of an agreement between the local government and the CBOs. The community association was responsible for activities such as: hiring technical assistance, acquiring materials and organising the building process. The project was discussed with and approved by the community association, giving the local government a supervisory role. This program managed to deliver high quality housing units 50% cheaper than through conventional building methods. Because of its high participatory approach, it also helped to ensure the mobilisation and organisational capacity of community members.

The three sectors working together

The idea of organisational and financial co-operation between the state, the market and society is by no means new. According to Pilliteri (1992), it originally

appeared as an instrument amending the utopian proposals coming out of the political-ideological debate of the 1970's as a new "pact" between institutions and society and benefiting from the concept of participation earlier developed in the 1960's. The idea of participation then influenced the behaviour and action of public bodies, particularly in opening local administration to new and complex ways of integrating institutions and civil society. This new "pact" is founded on adding society's material and intellectual resources to the municipal administration apparatus: amongst them, the emerging actors in innovation and all those who propose advanced solutions to solve the problems of the community. This "pact" also implies redefining the roles of the different social actors involved.

In Brazil, the public sector's search for alternative ways which are more capable of giving proper responses to the needs of the cities is accompanied by the search for alternative markets by the private sector. This search aims at finding alternative uses for their managerial, financial and administrative capacity, which had been systematically under-utilised because of many years of economic recession (Fingermann, 1992). According to this point of view, there are two driving forces leading to a co-operative environment between public and private sectors: the difficult financial situation of the public sector *vis-a-vis* the numerous and multiple demands of modern cities; and the favourable conditions of the private sector seeking new markets. Thus, the public sector aims at incorporating certain characteristics of the private sector style of management, such as administrative models and economies of scale, in addition to financial co-operation (Fingermann and Loureiro, 1992). The authors (*ibid*) point to the context of major changes in the city as the main reason for the search for new models of co-operative ventures between the two sectors. On top of this, the process of democratisation in Brazil has opened opportunities for the third

sector to have a stronger role in the process of decision-making. The general picture is converging to a more co-operative environment between the three sectors. Figure 3.2 illustrates the exchange between sectors in a more co-operative environment.

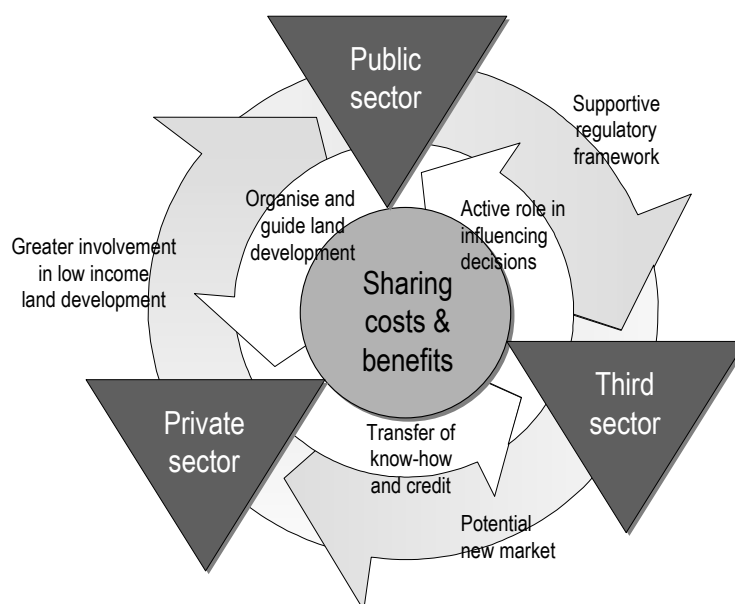


Figure 3.2 – Exchange of advantages between sectors in a co-operative environment

Co-operation between sectors

It is important to identify the different meanings the term co-operation carries. Bernareggi (1992) remarks that there are two different meanings for the expression “public-private co-operation.” First, it can be used to mean public support for the private economic activity of production or consumption. Second, it can also mean private support for public economic activity. This is because co-operation may occur in fields traditionally dominated by only one of the sectors. In the specific situation studied here – production of plots for housing low income people or social housing – there are traditionally shared responsibilities. If we just take into account the formal housing market for low income people, there is a predominance of public action. If, however, we include the informal market in the analysis, the stronger role is

performed by the informal private sector and the communities themselves (supported by the third sector) through the development of slums, collective dwellings and illegal subdivisions.

Co-operation is thus seen as a mutually supportive arrangement between sectors aiming at improving their individual performances and enlarging their scope of action in land and shelter development.

Interaction *vis-à-vis* co-operation between sectors

There are several degrees and types of interaction between sectors as to the level of co-operation achieved. According to Senn (1992), there are basically three:

- interaction based on lack of co-operation (or no co-operation) - when no actor is willing to co-operate;
- interaction based on "forced" co-operation - when one of the sectors is willing to interact on a co-operative basis, thereupon taking the initiative and "forcing" or inducing the other sector to co-operate;
- strategic co-operation - when both (or all) sectors are willing to interact on a co-operative basis for their own interests.

Figure 3.3 illustrates the existing possibilities of public-private interactions.

Still, according to Senn (1992), each type of interaction defines different financial arrangements.

In the case of *no co-operation*, in which both sectors seek their goals independently, we have on one extreme, privatisation (of services, of land and so on) and on the other extreme, public ownership and management. Even in the case of privatisation the government still plays an important regulatory role.

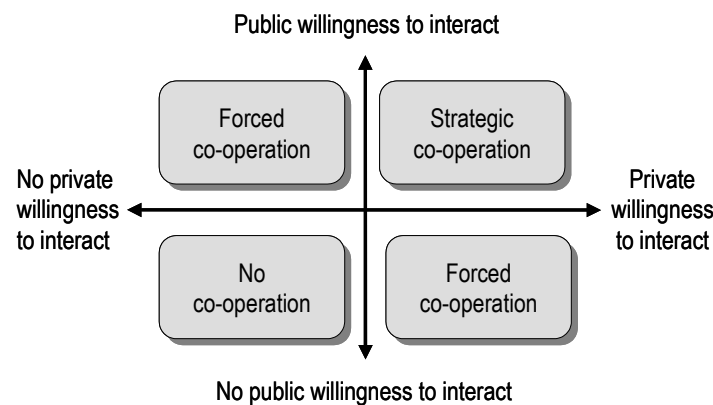


Figure 3.3 – Public-Private Interactions (Source: Based on Senn, 1992)

In the case of "*forced*" *co-operation*, one of the sectors takes the initiative for the interaction, inducing the other sector to co-operate. The process can make use of "persuasive" actions, e.g. through financial incentives such as fiscal exemptions, favourable interest rates, borrowing guarantees, concession of plots, credit facilities, incentives represented by the construction and expansion of urban infrastructure and facilities (water and sewage networks, parking space and others) and legal incentives with respect to urban and building legislation.

The author (*ibid.*) remarks that strategic co-operation is the most advanced type of co-operation between the public and private sectors in the field of urban development:

They are strategic in the sense that it is implied that both parts play an active and simultaneous role in promoting the mutual co-operation (*op. cit.*, p.75).

Regardless of the type of co-operation that originates the interaction between sectors (induced or not), it has to at least evolve to a mutually agreed upon co-operation in order to configure a real co-operation. It is ultimately the co-ordination of the different interests converging into a common agenda that characterises a co-operation.

In the particular case of land development for low income groups, a closer interaction between sectors is rarely born as a strategic co-operation. It is most probably leveraged by one sector which, after identifying an opportunity for establishing co-operation, induces or attracts the interest of the respective other sector(s). Because the public sector has a broader view on urban problems, it is more inclined to perform this catalyst role in the process of pursuing a more co-operative environment between sectors.

The negotiation principle and the different geographical levels for co-operation

Considering that the public, the private, and the third sectors seek different goals, when we talk about the development of multi-sectoral co-operation, negotiation becomes a crucial element. Strategic co-operation is normally achieved after an intense process of negotiation. Thus, negotiation would be the process through which the conflicts of interests (or different views) would be sorted out, converging into a consensual compromised formula, which would thus be the basis for the desired co-operation. Borgonovi and Cappellin (1992) remark that it is important to identify and put into practice efficient, transparent and rigorous procedures with respect to the institutional dynamics and the interaction process between all the agents involved in the negotiation. The main goal would be the adoption of normative innovations which would alter the current procedures during the co-ordination between public bodies and the private initiative (or the civil society).

According to Giaccardi (1992), this can only be achieved by establishing in concrete terms, the leeway within which negotiation can be legitimately made, or in other words, what should be the negotiable matters.

The author (*ibid.*) also suggests three different geographical levels in which negotiation could happen as to urban space. The first one refers to regional territorial planning, the second to local planning and the third one to executive detailed planning.

The present work concentrates on the achievement of co-operation at the local planning level, either project- or programme-oriented, focusing on the development of land. In the specific case of developing urban land (which means land with certain qualifications), it is possible to identify three basic elements as to the negotiable matters: raw land (to be serviced), infrastructure (to service or qualify the land) and regulations (which establish the standards and rules for land qualification). There are, however, other elements which also play a role in this process: labour (to carry out the servicing of land) and finance (which provides access to land, infrastructure and/or labour).

Any one of these elements works as an input into the process of land development and constitutes, in principle, the negotiable matters: the amount and physical conditions of land, the level of infrastructure provided, the intensity of labour involvement, the level and conditions of finance and the urban standards required – plot size, street width, percentage of green areas and public spaces among others.

Institutional arrangements and organisational considerations

Borgonovi and Cappellin (1992) identify two types of institutional arrangements which may be called normative innovation. The first is “programmatic agreements” or negotiated urbanism, based on a process of co-ordination which comprises the participation of different sectors in decision-making and in the financial scheme. The aim would be solving the co-operation problems between the sectors through the

elaboration of a single contract, usually through the exchange *una tantum* of money or other value between them. This would be suitable for co-operation in more simple and limited matters, which do not imply high risks and that, given their relative simplicity, would not require a continuous process of (re)negotiation.

The second arrangement is the “joint-venture.” Unlike the programmatic agreement, the joint-venture requires that the different agents engage themselves proactively by dedicating resources (financial, technical and human) to a body (public-private company, consortium, etc.), which gradually and systematically elaborates different projects and performs the implementation task. The involvement in a joint-venture is of a larger magnitude than the programmatic agreement, and it only seems appropriate for complex matters of long-term implementation and high risks; and requires a continuous process of negotiation, given the difficulty in foreseeing the evolution of the whole operation. The advantages of the joint-venture are illustrated by the following quote:

Indeed, the experience with private firms show that when there is collaboration between enterprises in the long run, complex operations, with high risks involved, such as research collaboration, adoption of radically new products or development of new markets, the exchange of money is not the most adequate type of co-operation. Only the creation of a public-private enterprise allows sharing resources, costs and benefits, which otherwise would be impossible to foresee with accuracy, since they are calculated *in itinere*, during the undertaking of the operation. The public-private company allows to elaborate, renew and modify the terms of the agreements between the parts, solving possible conflicts that may occur. It also gives stability to the united operation and does not stimulate sudden contract ruptures. Moreover, joint-ventures are flexible instruments, since they allow for new associations that may be advantageous to happen in the middle of the process." (*op. cit.*, p.146,147)

The two approaches are complementary to each other and differ in relation to the complexity of the matters being solved by co-operation and their respective

scopes. More simple, small-scale, short- or medium-term project oriented interventions may be well solved with programmatic arrangements, whereas more complex, large scale, long-term or programme based interventions entail a joint venture scheme.

There are, however, informal co-operation arrangements that may be even more significant in the reality of developing countries. Such arrangements do exist and do work out because the respective partners perceive very visibly the benefits of joining efforts and sharing results. In these cases, the co-operation emphasis is upon relationships rather than formal contracts (Payne 1999). The specific case of Brazil will be discussed in Chapter 5.

Regardless of the institutional arrangement, the co-operation approach also implies changes in the organisational perspective. Gennaro (1992, pp.154,155) identifies three radical imperative changes which are also pertinent within the Brazilian context. The first one is the need of the sectors to replace the current dominant perception of each other as opponents with another perception of each other as potential partners. As also remarked on by Payne (1999, p.9), “the traditional antipathy between public and private sectors will require a major shift on both sides – for public sector agencies to become more market sensitive and for the private sector to become more socially responsive.” The second change is the need to technically qualify the sectors (particularly the public and the third sectors) to be able to perform their new roles which involve a substantial amount of negotiation. A third required change is the need to create new instruments which promote and facilitate co-operation. According to Gennaro (*op. cit.*) existing administrative procedures are based on the concept of hindering abuses which is not considered sufficient. In fact, the author argues that the focus should be on allowing actions and then controlling

them. In this context, of particular importance is the need to create control mechanisms which are able to check the development of actions during and after the endeavour, avoiding the pretension of controlling everything *a priori*.

A seminar on instruments for urban policy which took place in São Paulo in 1993^{xv} revealed that these organisational issues were, at that time at least, also being debated in Brazil, although the prevailing idea is currently dominated by a certain level of scepticism on the use of instruments that allow more discretionary powers to the public sector, using the argument of a lack of adequate social control mechanisms and distrust in public and private negotiations. If, however, the cities are to face the enormous urban challenge before them, society as a whole will have to overcome these cultural deadlocks. Chapter 5 will further discuss this issue presenting practical examples.

Conclusions

It seems widely accepted that there is a need for a more co-operative interaction between public and private sectors:

What is needed, and this is an uncontroversial point, is a new and better synthesis of State, market and people which enables the three sectors to relate to each other in a mutually supportive way (UNCHS 1993, p.xii).

This more co-operative approach between sectors is, however, in historical terms, a recent phenomenon, particularly in Brazil.^{xvi} A model suitable for the specific Brazilian situation, focusing on land development, is still needed and this might be developed using existing national and international experiences as a framework from which to depart.

There has always been some sort of interaction between the three sectors. This relationship, however, has gone through considerable transformation along time. At a

certain extent, this reflects the changes which have affected our cities. The nature, scale and pace of transformation of the urban problems have changed, thus requiring more dynamic responses. Information technology and knowledge have become essential resources for the development of contemporary cities. Concurrently, it has become crucial for cities to integrate and adapt themselves to the contingencies of a globalised economy. To be able to respond to the fast pace of these changes, imagination, innovation, flexibility, agility and particularly, disposition to change are required.

The need for improving the relationships between society, the market and the state implies changes in all sectors. However, it is important to remark that despite the fact that changes are required, it is vital, particularly for the public sector, that these changes do not affect the very core business of each sector. In other words, if the public sector is to have a more active role in guiding urban development (and land development), it is important to modernise public administration, borrowing the entrepreneurial capacity of the private sector. On the other hand, the public sector is not supposed to perform a speculative role alone or in association with the private sector. The entrepreneurial perspective is important in qualifying the public sector to better perform its functions and better negotiate with the other sectors. The core business of the public sector, however, is still to provide an adequate environment for development guaranteeing conditions for all segments of society to benefit from this process.

In the same way, the private sector is not supposed to replace the public sector in social development. Notwithstanding the fact that it may well contribute to its development, the public sector is still the main guardian of the public interest, and the private sector will always be profit-oriented in capitalist societies. Likewise, it is

argued that the third sector has a more active role to play in the decision making process of public allocation of resources, but still it is the public sector which has the broad, multidisciplinary perspective on urban issues.

The search for efficiency seems, in fact, to be the major element for the establishment of co-operation between public and private sectors. On top of each sector's search for specific objectives (profitability in the case of the private sector; equity in the case of public sector; particular social benefits in the case of the third sector), the attentions of all the sectors are driven to the increasing need of reaching productivity and efficiency. Thus, increasing efficiency is the common element which will be used as the basis for co-operation between the three sectors. Di Pietro (1996) remarks that the world economy is looking carefully at these issues, including international relationships, where countries are establishing partnerships aiming to solve common problems and increase efficiency.

A more co-operative relation between the public, the private, and the third sectors can be achieved through a set of different instruments. Their operationalisation, however, is by no means an easy task. The difficulty lies in finding the right balance between the *principle of legality* and the *principle of efficiency*. For that, social control over the public-private interaction is of crucial importance.

As will be discussed in the next two chapters, many "new" instruments are, in fact, old instruments revisited and renamed. The novelty of the instruments rests many times on their justification, which is founded basically on a new view of the state's role. The next chapter will concentrate on analysing the pertinent instruments of urban policy which are based on or make use of the principle of co-operation between the public, the private and the third sectors.

Notes

ⁱ The economic crisis is, in fact, a structural crisis of the development models (Daniel, 1994), whereas the crisis of state is derived from the economic crisis and reflected by the state's inability to respond properly to society's demands.

ⁱⁱ Melo (1991) identifies three basic principles of the welfare state: social security, labor protection and wealth distribution.

ⁱⁱⁱ An article in *The Economist* indicates the work of Michael Oakeshott through which he describes two concepts of government that have been in competition for centuries. The first one is the state as a civil association through which the state's job is to help people live their own lives according to their own ideas, imposing no particular goals on its citizens. The second concept is the state as an enterprise association. According to this view, the state has aims of its own, and the government directs the enterprise in order to achieve these goals. The article concludes that this last view has prevailed (*The Economist*, 20 September 1997).

^{iv} Nowadays, it is accepted that the great majority of informal settlers get involved in the process of illegal settlements, understanding that there are risks involved in the process although some level of ignorance still prevails. This is usually associated with the extent of the risks involved.

^v Housing here is considered as being land + basic infrastructure + housing unit.

^{vi} There is vast literature about this issue. The book "São Paulo: crise e mudança," edited by Rolnik et al. (1990) includes a wide characterization about the city of São Paulo.

^{vii} Mitra, B. and Nientied, P. (1989) did a survey of informal settlements in India and Pakistan and demonstrated that, in the long run, the informal option is no cheaper than the formal one. The attraction of the informal settlements is due to the incremental phasing of infrastructure implementation and the respective financing.

^{viii} According to a survey done in 1993, the municipal government of Rio de Janeiro had already spent 30 million dollars in regularization programs and had yet to spend approximately 150 million dollars to regularize the remaining subdivisions. (See SMO, "Política Municipal de Regularização Fundiária de Loteamentos de Baixa Renda e Favelas - Programa RIOLEGAL", 1993).

^{ix} Emphasis will be given here to issues that have a direct reflection on the idea of a closer interaction between sectors.

^x See Osbourne and Gaebler 1992.

^{xi} This experience was among those chosen to represent Brazil in the Best Practices Awards in Habitat II in 1992. It is described in the book "Habitat – as práticas bem-sucedidas em habitação, meio ambiente e gestão urbana nas cidades brasileiras," organised by Bonduki. (See Souza, 1996).

^{xii} There are many private institutions getting involved in social work and in the maintenance of public spaces. The Fundação Abrinq (a foundation created by toy manufacturers) has an extensive social work addressing education and capacity building for children and teenagers. The consulting firm Stefanini

maintains the physical infrastructure of a public primary school. Building companies contribute with the maintenance of public spaces. These are few examples of an increasingly long list.

^{xiii} In January 1999 Brazil was hit by a “speculative attack” that cost billions of dollars to the Brazilian government and the Brazilian economy: yet banks in Brazil profited in one month more than in the whole previous year, which was already considered a very lucrative year to the banking system.

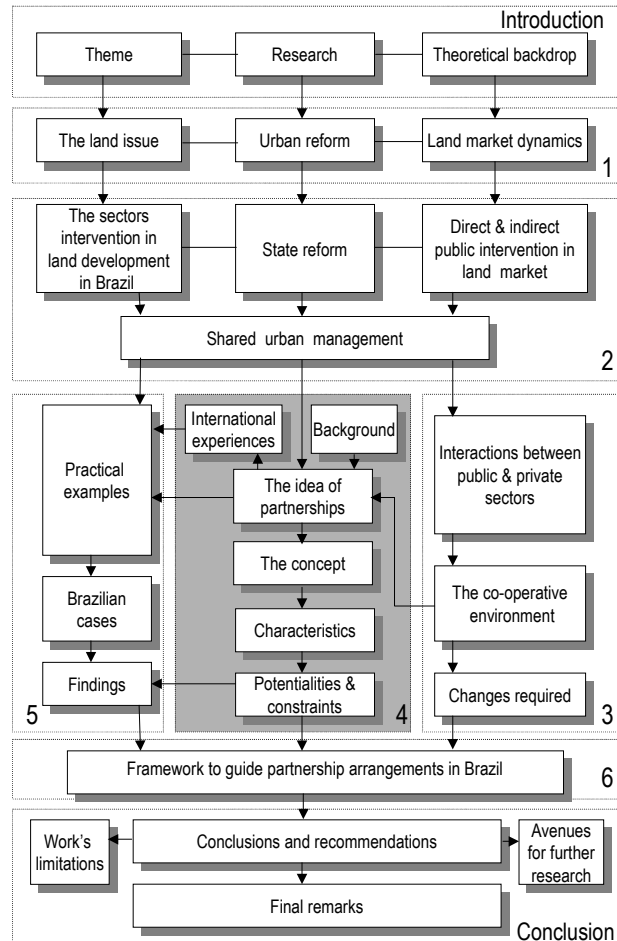
^{xiv} This programme is extensively described in Bonduki 1992. To read more on this programme, see Bonduki 1996 and Denaldi 1994.

^{xv} The International Seminar on the Evaluation of Instruments for Urban Intervention was promoted by FAU-USP and FUPAM in São Paulo in 1993.

^{xvi} This is particularly true for the Brazilian land market, focus of the present research.

Chapter 4

Multi-Sectoral Partnerships



This chapter focuses on the analysis of the concept of multi-sectoral partnerships, and aims at identifying their internal structural elements and the environmental factors that influence their application. It analyses the reasons for the emergence of partnerships, it reviews the underpinning ideas of the concept and its possible advantages for the individual sectors, and it also emphasises the importance of the contexts in which multi-sectoral partnerships are used. The definition of the concept, along with the characteristics, requirements, process management and

bottlenecks of the application of multi-sectoral partnerships are also discussed. At the end, international experiences are broadly reviewed and conclusions are drawn.

Revisiting partnerships

The idea of partnerships between different sectors is not new. The relationship between the public, the private, and more recently, the third sector, has always been characterised by different levels of alliances, with the public sector performing different roles according to particular conditions in time and place. However, the contemporary idea of public-private partnershipsⁱ in the context of economic development originated in the United States and Britain during the late 1970's (Weaver and Manning, 1992).

The international literature presents many examples of the applications of partnership arrangements for urban development (particularly in the field of urban renewal) and for land developmentⁱⁱ. These experiences (not always successful) differ from the partnership arrangements of today, particularly as to the political and economic context in which they are situated. In this chapter, partnerships are revisited in light of general changes involving the role of the public sector, the market (represented by the private sector) and what has been called the third sector (representing organised civil society).ⁱⁱⁱ

The following reasons explain why partnerships as a general concept have lately attracted more attention as an important tool for urban development. The reasons range from general, macro-movements attached to the performance of the different sectors in society, to reasons particularly related to the housing and land markets.

The reduction in the financial capacity of public entities to deal with issues historically attributed to governments has pushed them to search for alternative ways of financing public services and basic infrastructure. In short, governments face

increasingly complex urban problems, aggravated by the process of globalisation. This has led them to assume that they are less and less able to solve certain problems by themselves, and that some kind of shared urban management will have to be sought. This perception of the need to relatively reduce attributions to the public sector has also been influenced by the neo-liberal paradigm, which has dominated the international scene in recent years, advocating (and actually triggering) a privatisation “wave.”^{iv} It has also been influenced by the shift in World Bank policies that have been, for past years, based on the New Urban Management Programme, which promotes the idea of urban productivity and advocates government practices in accordance with a more neo-liberal macroeconomic management logic (Jones and Ward, 1994).^v

At the same time, a more businesslike and pragmatic approach dominates the relationship between the public and private sectors. In the 1980s, according to Kouwenhoven (1993), the roles of public administration and the business community moved from being dominated by emotions to a situation in which transactions were paramount:

As a result, the question is raised more and more whether certain problems could not be dealt with more effectively and efficiently by public and private parties together rather than separately (*op. cit.*, p.119).

On the one hand, there is a movement indicating that an increasing administrative capacity of local governments and a more democratic political environment are leading to more transparency and stability in political negotiations. The perception of reduced risk and uncertainty is making the private sector more willing to take part in partnership arrangements.

The private sector’s search to expand its markets has also been indicated as a reason for the emergence of partnerships.^{vi}

The private financial world is looking for new markets for their ever-growing insurance and pension resources. This development is essential for the partnership discussion in the 1990's. The private incentive to look for markets on the edge of the public and private sphere makes alliance formation more favourable (Teisman 1999, p.9).

On the other hand, the increasing level of the organisation of low income groups represented by CBOs and NGOs has enabled them to establish new relationships with the public sector and they have begun to be perceived (and to act) as potential partners of the public sector in specific programs. Indeed, there is evidence that the traditional demanding role of such groups is gradually being replaced by an active propositional role in the direction of a more democratic management of cities (Bonduki 1996, Maricato 1996).

Also playing a role in the increasing interest for partnerships is the fact that governments of cities, particularly large cities of developing countries, have been confronted by the social and environmental costs of allowing the informal sector (or the “unregulated” sector) to continuously expand, determining an undesirable pattern of urban growth. This has become more evident by the emergence of environmental consciousness in which a city is seen as a system where all inhabitants have an influence upon, and are affected by, its function at the same time. Therefore, the traditional “laissez-faire” policy, which had formerly dominated the public sector's attitude in the face of spontaneous settlements, is no longer politically acceptable, and shared solutions with civil society are beginning to be seen as a promising new direction (Bonduki *op. cit.*, p. 263).

Society's increasing perception that the housing problem goes far beyond simply building a physical shelter but is, rather, a complex problem involving issues such as access to land and infrastructure, access to work and adequate income, access to urban services and access to citizenship rights, indicates that “no single group has a

monopoly of knowledge or resources to regulate land and housing markets” (Payne 1999, p.217). Solutions based on cooperation are being recognised as a potential area to explore. Multi-sectoral partnership is part of a broader agenda of social inclusion calling for the active participation of various stakeholders to address the housing issue.

Partnerships are thus reconsidered because of the need for building a new social pact in the cities, based on the articulation of the various social actors: the state, the market and civil society.

There are, however, many complicating factors regarding partnerships as a research object. First, the emergence of partnerships is to a large extent attached to local conditions, i.e. to the way the different sectors relate to each other in a particular setting. Therefore, generalisation and transplantation can be difficult.

Second, public-private partnership is a phenomenon which has been studied by many scientific fields, providing different analytical angles: there is the legal perspective (which emphasises issues such as legitimacy, accountability and social control), the economic perspective (which stresses the accomplishment of more efficient and equitable results), the administrative perspective (which underlines the institutional and managerial aspects of the operation), and the planning perspective (which highlights the impact at the policy level). Each provides important insights to help understand partnerships, but each also tends to over-emphasise its particular dominant perspective. This work has adopted a multidimensional approach in the study of partnerships in that the importance of correlating the contribution of the individual fields into a more comprehensive understanding of the theme is recognised.

Third, partnerships have been used to address different areas of policy such as infra-structural projects, environmental projects, and urban projects in general, not to

mention specific service provision areas such as health care, education and housing. Although there are general elements in the discussion of partnerships which are common to all applications, there are also particular elements, depending on the focus of the partnership arrangement.

The fourth complicating factor is that interestingly enough, the term partnership has been present in both conservative and progressive political discourses (Payne 1999, p. 3). It has frequently been advocated by neo-liberal thinkers to justify a decrease in direct public sector intervention in service delivery, and it has also been used by the left to propose a more democratic city management as a way to enlarge the influence of the otherwise less influential stakeholders. Kouwenhoven (1993) identifies the apparent lack of an ideological foundation of partnership as one of the aspects which distinguishes it from other forms of socio-political governance. This is reflected by the fact that partnership encompasses a wide set of meanings and it has been used by different political ideologies. The application of partnerships is, however, certainly vested with ideological grounds. As will be discussed further in this chapter, international experiences show that partnerships have been used both in a more exclusionary agenda, and in a more democratic and inclusive environment.

The final complicating element derives from the fact that public-private partnerships rest in a “twilight zone” because they are positioned in between the public and the private spheres in a “no-man’s-land” or a “both-men’s-land”, each one dominated by a different reasoning (Collin 1998, p.1-2). This feature of enabling the convergence of distinct interests is exactly what confers so much attractiveness on partnership arrangements. However, this ambiguous zone can also create disadvantages, for it imposes demand on the municipality and the managers of the partnership arrangement to properly balance the interests of each sphere (*op. cit.*, p.9).

Partnerships in the context of development agencies

The principle of partnership has been widely advocated by development agencies as a key element in achieving the enabling approach to shelter, which is based on the public sector facilitating the efforts of others through the attainment of a more appropriate regulatory and financial environment:

A major element in the GSS (Global Strategy for Shelter for the Year 2000) is its stress on new partnerships between different actors in the shelter process – governments, the commercial private sector, NGOs and community-based organisations, and poor people themselves. Different levels of government and different components of the “private sector” have different, distinctive but valuable roles to play, and the goal must be to make these roles complementary and mutually-supportive. This requires the development of positive and creative partnerships between the different actors so that full advantage can be taken of the strengths and capabilities of each of them (UNCHS 1993, pp.3-4).

First, the idea of co-operation between the public sector and the third sector was raised in the human settlements context. The UN General Assembly of 1977 recommended “that at the global and regional levels, co-operation should be sought with universities, research and scientific institutes, non-governmental organisations (NGOs) and voluntary groups in order to make full use of their knowledge and experience in the field of human settlements” (UNCHS 1977 GA Resolution 32/162).

Next, the importance of private sector contribution was made explicit. In 1984, during the First International Shelter Conference, the role of private enterprise was recognised as crucial in solving shelter problems. The term partnership was used in 1987 when the Commission on Human Settlements recommended the formulation of a Global Strategy for Shelter to the Year 2000, calling for:

... efforts to be made to involve in full partnership all concerned: governmental, non-governmental, public and private sector bodies, agencies and institutions at all levels, and in

particular the communities and people concerned in the planning and implementation of shelter strategies, with special attention paid to marginalised groups such as women, youth and disadvantaged groups such as the aged and the disabled” (UNCHS 1987, CHS Resolution 10/1).

During the 1980’s the concept of partnership, along with the concepts of economic adjustment, privatisation and deregulation, became important elements in donor-country development thinking (Weaver and Manning 1991, p.1). Since then, partnership has been considered a key element for the implementation of the Habitat agenda, and it has been used as one of the criteria to judge innovative local experiences in the choice for the Best Practices Award, promoted biannually by the Habitat agency since 1996.^{vii} It has also become a widely used buzz word, and as will be discussed later, means different things in distinct environments.

Ideas behind the concept of partnerships

The contemporary idea of partnerships between sectors is related to the emergence of neo-liberal economic policies. It is therefore usually associated with privatisation (Payne 1999), and themes such as deregulation of the economy and the reduction of direct state intervention in the market. Notwithstanding the fact that these themes are inter-related basically because they were all raised upon the issue of reforming the state, they have different meanings and have been incorporated by countries to address different issues.

According to Di Pietro (1996), the theme “partnership” should be examined in the context of privatisation. The author argues that there are two possible meanings of the term privatisation. The first relates to a wide perspective of privatisation, encompassing all measures targeted to reduce the functions of the state. These measures are basically: deregulation (to lessen state intervention in the economy), demonopolisation of economic activities, sale of public companies' shares to the private

sector (denationalisation), concession and the contracting out of public services (*op. cit.*, pp. 11-12). The second and narrower perspective of privatisation is simply the selling of a state-owned company to the private sector.

For the present work, it is important to analyse the wider perspective of privatisation. This is generally indicated as a series of governmental initiatives addressing the promotion of the role of the private sector while also reducing governmental intervention in the economy:

It is a concept that comprises several modes meant to change the relation between public and private sectors, which are different from each other and to a great extent, alternative one to the other (Rojas 1993, pp. 100-101).^{viii}

If the more comprehensive meaning of privatisation is adopted, then several governmental initiatives such as concessions of public works and services, the reduction of bureaucracy in activities of public bodies, as well as the various kinds of partnerships constitute ways of privatising (Di Pietro *op. cit.*, p.14). Along such a line of thinking, the word privatisation evokes the idea of private management, or management in conformity to private sector methods.

Another view indicates that partnership is a stretching of the borders of the public and private spheres, and is distinct from privatisation and from deregulation:

In many countries the main tendency in recent years has been to shift the balance between government and society away from the public sector and more towards the private sector. Partly, this added up to privatization and sometimes to deregulation. But there are also efforts to shift the balance towards a sharing of tasks and responsibilities; towards doing things together instead of doing them alone (either by the 'state' or by the 'market') (Kooiman 1993, p.1).

If we consider that public-private partnership lies somewhere on a continuum where, on one extreme there is public sector monopoly, and on the opposite extreme free market control, then public-private partnerships could be viewed in the context of privatisation (*latu-sensu*), because they are instruments meant to incorporate some

elements of private management into the practice of public management toward a more businesslike approach as indicated by Kouwenhoven (1993), apart from bringing the sectors closer through a mutual co-operative relationship.

However, if we consider that the specific market segment of low income land development in Brazil has traditionally been dominated by the informal private sector (particularly through the efforts of low income groups themselves), then partnerships between sectors aiming at providing an alternative solution to the present *status quo* would go in the opposite direction toward privatisation. In this sense, partnerships could be perceived as a way of increasing (instead of reducing) the participation of the public sector in this particular sub-market.

Partnerships are also viewed as a tool within the context of strategic planning since in some instances it is argued that strategic planning is all about partnerships and about identifying who are the potential strategic partners to implement a policy based on a shared vision (Serageldin 1998). Strategic planning is action-oriented, decision-oriented and opportunity-driven, and is strongly based on creating partnerships with the multiple sectors of society (*ibid.*).

The understanding of partnerships as an implementing tool of a particular development strategy is not universal. Another view advocates that partnerships should be seen in the context of the rise of a network society in which interdependency and complexity become two basic characteristics of societal relationships (Teisman 1999, p.8). It is argued that in order to cope with the level of interdependency and complexity, new institutional arrangements are needed and that “public-private partnership is a more or less logical next step” (*op. cit.*, p.9).

Partnerships, however, have been responsible for a great variety of different meanings and “have become mired in a muddle of conceptual ambiguities” (Weaver

and Manning 1991, p.47). With the aim of better framing what is understood by the term public-private partnership, some of the attributes usually associated with partnerships will be identified.

What public-private partnership is not

In the specific case of multi-sectoral partnership investigated here, partnership does not mean a withdrawal or reduction of public intervention in the economy, but a new arrangement capable of better attuning the intervention of the three sectors. It may also be considered that partnerships are a means of maintaining or even increasing the state's responsibilities (Payne, *op. cit.*, p.9). Although the whole idea of partnerships may be associated with the idea of privatisation (in the sense of a more businesslike approach), it is definitely not privatisation itself:

In the typical confusion of terms, US AID and other donor agencies promote privatisation and government subsidies to private entrepreneurs in the name of building public-private partnerships (Vickers and Yarrow 1988; World Bank 1986). But privatisation is privatisation and subsidies are subsidies; public-private partnerships they are not (*op. cit.*, p.49).

Moreover, partnership is not a policy, but a policy tool. Seen in isolation, partnerships have no value *per se*; it is the context in which they are inserted that informs us of their potential value. Weaver and Manning (*op. cit.*) also point out the mistake of considering partnership as a development strategy. Partnership may be used as part of a development strategy, but cannot be considered the centrepiece. It is only one component of a much larger doctrine of growth and development. The interesting aspect of this is that partnerships are primarily defined as a set of institutional relationships between the government and various actors in the private sector and civil society, and in this sense, does not say much about its value:

The name public-private partnership gives us no idea what the actors are to do or how they plan to accomplish it. Perhaps most importantly, the ppp designation gives us no concrete idea of

how the relationship between the actors involved is different than it would have been if no 'partnerships' had been formed (*op. cit.*, p.48.).

On the one hand, public-private partnership should not be viewed as a way of subsidising private initiative when it is deficient. Public-private partnership should subsidise the deficient private sector when, and only when, there is legitimate public interest involved.^{ix} In fact, public-private partnership should be used to tackle activities in which both sectors are deficient when acting independently, causing loss to society. Weaver and Manning put it clearly: "Government footing the bill for private development costs does not constitute a partnership" (*op. cit.*, p.49). The same holds true for government regulation in general. Public regulatory powers exercised in favour of private parties are not public-private partnerships.

On the other hand, considering the current popularity of neo-liberal policies in Brazil, it is important to remark that public-private partnerships are not considered here as a way to save public finance, but as an idea which has, at least theoretically, the potential of better distributing the costs and benefits of urban development and enhancing the effectiveness of urban development policy, provided certain measures are undertaken (as will be further discussed).

Additionally, contracting out, tertiarisation or outsourcing of public sector service provisions are definitely not public-private partnerships. They may all be elements of a more co-operative relationship between the sectors but they are not in themselves partnerships. They may be, together with partnership arrangements and joint ventures, elements of an alternative application of the *latu-sensu* conception of privatisation, but they cannot be considered as synonymous. The main difference between contracting out and partnership is that, while in the former the government defines the problems, specifies the solution and selects the private firms to implement

the solution, in the latter the respective parties are involved in a joint process of decision making and implementation (Teisman 1999, p. 11).

Finally, partnership does not imply private philanthropy. Partnerships that involve the private sector may be stimulated by the debate on a more socially responsible capitalism in which private corporations are made aware of the social problems dimension of economic development. It does not mean, however, that partnerships are advocated as corporate philanthropy through which the private sector is asked to fill the existing budget gap in social policies (Kanter 1999).

Why partnerships?

The literature provides many arguments in favour of establishing partnerships for urban development, notwithstanding the acknowledgement that it is not an easy process. The attribution of potential advantages of partnerships is generally perceived in the literature as being intrinsic to the very idea of partnerships, and not to the context in which partnerships are being approached. Thus, partnerships may be seen as an advantageous way for the private sector to gain access to subsidies from the public sector, while they may also be seen as a way for the public sector to recover costs of public investment in urban development. In other words, depending on the political context into which they are inserted, the perception of what is advantageous about partnership arrangements may differ substantially.

Advantages of partnership arrangements

A basic question with respect to the issue of partnership is to know exactly what is aspired to: equality (joining homogeneous forces) or inter-complementarity of diversity (Fisher et al. 1996). In the case of partnerships between private companies, the idea may be simply joining homogeneous forces to compete against a stronger

competitor, or benefiting from economies of scale. In the case of partnerships between different sectors, however, the idea is clearly to enlarge its range of options.

The basic reason to undertake partnerships between different sectors (the public, the private and the third sectors) is to explore and combine each partner's comparative advantages to achieve a specific set of goals. In the specific case of low income shelter development, the underlying idea is to enlarge the housing options for the poor.

Partnership has been considered a key element in the enabling approach to shelter in the sense that full advantage can be taken of the strengths and capabilities of each partner. The goal of partnership in shelter is to make the different but equally valuable roles of the three sectors complementary and mutually-supportive (UNCHS 1993, p. vii).

Still, according to UNCHS, there are six basic advantages for establishing partnership arrangements between sectors (*op. cit.*, pp 23-25): 1) it provides a mechanism for solving the needs/demand gap by promoting the role of the third sector in producing shelter at lower costs within a supportive environment; 2) it enables different sectors to gain access to each sector's comparative advantage; 3) it is a way of reducing and spreading the risks associated with investment in low-income housing, particularly in relation to finance, construction, marketing and management; 4) it provides a mechanism for maximising returns on investment by achieving a better balance between the complementary capacities of different sectors; 5) it can increase the output of housing by creating economies of scale (finance, expertise and skills can be pooled and responsibilities shared); and 6) it provides an excellent (and perhaps the only) way to balance equity with efficiency in the shelter process.

Additional advantages indicated in the literature are: the ability to better face multifaceted problems of local economies, increasing effectiveness and efficiency, and, allowing greater legitimacy by involving the participation of different stakeholders (McQuaid 1994).

Advantages for the public sector

There are two major reasons for the public sector (particularly the municipal level) to be involved in partnership arrangements: gaining access to resources, be it monetary capital, competency or a commercial mental disposition; and increasing market competitiveness (Collin 1998).

The public sector may also benefit by the guarantee that specific projects are carried out according to their requirements: access to a level of development expertise that the public agencies usually cannot match, an increase in the tax base, a share in the returns, and the private development of public spaces (Carmack 1985).

Ultimately, the public sector interest in partnership is triggered by the recognition of its own limitations in dealing with strategic areas such as housing and land development.

Advantages for the private sector

The main reasons for the involvement of the private sector in partnerships are related directly or indirectly to profit (Kouwenhoven *op. cit.*), risk reduction, or indirect gains through synergy or good will (Collin *op. cit.*). An opportunistic perception of partnership arrangements is developed by Carmack (*op. cit.*), who points out access to special conditions as the main reason for the involvement of the private sector in partnerships, mainly through: access to subsidies (such as low cost of funds), the granting of zoning concessions and access to large parcels of land.

A different approach advocates that the private sector is using chronic social problems as an opportunity to exercise the constant search for innovation – today's imperative demand to win in business. The argument put forward is that, when confronted with challenging situations (so common in the social sector), companies acquire a deep knowledge of new markets and develop strong relationships within them:

That is why corporations spend billions of dollars each year trying to identify opportunities for innovation – unsolved problems or unmet needs, things that do not fit or do not work. They set up learning laboratories where they can stretch their thinking, extend their capabilities, experiment with new technologies, get feedback from early users about product potential, and gain experience working with under-served and emerging markets (Kanter 1999, pp.123-124).

According to such an approach, a new paradigm for innovation is emerging based on a partnership between private enterprise and public interest that produces profitable and sustainable change for both sides. This change is achieved when the private sector gets deeply involved with the social sector in non-traditional ways. Apart from new knowledge and capabilities that stem from innovation, the new-paradigm partnerships also bring to the private sector bottom-line benefits (or tangible benefits): new products, new solutions to critical problems and new market opportunities.

The idea that private parties benefit from the removal of social bottlenecks is also raised by Kouwenhoven (1993), who remarks that the private sector is driven by the expectation of leverage and spin-off effects and identifies that businesses may be motivated to participate in partnership arrangements by the differential advantages they expect to achieve compared to the competition. This may mean creating a better understanding and gaining insights into the way public administration operates or anticipates policy decisions (*op. cit.*, p.122).

Ultimately, however, the driving force for the private sector in taking part in multi-sectoral partnerships is the maximisation of returns on investments.

Advantages for the third sector

Partnership arrangements between the public sector and the third sector may constitute an important way of enlarging access to housing by low income groups (Maricato 1996 p.41). It may also offer alternative job opportunities since it will not compete with the existing market but will enlarge and diversify it, reducing the price of shelter and increasing competition and opportunities.

Additionally, there is the possibility that the community may receive new approaches that build capabilities and point the way to permanent improvements (Kanter 1999, p.132). Partnership arrangements between the public and the third sectors increase the capacity of vulnerable groups to participate in and influence decisions concerning projects in their own interests.

Ultimately, the main advantage for the third sector in participating in partnership arrangements is the possibility of strengthening its capacity to influence results on behalf of the vulnerable groups that third sector institutions represent.

Advantages in perspective

The reasons identified above are strongly permeated by a positive and optimistic view towards partnership. There is, however, another contrasting view which perceives partnership as a highly questionable process. The prevailing idea of such a negative view is that partnerships are used by the private sector as a strategy to gain access to special favourable conditions,^x or “as a clandestine marriage of convenience rather than a transparent and equal-opportunity enterprise” (Ahmed 1999, pp. 59-60).

At this point, it is important to state that the general advantages attributed to partnerships emphasise the aspect of joining efforts in dealing with a specific issue,

making use of complementary resources, skills and perspectives, and by doing so they then obscure the fact that each sector's resources, skills and perspectives are serving specific interests and objectives. Therefore, such resources, skills and perspectives are not entirely available. More importantly, they are not freely available. Thus, partnerships are a very special situation through which the attention of different sectors can be channelled to develop a common arena for work which will establish the "price" of exchanging these particular "comparative advantages."

Although some of these points are dependent largely on their context, and therefore, are difficult to generalise, the advantages for each sector are basically derived by the trade-off between individual risks and benefits. In a certain way, there is also the trade-off between control over the process and increasing a project's effectiveness. In other words, individual sectors may accept losing individual control over a certain operation if the final result is accomplished in a more successful way on their individual terms. Ultimately the partnership arrangement will only make sense if there is a substantial gain in terms of efficiency, effectiveness and/or equity in its final result.

Partnership - a principle or an instrument?

Although the term partnership is widely used in the literature, few authors elaborate a definition for it. Holland (1984) defines partnership as a "co-operation between people or organisations in the public or private sector for mutual benefit." Harding (1990) defines public-private partnership as "any action which relies on the agreement of actors in the public and private sectors and which also contributes in some way for improving the urban economy and the quality of life." As pointed out by McQuaid (1994) such definitions are so encompassing that they include most

major economic development initiatives in urban areas. It has also been remarked that as a term, partnership is overused, ambiguous and politicised (Hastings 1996).

Similar to the discussion on privatisation, it is plausible to assume that there are two different meanings for the term public-private partnership. The first one is the general idea of public and private sectors working together to achieve a specific goal. In this context, public-private partnership is only a *principle* upon which many different instruments are, or may be, based. It implies co-operation between the sectors, translated into a set of actions. This is the most common use of the term, and it fits into the wide debate of a more co-operative environment between public and private sectors. Hastings (*ibid.*), analysing the partnerships for urban regeneration in Scotland, also distinguishes the existence of the principle of partnership as different from its more instrumental application:

In New Life, the Scottish Office explains that an aim of the Urban Partnerships is to introduce the “principle” of partnership to the governance of regeneration in Scotland (*op. cit.*, p.258).

According to this broad perspective of the term, public-private partnerships simply mean “*a joint undertaking between public and private sectors (commercial and third sector) for mutual benefit.*” The possible undertakings may be, for instance, the adoption of public squares maintenance partly financed by the private sector or the co-sponsorship of a particular event. Many other applications of the principle of partnership exist. It may also mean informal agreements which are more appropriate for relationship building between actors and information sharing (McQuaid 1994).

However, there is a second and more particular use of the term partnership, in which it is understood as an *instrument* and presupposes a specific pattern of behaviour and application. Although the idea of partnership both as a principle and as an instrument assumes a close collaboration between sectors, the practical applications differ substantially. Kouwenhoven (1993) also distinguishes between a

narrow and a broad sense level through which to analyse partnerships. The former refers to legally formalised forms of co-operation between public and private parties (joint-ventures), whereas the latter, in its broad definition also includes less formalised consultative platforms.

To be able to construct a definition for public-private partnership as an instrument for urban intervention, it is important to indicate and analyse the key characteristics usually associated with the term. This will be done mainly through the analysis of different authors' understanding of the term, from both international and Brazilian literature.

Key-characteristics of partnerships

Complementarity - One of the characteristics that emerges from the literature reviewed as being crucial to partnership arrangements is the need for all partners to contribute complementary resources (UNCHS 1993, McQuaid, 1994). The idea of joining efforts aims precisely at making better use of each sector's complementary competencies. According to this, partnership implies:

... an arrangement between the public and private sectors wherein they tool their strengths and resources and complement each sector's roles to achieve a mutually beneficial outcome (Adusumilli 1999, p.17).

Synergy – Another recurrent element attributed to partnership is its synergistic dimension (Mackintosh 1992, Hastings 1996). Vidal (1994)^{xi} proposes the following understanding of the term: “partnerships are systems of alliances, relatively stable between two or more actors, who decide to operate in synergy to achieve one or more goals which they are unable to accomplish by their own means”. Partnership presumes an organic combination where the final result – an exchange model – should be superior to merely the addition of the different partners' contributions (Fisher et al. 1996).

Sharing of risks and benefits – The idea of sharing the good and the bad parts of a partnership undertaking is present in many authors' views. It is also referred to as a sharing of losses, benefits and risks (McQuaid, 1994). Stratton (1989)^{xii} goes further in defining the concept of partnership: “collaboration among business, non-profit organisations and government in which risks, resources and skills are shared in projects that benefit each partner as well as the community.”

The perception of partnerships as an opportunity of providing mutual benefits is also clear:

At its simplest, partnership is a mechanism for ensuring that the comparative advantages of different actors in the development process are exploited in a mutually-supportive way, i.e. that the strengths and weaknesses of the public, commercial, private and non-governmental sectors are harmonised so that maximum use is made of the strengths, while minimising the potential for inefficiency caused by the weaknesses (UNCHS 1993, p. 18).

With respect to the benefits involved in multi-sectoral partnerships, partnerships are often perceived to be the most appropriate vehicle for addressing both social and economic needs (Payne 1999, p.208). There is an underlying idea connected with partnership that “it is a situation through which all partners are winners” (Dusong, 1997), in the sense that all partners derive a benefit from it. As already remarked, this “win-win game” in fact hides a situation in which there is a mutual exchange of benefits through which a partner “loses” or “gives” something to another partner while “gaining” or “receiving” something else back.

Risk sharing is, indeed, emphasised by the literature as one of the main characteristics of partnership arrangements. However, it relates solely to economic risk and not to political risk, this latter one being a real threat to the success of partnerships:

Members of the real estate and finance industry point out that they are prepared to evaluate and assume economic risks, but they cannot deal with political risks (Wylde 1986, p.114).

An important consideration is that both risk and benefit do not need to be equal in terms, but should be (and perceived as) proportional as to investments and efforts of each partner (Payne 1999, p.218).

Preservation of each sector identity – Another characteristic found in the literature relates to the preservation of each sector's characteristics while establishing a new institutional relationship through the partnership. For Kouwenhoven (1993, p.120), the term partnership is understood when “there is interaction between governments and businesses, the focus in achieving convergent objectives is on synergy, the objectives have both social and commercial characteristics, and the respective identities and responsibilities of the parties involved remain intact.” The tension provoked by preserving the respective sectors' identities is inevitable:

Thus, part of the difficulty in coming to terms with the idea of ppps arises from the need to imagine a new institutional reality that serves the public interest, but preserves somehow both a public and a private side to the arrangement (Brooks, 1984, 3-30).

Mutual interest and voluntary action – The idea that partnerships have to be attractive to all partners in a voluntary action is also considered a basic element for the establishment of partnerships (McQuaid, 1994, UNCHS 1993). Even when the partnership is induced by one of the sectors, when the partnership is finally settled, both or all partners have to be well convinced of their involvement (aware of their individual advantages) – as all partners have to perceive partnership as a beneficiary operation for its success. Thus, it has to eventually be a voluntary decision. Partnership implies an active and deliberate process even if the partners are not active in something being done, such as imposing controls on land rents (UNCHS 1993, p. 9).

Joint finance - Concurrent investment is also an important element of partnerships (McQuaid 1994, Kanter 1999). As happens in risk sharing, mutual financial involvement reflects the level of engagement different partners may have. Concurrent investment is not necessarily exemplified in monetary terms since each partner may well invest other resources, e.g. management skills, labour force etc., which are, as already pointed out, desirably complementary. The idea behind concurrent investment is that partners should commit resources to each other for the success of the undertaking.

Compatibility of objectives – For multi-sectoral partnerships to be realised, each sector's individual objectives has to be fulfilled, which will rarely be identical. Different, however, does not necessarily mean contradictory. In fact, one of the crucial aspects of partnerships does not seem to be the need for a final common objective (as indicated by Fischer et al. 1996), but the fact that at the end of the process, both or all partners benefit from the undertaking. The individual objectives may just be complementary. Serageldin (1998) uses the idea of defining an overlapping area of objectives upon which to develop the partnership agreement. Each sector, however, may (and most probably will) develop its own individual objectives. The idea of compatibility of objectives is also recurrent in the literature (UNCHS 1993, Kouwenhoven 1993).

What seems to be vital is that all partners share the same vision about the partnership and that the perception that the partnership arrangement is a beneficial undertaking should be common. Partnership implies “a common agenda and goal, even if the interests, benefits and powers of the partners differ” (UNCHS, *op. cit.*, p. 10). Each sector, however, may pursue individual goals which have to be compatible

with each other; they may be common, complementary or just overlapping in some point, but definitely not contradictory.

Summarising the issues discussed above, the key elements attributed to partnership (as an instrument) are: complementarity, synergy, stability, sharing of risks and benefits, joint-investment, mutual commitment, preservation of organisational identities and compatibility of objectives. Thus, partnership can be defined as *“the stable collaboration of multiple sectors, operating in synergy to reach a defined set of compatible objectives where risks and benefits are shared through a voluntary action, and in which each partner contributes complementary resources or competencies to a mutually committed venture, while keeping its own organisational identities.”*

Partnerships – requirements

Multi-sectoral partnerships demand a specific environment for their emergence. The literature reviewed indicates a long list of essential conditions for starting up partnerships. Kouwenhoven (1993, p. 125) proposes two levels of initiatory conditions: primary and secondary. Primary initiatory conditions are interdependence and convergence of objectives. These basic required conditions would be facilitated if at least one of the following secondary initiatory conditions is met: presence of a network, or presence of a broker (preferably an independent one, acting as an intermediary or facilitator).

Convergence of objectives is also perceived as essential by Serageldin (1998), although her emphasis is on an earlier stage – the establishment of a shared vision. The lack of such a vision is indicated as one of the problems in raising partnership arrangements in developing countries. This lack of a vision may be caused by a myopic, exclusive analysis of the present situation based on current value, current

resources and current capacity, instead of contemplating the future based on strategic partners.

The UNCHS (1993) report indicates the following requirements for starting up partnerships: strong government support, strong mediators and a positive macro context. Strong government support is necessary to: protect the interests of the urban poor, ensure access to inputs and services among those who would otherwise be excluded by the private market, regulate excessive profiteering and speculation, ensure that different institutions and actors co-ordinate their efforts, and link the activities of small grassroots groups with the wider political and financial system (*op. cit.* p.142).

Strong mediating structures are required to ensure that the partners do interact and negotiate. This role may be performed by the public sector or most likely by a third sector organisation – an NGO or a CBO.

A positive macro-level set of conditions involving the economic, political and cultural spheres is also perceived as important.

Like effective shelter policies in general, partnership requires “an open, pluralist, literate, economically-successful and egalitarian society (McAuslan 1985, p.66)” (UNCHS, *op. cit.*, p.156).

The problem is that such a situation is rare in developing countries. The dependence of a positive macro-environment for the surge in partnerships reveals a paradox that relates to the fact that partnerships are most in need in situations where profits are low and risks high, but these are also the situations in which the application of partnerships is more problematic (Payne *op. cit.*, p.210).

As to the environmental conditions enabling partnership arrangements, another aspect identified in the literature is the visibility of opportunities for gains since, when

a partnership is undertaken, the partners ultimately aim at satisfying their own interests (Batley 1996).

Partnerships - process management

As to the process of developing partnerships, we can analyse it from two different viewpoints. The first one is the internal process management and is related to the internal conditions the parties should be concerned with during the establishment of partnerships. The second is the external management process and relates to the control society should have over the whole operation. In other words, it relates to social control over the partnership process.

Internal management process

There are important components with respect to the process of partnership which should be present for success. According to McQuaid (1994), such components are: (1) the objectives to be reached; (2) the actors involved (and their respective roles previously defined); (3) the formal structure; and (4) the mechanisms of implementation.

The objectives to be reached

Partnership arrangements are held to accomplish certain objectives:

A partnership assumes that several parties have combined forces to define and/or accomplish an objective (Weaver and Manning 1991, p.48).

Concerning the objectives to be achieved, it is necessary that all partners have their targets clearly set before the negotiation starts (Kanter 1999, p.126). This does not mean that parties should not refine their particular objectives during the course of partnership interaction, but a clear objective agenda in the beginning is of major importance. This is specially important for the public sector which is more reliant on diffuse community interests. In other words, the public sector should be more cautious

by predetermining desirable targets and avoiding setting goals as an exclusive outcome of the negotiation process. This is only achieved if the partnership arrangement is used as an instrument to implement a defined policy. This is of particular importance within the Brazilian context, considering that the performance of the Brazilian public sector in urban issues concurrently combines a bureaucratic vision with an exacerbated pragmatism (Maricato 1996). It is therefore important to guarantee the use of the partnership tool to accomplish a pre-established policy.

The importance of clearly defining the agreement delimitation in order to better guide the negotiation process during the partnership development process is stressed by Von Ellenrieder (1995), while Stratton (1989) remarks that clear objectives (together with performance standards) are also important to help measure results.

The actors involved (and their respective previously defined roles)

Considering that a partnership between different sectors is ultimately a partnership undertaken between people representing the respective sectors, it is easy to understand why these actors become such important elements for the success of the partnership arrangement. A clear division of tasks and responsibilities between partners is important (Kouwenhoven *op. cit.*) while guaranteeing that partners' representatives have the authority to make decisions and the influence to carry out institutional change (Stratton *op. cit.*). This is an interesting aspect of partnerships. The idea of different sectors working together calls for a working environment conducive to change. Therefore, actors directly involved in partnership arrangements should have the ability to deal with and accept differences, to negotiate and ultimately, to change viewpoints. This is not to say that differences between sectors will be eliminated, but that adjustments might be necessary or desirable. Strong partners committed to change is indicated as one of the characteristics of successful

partnerships (Kanter *op. cit.*, p.126). Moreover, it is noted that partnerships demand highly competent staffs, enjoying the confidence of all participants (Stratton, *op. cit.*).

Institutional structure

Institutional structure may vary depending on the nature and the level of difficulty of the objectives to be achieved by a partnership. Here, two conflicting views are identified. The first one advocates that, irrespective of the institutional arrangement adopted, it should always be based on a formal contract (Giaccardi 1992). This would mean that, if by any chance the partnership fails to succeed and co-operation between partners is unilaterally disrupted, then there is a legal framework, and therefore a legitimate arena for solving the conflict. According to this view, given the complex problems partnerships are often confronted with, they usually demand sophisticated organisational structures which should be mission-driven instead of rule-driven to better cope with the high level of flexibility a partnership arrangement usually demands.

The other, less conventional view, argues that informal partnership arrangements may also contribute to a mutually beneficial situation for the partners involved, and therefore should not be discarded (Payne 1999). In this view, the emphasis is more on building associations and relationships between sectors to the benefit of the whole of society but particularly the poor. Both views, however, indicate the need to ensure some level of accountability in the process through a stable and transparent process.

Mechanisms of implementation

As key elements for an effective implementation of partnerships, Von Ellenrieder (1995) points to conjoint planning, systematic exchange of information and mutual operational control. The underlying idea is that partners share the process

of developing the partnership. In this context, it is also pointed out that the division of roles in a partnership does not follow the traditional hierarchical approach, but goes in the direction of working in parallel (Batley 1996). Parallel decision making is important to improve flexibility and to increase the chances for innovation (Teisman 1999, p.13).

The undertaking of partnership arrangements implies an adequate management process where the emphasis is more on *process* management instead of *project* management (*op. cit.*, p.11). This is required because the subject of co-operation in partnership arrangements may change shape along the negotiation process. Flexibility is also identified as a crucial element to cope with the issue of joint decision-making.

External management process

As to the second perspective, the issue of social control is of vital importance, particularly in a country such as Brazil in which the democratic principles are still being institutionalised and consolidated. Two dimensions of social control are identified: technical and political (Fingermann and Loureiro 1992). Technical control is concerned with following the process in all its different stages *during* the process, avoiding the sole evaluation *ex-post facto*, when it is possibly too late to change course. Political control is concerned with the qualitative value of the results. In other words, it is an evaluation of the actions undertaken to check whether they meet socially desirable goals. The issue of legality assumes a great importance here (Kouwenhoven 1993) and should not be taken for granted.

It is further possible to understand social control taking into account performance criteria such as productive and allocative efficiency and effectiveness. Productive efficiency relates to the extent to which resources are used economically to produce a given output, or the extent to which a given level of resources is used

optimally to maximise outputs. Allocative efficiency relates to the extent to which the services allocated correspond to consumers' preferences and/or to charged prices, which reflect producers' real costs. Effectiveness relates to the quality and accessibility of services and is introduced to counterbalance the economic bias towards efficiency (Batley 1996).

Bottlenecks

When considering the application of public-private partnerships, one is confronted with the possible problems that may arise. The literature consulted points out several issues as bottlenecks in connection with multi-sectoral partnership arrangements.

The most evident bottleneck with respect to multi-sectoral partnership is the controversial issue of guaranteeing the required social control mechanisms over the decision-making processes within the partnership. In fact, many potentially good instruments for urban intervention have been discarded because they would require an effective control by society to be successful. According to Fingermann and Loureiro (1992), the instruments for evaluation of public policies in Brazil do not seem to be adequate to allow for the desirable social control. When it does happen, it does so *a posteriori*, making it impossible to correct possible problems in the formulation and implementation of actions. Thus, it is argued that the introduction of new forms of interaction and association between the public and private sectors in Brazil will require a previous and significant modification of the pertinent legal instruments (*ibid.*).^{xiii}

There are other juridical constraints. It is argued that there are juridical cultural myths which trouble the establishment of partnerships. The first one is the difficulty of society in accepting the public and private sectors discussing issues around a

negotiation table. The underlying rationale is the fear that the public sector might not have an independent role during the negotiation process (subordinating the public interest to private interests); neither does society have adequate means to control it (Pericu 1992, p. 100).

The other myth is that the public sector should only carry out activities which merely execute the law. In other words, the public sector's performance should pursue the following scheme: a legal norm foresees a specific activity in abstract terms, and the administration fulfils the foreseen behaviour in reality. For the establishment of partnerships, however, there is the need for allowing the public sector involved to make use of some level of discretionary power, since it is usually impossible in complex negotiation processes to predict all the possible steps and outcomes (Pericu *op. cit.*, 101-102). Once more, an effective social control would systematically check the public sector's performance.

There are other bottlenecks identified with respect to the development of partnerships: collision, provoked by the contrast between different cultural worlds which constitute the cultural repertoire of the different partners, reflected by different values towards ethical and relational patterns; attempts of colonisation or even cannibalism by one partner instead of co-operation; unfair division of responsibilities, risks and/or benefits; and incompetence during the management process which certainly requires ethical attitudes and special talent, particularly in the negotiation process (Fisher et al. 1996).

There are also considerable additional administrative costs to take into consideration (McQuaid 1994), which may also be associated with problems of scale since most partnerships are very small in scale and often incur high administrative costs, being too expensive to be sustainable or replicable (UNCHS, *op. cit.*).^{xiv}

Further, there is the risk of partnerships running into problems of accountability when no single partner feels fully accountable for the actions of the partnership due to the split between responsibility and control (the “twilight zone” identified by Collins 1998).

Moreover, more structural barriers, which can undermine partnership arrangements, are also identified in the literature. These relate to problems of access (since many partnerships, particularly those involving the commercial private sector, have difficulty in reaching the poorest 30 to 50 per cent of the urban population in developing countries); problems of politicisation, which distort the aims and objectives of the partnership arrangements; and weak government capacity at both central and municipal levels (UNCHS 1993, p. 170).

Considering that the list of problems is rather long when applying the instrument of multi-sectoral partnerships, one is confronted with the following basic question: In what circumstances should partnership arrangements be pursued? The next section discusses the potential of different modalities of multi-sectoral partnerships, followed by examples of partnerships adopted by different countries – in both developed and developing contexts – illustrating different types of partnerships collected from the literature addressing land and shelter development.

Modalities of partnerships

The term multi-sectoral partnerships covers a wide spectrum of arrangements in which the three sectors co-operate with each other in a balance which changes according to local contexts.

Considering the three sectors (the public, the private and the third sectors) as the synthesis of the stakeholders in the process of shelter development, it is possible to identify four modalities of partnership arrangements between them: public/private

partnerships; public/third sector partnerships; private/third sector partnerships; and finally, a mixed modality of partnerships embracing all three sectors.

The public/private partnership

The literature studied stresses the difficulty in attracting the private sector to partnership arrangements addressing low income shelter development since this target group does not have the required means to generate adequate levels of return to attract the private partner:

In the great majority of public/private partnerships (and especially in partnerships which include a significant commercial private-sector component), the number of low-income (or even middle-income) households reached has been disappointingly small (UNCHS 1993, p.161).

It is argued then, that the public sector has to promote incentives to commercial investment in shelter either through exempting taxes, guaranteeing credit, bridging funds, relaxing building and planning standards, or deregulating the financial and land markets. Another possibility for the involvement of the private sector in partnership is through the provision of certain aspects of the shelter process (such as some basic services and job-generation) (*op. cit.*, p.120).

There is also an indirect way for the commercial private sector to create positive effects on the lower-income housing market. Addressing groups of higher income levels (that can generate attractive returns for the private sector) will relieve pressure from the lower income housing market and help prevent “downward filtering” (*ibid.*).

A particular set of propitious circumstances is required for a more direct participation of the private sector in partnerships addressing land development for low income groups. The participation of the commercial private sector implies a constant tension between profitability and affordability in the operation which will have to be mediated by the public sector:

Partnership in joint schemes is most likely to occur where there is a strong possibility that opportunities for private investors will be generated by government involvement. The public sector's contribution might be either to undertake necessary investments which private firms are unable to perform (due to their large scale, high risk, or difficulty of charging consumers) or to facilitate private action (through finance or the use of the coercive powers of state). Presumably there should be an equal conviction on the governmental side that there will be public gains from the private investment. In the urban sector, these conditions seem most likely to exist in the case of acquisition of land and the installation of infrastructure for housing and commercial development (Batley 1996, p.736).

The public/third sector partnership

The association between the public and the third sectors is the one which is indicated by the literature as the most likely to achieve positive results in shelter development for low income groups. Although third sector institutions have a crucial role to play in organising poor people to take collective action, in representing communities' interests, in mediating with public authorities and in networking, they also face major difficulties in sustaining and scaling up their activities (UNCHS 1993). For that, partnerships with the public sector may represent an interesting way of creating the required supportive environment.

The key to partnership in the production of low-income housing remains the development of an enabling environment which can support the third sector (people and their organisations) to do what they can do best, but do it more effectively. This puts partnership between governments and the third sector centre-stage (UNCHS *op. cit.*, p.x).

Partnerships between the public and the third sectors are also seen as a way to increase democratic participation and as such, as a practice of management more addressing ethics, sustainability and solidarity.

Partnerships between the state and non-profit organisations, with decentralised management for housing development, may constitute an important alternative solution (never tried at large scale in Brazil) to enlarge the current restricted access to shelter (Maricato 1996, p.41).

It is advocated that public/third sector partnerships are vital in three areas: shelter inputs, services and mediation because they provide a mechanism for enabling low-income families to address aspects of the shelter process which they cannot solve by themselves (UNCHS *op. cit.*, p.xiii).

The private/third sector partnership

The literature consulted reveals a realistic perception of the possibility of association between the private and the third sectors. It is argued that, considering the fact that each sector's underlying interests differ significantly from the other's, their association is unlikely to occur (UNCHS 1993). There are examples, however, illustrating this sort of application. When it happens, generally it involves private firms with a more philanthropic feature, or commercial financial institutions in association with third sector organisations in the field of credit.

The public/private/third sector partnership

The mixed partnership arrangement for low income is, in fact, indicated by the literature as being the most common. This is partly explained by the recognition of the interdependence factor in the relationship between sectors:

Often, it is simply a reflection that successful action in shelter on a significant scale requires collaboration among public, commercial private and third sectors, each of which has a different comparative advantage and none of which can achieve success on its own. Therefore, a closer examination of public/private partnerships in shelter will usually reveal that government, commercial and third sector actors and interests will be mixed together, often in a form which is difficult to disentangle (UNCHS 1993, p. 135).

Although the mixed arrangement is probably the most common, the most successful examples (in terms of access among the poorest) often involve only minimal participation by the private sector (*op. cit.*). The most effective modalities for public/private partnership seem to be those in which government steps in to promote

access to inputs (especially land) and basic services, leaving the commercial private and third sectors to deal with development, construction and marketing (*op. cit.*). Collective organisations, such as co-operatives, are particularly indicated as being able “to bridge the gap between needs and demands by acting as guarantors for loans” (*op. cit.*, p.80), and negotiating other aspects of the operation (access to land; pooling of resources). It requires, however, a good level of co-ordination between the three sectors.

International experiences

This section reviews instances in which partnership arrangements have been applied internationally, the level of success of such experiences and the general lessons to be learnt (both positive and negative). Although it has already been argued that direct transplantation is usually difficult and should be viewed with caution, examining experiences in different contexts can still be enlightening in the sense that they may raise relevant aspects about the subject and may help to build a general framework.

Considering that documented partnership arrangements around the world reflect a vast universe of experiences, some parameters have been chosen to conduct the review of experiences as to their focus (maybe finance, urban regeneration, land development etc.), scope (project-based or programme-based), scale (site, local, regional or national), structure (formal/informal, complex/ simple) and, particularly, as to their motivation. It is interesting to note that the motivation of different initiatives may not only vary substantially, but may also be significantly diverse and even contradictory. In some cases, the driving force for adopting partnerships is to increase the public sector’s participation in a certain field, while in some other cases the aim is to reduce its participation, replacing it with a more active participation of

the private or the third sectors. In some cases, having access to private investment is pursued, while in some other cases, the objective can be to socialise the decision making process. Still, in some cases, the motivation is to tackle several interconnected aspects of a problem, while in others, it is to solve deadlock situations which would otherwise be difficult, costly or politically unfeasible to resolve. Whenever possible, the cases reviewed are also critically assessed.^{xv}

Although some references argue that partnership arrangements have been limited in scale (UNCHS 1993), others suggest that the problem may lie within the literature itself; it has concentrated the focus of analysis solely on formal partnerships, excluding other less formal organisations, e.g. associations, arrangements, or other types of relationships between public or private sectors (Payne 1999). It is true that there are numerous informal partnerships taking place, particularly in developing countries where the informal sector is more active. The point raised here is not so much the degree of formality versus informality, but the extent to which such partnership arrangements (formal or informal) constitute voluntary agreements and contribute to increasing efficiency in the land market.^{xvi}

Experiences in developed countries

The contemporary idea of public-private partnerships as an approach to economic development has its origins in the American and British public policy environment during the late 1970's (Weaver and Manning 1991, p.1), but there are many documented cases of the use of partnership arrangements throughout the world, particularly in developed countries such as Canada, Holland and Sweden.

The experience in the USA

In the United States, the experience with partnership arrangements dates from the 1930's (*ibid.*) but gained expression during the 1950's mainly as an instrument for

revitalising downtown areas (Teisman, 1999). It was, however, the Carter administration (1977-1980) which gave partnerships a contemporary look. According to Teisman (*op. cit.*) the North American approach to partnerships is a bottom-up co-operation between private companies, citizens and local governments, with a strong emphasis on civic culture. There are many successful partnership cases across the country including Baltimore, Boston, Chicago, Cleveland, San Francisco and New York. Boston alone has produced over one hundred joint ventures from 1983 to 1993:

Most of these partnerships are structured as follows: a co-ordinating committee or board is formed from representatives of local and state governments, private banks and other businesses, and neighbourhood-based, non-profit, co-operatives or community development corporations. Finance comes from both public and private sectors, and may be used to build new units or to rehabilitate existing ones (usually apartment blocks and rooming houses in the inner city). The residents/co-operative members contribute their own labour and other resources to the scheme. The focus of these partnerships lies in facilitating the efforts of third-sector (non-profit) developers in inner-city areas using finance and technical assistance from municipal government and commercial banks (UNCHS *op. cit.*, p.29).

There are many other illustrative cases of partnership arrangements in the USA context. Although each partnership arrangement constitutes a specific situation, the role of the third-sector is noteworthy:

One common theme in these partnerships is the essential role played by strong third-sector organisations in mobilising residents and enabling them to gain access to land, finance and advice (*op. cit.*, p.30).

The role of the third-sector is also indicated as being rather diverse:

All successful partnerships are tailored to local conditions: in some, third-sector organisations act as developers; in others, they act as intermediaries; while in still others they provide technical assistance to other non-profit institutions such as community development corporations (*op. cit.*, p.34).

Despite the number of partnership experiences, the total number of units rehabilitated or added to the low-income housing stock through partnerships is still small compared to the needs. One of the problems identified as making it difficult to broaden the scale of partnerships is the need for public subsidies (*op. cit.*, p.33). The experience in the USA shows, however, that organised society has been the driving force behind the emergence of partnership arrangements, in this case, motivated mainly by the need to combat a common problem, e.g. the deterioration of inner-cities.

There is also a more critical view on the USA phenomenon of partnerships which advocates that they have been part of a strategy to promote cutbacks in governmental programs:

I want partnership programs to grow and flourish. But I do not want declining public support for public purposes to be the price we pay for private sector involvement (Woodside 1986, p.152).

The experience in Canada

The first experiences of public-private partnerships in housing in the Canadian context date from the 1980's. It was facilitated by the emergence of a "neighbourhood-based reform movement" which argued for land-use conservation as opposed to expressways and high-rise developments (UNCHS *op. cit.*, p.35).

According to Peddie (1993)^{xvii} most joint ventures in Canada are restricted to a single project, driven by the profit motive (at least for the developer), based on a pooling of resources (capital, land and expertise), managed and controlled jointly, and with profits or losses shared by all parties involved. It focuses mainly on ensuring affordable rental housing and promoting downtown living by having access to high-value land (that would not be normally affordable for social housing), and by using the partnership to gain access to subsidies.

One characteristic of the partnerships reviewed by Peddie (*op. cit.*) in Toronto, Ottawa and Vancouver is their complex financial arrangements, based on contributions from multiple sources. Another is that, by requiring subsidies from governments, they are restricted by the limited tax base of most Canadian cities (UNCHS *op. cit.*, p.36). The partnership motivation in the Canadian context has been to foster social integration and joint-decision making, being therefore primarily focused on policy decentralisation. The experiences of partnerships in Canada arose from societal motivations and have been used to “empower individuals, groups and organisations outside government by enabling them to make a genuine contribution to government decisions affecting them” (Teisman 1999, p.5).

Public-private partnerships in Canada are also reported to have played only a very small part in the overall production of affordable housing (Peddie, *op. cit.*, p.58).

The experience in Great Britain

During the 1980's, the British government moved towards facilitating the activities of the private sector and the third sector in housing provision instead of a direct public sector involvement. In this period, Britain imported the concept of public-private partnership from the United States (Teisman 1999 p.5).

One characteristic of the partnerships in Britain undertaken through Urban Development Corporations (UDCs) was that they were national rather than local initiatives (according to Teisman *op. cit.*, as a consequence of the often-difficult relationship between labour-controlled city councils and conservative business leaders who have often had a great deal of distrust for local politicians), many with outright opposition to the local authority (Archer 1999).^{xviii} Partnerships were, therefore, used to increase government centralisation:

Designed to exclude local authorities, the UDC's (Urban Development Corporations) forged a new exclusive alliance between central government and major private property and development interests (Hastings 1996, p.254).

In 1991 a new approach was sought, and by 1998 all the UDC's were terminated:

Under City Challenge, local authorities were invited to form 'partnerships' with the public, private, and voluntary sectors and the local community to identify run-down areas, develop solutions, and bid for Department of the Environment funding of £37.5 million per City Challenge to implement a five-year regeneration programme (Archer 1999, p. 194).

The main driving force behind the use of partnerships in Britain had been the public perspective of gaining access to private investments as a direct consequence of budget deficits in a period of economic decline. To strengthen the private sector, to reduce public inertia and to stimulate competition are also reasons mentioned for the emergence of partnerships in the British context (Teisman *op. cit.*, p.3).

In the early 1990's the impact of these partnership arrangements in the provision of affordable, good-quality housing was considered to be disappointing (UNCHS 1993), but a more recent evaluation indicates that through the 1990's, several hundred new partnerships were constituted in Britain, having begun by providing from a handful of new homes to thousands of new dwellings addressed to low-income families (either for rent or for sale), all sharing the common principle of active involvement of the respective communities (Archer 1999).

The experience of Britain illustrates that the instrument of partnership has evolved to meet societal aspirations, being appropriated by local communities to increase their control over the final product. There is evidence in Britain indicating that public-private partnership will become even more significant as part of the overall economic policy for the 21st century (Montanheiro 1999).

The experience in the Netherlands

The Netherlands has a long tradition of non-profit housing associations, which in 1983 managed around 2 million social housing units in the country. However, as in many other countries, the Dutch government has been “driving back from its previously strongly-interventionist role to give the social-housing organisations more freedom to develop policy, and to expose them to market forces” (UNCHS 1993, p.44). This indicates that a greater emphasis on the adoption of partnerships may be expected.

In the 1980's, the Netherlands also developed many public-private partnerships for the provision of infrastructure and urban development. The main reason behind the interest of the government in establishing those partnerships was of a financial nature and this was also its main problem (Teisman 1999, p. 7). The author argues that there was a misfit between the goals of government and the conditions under which partnerships should be established. In his view, the decline of what is considered the first wave of partnership experiences in the Dutch environment failed because the government did not seek partnership but only looked for private money in order to achieve fixed public goals. To overcome this, new attempts to introduce partnerships in the Netherlands have been initiated, based on a more output-oriented approach, the need for broadening the scope of projects, and the need for tailor-made arrangements and the adoption of process management.

Comments on the experience of developed countries

The focus of many partnership arrangements involving land development and housing in developed countries is related to urban regeneration policies, particularly addressed to revitalising inner city areas in which housing is one component of a broader agenda.

The scope of the experiences reviewed shows both project-based and programme-based approaches, with some countries presenting a current line for financing partnership arrangements. To meet the large housing demand, the adoption of partnership as a wide and sound programme is suggested (UNCHS 1993). However, pilot projects are important to consolidate the idea of multi-sectoral partnerships in the sense that if the results are positive, they can be used to inform society that different sectors may work together for mutual benefits. As argued by Payne (1999, p.209), “small successes can serve to build confidence and competence in more inclusive ways of managing cities and land markets.”

The scale of the partnerships is generally local, although in some countries the participation of the central government is rather strong, either being involved in the financial arrangement, or even being the initiator of the experience. The involvement of different levels of government depends on the institutional distribution of public power in each country.

The structure of the arrangements also varies, but in general involves complex negotiations, financial arrangements and legal documentation (UNCHS 1993), which in developing countries can be made difficult by the lack of institutional capacity. As to the financial arrangements, two considerations are important. The first relates to the significant level of subsidies, financial incentives and lost revenue included in partnership arrangements (UNCHS 1993), which are difficult to match with the resource capacity of the public sector in developing countries. The second important issue is that, although sharing the risks among all the partners is indicated as a key factor for the success of the venture, the public sector often absorbs most of the risk itself (UNCHS *op. cit.*). More important than sharing the risks equally, is sharing

them proportionally as to the resources invested by each partner, and seeing that the arrangement is perceived as fair by all partners (Payne *op. cit.*, p.218).

The motivations for adopting partnerships is the subject that presents us with a larger range of diversity. It has already been indicated that partnerships are sometimes approached as a strategy to reduce the direct participation of the public sector in service provision and sometimes to increase its participation. It has also been indicated that there are risks of approaching partnerships in a limited way, such as the public sector looking solely for private finance to implement a defined set of goals. The partnership approach implies a redefinition of the roles of the sectors involved. For many countries, and particularly, for developing countries, an effective partnership approach does not involve a withdrawal of the state but rather a strengthening of its intervention capacity. Additionally, it is meant to be capable of reaping social and environmental benefits from the partnership instead of being seen merely as a means of extending market forces (Payne 1999).

The literature also indicates that effective partnerships are characterised by high levels of community participation, strong community and other third sector organisations, and an integrated approach to housing which includes job generation, income policies, capacity building and social development.

Experiences in Developing Countries

There are not as many documented cases of partnership arrangements in developing countries as in developed countries, although the cases in the specialised literature have recently increased.^{xix} The examples reviewed here will not follow a classification per country but will include land arrangements with different levels of impact on the land market; some of a direct nature and some of an indirect nature. They include land sharing, land-pooling and readjustment, joint-ventures for new land

development and allocation of public lands for development by third sector organisations.

Land sharing

Land sharing is an instrument for slum redevelopment particularly addressed to regularising the occupation of privately owned land. It presupposes an agreement between the land occupants and the landowner, “whereby the landowner develops the economically attractive part of the land and the occupants build houses on the other part with full or limited land-ownership” (Durrand-Lasserve 1999, p.142). The basic principles of land sharing are: the splitting of the land (part of the slum area being cleared for the development of commercial activities or other more profitable uses, and slum dwellers being re-settled on the remaining area of the site); densification (increasing residential density to allow for the clearance of part of the slum area); rebuilding; community participation and cost-recovery (usually with some cross-subsidy element within the project area).

The sensitive areas of land sharing schemes are the availability of enough land to be shared (which therefore excludes the situations of very dense slum areas) and its effective partition; the delicate balance between achieving enough future land valorisation to allow for justifying capturing part of the land to resettle the low income community while also protecting the resettled community from market pressures on their land share; and the complex and time consuming nature of the process.

The first and arguably most famous examples of land sharing schemes date from the early 1970's in Thailand.^{xx} Based on this experience, Islam and Sheng (1989) stress the potential of land sharing schemes as a solution to the housing problems of the urban poor in developing countries based on the right to the city and the sharing of

the increased value of the land. The argument put forth is that since urban development leads to increases in the value of land which result from investments by society as a whole (rather than by the landowner), society can claim at least part of the increased value. This land sharing scheme would be one of the ways society can use to recover the unearned value. The price of the land will depend on negotiation and on the importance of cross-subsidies within the project.

It is reported that seven land sharing projects benefited 6800 families in Bangkok from 1982 to 1994 but that new projects were halted by the recent financial crisis in Thailand, which has negatively affected the property market (Durrand-Lasserve 1999, p.142/143). Although the most notable land sharing schemes come from Thailand, other countries, such as Colombia, India and the Philippines have also followed a similar approach (UNCHS 1993, p. 53; Durrand-Lasserve *op. cit.*).

Land sharing schemes are reported to be applicable in situations where the scarcity of prime land for housing and commercial development induces a high pressure from market forces on existing low-income urban settlements in the inner part of the city, and where the landowner and/or the developer estimates that the cost of land sharing will be covered by the expected rate of return on investment from the development project (*ibid.*)^{xxi} It is nevertheless a cumbersome and lengthy negotiation process. Although the instrument of land sharing may be used in particular situations with success, it will be difficult to apply it as a large scale housing solution at the city level.

Land readjustment (or land pooling)

The other related instrument for sharing the benefits of land development, known as land readjustment, has also been experimented with in developing countries, being widely adopted in South Korea and Taiwan, in use in Indonesia and Nepal, and

currently being introduced into Thailand and Malaysia (Archer 1999).^{xxii} It has also been followed in India and Colombia (UNCHS 1993).

Through land readjustment, small parcels of land (belonging to different owners) are pooled together, rearranged according to a new layout plan, redeveloped and redistributed to the original owners, on the condition that an agreed proportion of the land be given to the public sector as a compensation for unearned increase in the land values (or to recover infrastructure redevelopment costs).^{xxiii} It can also be used as a land acquisition mechanism for the public sector in cases where the land transferred is not to be used to recover urbanisation costs. Land pooling/readjustment has been used to either convert rural land in urban fringe areas or to convert in-fill areas into urban building land, but rarely used to redevelop central urban areas.^{xxiv}

There are several advantages attached to this instrument: the gathering of several individual properties into a central land management offers a special opportunity to develop a new layout plan regardless of old boundaries, improving the environment as a whole; it can allow for the sharing of the development gains among landowners and the municipality according to established principles, being therefore a more equitable method of urbanisation; and the implementation is faster if compared with a gradual adaptation to a new plan.

The main constraints attributed to this technique are that it is a land development technique through which building and occupation may take several years to occur; it is oriented towards producing higher-value building plots and, as such, may price the poor out of this particular market; it usually takes a long preparation time due to its time-consuming negotiation process; and it requires a considerable level of expertise in land valuation and an effective cadastral information system.

To be successful in addressing the needs of poor populations, these schemes require a set of special actions. The government may use the sale of its land share at concessive prices to attract the poor or simply allocate such land to housing authorities to develop social housing. It may also negotiate with landowners the designating of a percentage of the final plots to be allocated for low income groups. Regulations can also act as a safeguard for the interests of low income groups if standards are prescribed allowing for small plots and allowing a simple level of infrastructure which has a direct repercussion on plot prices.

Many authors consider the instrument of land readjustment to be of great value for developing countries to apply, particularly because of the possibility of sharing the benefits of land development between landowners and the local government (Doebele 1983, Baken and van der Linden, 1992, Larsson 1997, Archer 1999).

Joint Ventures

A less adopted partnership arrangement in developing countries refers to developing new sites based on the cooperation of the different sectors. A quotable example of this is the Joint Venture Program (JVP) developed in the Philippines (UNCHS 1993, p.124). With this program, the government has aimed at attracting private investments through the sharing of resources, expertise, risks and profits in proportion to the size of each partner's investment. The level and kind of individual contributions vary from case to case. Allowing for profits to be generated (with lower margins) while also preserving a certain level of affordability, the approach has been to produce serviced plots or to complete housing units based on high volume and rapid turnover. The partnership arrangements of the program target families within the lower fiftieth percentile of the urban income distribution, though it has been difficult to guarantee commercial private involvement to the poorest 30 per cent of the urban

population. Thus, the main problem identified with JVP has been its inability to reach the urban poor (UNCHS 1993, p.131).

Allocation of public land for development by third sector organisations

Another form of partnership between the public and the third sectors has been tried in Argentina, through which government hands over landholdings to third sector organisations on the condition that the land be developed for low-income groups (*op. cit.*, p.58). These arrangements are limited by the amount of public land available and require strong community and support organisations. Co-operative arrangements have also been documented as playing a significant role in partnerships. UNCHS (1993) reports that such experiences were developed in Turkey, India, Colombia, Indonesia, Tanzania, the Philippines and Nicaragua (*op. cit.*). Usually, however, they fit into one of the following situations: either they require high levels of subsidies, jeopardising the sustainability of the program; or they do not reach the very poor, are not replicable on a wider scale, or they even run into problems of a political or managerial nature.

Comments on the experience of developing countries

Many authors advocate the use of partnership arrangements in developing countries as a potentially important tool to increase land access by low income groups (Payne 1999, Dewar 1999, UCHS 1993). A crucial point, however, is how to develop the instrument locally, addressing the specific needs of the respective countries. Along this line of thinking, there is also criticism regarding the spreading of the concept of partnership from the developed countries to the developing world:

Third World countries began adopting public-private partnerships as an approach to economic development during the 1980's. This was done primarily in response to pressure from the World Bank, International Monetary Fund, and first world donor agencies like US AID (Babai 1988, 254-85). As with other development concepts, acceptance of PPP mechanisms reflects the

dependence of third world governments on outside assistance to finance projects in both public and private sectors of their economies (Uphoff 1986). Once again, public-private partnerships represent an industrialised-country public policy prescription applied in third world settings. The overriding question facing development scholars and policy analysts today is the appropriateness of PPP's to third world needs (Weaver and Manning 1991, p.60).

Although the idea of multi-sectoral partnerships has been raised and stimulated by international agencies centred in developed countries, the motivation for the application of multi-sectoral partnerships in developing countries seems to have followed a different logic. More than trying to attract resources from the commercial private sector, empirical experiences indicate that the emphasis has been on creating a closer and more collaborative relationship between the government, the informal sector and the populations concerned (Durrand-Lasserve 1999).

As to the structure of the arrangements, the understanding of the partnership experiences in developing countries requires the adoption of a wider perspective towards partnership, which includes conventional contractual forms of partnership as well as other forms of association, agreement or mere arrangement between urban stakeholders.

In a book edited by Payne (1999), there is an extensive review of innovative experiences based on multi-sectoral partnerships focusing on land for housing in different contexts (mostly developing countries) which are very diverse in their basic arrangements and their accomplished levels of success. They show, however, that the concept of partnership (taken in its wider definition) has been used in different contexts, adapted to local situations and needs, and that the greatest opportunities are most likely to occur under conditions where expectations and roles are open to change. It is argued that the performance of formal partnerships between the public and private sectors has been disappointing, mainly because of the lower levels of

profits and higher risks associated with developments for low-income groups. It is also recognised that, ironically, these are the circumstances in which partnerships are most needed.

Considering formal partnerships, the land pooling/readjustment approach has been the one to present the most positive outcomes. It has contributed to increasing the supply of urban land as well as to increasing the range of supply options, thereby contributing to improved market efficiency. In general terms, formal partnerships have made only modest contributions when considering the improvement of land access for low-income groups. When they do contribute, they tend to incur high subsidies or deny issues such as accessibility to services, employment or social facilities. As to providing a more productive relationship between sectors, the examples indicate that the existing gap between sectors is both large and deep and that the progress in bridging it has been mixed.^{xxv} Nevertheless, partnerships do require the acceptance by all parties the needs of the other stakeholders, and the level of success will depend on the capacity of the partnership to build trust as a key element for its development.

As to informal partnerships, experiences such as guided land development have made substantial and sustained contributions to land supply, but inappropriate regulatory framework is still a serious constraint to the development of many of such experiences. In general terms, informal partnerships have demonstrated greater success in making substantial improvements for low-income groups at the expense, however, of official standards, regulations and administrative procedures. Therefore, they have failed to improve the efficiency of urban land and housing markets. They have somehow created room for manoeuvring between key stakeholders (Payne *op. cit.*, p.211/217).

Considering, however, that the developing world is, in itself, a rather diverse universe, the experiences described in the following chapter, and the framework developed in chapter 6, focus precisely on the analysis of partnership as a policy tool in the Brazilian context.

Conclusions

One important conclusion that can be drawn from the literature is that multi-sectoral partnerships require special care with regard to their application, particularly because they constitute an arena for sharing resources, information, power and decision making. Some points are particularly sensitive and deserve special attention.

Partnerships are revisited in line with the debate of reviewing the role of different sectors in economic and social development. Although part of the debate about partnerships has been influenced by the neo-liberal paradigm and the intertwined idea of privatisation, the concept of multi-sectoral partnerships should be viewed independently. The linking point between these two is the search for more efficiency, an idea constantly associated with a more business-like approach (although not always proving to be true). The maintenance of the public ethos of protecting the general public interest and specific social interests is crucial for addressing the needs of vulnerable groups. Literature review has shown, however, that partnerships have been advocated to address both social and private goals, the right balance between them being a real challenge.

Partnership as a term has been used either merely as a principle of collaboration among sectors, or as an instrument to implement a defined development policy. However, these not only mean different things, they also imply different settings of institutional relationships between the partner-sectors. This work focuses on the multi-

sectoral partnership as an instrument to address land development for low income groups.

The context into which partnership arrangements are inserted is essential. Partnerships are basically institutional relationships which are developed locally. Transplanting models should be viewed with caution, particularly considering the context and conditions of developing countries:

If PPPs are to contribute to third world development, they must become essentially third world institutions, fitting third world settings and meeting particular third world development needs (Weaver and Manning 1991, p.62).

Partnership is a tool with multiple possible applications; in other words, the development strategy behind its use is of great importance. The underlying policy for which multi-sectoral partnership is an implementing tool should be explicitly stated for all the stakeholders in the process.

Multi-sectoral partnerships require the attainment of transparent and accountable management to guarantee social control over the operation. These are particularly delicate issues in most developing countries, including Brazil. As some authors argue, Brazil is an oligarchic democracy and as such cannot be considered a real representative democracy (Santos 1999).

Although several modalities of partnership are identified, the most promising ones addressing low income groups are those involving the public and the third sectors. This has been approached under the perspective of creating a third way to escape the polarisation between public monopoly and privatisation (Bonduki 1996). This mixed form of partnership is likely to attain low income objectives, particularly if the public sector performs a mediating role bridging the gap between affordability and profitability.

The literature consulted concerning the application of multi-sectoral partnerships in developed and developing countries informs us that there is no such thing as a homogeneous package of successful experiences. There are cases of both successful and unsuccessful experiences. They reflect a vast configuration of arrangements which presents some interesting insights into the crucial elements that should be present or avoided in joint actions in the less developed world.

The unit numbers resulting from partnership arrangements are also an issue worthy of comment. Most cases reviewed stress that partnership arrangements have contributed only modest numbers to low-income access to land, although some recent cases manage to reach the figure of thousands.^{xxvi} It is important to state that the use of multi-sectoral partnership as a policy tool for land development is a recent phenomenon that requires the difficult task of converging different cultural worlds, such as those pertaining the public, the private and the third sectors. Therefore, its difficulty in scaling up as a broadly adopted programme is no surprise. It is recognised, however, that partnerships offer an innovative way of putting the Habitat Agenda into practice (Payne 1999) and should, therefore, remain high on the political agenda (UNCHS 1993).

Although the literature stresses the unique character of partnership arrangements, highlighting the risks of generalisation, the concept behind the instrument is certainly possible to be replicated. It is necessary, however, to check if the motivations are compatible, since they do vary substantially.

This work does not accept or reject partnerships per se as an instrument for urban land development. Instead, it intends to make a contribution to understanding partnerships as a tool and for developing a framework in which this tool may work within the Brazilian context.

The present chapter has reviewed the basic elements in the debate about public-private partnerships in the direction of building multi-sectoral partnerships, emphasising the potential role of the third sector. The international experience has also been reviewed, emphasising the importance of the context. The next chapter reviews four Brazilian experiences, bringing the discussion to real life within the Brazilian setting.

Notes

ⁱ Although this work adopts the term multi-sectoral partnership as a recognition of the importance of the third sector in partnership arrangements addressing low income groups, the term public-private partnership appears several times in this chapter, mainly because that is the terminology used by most of the literature consulted.

ⁱⁱ See Angel et al. (1983), particularly the articles of Doebele, W., Angel, S. and Chirathamkijkul, T., and Tanphiphat, S.

ⁱⁱⁱ For a comprehensive study of partnerships, see UNCHS 1993, and for a recent review on partnership applications, see Payne 1999.

^{iv} Brazil is still in the process of privatising many important state companies, Telebrás (the Telecommunication group of companies) being the latest one privatised.

^v According to Jones and Ward, The NUMP “seeks to address total management and government practices, not just individual projects or lines of funding, and does so against the backdrop of more neoliberal macroeconomic management” (*op. cit.*, p.14).

^{vi} More than 320 corporations attended the private sector organisation’s forum during the Habitat II in Istanbul, 1996. This reflects the interest of the private sector in the field of human settlements development.

^{vii} The other criteria used are: positive impact on the population’s living conditions, sustainability and replicability.

^{viii} *Apud* Di Pietro 1996.

^{ix} This leads us to another discussion about the meaning of “public interest”. According to Di Pietro (1996), it is not possible to talk about a public interest, over which the state would be the exclusive stakeholder. There are in fact various public interests representing different social segments of society.

^x This discussion will be better illustrated by the analysis of the partnership applications. Wilderode (1994) after studying the application of the instrument of the inter-linked operations in São Paulo, concludes that the partnership arrangement is just a deregulation strategy stimulated by real-estate investors to guarantee extra gains based on particular zoning concessions, the social benefits being just an excuse for the instrument use.

^{xi} *Apud* Fisher et al., 1996.

^{xii} *Apud* McQuaid 1994.

^{xiii} This view is somehow questionable, considering that there are many instruments of social control already in use, part of which are not enforceable (as is discussed in the analysis of the Brazilian

experiences). In other cases, there is no institutionalisation of legal control mechanisms, but there is *de facto* social control.

^{xiv} For instance in terms of staff time in discussions and delays of decisions due to consultation with partners (*ibid.*).

^{xv} It is also important to note that the literature review on partnerships in the developed world does not exclusively focus on land development for low income groups. Despite the diversity of partnerships, there are common elements that can contribute towards building a general framework (McQuaid, 1999). The literature-based on partnership cases in the developing world, however, focuses primarily on increasing land development for low income groups.

^{xvi} In other words, there are a number of informal partnerships or relationships which do contribute to increased land access, but are not considered in partnership records (see the case of Egypt - Soliman, 1999); but it must be also acknowledged that not all informal joint-actions are to be considered voluntary partnerships, since they increase land access to low-income groups at the expense of urban environment, and thus do not increase land market efficiency (see the case of illegal subdivisions in Brazil - Oliveira, 1993).

^{xvii} *Apud* UNCHS 1993.

^{xviii} The exception to the rule was Birmingham Heartlands, which the Birmingham City Council established with the acquiescence of the Secretary of State. (Archer 1999, p.194)

^{xix} See Payne 1999, and the *International Journal of Public-Private Partnership*.

^{xx} Angel et al. 1983.

^{xxi} In Brazil there is an extra reason for the possible use of land-sharing schemes. Nowadays it is difficult to clear consolidated slums because there are legal instruments protecting the occupation of squatters (after five years of peaceful land occupation in urban areas)^{xxi}. Therefore, landowners may be “pressed” to accept land sharing schemes as a way of having access to at least part of the original land parcel.

^{xxii} Land readjustment has also been used with relative success in Germany, Australia and Japan (Doebele 1983, p. 365), and France and Sweden (Larsson 1997).

^{xxiii} It has different names in different countries, being known as land readjustment in Japan, South Korea, Thailand and Malaysia; as land consolidation in Taiwan and Indonesia; and as land pooling in Nepal and Australia. There is an important legal difference between land pooling and land readjustment. In the first case the land is legally transferred to a land pooling agency, while the latter transfers the final plots to the landowners. In the land readjustment schemes, the land agency has the right to design, service and subdivide the land on a unified basis, and later on, the landowners exchange their land parcel title documents for those relating to new building plots (Archer 1999).

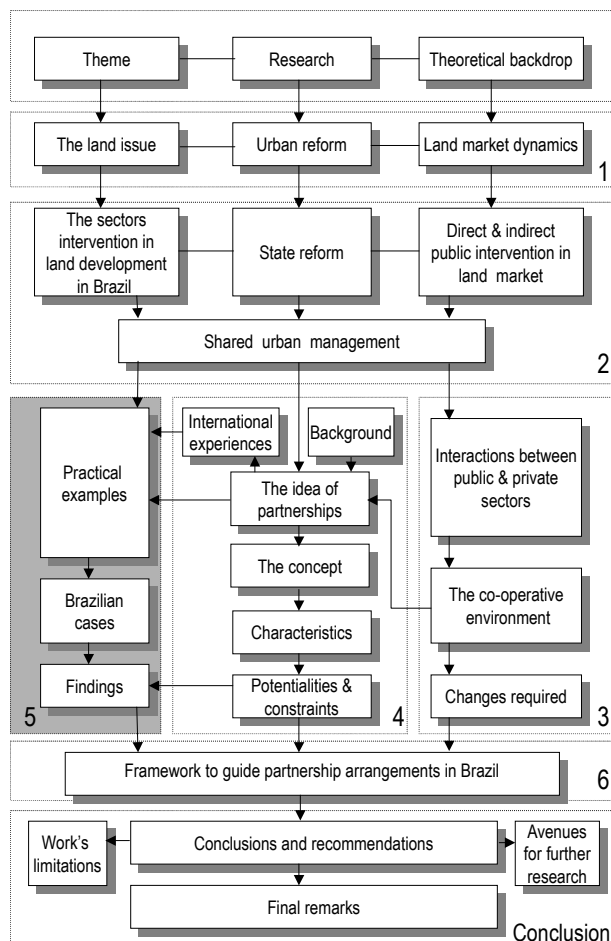
^{xxiv} Japan is an exception partly due to the country’s success in using land readjustment schemes for the reconstruction of large areas of earthquake and war damaged land in urban areas (Archer, 1999).

^{xxv} In this respect, Britain is shown to be a good example due to the mobility of project planners in migrating from the public sector to the private sector (or vice versa) and due to a long history of different types of joint ventures (Payne 1999, p.215)

^{xxvi} See the case of Birmingham Heartlands Development Corporation, in Archer 1999.

Chapter 5

Applications of Partnership Arrangements in Brazil



Brazilian setting

The application of partnership instruments in Brazil does not follow a national or integrated policy. Although the term has been widely used on all levels of government political rhetoric, it refers more to the principle of partnership as a means of building a collaborative environment. The application of multi-sectoral partnership conforms to a fragmented localised pattern, the local municipal

government being the main representative of the public sector. Even when the same instrument is used in more than one city its application differs, adapting to local conditions. Partnerships for urban land development also constitute the exception rather than the rule. Although it has been formally considered in several legal texts (such as the municipal Master Plan of Rio de Janeiro) and only a proposal in some other cases (such as the municipal Master Plan of São Paulo),ⁱ the instrument of multi-sectoral partnership for land development is generally a remote idea lacking practical application.

The experiences described below reflect the exceptions to the rule. Some are very simple, some are polemic, some are incomplete, and yet, some others are extremely innovative, being internationally recognised and awarded. They all raise the issue of improving the relationship between sectors and of assuring a more equitable distribution of the related costs and benefits derived from urban land development. Not all of them refer specifically to land development, although all of them have a direct or indirect impact on low income shelter development. Four experiences will be described and commented upon. These four choices reflect the range of intervention areas the public sector (particularly the municipal level) should act upon to increase the supply of urban land for low-income groups, in this case under a partnership approach. The intervention areas are: the development of legal popular settlements, the redevelopment of existing slum areas, a more equitable and balanced distribution of resources among the city districts, and a more flexible urban legislation system.

The first experience is a set of programmes developed in the city of Fortaleza (later spread to other cities in the state of Ceará),ⁱⁱ focusing on land and housing

development in a dynamic partnership arrangement between (mainly) local communities, NGO-s and the local government.

The second experience is a partnership arrangement (land-sharing scheme) developed in the city of Americana, (state of São Paulo), through which a large slum area is redeveloped.

The third experience is a broad partnership arrangement undertaken in the city of Porto Alegre (state of Rio Grande do Sul), through which the civic community decides upon part of the municipal budgeting expenditures; a mechanism called participatory budgeting.

The fourth and final experience is a partnership arrangement between the local government and private developers, called inter-linked operations, through which zoning concessions are traded-off by investments in social housing; being currently applied in the city of Rio de Janeiro (state of Rio de Janeiro).

These four Brazilian experiences are further analysed in chapter 6 with the aim of developing a framework to analyse and guide partnerships.



Figure 5.1 – The 4 cities studied within the Brazilian territory

The case of Fortaleza

Fortaleza is the capital of the state of Ceará, in the north-eastern region of Brazil, a region that combines a beautiful seacoast area with dry inland poverty-dominated areas. Fortaleza has a population of around 2.5 million inhabitants, growing at a rate of 2.8% a year. More than half of the city population live in sub-standard settlements such as *favelas*. Since 1973, a new *favela* was recorded to have appeared every month in the city, summing up to a total of 400 *favelas* registered by 1996.

The awarded experience of Fortaleza combines several urban programmes, named: Mutirão 50, Comunidades, Casa Melhor, and Integration Council.ⁱⁱⁱ The programmes aim at creating interfaces for co-ordinated action between the different groups involved in urban development. It is based on three axes: building low income housing, creating job opportunities and developing institutional capacity. For the purpose of the present thesis, only Mutirão 50 and Comunidades will be analysed because they are based on partnership arrangements.

The pilot-project and the resulting programme

The first programme implemented was Mutirão 50, the idea of which was to create a settlement for 50 families on individual plots combined with the introduction of innovative building techniques, the creation of a communitarian micro-enterprise, a communitarian fund and a participatory project management.

The Rondon settlement, located in one of the poorest districts of Fortaleza, was chosen because it had the combination of a highly organised community, the availability of a public lot in the area and a municipal department of social assistance in the surroundings.

Basically, the idea was to build 50 houses in a micro-settlement through self-help, combined with capacity building techniques which would use the opportunity of housing construction to qualify the local population to obtain or increase their earning abilities in order to guarantee the future maintenance and improvement of the settlement.



Figure 5.2 – Lay-out plan of Mutirão 50

The agreement, signed in 1988, formalised the participation of the local government of Fortaleza and the GRET (a French NGO) to implement the *Programme of Innovation for Social Housing* after a long process of negotiation. The Conpor (Conselho Popular do Rondon), a community-based organisation which supported the families, was also a major actor in the whole process ultimately becoming the owner and manager of the assets. As the programme evolved, other partnership agreements were signed to tackle specific aspects such as the development of innovative building techniques and materials, local community capacity building and so on.

Initially, a workshop was built and used to train the community in building techniques and the fabrication of construction components. The houses were then built according to directions which established the roles of each participant – community, local government and GRET. The community was organised into

working groups to participate in the self-help process, the women performing a crucial role. A day care centre and a commercial centre were also created to meet local demands.

The land, which was public, was transferred to Conpor and by 1996 it owned the land where the 52 families were living in addition to the 10 shops of the commercial centre. In 1994 it had been possible for Conpor to negotiate a subsidy and a credit line (with the local government and GRET) for building an industrial micro-district. Since 1996 several productive activities have been held in the area, employing more than 50 people. The rents from the shops and workshops, and the instalments from the community members who financed the building materials were pooled into a community fund administered by Conpor to support the CBO activities, to payback the loans of the industrial micro-district, to grant credit to needy families, to maintain and improve the settlement and to pay for the salary of an administrator.

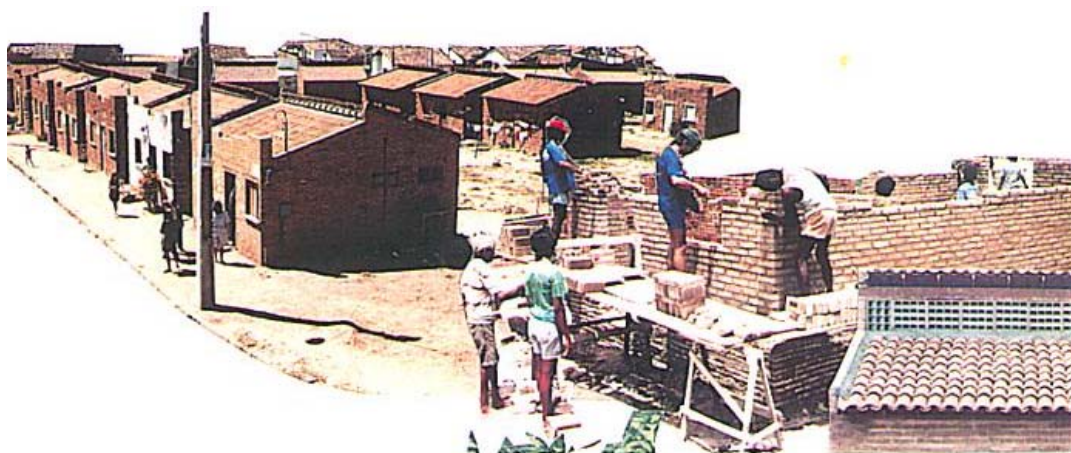


Figure 5.3 – The self-help process of Mutirão 50

The success of the experience of Mutirão 50 was used by the state government of Ceará to launch a large scale programme called Comunidades in 1992, based on the same three axes used by Mutirão 50: housing, income generation, and capacity building.

The method used basically followed that of the pioneer project, but in this case another level of government was added. The programme operations were initiated by an agreement between the state government, the local government and the community involved. This was followed by the selection of an area, the selection of the entitled families (with monthly earnings up to two Brazilian legal minimum wages), and the required technical plans. At this stage, the philosophy of the programme was explained to the families involved while assistance was given to the internal organisation of the community (to formalise the association, to establish internal directions for the self-help process and so on). The layout plans were then discussed and agreed upon, and infrastructure works started with the workshop being the first thing to be built. During all stages, the group responsible for the job and income generation component assisted the families in the promotion of small businesses or micro-productive units. This support included training in technical and management skills, designing productive units, market research and support in accessing credit funds. The capacity building support was not exclusively for the project beneficiaries only, but addressed other members of the community living in the surroundings, provided they were formally members of the association.

The programme Comunidades was also based on the promotion of partnerships between key actors: state government, local governments, community associations, universities, research institutes and NGOs. The state government performed a facilitating role in the whole process through which it helped in the articulation of various partners, mobilised resources, and co-financed the programme; but it did not provide direct services.

Local government was responsible for the provision of the land and infrastructure (with financial support from the state government). The houses, shops

and workshops were transferred to the community association which managed the assets. A community fund was raised on the same basis as Mutirão 50.

By 1996 the Comunidades programme had built 1000 houses in eight micro-settlements generating around 500 jobs. For that to have happened, fifteen partnership agreements were signed between various partners in different areas. An Integration Council mediated the relationship between partners and was the entity responsible for managing the programme. It consisted of representatives of all partners of the programme: state government (3 members), local government (4 members), federal technical school (1 member), community associations (4 members) and an international assistant (1 member). Except for the international assistant, all other members had the right to vote in the monthly meetings. The structure was flexible enough to adapt to the different stages of the programme and could include other possible partners. The Integration Council constituted an experience of sharing the responsibility for the decision making process, the management and the implementation of a public programme.

Principles

The idea of Mutirão 50 and Comunidades is at the same time simple and innovative. The innovation comes from the articulation of the several elements of the housing issue, and certainly goes beyond simple housing production. The underlying idea of transforming a *favela* dweller into a citizen is reached through a defined set of principles:

- addressing the economic root of the problem by guaranteeing the generation of jobs and income attached to the housing provision;

- ensuring legitimacy for the programme as well as helping communities perform a stronger role in negotiations with other urban actors through participatory project management;
- increasing efficiency in the allocation of resources by 1) using innovative building techniques and materials in accordance with local climate and culture and 2) using the micro-settlements as a structuring element in guiding urban expansion; and
- ensuring a shared urban management by making use of the principle of partnership to articulate the key actors involved.

These programmes differ from conventional sites and services projects in their concept, design and implementation (Serageldin *et al.*, 1997):

- Locations of project areas are selected to maximise spill-over effects and shape urban growth;
- Resident participation is an integral component of every programme activity and is structured to foster inclusion, capacity building and self-reliance;
- Job creation is a key strategic objective focusing on opening up employment opportunities for residents in the project areas and adjacent settlements;
- Implementation relies on empowerment, transforming beneficiaries into stakeholders through community control of development and management processes.

The experience of Fortaleza combining all the programmes described above reveals a multifaceted effort in dealing with the housing issue and thereby demonstrates a pioneer example in the country.

Experience commentary

The present situation of Mutirão 50 (the original site) and the programme Comunidades reveals that even well-conceived programmes have problems in being consolidated and perpetuated. The programme Comunidades has been replaced by a similar programme with a shift in its focus to environmental issues (still in the pilot project stage).

Mutirão 50 is already a 10-year-old settlement and it is possible to identify both positive and negative actions related to it. From the original 50 families, there are now 60 families living on the site, since many houses have been enlarged on the same plot (either horizontally or vertically). During this period, around 20% of the original families have been replaced. The great majority of the housing units have been altered, with extensions having been created and, particularly, with walls having been built around the plot boundaries. Safety is visibly a major concern nowadays which may be illustrated by the number of iron gates and high protective



Figure 5.4 – Some houses maintained the original size and some were extended (2000)

One positive outcome has been the day care center which was initially implemented and managed by the local community and is now managed by the municipal government for approximately 60 children. One negative development, however, is the micro-industrial district, initially conceived to shelter 17 micro-

firms, but which has only four active nowadays. The major problem is the lack of payment of the properties' rental values to the community association. The commercial centre presents the same types of problems.

There are also problems involved in the role of the local government. The final individual plot deeds have not yet been transferred to the family members because there are still administrative issues to be solved (such as the subdivision plan approval). The streets' maintenance is poor because it depends on the regular municipal maintenance service.



Figure 5.5 – The day care center and the workshop in use

The underlying problem, according to Edilson Pedrosa (ex-Conpor president and still living on the site), is the present lack of community mobilisation after having reached its prime goal – access to a housing unit. The predominance of an individualistic perspective to the detriment of a more collective view has hampered the emergence of new collective actions. Moreover, community leaders feel uncomfortable to press their neighbours when they run into non-payments of over-due rents and contributions.

There is no monitoring system by which local authorities can consolidate the changes triggered by the programme. It is clear, though, that the original community has indeed benefited from the programme from a social evolution perspective. This is illustrated by the expansion of houses, the creation of small businesses in the housing units, the presence of cars on the site and particularly, the condition of the children (well fed, dressed, healthy, going to school...) (see Figure 5.6).



Figure 5.6 – Children at the day care center and car in the neighbourhood

The case of Americana

Americana is a medium-size city (133.9 squared km and 170,000 inhabitants), located in the south-eastern region of Brazil, in São Paulo state. As with the majority of Brazilian cities, Americana has problems in providing housing to the local low-income population, who have been attracted to the city by the intensification of the regional industrial development begun during the 1970's. The first record about the existence of slums in Americana dates from 1974 with the identification of 35 *barracos*^{iv} scattered across several areas of the municipality. In 1996, the city had eight slums registered within its boundaries, housing an estimated population of 3,400.

Vila Mathiensen was by far the largest slum in the city (responsible for 78% of the slum units of the city) and, although comprising around 571 *barracos* in 1996, it could still incorporate many additional units. The first occupants of Vila Mathiensen had been on the site for more than 20 years, and the area occupation followed a spontaneous and unplanned pattern. This means that some of the units had difficult access due to a chaotic circulation network with no clear paths, implying that public services such as mail delivery, ambulance assistance and garbage collection were troublesome when not impossible. This was also true for police patrol, stimulating the establishment of criminals on the site, and the area became famous for being a violent place.

The slum units were precarious wooden huts (see Figure 5.7), indicative of the level of income of the local population,^v and of the fact that land tenure was not perceived as permanent. Therefore, no solid investment in the units was sought. The urban features of the settlement followed those of a typical slum area: unplanned pattern of occupation, and lack of basic infrastructure and services. Garbage was deposited all over the site and sewage was freely disposed of in open-air drains. Vila Mathiensen became, as one would expect, a serious problem to be tackled by municipal authorities who feared the social consequences of a consolidated expansion of such a large slum, with its respective increase in population density.



Figure 5.7 - Vila Mathiensen slum: precarious wooden huts and lack of infrastructure services

The land was privately owned, a complicating factor for any public redevelopment policy attempt. The original landowners had tried to recover land tenure but had not succeeded. Thus, any expropriation of the area and further development would mean a very high expenditure for the municipal government. Therefore, not only did the area represent a major urban problem for the local government, given the lack of services, but it also represented a financial loss since neither the landowners nor the occupants were paying property taxes owing on the land. Moreover, the area was seen as a social threat to the city as far as safety and public health were concerned. For the original owners, the situation was also very clear since the occupation of the area made its use for their benefit impossible. For

the occupants, the situation was typical of those on illegal sites: no services delivered at all, or a poor level of services and all sorts of insecurity as to land tenure and daily life routine.

The redevelopment project

The partnership arrangement was an initiative of the municipal government of Americana which invited the land owners of Vila Mathiensen to discuss a mutual solution for the area.^{vi} Several actors took part in the slow negotiation process, which took around five years until an agreement was reached. From the municipal side, not only was the Mayor's cabinet directly involved, but several other bodies took part in different phases of the process: the Secretariat of Social Promotion, the Juridical Department, the Finance Department, and the Commission for Real Estate Assessment, in addition to public utility companies (Water, Sewerage and Electricity). From the landowners' side, the final agreement was signed by 22 people who had legal property rights over the land.

The community had a moderate and more indirect participation during the negotiation process through a community committee that took part in some meetings and helped with the socio-economic survey. Apparently, however, the local community did not have a crucial role in launching the partnership process. This may be partly explained by the fact that the community's interests were incorporated into the municipality agenda in the sense that no evictions were under consideration; the idea was to provide a way to enable the local community to have legal access to the land; and the objective of the negotiations was to develop the site, providing the required basic infrastructure.

During the long process of negotiation, members of the general public had the opportunity to be heard. At least on two different occasions the project was under

scrutiny by the Municipal Council. According to the project leader, architect Marco Antonio Jorge, these opportunities were used to raise a city-wide debate as to the housing needs of vulnerable groups and possible housing solutions.^{vii}

The agreement approved in municipal law number 2868 of 20 December 1994 relates to the area occupied by the slum, which was divided into two different areas (here named **a** and **b** – see Figure 5.8). For area **a** the municipal government of Americana foresaw a land subdivision called Jardim dos Lírrios (Lilies Garden),^{viii} part of which would absorb the 571 slum families, replacing the spontaneous settlement of Vila Mathiensen and releasing the land of area **b**.

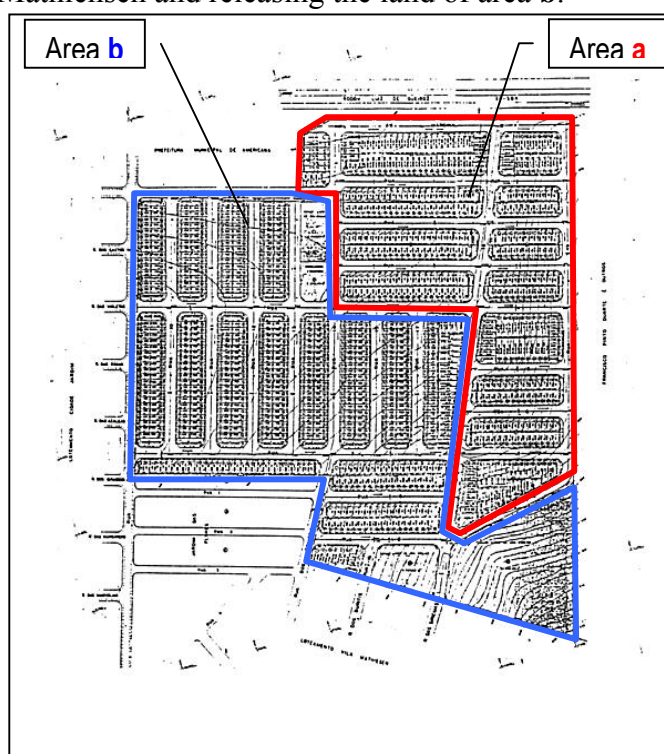


Figure 5.8 – The subdivision layout plan

The 171,696.34m² total site area of Jardim dos Lírrios corresponds to 1,026 plots of 150.00 m² each (average size). Out of this total, 571 plots were addressed to the municipality of Americana to house the population of Vila Mathiensen, and 455 plots were reserved to the original land owners as part of the compensation for donating the remaining area of the land subdivision. The other part of the

compensation was the clearance of area **b** which was returned to the original owners as a free raw lot (13,466.75 m²).

For the area of the 571 plots, the municipal government and public utility companies became responsible for opening the streets, demarcating the plots, providing water connection, sewerage, public lighting, electricity and public telephone. As to the (private) area comprising the 455 plots, the municipality was responsible for simply opening the streets and demarcating the blocks. The basic infrastructure in this part was to be implemented through a municipal programme called the Communitarian Plan, and anyone buying the plots implicitly accepted such an agreement. The Communitarian Plan was an ordinary municipal programme and had a permanent line of credit.

Housing strategies

As to the housing programme to re-house the slum dwellers, there have been four different strategies so far. In phase I (see Figure 5.9), 132 plots were delivered to accommodate the first group of slum dwellers to be re-housed. At this time the approach was to provide a quick response to local inhabitants, taking into consideration the fact that many *barracos* had to be destroyed to open the streets and demarcate the first plots; as a result, the affected population clamoured for shelter. Therefore, the municipal government built a provisional accommodation on each plot, comprised of three walls and a roof at the rear plot boundary. The front closing was provided by the occupants themselves, making use of recycled material from their previous units.



Figure 5.9 – Phase I: Provisional units at the rear plot boundary (1997)

The second phase (see Figure 5.10) was the construction of 108 core house units (32.00 m² each) through a self-help process with material supplied, on a co-operative basis, by a small brick kiln implemented on the site. The quality of the units was still very rudimentary. Finishing up the unit was undertaken individually, although the materials were provided by the programme. Up to this phase, the programme was totally financed by the local government of Americana and the solutions adopted reflected what was financially feasible at the time.



Figure 5.10 – Phase I: Finishing level according to individual conditions (2001)

The evolution of the programme to its third phase (see Figure 5.11) was marked by the involvement of a federal bank (CEF), whose attention was directed to the programme based on the results of the first two phases.^{ix} In this stage, 136 core units were built under a PRO MORADIA line of credit, using the same 32.00 m² project but with a higher finishing quality. There was a visible increase in the

productivity of the activities developed with the industrialisation of the building process. The labour force was still provided by the self-help process.



Figure 5.11 – Phase III: Improvements in the level of house finishing (2001)

The fourth phase (see Figure 5.12), currently under implementation, is the construction of 143 two-storey attached units and 41 single units, both types financed by a CEF line of credit, usually granted individually, but this time negotiated collectively with the inter-mediation of the municipal government. The adoption of the two-storey attached project enabled the construction of two units on one plot, thereby increasing the possibility of incorporating more low income families into the programme and providing space for the delimitation of an area for sports facilities.



Figure 5.12 – Phase IV: Row of two-storey units under construction (2001)

In all four different housing arrangements, the municipal government of Americana is selling the housing units to families through a 20 year loan programme, with some level of built-in subsidy, considering that the pay-off

capacity of the local community is limited. A socio-economic survey revealed that family income ranges from one to three minimum wages and the instalments were calculated to range between 7% to 15 % of the income.

Other aspects of the project

The local government of Americana is using the project to address other aspects of social development. The self-help process of building the housing units is being used as a way to build local capacity for civil construction. This may be an important future element in creating job opportunities for a large part of the local population. The brick kiln is part of this strategy and its objective is twofold: to provide cheaper material for local construction and to contribute to local building capability. Based on the existing local scavenging experience of dwellers, a recycling cooperative was also created on the site. Commercial activities on the plots are allowed by the local administration, provided the initiative is approved by neighbours. Moreover, the local government of Americana is encouraging private developers of neighbouring developments (including area **b** to be developed by original landowners) to establish commercial activities that may absorb part of the community's labour force. The municipal government has built and is maintaining a kindergarten in the settlement to allow mothers to work.

Several other experiences focusing on increasing the community's organisation, motivation and self-esteem have been developed. Children are responsible for planting trees on the site and prizes are distributed monthly to the best self-help workers of the programme, generally followed by a collective celebration. Leisure activities have also been incorporated into the programme.

Partnerships have also been sought with a university with the aim of improving building techniques. At the moment, an individual solar energy

generating system, both simple and cheap, is being tested in some units on the site as part of a university research programme.

Principles

The experience of Vila Mathiensen is a land sharing scheme already implemented in many countries with relative success. It is an innovative practice in Brazil in several respects. First, there are no similar documented experiences implemented in the country. Second, it merges the development sequences of both formal and informal markets by establishing the following path: planning – occupation – building – servicing.^x The low level of initial services provided, and the incremental approach to the construction of the unit allow the community to gradually absorb the respective land valorisation. The spreading of costs along time is the main reason why plots have become affordable for the respective dwellers. Third, it reveals a pro-active approach from the public side on how to treat a historical problem such as slum consolidation.

The experience is based on the following principles:

- the achievement of a solution that brings mutual benefits to the actors involved;
- the recognition of the rights of the community to stay on the site as well as the rights of the land-owners to have free access to part of their property;
- the incremental development of the occupation of the resettled community; and
- the sharing of costs of the slum resettlement among all the actors.

Table 5.1 summarises the situation before and after the partnership agreement:

Table 5.1 - The situation before and after the partnership

Actors	Problems (before)	Benefits (after)
Landowners	no access to the land due to its occupation	455 free plots and 13,466.75 m ² of raw land to market
Local government	serious problems from the urban, financial, economical and social points of view (criminality, social segregation, potential focal point of diseases, etc.)	serious social problems about to be solved or at least controlled
Area occupants	no access to public services, insecure land tenure, social discrimination, risk of losing unit's betterment investments or no investments sought, poor life quality.	access to public services, secure land tenure, social integration, no risks concerning physical investments sought, improvement in life quality.

Experience commentary

There are many points to be highlighted in the experience of Americana, which although very simple in its concept, brings important contributions to the performance of the local government in land/housing development programmes, given the Brazilian context. One of the points to be highlighted is the evolution of the programme. It started as a simple idea of regularising the land occupation of a slum area and evolved into a multifaceted programme with the incorporation of several other inter-related aspects of the housing problem. The structure was also flexible enough to adapt to the different stages of the programme and to the incorporation of new partner-actors (CEF, university).

Another important aspect to be highlighted is the evidence that this programme clearly benefited from administrative continuity. The area has been receiving consistent attention from the municipality for almost 11 consecutive years

and the pictures do reflect the positive outcomes of that: the improvement of the life quality of the community and the site itself.

The incremental approach as to service delivery has strengthened the capability of the local population to stay on the site, which is a crucial element for programme success. In this respect, Baróss (1990, p.68) remarks that, given the fact that the consolidation process in an incremental project is slower than a conventional housing scheme (where all the houses are built simultaneously and services are provided before occupation), the social 'label' and physical environment will prevent a dramatic gentrification process and corresponding price raises. In other words, it strengthens the capacity of local inhabitants to resist market pressure and not be driven away to other areas once the site is provided with adequate services, followed by the natural land valorisation. The experience of Americana so far confirms this, with few families being reported to have moved from the site.

It is also noteworthy that the incremental approach adopted in the Americana experience implies a planning activity with a more developmental mindset as opposed to a more traditional control-dominated approach. While the latter is exemplified by a normative, regulatory approach, the former focuses on leveraging development. While the latter is defined by a search for an ideal model of city, the former stretches the limits of possible intervention in the real city.

A final positive remark is that the experience clearly shows what a supportive environment can do to benefit a community. Figure 5.13 illustrates the level of investment families are able to make when land tenure is secured and the environment encourages their development, taking into account their affordability level.



Figure 5.13 – Clear improvements in life quality of families promoted by a supportive environment

Although the experience of Americana is innovative in many respects, there are a couple criticisms to be raised. The first is that an experience such as that of Americana does not result from an institutionalised systematic policy, but rather from a pragmatic well designed action which is totally attached to the political will of those in power.^{xi} The limits and dangerous consequences of such a practice are even more visible when the situation is transplanted to large cities where the scale of the housing problem is significantly larger. The second criticism relates to the involvement of the community, which seems to simply follow a participatory approach. While inclusion is a desired characteristic of urban policies, it has proven insufficient. Communities should be empowered to influence decision making and thereby promote social change, being qualified to move forward on the social scale. This would require shifting the focus from a self-help practice to a self-managed approach. This implies transferring more responsibility to local inhabitants who may be technically assisted by an NGO with respect to housing typologies, materials and building techniques. However, the advantages point to the possibilities of reaching solutions better adapted to local needs and desires, and the chance to help create a stronger sense of responsibility and communal involvement among local inhabitants. Notwithstanding the fact that local governments have been the leaders in the process

described here, it is also evident that the community as a whole could benefit from a more inclusive policy, clearly improving its social condition.

The case of Americana is an example that offers empirical evidence that new strategies of urban management are being created to deal with historical problems such as slums in Brazilian cities. It indicates that traditional reactive administrative logic based on *post-facto* action is being gradually replaced by a more entrepreneurial approach where the local government plays a more pro-active role through analysing the local situation from the view point of its possible solutions; having the initiative to propose an innovative solution, in this case, a land sharing scheme; and anticipating solutions to potential problems, in this case, the consolidation of Vila Mathiensen.

Participatory Budgeting

Participatory budgeting is an instrument of popular consultation in the elaboration of municipal budgeting. The first experiences were adopted in the cities of Lajes and Boa Esperança in 1978, Diadema (1983) and Vila Velha (1986) (Pires, 2001). The instrument of participatory budgeting emerged, however, on the Brazilian scene when it was adopted in a state capital, the city of Porto Alegre, as an initiative of the local government during the tenure of Mayor Olivio Dutra (1989-1992). Porto Alegre has adopted it continuously since 1989, and its success has certainly helped the instrument's application by other Brazilian municipalities.^{xii}

Principles

The core-principles of participatory budgeting are:

- to rethink municipal expenditure directly through people's participation – the rationale behind this is the recognition of the need to alter priorities in public

spending to better address major interests of the population, and not those of a few powerful pressure groups or vested interests;

- the involvement of society in the process of municipal budgeting, establishing a permanent control over the use of public resources and ensuring that the change in priorities is achieved.

According to Bretas (1996), participatory budgeting achieves two objectives: citizen determination of municipal priorities and involvement of civil society in decision making and control of the state.

Although the implementation of participatory budgeting differs from city to city in general terms, the municipal government reserves a percentage of the city's budget to be invested according to priorities established by the community. The city is then divided into districts (and sub-districts), and a series of meetings is organised by the government. First, a large public meeting is usually held to explain the idea of participatory budgeting, to report the previous year's expenditures, the following year's budget and the budget's allocation for the city's districts. Then, district and local meetings are held to discuss with the community what their priorities of investment are. As main characteristics of this process, it is possible to point out:

1. A new relationship exists involving community-municipal government – both the public sector and the general community have to undergo cultural changes. From the government viewpoint, this means recognising the citizen's right to have information and to express demands upon the state. From the community standpoint, it means becoming more aware of its own rights and obligations, but it also means learning how to negotiate with the public sector, upsetting traditional clientelistic and paternalistic models of governance;

2. The adoption of a decentralised form of governance – to better enable local communities to decide upon their priorities of investments, the city is divided into districts and sub-districts, creating a direct relationship between key government staff members and the interested community;

3. The development of an accountable technical apparatus – the direct dialogue between staff members and the community requires a quick response from the government side with respect to the requests made. This means developing the ability to listen, respect and analyse the demands, and what is more important, giving a conclusive opinion as to whether they are feasible or not, based on technical and financial reasons.

The experience of Porto Alegre^{xiii}

Porto Alegre is the capital city of the State of Rio Grande do Sul (in the South region of Brazil), and has 1.3 million inhabitants while its metropolitan region encompasses around 3 million inhabitants. The pioneer experience of participatory budgeting, which will be described here, was started in the city in 1989 and has evolved during four different mandates.^{xiv} It implies that not only technicians and politicians decide on expenditure issues, but also that the population will have a say in municipal revenue policy and municipal allocation of expenditures, according to a complex process of public debate and consultations. It represents a public praxis that combines traditional political representation with a direct and voluntary citizen participation leading to a shared public management (Genro, 1997). Although the instrument has already been applied in many other cities, the present work will concentrate on the experience of Porto Alegre since it was the first city to apply it, and the one which has been applying it for the longest period, thereby gathering a more consolidated experience.

The idea of sharing the responsibility for elaborating municipal budgeting with society received strength in the popular social movements around 1985 and was later incorporated as a governmental proposal by the PT (Partido dos Trabalhadores – Worker’s Party) (Baierle, 1999), which initiated its practice in Porto Alegre when it obtained victory in the municipal elections in 1988. During the first two years of the application of the participatory budgeting instrument in the city, the participation of the population was rather restricted, given the novelty of the experience and the fact that the municipal government was facing a difficult administrative and financial situation. At that time, municipal revenues were not based on updated taxes and were, therefore, insufficient to finance even the minimal required works for the city. Popular participation increased gradually but substantially from 1991 onwards. This may be explained by the effects of a successful municipal fiscal and administrative reform, which has generated more money to be spent on city investments, and by the positive accumulated results of the experience.

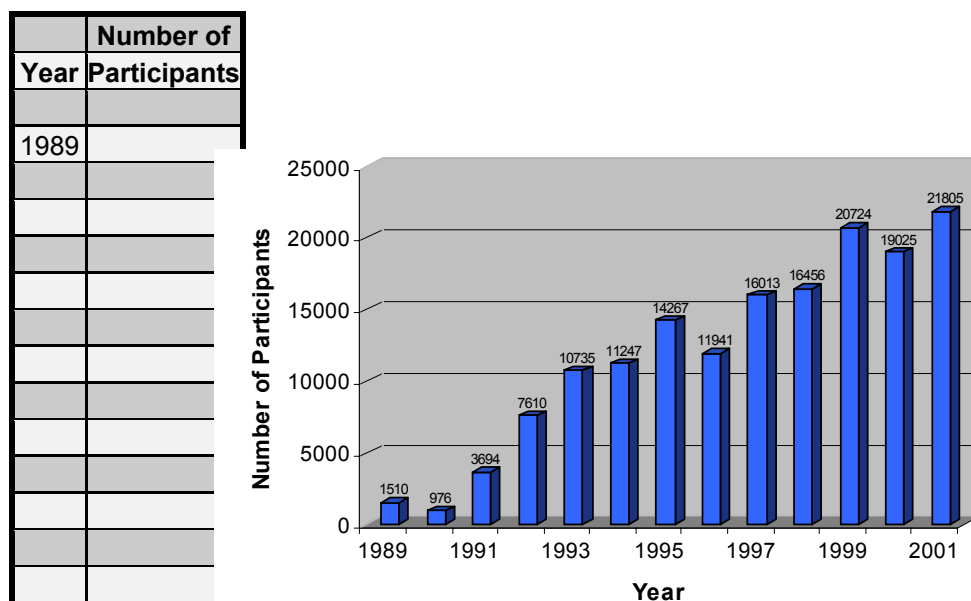


Figure 5.14 – Illustrations from a folder of the municipal government of Porto Alegre

According to Utzig and Guimaraens (1996), the process went through substantial changes along the years, trying to cope with a diversity of problems which arose. The first problem was the acknowledgement that popular demands differed substantially depending on the economic level of the district. Even within poor districts, there was variety in terms of the level of organisation that local populations presented, which had an impact on the process of identifying their

needs. Another problem was the traditional clientelistic relationship between citizen and government. Such a practice, strongly imbedded in the Brazilian political culture, had led the population to become passive, non participatory and subject to co-optation. There was a need to break such a vicious tradition.

Table 5.2 – Number of Participants in PB along time



Source: Based on information provided by PMPA (GAPLAN).

The solution found in Porto Alegre to deal with such issues was in promoting the idea that benefits could be attained only through the participation of the population in the budgeting formulation process. During the first two years of the implementation of participatory budgeting, the communities agreed upon a long list of requests for public investments, which were decided upon by implementing agencies based on political and technical criteria. In 1990 the local government was convinced that a more strict and clear process of priority definition was needed, so it decided to restructure the participatory budgeting process (Abers 1998).

The participatory budgeting process

The formulation of the budgeting process in Porto Alegre is based on the participation of the population, which is invited to share the responsibility of

elaborating the city's annual investment plan. Although the whole city budgeting is subject to debate, the main focus of the participatory process is to decide upon the priorities to be followed as to resources addressed to investments in the city.^{xv} In practical terms, this means deciding upon a percentage which ranges from 10% to 15% of the total city budget. Participation is promoted through two separate structures. One is based on the division of the city into 16 districts according to geographical and social criteria, through which the participation of the local population is organised. The second structure is based on the participation of the city's population according to six different themes: 1) City Organisation and Urban Development; 2) Transport and Circulation Network; 3) Health and Social Assistance; 4) Education, Sports and Leisure; 5) Economic Development and Taxation; and 6) Culture. This thematic structure aims to incorporate sectoral social movements into the debate. Although the participation of the community has always been open to any citizen in both structures, regardless of affiliation with specific groups or parties, in the district structure the participation gathers more ordinary citizens, while the thematic structure tends to gather a more specialised type of participation (professionals, members of syndicates and so on).

A novelty introduced in 2001 is the possibility of accessing the budgeting process via internet. Suggestions may be given through the PB site, but for transforming the suggestions into real demands, regular participation in the meetings of both structures, district and thematic, is still required. The site is used for approaching new participants and for socialising about relevant information concerning the process.

The basic present structure of participatory budgeting is summarised in Figure 5.16. At least two rounds of large discussion meetings are promoted annually by the local government within the district and thematic structures. In the first one, the previous year's investment plan is discussed, emphasising cases of success and

failure, and the first round of delegates is elected for the district and thematic forums. It is a critical moment in which the government's actions are checked. Before the second large meeting occurs, a series of small gatherings is promoted within the structures where the needs and demands are discussed in detail by the participants, enabling a hierarchical establishment of required actions. This is an important part of the process because it is the time for dissemination of community participation and citizen awareness. In the second round, the district's local population and the participants of the thematic groups discuss their priorities and choose the second round of delegates for both the District and Thematic Forums, along with their representatives for the Municipal Budgeting Board. The role of the Budgeting Board is to organise and co-ordinate the elaboration of the participatory budgeting and investment plan, and later on, to monitor its implementation. The Budgeting Board members meet once a week and constitute a permanent debate arena and communication channel with the executive agencies. The role of the Forum is to supply the councillors with information and to spread the news about the issues discussed, bridging them and the community through monthly meetings.

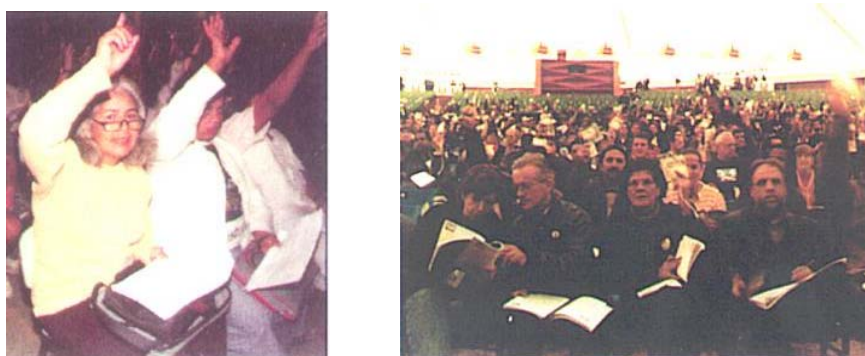
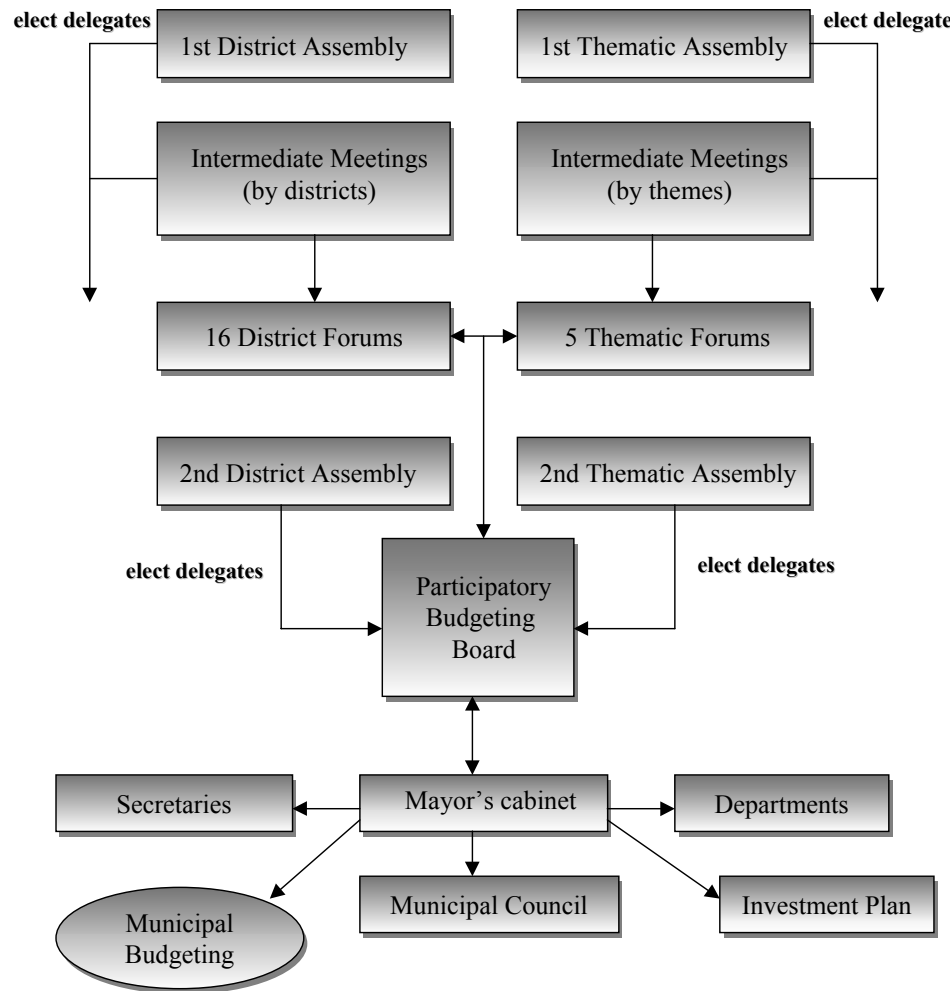


Figure 5.15 – Participatory budgeting meetings

The final elaboration of the budget and the investment plan starts with the priorities elected by the two forums being discussed, analysed and assessed by the municipal agencies. With this information, the Forum representatives and Board

members start a new series of debates with the communities. It is then time for the executive branch of the government to present a detailed budget proposal which includes all items of the revenues and expenditures. With this general information, the investment plan is elaborated upon. The distribution of resources among the different districts follows the application of objective criteria. Each investment sector^{xvi} is analysed according to a set of criteria^{xvii}: (1) priority given by the district's population for that particular service or infrastructure; (2) the district's necessity for that particular service or infrastructure; and (3) total population in that district. For each criterion a grade (from one to four) is established given the situation of that particular district (the more in need of a specific service or infrastructure the higher that district will be graded in that criterion; more densely populated districts will receive higher grades and so on). In the end, each criterion receives a weight on a scale from one to five. During the present year (2001), the criterion *priority given by the district's population for that particular service or infrastructure* has received weight five, the criterion *the district's necessity of that particular service or infrastructure* received weight four and the criterion *total population in that district* received weight 2.

The final investment plan is based on the analysis of the above criteria, which is then discussed with the districts' communities and added to sectoral demands and city-wide demands proposed by the thematic structure and the government itself. The investment plan is the result of district demands, sectoral demands and more general requests linked to the strategic planning of the city - a product which arises from an intensive dialogue between local communities, civil institutions and the local government. The final plan is voted and proposed by the Municipal Budgeting Board.



Source: Abers, 1998.

Figure 5.16 - Participatory Budgeting Structure

The last step of the municipal budgeting elaboration is sending it to the Municipal Council for approval.^{xviii} This is the time of joining the direct democracy with the representative democracy. Utzig and Guimaraens (1996) remark that, although it is a naturally tense and difficult relationship, it has proven to be a positive experience since councillors know that it is a product of unquestionable political and social legitimacy. Therefore, historically the Council has amended very few parts of the budgeting through a strong process of negotiation, but without changing the global structure of the plan.

It is interesting to note that the process of participatory budgeting is self-regulated. Every year the Municipal Budgeting Board decides upon the changes to be included in the regulations of the process. The regulations are not determined by municipal law, and do not, therefore, have a formal institutionalisation.

According to Paulo Garcia (member of CRC – Co-ordination of relationships with communities), the most problematic issues of the participatory budgeting process at present are the limits of the informal city, which many times requires long term actions to reach solutions (such as the case of regularisation of illegal settlements); and the limits of the financial capacity of the municipal budgeting itself. Community mobilisation is not a problem anymore since participation has been increasing every year.

Experience commentary

The experience of participatory budgeting in Porto Alegre represents an innovative solution of shared urban management. Although it does not particularly focus on low income housing production, it has direct positive effects on the living conditions of low income groups through a more rational distribution of services and infrastructure throughout the city. Identified positive aspects are:

- Communities may really intervene in the distribution of resources for urban investment and are invited to negotiate with other urban parties not only at community and district levels, but also at the city level. Conflicts gain more visibility because of the participation of local communities. Moreover, by experiencing the practice of regular meetings, community members learn how to organise themselves and how to negotiate technical issues with local authorities. As remarked by Abers (1998), this learning experience should not be underestimated since acquiring organisational skills may be later applied in other situations and contexts. Besides, according to members of the municipal government, the experience of participatory budgeting has propitiated the

emergence of new leaderships in the communities since participation is not subject to affiliation with any group or party.^{xix}

Rosana Ferreira is an active delegate of the centre district. According to her, the experience of taking part in the participatory budgeting process has not only increased her understanding of the world, but has also enabled her to build a whole network of relationships. It has increased her access to current programs and initiatives both in the municipal and state governments, which could bring benefits to the communities she represents. It has also strengthened the belief that participation is the right path to follow.

- Budgets are usually non-tangible matters and hard to be understood by the general public, but the participatory budgeting process helps overcome this difficulty and facilitates, through its several stages, the ordinary citizen's understanding of how investments are planned, how much infrastructure and public works cost the city, and what the relationship between revenues and expenditures is. Understanding such aspects represents an important forward step in better assessing the performance of local governments, which is an important element in building and consolidating democracy. It also helps in monitoring what is really being implemented by local government.
- The instrument is indicated to have been an effective mechanism for changing the traditional practices of investment, accomplishing the adopted policy of priorities inversion. Low income populations have apparently succeeded in getting a larger share of investment funds.^{xx} Since it has been applied in Porto Alegre, the majority of investments have been directed to small scale urbanisation projects and infrastructure projects on the outskirts of the city (Abers, *op. cit.*, Cordeiro 1999). From 1989 to 1999, the number of homes that have running water increased from 83% to 99%, sewerage connections jumped from 46% to 82%, average road paving rose from four kilometers per year to

approximately 20 kilometers a year, the number of registered students doubled and 80 Health centres were refurbished at various locations (Tonollier 1999).

- It helps to create a distributive mentality among communities and districts through the application of criteria that take into account the level of necessity in specific areas, the number of benefited inhabitants in maximum necessity areas and so on.^{xxi} This reflects the influence of local government technicians who are constantly promoting the importance of applying formal criteria to achieve distributive justice among Forum delegates and Board members (Abers *op. cit.*).
- It is important to note the role attributed to local government in this whole process. Contrary to the idea that the delegation of budgeting powers to society has meant a reduction in the participation of the local government, one of the reasons attributed to the success of the instrument's application has been precisely the intense involvement of the local administration – from the Mayor himself to many other technicians and managers of several public bodies.

As problematic aspects, one may consider:

- In participatory processes the risk is recognised that the very poor, who are the most in need, may be excluded from the benefits considering that, for this group, the costs of participation are too high because all their time and energy are strictly devoted to survival strategies. Research has shown, however, that the participatory process of budgeting has not reinforced inequalities. Around 40% of the population interviewed in a survey conducted by Abers (1998) had a monthly income of up to three minimum wages while 18% had a monthly income of between three to five minimum wages. Since the majority of the participants are poor (although not at the very bottom of the social scale), there is

a general concern for protecting poor communities and for establishing objective criteria that take into account the relative necessities of different communities.

- The implementation of the instrument is difficult, complex and lengthy. It has, therefore, costs to be taken into account. Moreover, it requires a significant level of community organisation and a strong commitment of local politicians (mayors, technicians and councillors). One might argue as to whether or not there is any other way to reach the same practical results by incorporating some of the practices developed by participatory budgeting (such as using urban life quality indexes to distribute resources among districts and allowing the communities to participate in the process through public audiences) without having to pay the extra costs of managing a cumbersome process. The results presented, and the historical performance of local governments in setting budgets suggest, however, that popular participation has resulted in a more efficient allocation of resources which possibly compensates for the extra costs involved in organising participatory budgeting. Moreover, the learning process for the communities involved in the participatory process should not be neglected and would certainly not happen otherwise.
- The instrument of participatory budgeting in Porto Alegre is not legally institutionalised. This is criticised by some and defended by others. The main criticism is that, instead of being incorporated as a legal instrument of the municipal administration, its application will either depend upon the will of those in power, or it will be politically linked to the party which implements it (Fedozzi 1999, p.188). Others, however, argue that the main advantage of the instrument is that, by not being legally institutionalised, it is not frozen by specific legislation, being discussed yearly and informally regulated (Souza,

1997). At any rate, the need is suggested to deepen the experience of participatory budgeting in society so that it guarantees its continuity regardless of the party in power (Pontual 1999).

- Information is a key issue for the whole process of participatory budgeting. Therefore, local agencies have to be equipped to offer a quick and effective response to community requests. This means investing in information systems and human resources so that the right sort of information is made available for public scrutiny. If the information offered to citizens is adequate, accurate and relevant, the outcome will more likely be legitimate and effective.
- Another risk is losing the general and strategic perception of urban development requirements for the city as a whole through the local fragmentation of the city's investments. Porto Alegre has tackled this issue by creating, in addition to a territorially-based participation structure, a thematic structure.^{xxii} That city has not yet proven to be solving this matter adequately, and it is still a challenge for the city to find ways to involve its population in more strategic, longer-term investments. The real challenge is the use of the participatory budgeting process to formulate a debate beyond the budgeting itself, questioning the rationale of public policies and the very production of the city at its roots – not in its consequences (Fedozzi 1996).

Participatory budgeting represents an important innovation as an open decision-making process which potentially has a large impact in better distributing resources within the city. The participatory budgeting process has not only enabled the achievement of significant material (physical) transformation within the city, but has also promoted social changes as to the stimulation of popular self-organisation, while also enabling the necessary social control over the process. Moreover, it is a

particularly interesting experience that stimulates the practice of partnership as a conflict-solving approach (Pontual 1999).

José Maciel is a delegate from the Thematic Structure, representing the theme Education, Sports and Leisure, traditionally not a very strong theme in the process of participatory budgeting. Still, his appraisal of the PB process is a rather positive one. He illustrates this with his own story, which has changed from a passive, non-involvement attitude towards public matters, to an active and committed engagement. In his words, “taking part in participatory budgeting is comparable to using opium or *cachaça* - an addicting experience because it represents an unique chance for ordinary people to have a say in public matters. It is not an easy process, though. There are many disputes, but *everybody* learns to negotiate and, above all, everybody learns to live with the difference.”

Inter-linked Operations

Inter-linked operations is basically an instrument of negotiation between the public and private sectors concerning urban parameters. It has been applied in many Brazilian cities such as Rio de Janeiro, São Paulo and Campinas, among others. The instrument’s application differs significantly from city to city, but in general terms it is defined as the exchange of more beneficial urban parameters (in addition to what is offered by the established urban and building legislation) for resources addressed to tackle specific issues of the city (usually related to investment in social housing or basic infrastructure). In other words, the local government trades the alteration of urban parameters (such as land uses, building height, plot occupation index, etc.) on specific plots for financial or in-kind contribution given by the landowners or land developers.

The origin of the instrument can be traced back to the 1980’s, when a strong critical movement emerged against the prevailing planning use control patterns (Cardoso et al. 1997). In this context, some instruments were indicated as having the

potential of recovering part of the real estate valorisation derived from public investment in the infrastructure such as betterment tax, development rights, and inter-linked operation, among others.

The instrument of inter-linked operation was launched in Brazil in the city of São Paulo during the tenure of mayor Jânio Quadros (1985-1988), through municipal law number 10209 on 9 December 1986. It was defined as a special authorisation granted by the local government to alter a set of defined urban parameters on a specific plot, provided that the land owner or developer would build and donate social housing addressed to the slum population. For this reason the corresponding law was named “lei do desfavelamento,” for which a literal translation would be the “undoing-slum-law.” With time, the responsibility of building and donating social housing units was replaced by a financial contribution directed to a municipal social fund (FUNAPS).

Experience of Rio de Janeiro

The so-called inter-linked operation instrument is foreseen in the Master Plan of Rio, approved by the municipal council in 1992. It is defined as the trade-off of established urban parameters by the municipal government within limits defined by municipal legislation, for compensations provided by interested people. It is based on the following principles:

- to promote unforeseen development opportunities and at the same time recover part of the extra real estate value generated;
- to incorporate some level of flexibility into the existing set of urban parameters.

The compensations are calculated as a proportion of the extra value which is added to a planned undertaking by the alteration of the parameters. Compensations may take the form of financial resources addressed to the Municipal Urban Development Fund; urban infrastructure works; plots and housing units addressed to low income people; and recovery of cultural or environmental patrimony.

According to Rio's Master Plan, the accomplishment of inter-linked operations depends on the favourable opinion of the Municipal Board for Urban Policy and, in cases of cultural heritage and environmental recovery, the Municipal Board for Environment and the Municipal Board for Protection of Cultural Heritage must also be consulted.^{xxiii}

According to a municipal bill passed on 18 April 1994, the local government of Rio defines the specific situations for which the inter-linked operation instrument's use should be acceptable and establishes the procedures for its application. The Municipal Council (formed by directly elected councillors) has 60 days (after the approval of an inter-linked-operation) to possibly reject it. The possible negotiable exceptions to the municipal legislation are the plot occupation index; the total building area; the maximum height of the building; building typology; building use; and lateral, front and back yard spacing.

The municipal law adds two additional categories of possible compensations when compared to the Master Plan: the construction or renewal of public buildings and the construction of urban facilities addressed to the low income population.

The law also classifies the inter-linked operations into three categories:

1. Those considered of public interest – understood as cases in which the proposed alterations do not harm the global and sectoral planning guidelines of the city,

and adapt themselves in an acceptable and satisfactory way to local land use requirements, or address a public interest which was not previously defined;

2. Those considered as being of private interest which do not cause inconvenience to the general public interest – they may cause some sectoral or individual damage provided that this damage is compensated by its solution, which should thereby bring benefits to the community as a whole;
3. Those considered as being of private interest which will solve any existing inconvenience in the public interest – the proposals may contain inconveniences to the public, but the proposed solutions should solve any existing inconveniences and compensate, in an acceptable way, the interest of the community.

The above classification, though rather vague and confusing, is important because the law states that in the first category, an inter-linked operation may be approved by law (voted by the Municipal Council) or decree (a simple mayoral act), whereas in the other two categories it may only be authorised by an approved law. For category numbers two and three (which are basically the same), the law also guarantees public participation in the process of approval of an inter-linked operations instrument through the practice of public audiences. All of the inter-linked operations approved so far have been considered to be under the first category.

The rate of added value which is “charged” as compensation from the private sector is also a matter of controversy. It ranges from 10% to 50% of the real estate valorisation for constructions yet to start, and from 20% to 80% for constructions already being built or which have already been concluded.^{xxiv} This means that the instrument of inter-linked operation is also used for the regularisation of constructions which were built in disregard of municipal building or zoning codes. It

also means that the wide range of percentages that regulate the calculation of the compensation (10% to 50% and 20% to 80%) open space for subjective negotiations.

The instrument's application

From April 1995 to June 2000, the municipal government of Rio approved 20 inter-linked operations, all of them located in refined areas of the city (see Table 5.3 and Figure 5.17). In all cases the compensation was given in cash, directed to the Municipal Fund for Urban Development, adding up to a total of US\$28,829,952.04. All the cases were approved through the Mayor's act (decree) and were not rejected by the Municipal Council. Although the law classifies inter-linked operations in three different categories, in none of the studied cases does the decree explicitly mention the category in which the case under discussion should fit. Therefore, it has to be assumed that in all the operations, the municipal government considered them to be included in the first category (currently, the proposed alterations do not harm the global and sectoral planning guidelines of the city, and adapt in an acceptable and satisfactory way to land use local requirements, but do not address a public interest not previously defined) since they were all approved through decree and not through law, a possibility allowed only in that particular category. It is remarkable, however, that some approved inter-linked operations alter significantly urban parameters with no apparent justification based on public interest. In two different situations, the maximum building height allowed was altered from five floors to 10 - 15 floors, and from five floors to 11 - 15 floors, both in high valorised areas of the city. Except for the money received in exchange for allowing the extra floors, the public interest served is not clear.



Figure 5.17 – Distribution of inter-linked operations within the city of Rio de Janeiro

Table 5.3 - Inter-linked Operations approved in Rio de Janeiro

decree - date	zoning concession	% added value	Value in US\$	neighbourhood
13812 - 06 04 95	land use & number of units	50	817,623.37	Barra da Tijuca
14340 - 09 11 95	building height	50	2,902,160.90	Barra da Tijuca
14708 - 10 04 96	land use & building height	80	68,160.99	Botafogo
14708 - 10 04 96	land use, building area, height & parking place	80	485,424.09	Ipanema
15061 - 23 08 96	building height	30	253,692.59	Tijuca
15062 - 23 08 96	land use and building height	30	375,206.66	Urca
15207 - 18 10 96	building height and number of buildings	50	4,406,887.10	Barra da Tijuca
15255 - 14 11 96	land use and building height	80	90,062.11	Botafogo
15256 - 14 11 96	building height	50	132,958.07	Botafogo
15257 - 14 11 96	land use	10	33,820.01	Ipanema
15548 - 27 02 97	number of housing units allowed	not stipulated	196,082.19	Barra da Tijuca
15549 - 27 02 97	number of housing units allowed	not stipulated	147,181.49	Barra da Tijuca
16670 - 28 05 98	not stipulated	not stipulated	15,195,540.00	Barra da Tijuca
17515 - 03 05 99	land use	50	175,527.17	Vargem Grande
17605 - 31 05 99	front spacing	50	22,275.02	Barra da Tijuca
17606 - 31 05 99	land use	50	123,670.92	Barra da Tijuca
18056 - 29 10 99	land use and building height	50	1,411,806.30	Lagoa
18005 - 19 10 99	building height	50	1,242,073.60	Barra da Tijuca
18004 - 19 10 99	land use	50	252,094.44	Vargem Grande
18714 - 27 06 00	land use	50	497,705.02	Barra da Tijuca

Source: Diário Oficial do Município do Rio de Janeiro (Rio de Janeiro Official Press)

Moreover, considering the fact that all the situations have been “classified” (or informally considered) in the first category, there has been no need to consult the community. Given the circumstances, the chances for the community to participate are very limited. It might express itself against the specific operation during the administrative procedure (which would assume that the community is constantly attentive of internal administrative procedures, which is not normally the case), press the Municipal Council to reject the instrument’s approval during the 60-day period after the approval of the operation, or later on, discuss the municipal decision in court via a popular lawsuit. The Municipal Board for Urban Policy has merely been informed about the inter-linked operations negotiated so far, but it has not been formally consulted about them.

Experience commentary

The instrument of inter-linked operations (in general terms and particularly the one in practice in Rio) raises a polemical debate. On the one hand, its application is based on the following justifications: the need to increase public control over land valorisation; the need to incorporate flexibility into urban legislation; the need to implement re-distributive policies (Cardoso et al. 1997); and the need to establish partnerships to finance public investments in infrastructure (Silva 1996).

On the other hand, there are criticisms pointing out the inconsistent use of the existing urban legislation, which is sought to be altered on a “case by case” approach (based on the criticism of it being too rigid), but it is not sought to be improved comprehensively. On the contrary, it is the present *status quo* of rigid legislation that allows for the negotiation of more flexible (and exceptional) parameters. The critique also indicates that the instrument goes against the most ethical principles

that should guide the idea of legality and justice: the concepts of equality and universality of law (Cardoso et. al. *op. cit.*).

Both sides of the argument are strong and deserve more reflection. Before going into analysing the arguments against the instrument, some general comments and suggestions will be raised.

The first questionable aspect of the instrument's application is the fact that inter-linked operations, in principle, deny (disregard) the existing zoning code. To the contrary, it is acknowledged that zoning laws have historically proven to be too rigid an element in urban planning which does not allow for appropriate responses to the dynamics of real estate and land markets. In Rio, however, the denial of the existing zoning law present in the inter-linked operations is exaggerated by the lack of limits with respect to urban standards within which the government should be allowed to negotiate. In fact, the law defines a list of standards which are negotiable, but for each of the standards it does not define any leeway in the negotiable matter. The law states, for instance, that building height is prone to alteration, but it does not state what the maximum height limit is which the government is allowed to negotiate – ten floors, fifteen, twenty? Basically, the limitation of the negotiable matter is not dependent on the analysis of the available local infrastructure, or on the impact on traffic conditions or on any other local conjuncture such as environmental considerations. Thus, the exemptions to urban parameters are judged subjectively instead of objectively.

One possible way to avoid the present open-ended situation would be the establishment of two different categories of standards for zoning: an allowed standard (by normal building procedures) and a tolerated standard (to be traded off by compensations which would be negotiated through inter-linked operations). The

differences between the two standards should be based on a study of positive and negative aspects of local conditions, particularly the level of infrastructure available and the physical capacity to absorb extra traffic resulting from the additional building area or land use alteration. Still, it is possible to imagine unpredictable situations that may address the public interest. In these cases, any extraordinary alteration in the pertinent legislation should be subject to public control, being examined by the existing Boards and exposed to public audiences.

Municipal law 2128 (which regulates the matter) does not conform to the principles established by the Master Plan approved by the city of Rio (complementary law number 16/92) in two aspects. First, it bypasses the requirement that every zoning alteration has to be done through an approved municipal law and not by municipal decree. Second, it also “simplifies” the process by not requiring that inter-linked operations be submitted to the Municipal Committee for Urban Policy to examine their conditions and suitability. Moreover, in practical terms, all the inter-linked operations’ approvals also escape any formal consultation with local communities by being classified under a category which releases the government of the need to institute public audiences, which is the second questionable aspect of the application of inter-linked operations in Rio – the lack of legitimacy and clarity.

Basically, the adoption of two levels of urban parameters and the incorporation of a more transparent and democratic procedure in the application of the instrument would compensate the basic criticisms raised by the literature.

- The idea of capturing part of the real estate extra-value obtained as a consequence of legislation or public investments – it is argued that inter-linked operations does capture part of the extra real estate value, but at the same time

also promotes an extraordinary real estate valorisation derived from the adoption of exceptional urban parameters (Cardoso et al. *op. cit.*). According to this view, the instrument ultimately promotes exactly what it is intended to capture. However, any change or flexibilisation in the legislation does promote an extra real estate valorisation, which is usually not captured by the municipal government. This one, at least, is partially captured with the instrument of inter-linked operations.

- The need to incorporate flexibility to urban norms – the application of inter-linked operations applied in Rio provides more of a systematic disregard of urban legislation without the required social control than a more flexible process of law implementation. Inter-linked operations is generally considered as the mere derogation of urban law (Wilderode 1997). The establishment of two levels of standards (based on the analysis of the existing level infrastructure etc.) would mitigate this issue.
- The need to address re-distributive matters – although there is a strong appeal for the need to implement more re-distributive policies, the application of inter-linked operations does not necessarily address re-distributive aims because it does not interfere in the general production of resources from the legal fiscal system (Cardoso et al. *op. cit.*). It only shares part of the extra values, which are derived from the instrument's application. Notwithstanding the fact that there are other more re-distributive instruments, inter-linked operations does contribute to sharing resources by capturing part of developers' profits directed to social aims. The main problem is not in selling urban parameters, but in not controlling what is being sold in the name of public interest.

- The idea of developing partnerships to finance public investments in infrastructure – although the idea is positive, the criticisms raise an ethical consideration in the sense that they question the use of a very pragmatic approach to raising private funding based on a dangerous prerogative of disregarding urban legislation. This is indeed an important argument in the sense that one cannot simply deny the reasons that support the existence of zoning laws or building and occupation regulations. Pragmatism in itself is not a problem. The problem is searching for pragmatism in a non-legitimate way, lacking the necessary social control in raising private funding.
- The confrontation with concepts of equality and universality of law. The idea that some people and groups may “acquire” access to law exceptions means that the law is only to be strictly respected by those who cannot afford an inter-linked operation. This creates two types of citizens: those who can and those who cannot pay to more intensively use their land potential (Cardoso et al. *op. cit.*). If the range of negotiable matters is foreseen by the legislation, then it does not have an arbitrary and subjectively case-driven approach. It is a clear and general rule which every person may apply. A more permissive occupation of a plot is granted for a compensation which is used to finance social housing or other social projects.

Although the analysed inter-linked operations has negative aspects mainly because of its implementation procedures, in principle the instrument itself has a number of positive aspects.

It represents a way for local governments to deal with unpredictable situations in the city. Thus, it brings a certain level of flexibility for local governments to better respond to the dynamics of urban development, allowing them to better manage the

rigidity of zoning laws. However, zoning laws have an important role in clearly defining criteria for the city's development and usually are approved after a fierce negotiation process between the various interested urban players. Therefore, it seems plausible that any change in these criteria should be approved by municipal law and submitted to public scrutiny.

The inter-linked operations instrument also seems to represent a step ahead in better sharing costs and benefits derived from urban development by admitting that the public sector has the right of (given the limits established by law and provided that the public interest is preserved) granting exceptional zoning and building parameters against appropriate compensations (e.g. for the municipal urban development fund). In this sense, it approaches the debate on partnership and a more collaborative relationship between sectors (Silva, 1996). Although the (possible) benefits for low income families are of an indirect nature, inter-linked operations may be used to provide exceptional resources to be invested in social housing or to solve land disputes on particular sites of the city.^{xxv}

The core issue to check the potentialities and limits of the application of the instrument of inter-linked operations is the combination of a more particular treatment of urban parameters and clear and transparent implementation procedures (*ibid.*).^{xxvi}

Gathering the Brazilian Experience

The Brazilian situation is clear: no sector acting independently – state, market or organised society – is fully equipped to solve the housing problem for the low income population. A more co-operative relationship between sectors might be an alternative worth considering.

The application cases presented in this chapter indicate that multi-sectoral partnerships may accomplish important results if used under the right circumstances. Of particular relevance is the role of local governments in exploring local opportunities to leverage development and in promoting a shared urban management under its co-ordination. It requires a set of positive interactions with neighbouring municipalities, other levels of government, potential investors, and particularly, local communities. Creativity, co-operation and entrepreneurship are key words for empowering municipalities to face the present urban challenge.

Of particular importance in this debate is the attainment of public interest. It is very difficult to define public interest, specially when what is at stake is the conflict of differing public interests: interests of specific groups as opposed to the interests of the general public. A way to escape the fuzziness and complexity of such situations is to assure that the process of implementing instruments for urban development is as transparent and inclusive as possible. In this regard, it is important to (formally or informally) institutionalise channels for community participation. Involving society in the decision making process is an important means of facing the issue of diffuse public interests and, at the same time, of benefitting from the discretionary power of the public sector who may analyse situations on a case-by-case basis and deal with unpredictable problems and innovative solutions, as shown in the case of inter-linked operations (despite the criticisms pointed out as to its implementation). If more flexibility is needed, and if the achievement of more flexibility is likely to rely on the use of instruments that are based on the public sector's discretionary power, such instruments should always be closely followed up by social control (unfortunately lacking in the case of the inter-linked operations analysed).

A relevant aspect in this debate appears to be the need to emphasise (in local management practices) not only problems and the usual resource scarcity, but also potentialities and resource availability wherever they are. In this context, the private sector, the local community and NGOs can play important roles as partners of the public sector in the duty of local management.

The experience of Fortaleza indicates that it is possible (and required) to tackle the several dimensions of shelter development with a sound programme. It also reveals that, provided an adequate collaborative environment between sectors is achieved, the target community has the potential to be much more than a mere passive beneficiary. It reveals, however, the need to better sustain such programmes along time so that they may evolve to other arenas.

The experience of Americana is an example of what the pro-active performance of a local government can achieve. By reaching a negotiated solution to a consolidated slum area, the stakeholders' previously conflicting interests are transformed into compatible interests. It also shows that a supportive public environment can contribute significantly to improve the life quality of low income groups.

The experience of participatory budgeting shows that local communities are willing to take part in decision-making processes if there is an open channel for their participation. It is the recognition that social participation in problem identification better qualifies choices and constitutes an opportunity for other communitarian strategies to emerge (Giacomoni 1996).

The inter-linked operations experience reveals that it is an instrument that may contribute to solving unpredictable problems related to real-estate development opportunities and to providing indirect mechanisms for low income housing

investment. The application of the instrument requires, however, further improvements to guarantee the attainment of legitimacy.

Concluding remarks

The analyses of the international and the Brazilian experiences reveal that the experience of partnership arrangements in developed and developing countries vary substantially, covering a wide range of activities, strategies and internal management processes. It also reveals some important issues for discussion.

The partnership concept has been used to address different development strategies and objectives. In some cases, the instrument of partnership is used to accomplish a decentralisation policy, while in other cases the objective is to enhance centralisation. In some cases, the partnerships have attained a social inclusion agenda, whereas in others the results have been more exclusionary. This only reinforces the relevance of the contextual dimension of partnerships.

The initiative for partnership also varies. In some cases it comes from civil society, whereas in others the public sector is the initiator. In Brazil, the public sector has a decisive role in starting up partnership initiatives, and it has had a particularly important role in successful experiences. At any rate, the commitment of all sector-partners is crucial for the success of the joint undertaking.

The role of the community and the third sector in partnership arrangements also differs in both contexts. Although the third sector in developed countries shows a superior level of organisation (as can be illustrated by the prominence of Community Development Corporations in the USA, Housing Co-operatives in Holland, among others), the third sector in developing countries performs a more active role at the ground level of shelter development, including the use of local

communities as a labour force in housing programmes. This is an important resource in partnership arrangements.

There is a vast array of institutional arrangements dealing with partnerships. In some cases, particularly popular in the USA for instance, one large organisation is settled to tackle different aspects of urban development, undertaking programmes for job generation, education, housing and economic development.^{xxvii} Others involve huge, multi-sponsored undertakings with sophisticated and complex financial arrangements attached to one particular area of the city (such as the Docklands project), while in some others the concept is used to implement programmes of larger coverage addressing a particular problem (such as the JVP in the Philippines). There is still a last group of partnerships which involves smaller, more time-limited projects with a one-to-one relationship between two or a few partners (Woodside 1986, p.150). Evidence shows that the approach to mega-projects and to multi-functional partnership arrangements is more frequently used in developed countries (which require a more advanced institutional capacity), while developing countries (such as Brazil) approach partnerships to tackle more focused areas – either project- or programme-oriented.

Much of the partnership approach in developed countries follows a policy to reduce the participation of the public sector in service delivery, in line with privatisation policies. In this context, partnerships are advocated as part of government program cutbacks.^{xxviii} In developing countries, however, the approach seems to be to increase the participation of the public sector in matters that have been, for many years, driven primarily by market forces. The Brazilian experiences described in this chapter show the public sector assuming a pro-active role in fields previously dominated by the informal housing sector.

There is a consensus that multi-sectoral partnerships for housing purposes have played a limited role in providing a large scale solution for low income groups in both developed and developing countries. Notwithstanding the fact that the quantitative results may sound weak compared to real figures on the housing needs in the respective countries, multi-sectoral partnerships have indeed provided interesting and innovative approaches on how to face housing problems from a collaborative perspective. Particularly, they provide gains in the qualitative outcome of the results by bringing different sectors together to interact closely in the search for a convergent agenda.

The level of subsidies involved in partnership arrangements also differs in both contexts. Many of the documented cases in developed countries imply a high level of subsidies which cannot be afforded by governments in developing countries. The same applies to risk sharing which is often absorbed by the public sector. Although some level of subsidy seems to be unavoidable when dealing with low income groups, partnership arrangements in developing countries have to be approached from a cost-recovery perspective. This increases the chances of conferring sustainability to the arrangement, which otherwise might not be accomplished. This is a fundamental difference in the conception of partnership arrangements in developed and developing countries.

The concept of multi-sectoral partnerships has been approached nationally in many countries as a national development tool. The instrument in Brazil has been mainly used by local authorities to tackle projects or programmes within the city boundaries.

The final conclusion is that, despite the incipient stage in which the application of some of the instruments discussed in this chapter may be, there is

some empirical evidence which appears to indicate that momentum is mounting towards a change in traditional practices. The trend points toward a situation where new strategies are being created which stimulate the direct participation of citizens and the private sector in public matters, constantly checking and legitimising governmental decisions. As pointed out by Utzig and Guimaraens (1996), such strategies would comprise a new public sphere which would stretch the bureaucratic frontiers of the state, submitting it to a strict social control – a non-governmental public sphere, located outside the state, but unquestionably public in its nature.

Notes

ⁱ Both under the name of *urbanização consorciada* (consortium for urban land development).

ⁱⁱ For a physical localisation of the experiences see Appendix 1.

ⁱⁱⁱ These inter-linked urban programmes were selected as one of the twelve Best Practices to receive an award for excellence in improving the living environment at the Habitat II conference, in June 1996.

^{iv} *Barracos* are precarious housing units made of wood, non-permanent and recycled material.

^v According to the local government of Americana, the family monthly income ranges from 1 to 3 Brazilian minimum wages.

^{vi} The idea of negotiating a solution for the area with the private land owners emerged during the first administration of Mayor Waldemar Tebaldi (1989-1992), who was elected again for the present administration (2001-2004).

^{vii} The architect Marco Antonio Jorge was interviewed in 1997 as the project leader, and again in 2001, also as an elected municipal councillor of the local government of Americana (e-mail: habitacao@americana.sp.gov.br).

^{viii} This name was chosen by the population of Vila Mathiensen.

^{ix} Caixa Econômica Federal (CEF) is the federal bank which inherited the responsibilities of the former National Housing Bank (BNH), closed in 1986.

^x Baróss identifies that formal land development follows the sequence Planning-Servicing-Building-Occupation, while the informal development of land is based on the sequence Occupation-Building-Servicing-Planning. For a further discussion on the development sequences of both formal and informal land delivery strategies, see the work of Baróss (1990) and chapter 1 in the present work.

^{xi} Such systematisation is still being created. Apart from the experience described in the present paper, the city of Americana has approved two other land sharing schemes through which the municipal government develops land under expropriation law and pays the expropriation compensation with serviced plots.

^{xii} After Porto Alegre, Belo Horizonte, Betim and Santo André were among the first cities which applied the instrument of participatory budgeting (some still do) while under an administration by a mayor linked to PT - Partido dos Trabalhadores (Workers Party). The approach related to this instrument is a national guideline of the PT, included in *Modo Petista de Governar* (1992). It has nowadays expanded its application to other parties as well. During the mandate covering the period 1997-2000 this model of popular consultation for guiding public investments in municipalities was adopted by 140 local governments, 34 of which were administered by a different party than PT (O Estado de São Paulo, March 5 2001). Each city, however, develops its own instrument application methodology.

^{xiii} Porto Alegre is the capital of the state of Rio Grande do Sul and has a population of around 1.3 million inhabitants. It is located in the Brazilian Southern region, situated 1,553 km Southwest of Rio de Janeiro and 1,109 km Southwest of São Paulo. It is the centre of an important industrial region with a high influence of European immigrants, who came to Brazil in the beginning of the century.

^{xiv} The instrument of participatory budgeting is still being implemented in Porto Alegre, undergoing its fourth administration mandate which will cover the period of 2001-2004.

^{xv} This means that local government has to justify itself and obtain participatory budgeting approval in case of increases in staff expenditures, for instance, hiring more personnel.

^{xvi} There are 13 investment sectors: Housing Policy, Social Assistance, Pavement, Basic Infrastructure, Education, Public Lighting, Health, Circulation and Transportation, Leisure Areas, Sport and Leisure, Economic Development, Culture, and Environment.

^{xvii} Each year the Council establishes the criteria and how to measure them, determines a relative weight for each one and monitors its application by the local government. The three criteria described here have been used in 2001.

^{xviii} The Municipal Council represents the legislative power at the local level. It is composed of elected councillors whose tenures are four years, the same of the Mayor's, who is the head of the executive power at the municipal level.

^{xix} According to Paulo Garcia (CRC – Porto Alegre), there is one delegate who managed to be elected a municipal councillor after being initiated in the political arena through her work in the participatory budgeting process.

^{xx} The experience of Belo Horizonte, for instance, shows that the amount allocated to improvements in *favelas* has increased significantly from US\$ 2 million in 1992 to approximately US\$ 14 million in 1995 (Bretas 1996).

^{xxi} Since it is ultimately the community who establishes the criteria to distribute investment resources in the city, they have to face distributive justice issues. They also have to face the conflicts of specific district demands *vis-à-vis* more general city-wide demands (Pontual 1999).

^{xxii} Other cities, such as Belo Horizonte deal with it differently, by establishing for instance the district investment quotas beforehand.

^{xxiii} These committees are composed of members of the executive branch of the local government, of representatives of civil society and of members of other government levels (state or federal). They function as consulting entities controlling the actions of the municipal government in specific matters.

^{xxiv} The law establishes that the compensation will be calculated as a proportion of the valorisation added to the development, which may include either the expectation of economic exploitation of the development, or the use or exchange value that may be derived from the development.

^{xxv} As described previously, the inter-linked operation in São Paulo was originally created to allow for private developers to clear slum areas developed on private land. In exchange, the developers were obliged to build and donate houses for the whole community on another site, which should be negotiated with the community.

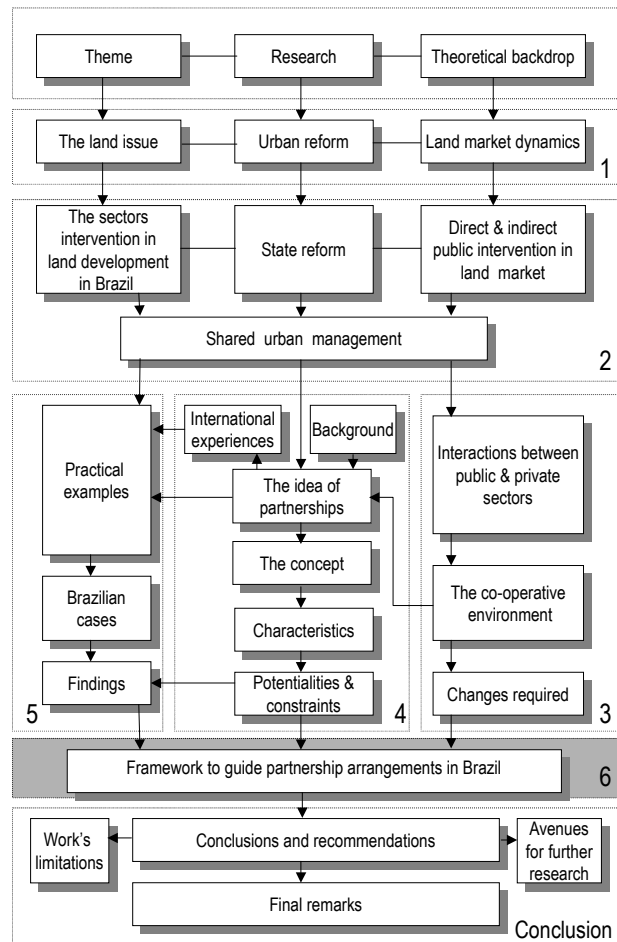
^{xxvi} The present Mayor of Rio de Janeiro has suspended the approval of inter-linked operations (Decreto N19423 dated from 1st January 2001) and has created a working group to discuss its future application.

^{xxvii} This is the case of the New York City Partnership, launched in 1979, which “has matured into a vigorous organisation with solid programs in such areas as youth employment, education, public safety, affordable housing, and economic development.” (Woodside 1986, p.122)

^{xxviii} For a critical comment on the use of partnerships to cut back public investments in social areas, see Woodside 1986.

Chapter 6

A Framework to Guide Partnership Arrangements



The aim of this chapter is to build a framework to help guide the analysis and development of multi-sectoral partnerships in the Brazilian context. Assuming that direct transplantation is difficult and rare, the question this chapter intends to answer is: What are the crucial general elements to be aware of when interacting within partnership arrangements?

To achieve this objective, elements discussed in Chapter 4 and elements from the literature will be analysed and contrasted with the experiences described and commented on Chapter 5.

The partnerships rationale

The overall objective of the present research is to explore ways of changing the current *status quo* of restricted access to land by low-income groups in Brazil, frequently occurring in illegal ways, through partnership arrangements. The reason to explore the idea of multi-sectoral partnerships for low income land development is to provide a way of channelling different sectors' available resources and capabilities to build a convergent agenda, and with that, to increase legal land options for the poor.

It is assumed that neither sector can manage to independently cater to low-income groups in an adequate way in terms of land access. Sooner or later, even the informal market (which in fact provides a second-best solution) requires the intervention of the government through regularisation and upgrading programmes. The way such programmes are usually implemented indicates that there is, in fact, an informal, non-explicit and involuntary "partnership" because the regularisation costs constitute non-refundable costs for the governments involved (Oliveira 1993). If governments have to direct resources to intervene in a later stage of the process (after the settlement is already consolidated), why not explore the possibility of their participation in the process at an earlier stage through a formal partnership, thereby avoiding the extra costs of *post-facto* planning to them and the informality costs to the communities involved? Why not better distribute investments throughout a city to diminish the high physical contrast between the formal and the informal cities, which is the basis for land speculation? Why not share the costs and benefits derived from the process of urban land development considering that it is, ultimately, a wealth producing process?

These measures require rethinking public performance in an integrated and coherent manner, mainly as to urban regulations, public investments in infrastructure,

programmes for regularising and upgrading illegal settlements and programmes for guiding new land development. As already seen in Chapter 5, a more collaborative relationship between sectors may take many forms and achieve different outcomes. The Brazilian experiences described cover all the issues pointed out above, although not all of them are flawless. They illustrate potential areas for public intervention as to:

Urban regulations - The public sector has a strong intervention power through the control of urban regulations which may be used to induce the participation of the private sector in partnerships. Since land is predominantly private in Brazil, the commercial private sector may engage in partnership arrangements to develop parcels of land which are subject to special legislation such as those framed as social interest areas. The inter-linked operation being used in Brazil (the experience of Rio de Janeiro – see Chapter 5) also shows the possibility of involving the commercial private sector, even indirectly, in the production of housing units for low income groups. There is, however, the caveat of the need to review its application by establishing limits on the negotiable standards through the setting of two levels of urban standards (desirable standards and tolerable standards) and submitting it to public scrutiny;

Public investment in infrastructure – the traditional practice of investing public resources in central areas of the city needs to be replaced by a more equitable distribution of infrastructure and public services throughout the city. The experience of involving the population in the process of budget allocation described through the instrument of participatory budgeting (the experience of Porto Alegre – see Chapter 5) is a consistent step in this direction;

Programmes for regularising and upgrading illegal settlements – considerable effort has to be channelled to regularise the large number of illegal settlements existing in many Brazilian cities. The case of Americana (see Chapter 5) is a good illustration showing an unconventional approach to regularisation where individual interests are combined in a negotiated solution through a land sharing scheme;

Guided land development – apart from correcting the situation of illegal settlements, what is required from local governments is the establishment of housing policies to increase the legal housing options for low income groups (and thereby avoid the emergence of new illegal settlements). The case of Fortaleza (see Chapter 5) illustrates that a multi-faceted approach towards housing is possible to accomplish and replicate if based on a sound democratic programme.

In all the experiences analysed, the local government performed a key role for the emergence and the development of the respective partnership arrangements. Further in this chapter the perspective of the public sector (local government) is highlighted while discussing the building of a framework to analyse situations specifically placed within the Brazilian environment (a “Brazilian” framework). This is explained by advocating the crucial role attributed to the public sector (mainly through the performance of local governments) in organising the land market and in providing a more equitable and balanced urban development.

Therefore, in order to build a framework for the Brazilian context the experiences discussed in Chapter 5 will be analysed according to the following criteria:

- ✓ Requirements – Do all requirements identified in Chapter 4 apply to the Brazilian situation?
- ✓ Incidence – Do the experiences fit into some kind of pattern?

- ✓ General objective and interaction process – Is it possible to identify a general objective for the partnership and, if so, does it imply specific interactions between actors within partnerships?
- ✓ Development strategies – What are the underlying development strategies of the cases and of what do they inform us?
- ✓ Gains and losses – What are the individual gains and losses for each case? Do all cases entail both social and private benefits?
- ✓ Characteristics – Do the characteristics fit in with the analyses of the cases? This will also help answer the question – Do the cases fit the partnership definition developed in Chapter 4?
- ✓ Process conditions – Are the process conditions discussed present in the cases and to what extent?
- ✓ Evaluation criteria – What set of criteria can be identified to assess multi-sectoral partnership arrangements?
- ✓ What are the inter-relations between these parameters?

Requirements

Chapter 4 identified the requirements for the emergence of partnerships based on the literature. Here, the analyses centre on whether those requirements are applicable to the Brazilian cases. The following basic requirements have been identified: interdependence and convergence of objectives (Kouwenhoven 1993); shared vision (Serageldin et al. 1998); strong government support, strong mediators, and a positive macro-context (UNCHS 1993); and visibility of opportunities for gains (Batley 1996).

As to all requirements identified some are important prerequisites for approaching partnerships, others are important requisites for the development of the

partnership agreement, while still others are facilitating elements for working in partnerships and are not characterised as *sine qua non* elements for their emergence or development. Two prerequisites for bringing the sectors together, two basic requirements for developing the partnership agreement and three facilitating elements are identified here:

- Prerequisites for partnership arrangements – It is possible to identify in all the Brazilian cases studied the presence of two prerequisites: the stakeholders (potential partners) were interdependent on each other for accomplishing their individual tasks, and all of them perceived the partnership as a potential beneficial situation. This holds true for the cases of Fortaleza, Americana, Rio de Janeiro (inter-linked operation) and Porto Alegre (participatory budgeting). It could be argued that in the case of participatory budgeting, the government was not dependent on the communities to allocate budgets, but if one realises that the local government strategy was designed to meet the particular demands of these communities, then the interdependence factor becomes clear.

Of similar importance is the perception of the partnership as a mutually beneficial undertaking by the different partners. This perception, when applied in the process of developing the partnership, may or may not be realised. At any rate, the engagement of different sectors in a joint scheme will be dependent on a positive perception of benefits achieved from it.

Thus, for different sectors to consider the development of partnerships, two prerequisites have to be met: interdependence (which may be structural – as in the cases of Fortaleza and Americana, or just circumstantial – as in the cases of the participatory budgeting and inter-linked operation) and the perception of potential benefit (which may or may not be realised).

- Requisites for the development of partnership arrangements – For the development of the partnership agreement, a *shared vision* and *strong government support* are required. Kouwenhoven (1993) points out *convergence of objectives* as a start-up condition for partnerships. For the development of the partnership arrangement this convergence of objectives is required, but it cannot be understood as a prerequisite for approaching partnerships. It is the perception of gains and the interdependent factor that bring different sectors together. The convergence of objectives and shared vision are reached through the process of negotiation while building the partnership agreement and is not a preceding necessary element. These terms will be replaced here by the terms *co-operative environment* and *convergent agenda of interests*, which are considered as important requisites for the development of partnerships.

Strong government support is another important requisite for developing multi-sectoral partnerships. In all the Brazilian experiences analysed, the partnership arrangements were developed either as an initiative from the respective local governments (as in the cases of Americana and Porto Alegre), as a public response to an NGO proposal (as in the case of Fortaleza), or according to institutionalised rules laid down by the local government (as in the case of the inter-linked operations in Rio de Janeiro where the instrument was created by the local government, the particular operations being proposed by private developers at a later stage). The respective local governments, however, were strongly involved in the development of each partnership operation. Thus, for reaching a partnership agreement, the basic requirements considered are a *co-operative environment*, a *convergent agenda of interests* and *strong government support*.

- Facilitating elements – *Strong mediators* and a *positive macro-context* are also elements that facilitate the process of partnerships, but these do not seem to play an essential role for their emergence or development. Strong mediators facilitate the process of partnership, but they can be employed in the course of the partnership implementation. A positive macro-context also facilitates the development of partnerships, but it can be considered neither a prerequisite nor an essential requirement for their development. Many of the Brazilian experiences described were born and developed in a not-so-positive macro-context (which is, in fact, a rare situation in Brazil given its political and economic context), and with the exception of the Fortaleza case, all the other cases lacked strong mediators. These are not *sine qua non* elements for developing partnership, although it is plausible to admit that their presence does facilitate the partnership process.

Table 6.1 illustrates the situation of each Brazilian experience.

Table 6.1 – Brazilian experiences versus requirements

Cases	Inter-dependence	Perception of benefits	Co-operative environment	Convergent agenda	Strong govt. support	Strong mediator	Positive macro context
Fortaleza	✓	✓	✓	✓	✓	✓	
Americana	✓	✓	✓	✓	✓		
Participatory budgeting	✓	✓	✓	✓	✓		
Inter-linked operation	✓	✓	✓	✓	✓		

It is argued, therefore, that there are three levels of requirements for partnership arrangements: **prerequisites** (those necessary for bringing the sectors together) – interdependence and the perception of potential mutual benefits; basic **requisites** (those necessary for the development of the partnership agreement) – a cooperative

environment, a convergent agenda of interests and strong government support; and **facilitating elements** (those providing a more conducive environment for the emergence and the development of partnership arrangements) – strong mediators and a positive macro-context. Figure 6.1 illustrates the different levels of requirements.

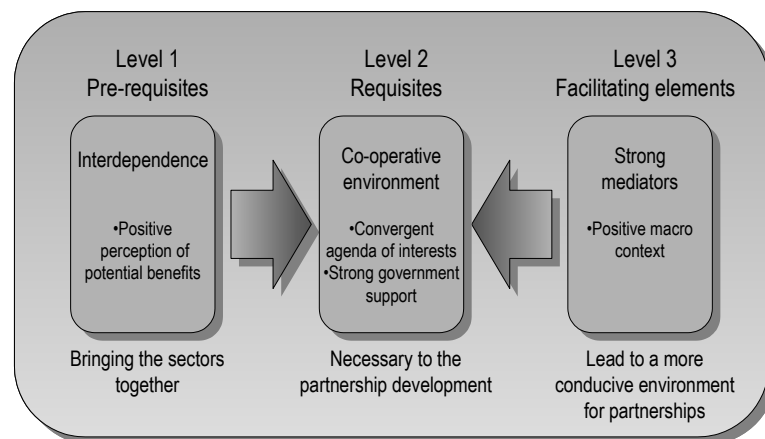


Figure 6.1 – Levels of requirements for partnership arrangements

Identifying the different levels of requirements for developing partnerships is important to the extent that they indicate which variables local governments can influence to create a more favourable environment for building multi-sectoral partnerships. This analysis points to the following issues:

- ❖ Analyse the situations of interdependence between sectors as possible situations for developing multi-sectoral partnerships;
- ❖ Work on the perception of different sectors as to possible gains in partnership arrangements. This can be achieved by publicising successful partnership arrangements;
- ❖ Guarantee a high involvement of public authorities and technical staff members in possible partnership arrangements, and at the same time guarantee transparent procedures during partnership development.

Incidence

It has already been argued that, although partnerships may bring individual benefits to the partners involved, it may also imply high administration costs. Therefore, the action which is the object of a partnership could be impossible or considerably more difficult to achieve if undertaken individually by the partners. Chapter 4 analysed the reasons why different sectors might want to be involved in partnership arrangements. Here, the situations in which the effort of multi-sectoral partnership makes sense are analysed.

It is possible to identify three general situations in which partnerships are pursued, and where the benefits achieved may compensate for the costs of undertaking a particular partnership:

- 1) when there is a problematic situation for which the individual sectors do not have the required means to tackle individually, characterising an impasse or a *deadlock situation*;
- 2) when there is a *special development opportunity*, characterising a favourable contingency for mutual benefits among partners; and,
- 3) when the partnership leads to *improvements in the quality of the results* of a certain operation.

Although improvement is expected in the result as to the quality of the partnership arrangements in all situations, in some cases this is not the driving force to seek a partnership. In some cases the situation is an impasse which will only be resolved if the respective stakeholders sit around a negotiating table and find a common solution. There are also other cases in which there is the recognition of a special development opportunity that will only take place if those involved find a negotiated solution.

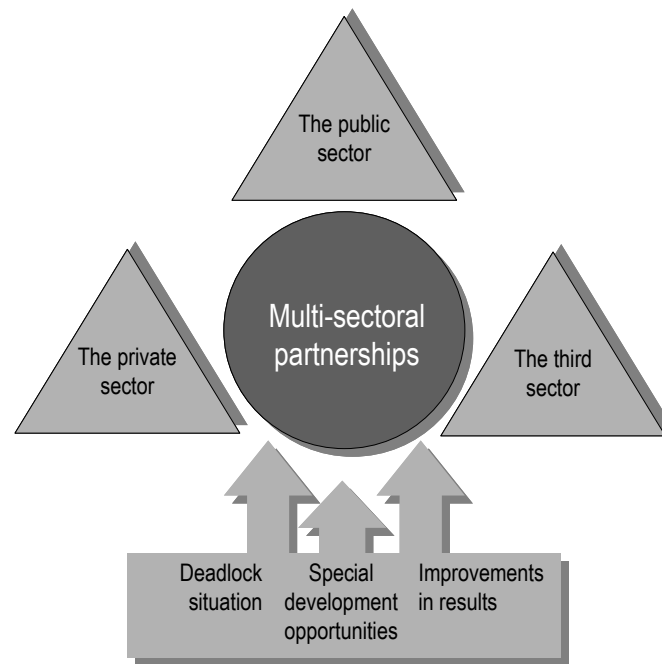


Figure 6.2 – Incidence of partnership arrangements

Table 6.2 illustrates the situation of each Brazilian experience and the three patterns of incidence identified. The Fortaleza and the Porto Alegre participatory budgeting experiences illustrate the situation of improvements in the quality of the results of current operations (respectively, land development and public budgeting) through a joint effort. The Americana experience illustrates a co-operative approach to a deadlock situation: the limits of a consolidated situation compelled the private sector to take part in a shared-scheme solution. The landowners were driven by existing constraints in that particular settlement (the consolidation of a large slum area) and had only one viable way out - a negotiated solution. The Rio de Janeiro inter-linked operation illustrates a special development opportunity of exchanging zoning concessions for resources channelled to social housing, among other things. Although each case is peculiar, the situation of special development opportunity is the

trickiest one, specially if based on an exceptional legal treatment from the side of public authorities.

Table 6.2 - Experiences *versus* incidence

Cases	Deadlock situation	Special development opportunity	Improvements in result's quality
Fortaleza			✓
Americana	✓		
Participatory budgeting			✓
Inter-linked operation		✓	

The analysis of these patterns also contributes the elements for building a Brazilian framework to guide multi-sectoral partnerships. It is possible to identify the following points:

- ❖ Deadlock situations (those which individual sectors do not manage to face alone) should be analysed as possible situations for developing multi-sectoral partnerships;
- ❖ In all three situations identified (and particularly in the case of special development opportunities), attention should be directed to justify the involvement of the public sector in partnership operations by clearly stating the public interest attained;
- ❖ In all three situations identified (and particularly in the case of improvements in the quality of the results) the administrative costs of the partnership arrangement should be considered when appraising the results.

General objectives and the public sector's role

An interesting framework in which to understand the process of partnership is provided by Mackintosh (1992), who distinguishes the following three models of processes in order to work within partnerships: synergy, transformation and budget enlargement.

Hastings (1995) further elaborates upon Mackintosh's framework to show that the concepts of synergy and transformation can entail more than one set of meanings.ⁱ

The original Mackintosh definition of synergy is:

... the creation of additional profits, through combining the different assets and powers, and an associated negotiation process over the distribution of those profits, partly to increase the returns to private shareholders, and partly to serve social ends (Mackintosh, 1992, p.213).

Hastings (1995) distinguishes two kinds of synergy: one which is resource driven and the other which is policy driven. The author argues that the resource synergy approach puts emphasis on developing relationships between partners and fosters integration between policies and co-ordination over the spending of resources. Avoiding duplication and increasing the efficiency and effectiveness of programme expenditures are specifically valued in this discourse (*ibid.*, p.261).

The policy synergy approach stresses the potential of partnership arrangements to generate new policies or programmes tailored to particular local needs - to generate innovative solutions while increasing the influential role of the local community.

The political implications of both approaches are then analysed concluding that while the policy synergy approach seems to be more inclusive and democratically driven (because it values the different contributions of all partners), the resource synergy approach tends to be more exclusionary (because by stressing the extracting of added-value in strict financial terms, it tends to exclude those partners who make no financial contribution).

Table 6.3 illustrates the differences between the two versions:

Table 6.3 – Types of synergy

	Process	Outcome/Benefit
Resource synergy	Co-operation and co-ordination over the spending of resources	Added value from resources spent: increased effectiveness or efficiency
Policy synergy	Joint approach developed through combining the different perspectives of each partner	New perspectives/innovative solutions created; original differences in culture and objectives between partners maintained

Source: Hastings (1996, p.260)

As to transformation, Mackintosh's model is a process whereby each partner looks forward to changing or putting in check the other partners' aims and culture:

Each partner... is not merely trying to work with the other and find common ground for mutual benefit. Each is also trying to move the *objectives* and culture of the other more towards their own ideas (Mackintosh 1992, p.216).ⁱⁱ

Hastings elaborates on this concept and distinguishes two contrasting dimensions to this process by identifying two types of transformation: uni-directional and mutual transformation. In this view, Mackintosh's definition of transformation is considered uni-directional through which there is an unequal power relationship and one partner is unwilling to change. Mutual transformation, on the other hand, is characterised by a less coercive and antagonist relationship:

Each partner might be willing to accept the need to change itself, as well as aspire to change others. In this model, there may be a desire to learn as well as to teach (Hastings 1996, p.262).

Hastings also underlines the distinction between policy synergy and mutual transformation. According to the policy synergy model, the partners value the differences between them to generate policy responses. According to a mutual transformation model, the author remarks that the desirable outcome is to minimise differences, and therefore to remove the opportunity for policy synergy to occur. In this sense the author concludes that, although mutual transformation is an inclusive

model, it is less ‘democratic’ than policy synergy because it does not value differences and, therefore, seeks to minimise them (*op. cit.*, p.263).

Table 6.4 illustrates the process and results according to each type of transformation:

Table 6.4 – Types of transformation

	Process	Outcome/Benefit
Uni-directional transformation	One or more partners struggle to modify or to change another partner in their own image. Partners do not accept the need to change themselves.	One or more partners change their organisational culture or objectives to become more similar to those of another partner. The transforming partner retains its original style or objectives.
Mutual transformation	Reciprocal challenges are made to the pre-existing culture and objectives of partners who seek to learn as well as aspire to teach.	All partners involved in the process change to some extent. New sets of objectives and operational styles are developed. Differences between partners are reduced.

Source: Hastings (1995, p.263)

Analysing the four Brazilian experiences through Hastings’s framework might help indicate what the relevant issues for the Brazilian context are:

1. The Fortaleza experience illustrates that resources were pooled from the different partners, and at the same time policy synergy took place. The community contributed with many insights and initiatives, and the programme evolved through a shared learning process. Therefore, there was mutual transformation during the development of the programme, which actually seems to have been its main contribution.
2. The emphasis of the Americana experience was more on the pooling and the sharing of resources although policy synergy did also occur. Although some level of transformation was also present, it did not play a major role. The project evolved to include elements of community capacity building, but its main stress was on resource synergy.

3. The participatory budgeting experience illustrates a policy synergy approach, although the sharing of information from both sides (communities and public sector) in that case also indicated a sort of resource synergy. Mutual transformation also occurred since the sharing of information allowed the public sector to be more aware of the needs of the city (through the perspective of the population itself), and the community as a whole became more knowledgeable about the process of allocating resources. The emphasis, however, seemed to be on policy synergy in this case.
4. The case of the inter-linked operations was based on promoting a development opportunity while at the same time obtaining resources for social goals. Some level of resource synergy did occur. Neither policy synergy nor transformation of any kind seemed to be considered in the instrument's conceptualisation or application. The emphasis in this case seemed to be related to creating an exceptional situation, based on the concession of special legal prerogatives as to zoning conditions.

Some points are worth commenting on in bringing this discussion to the Brazilian situation. Resource synergy may be understood as consisting of more than strictly financial terms. Hastings's (*op. cit.*) perception on resources seems to be limited to a financial dimension. However, resource contributions, other than financial, are also important such as access to a particular know-how, capacity, or access to input concerning land, labour or regulations. Therefore, the knowledge of the problems and needs of a particular community may be valuable as may also be the community capacity to mobilise labour, to propose new strategies and to foster social change. Resource synergy is an important element in multi-sectoral partnerships, but

it has to be perceived in a broader sense beyond strict financial terms. It is in this context that the role of the third sector has been highlighted throughout this work, and this is particularly evident in a couple of the Brazilian experiences (see the Fortaleza and the Porto Alegre participatory budgeting experiences).

As to transformation, three points are relevant. The first point is that transformation is, in fact, one crucial element for the public sector to perceive the potential of partnerships, and this is further discussed when analysing the underlying development strategies of partnership arrangements.

The second is that the difference identified by Hastings (*op. cit.*) between policy synergy and mutual transformation is, in fact, a false problem. If policy synergy is to occur, then the sectors' differences have to be sorted out, at least in respect to that particular partnership arrangement, for the definition of a new policy as a convergent arena for interaction. Thus, differences in perception (at least in relation to the partnership object) are minimised. On the other hand, if Hastings's idea of mutual transformation is taken to its extreme (the minimisation of differences), then the very idea of partnership is jeopardised (based on complementary resources, skills and perspectives).

Mutual transformation does not mean that the differences of each sector are to be minimised or neutralised, but rather, for any particular partnership arrangement interests are combined in a mutually beneficial way. What is important in this respect is "for actors from each sector to understand and acknowledge the legitimate interests of the other" (Payne 1999, p.8). This discussion touches, though, on the very core of the concept of partnership, which is the tension between different interests and convergent objectives. The idea of partnership is paradoxical exactly because it means valuing differences while at the same time reaching a convergent arena in which to

work, interact and co-operate. Further in this chapter the difference between a competitive and a cooperative view on problems is discussed. At the present stage, it is important to bear in mind that one of the primary requirements for partnerships, identified in Chapter 4, is the convergence of objectives (reconsidered in the present chapter in terms of co-operative environment and convergent agenda of interests). Reaching convergent objectives, though, does not mean eliminating competing guiding principles of the respective sectors. Multi-sectoral partnerships are organisational structures through which the different sectors' boundaries are redefined as to the specific object of the partnership. Within the organisational structure of the partnership the relationships are redefined, being predominantly based on cooperation. The core-business of each sector, however, remains basically the same.

The third point concerning transformation is that it is plausible to assume that any transformation that takes place in partnership arrangements (uni-directional or mutual) has to happen on a voluntary basis and not as described by Hastings (in the concept of uni-directional transformation). If one sector is "unwilling to change", then the interaction is not co-operative, and therefore does not characterise a real partnership.

Aspects of the frameworks of Mackintosh and Hastings will be partly used here, although the concepts will be re-elaborated. It is possible to identify three general objectives for partnership arrangements: the first one is based on *synergy*, the second is based on *transformation* and the third is based on *special treatment*:

- When the synergetic dimension is emphasised, the pooling, sharing and exchanging of resources are the key driving forces for the partnership (resources understood in a broad sense). The outcome may be expressed in

terms of gains in policy making or asset building. The public sector tends to perform a mediating role in these cases.

- When transformation is emphasised, searching for change, innovation, expanding the knowledge frontier, incorporating new markets, and acquiring new abilities and skills are the driving forces for the partnership. Transformation is understood here not as structural changes in the sector's guiding principles, but as major changes in the respective sectors' performances. The outcome may be expressed in terms of gains in new operational styles, capacity building and citizenship consolidation. In these cases, the public sector tends to perform a more enabling role.
- When special treatment is pursued, then the interaction aims at gaining access to special conditions, subsidy lines, concession of extraordinary zoning norms and so on. The outcome may be expressed in terms of exceptional gains (financial gains or otherwise) derived from the particular agreed upon conditions. In these cases, the public sector tends to perform an instrumental role.

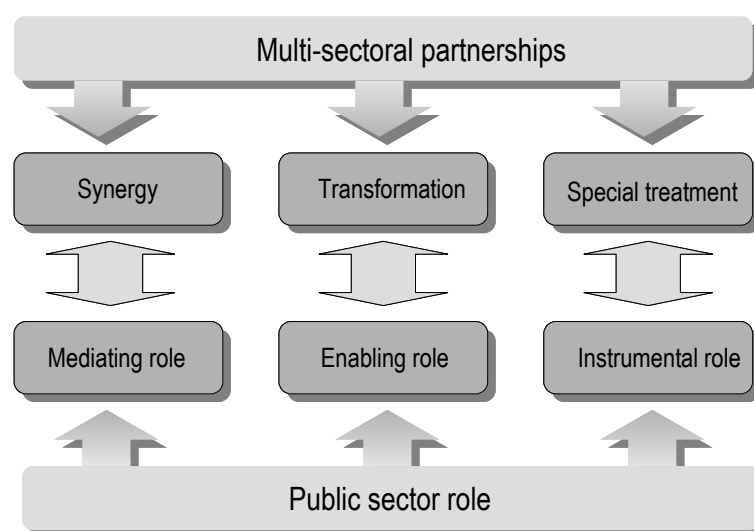


Figure 6.3 – General objectives and public sector's role in partnership arrangements

Table 6.5 illustrates the situation of the Brazilian experiences.

Table 6.5 – Brazilian experiences versus general objectives

Cases	synergy ⁱⁱⁱ	transformation	special treatment
Fortaleza	✓	✓	
Americana	✓		
Participatory budgeting	✓	✓	
Inter-linked operation			✓

The general objectives are not exclusive, but the predominance of one form of interaction generally provides the tune for the interaction between partners. This is not to say that when the transformation approach dominates, synergy does not occur. Synergy is, in fact, considered a key characteristic of partnership, generally present (on some level) in all arrangements.

Each of the general objectives identified for multi-sectoral partnerships may represent different levels of contributions to the housing issue. In this respect, there are two considerations to point out for building a Brazilian-focused framework:

- ❖ When the objective pursued is to have access to privileges (through special treatment), then social control over the operation should be reinforced, guaranteeing that subsidies, zoning concessions or any sort of special conditions are “exchanged” for tangible social benefits.
- ❖ Considering that the limited access to land and, consequently, to housing is a structural problem based on traditional sector performance, the transformation model is the one which has, at least theoretically, more chances to provide an impacting answer to the present *status quo* exactly because it is based on changing the established performance of the sectors.

Development strategies

It was previously argued that multi-sectoral partnerships have to be analysed in connection with their underlying strategies. This emphasises the public sector's perspective in the process of multi-sectoral partnership which is the perspective emphasised by the present work. It is possible to identify three general development strategies for the public sector to be involved in partnership arrangements:

- The first one is based on *problem solving* and is characterised by approaching an existing problem through the point of view of its possible solutions as perceived by public authorities. The target community is, in this case, the final beneficiary. The relationship *public sector – target community* illustrates the traditional patron-client approach, the public sector being the provider and the community a mere passive beneficiary gaining access to benefits, but not to rights or responsibilities. This problem solving strategy tends to be based on a bureaucratic approach to decision-making, the public sector performance characterised by facilitation, narrow focus (limited, for example, to providing the physical solution – the house unit), and the impact of the solution being confined to the project boundaries.
- The second development strategy is based on *social inclusion*. The emphasis of this approach is to share decision making on public policies with society or to increase the capacity of the target community to influence decision making on public policies. Social inclusion is understood here as active inclusion and relates to cases where the community has an influential role in the course of action.^{iv} Direct inclusion relates to cases when low-income communities are the targets of the

undertaking, while indirect inclusion is considered when the communities benefit, although as a secondary effect of the undertaking. The relationship *public sector – target community* is based on a shared management approach, the public sector and the community being stakeholders in the process; the latter obtaining the category of citizens in the process, thereby gaining access to rights and responsibilities. This social inclusion strategy tends to be based on a more democratic decision-making process: making use of public debate and public hearings, being based on negotiation and possessing a wider focus (addressing, in a limited way, other aspects of the housing issue). Furthermore, in making use of a project-oriented approach the solutions tend to have spill-over effects exactly because aspects other than the housing issue are also considered.

- The third development strategy is based on *social change* by qualifying the target community to move forward on the social scale. The relationship *public sector – target community* is based on an empowerment approach, the public sector being the fomenter and the community the responsive agent (and in some advanced stages of the process the reverse being true), the latter obtaining not only the category of citizen in the process – gaining access to rights and responsibilities – but also the possibility of moving forward according to its own (acquired) capabilities. This social change emphasis is more than about sharing decisions with the community. It is based on transferring know-how, making use of training programmes, workshops, job generation initiatives; employing the process of delegation; advocating a comprehensive focus on the housing issue; and making use of a programme-based orientation.

The three development strategies may be analysed as different over-lying points of time or moments along a continuum as to the interaction between sectors. The public sector point moves simultaneously from being bureaucratic-driven to being more democratic-driven, from having a provision role to having an empowerment role, from possessing a narrower focus to possessing a more comprehensive focus, from being project-based in scope to being programme-based, from having a limited geographic scale to having a wide geographic scale – as illustrated by Figure 6.4. The ideal situation to be sought, and probably the most beneficial situation for the poor, is the one at the extreme right of the continuum in which decisions are made democratically; the target community is qualified to influence decisions, propose new solutions and improve its own performance; the focus adopted is plural; the intervention approach is programme-based; and the scale is city-wide.^v These are ultimately the required elements for promoting changes in each sector's performance.

It can also be argued that from the public point of view, strategies which do not comply with any of the approaches identified above do not address the public interest criteria, a condition which both justifies the involvement of the public sector in multi-sectoral partnerships, and demonstrates that the most desirable development strategies are those which foster social change.

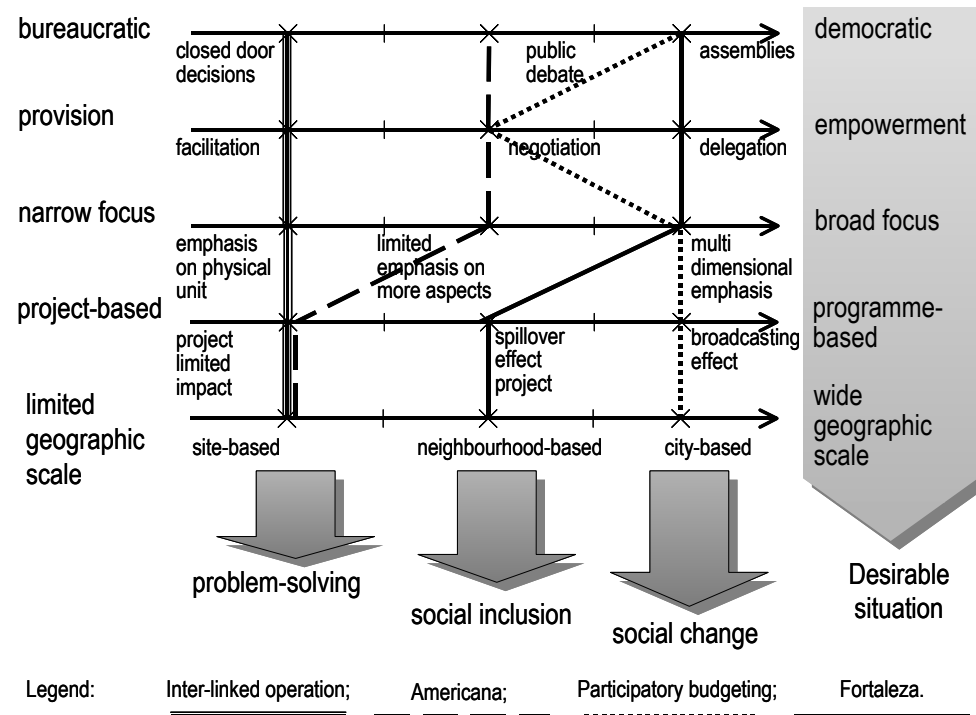


Figure 6.4 – The features of development strategies versus the cases

The following analysis explains the classification of the Brazilian experiences reviewed as to their underlying development strategies:

1. Fortaleza experience - One crucial aspect of this case is that the general motive for initiating such a programme (initially only a pilot project) was to address the shelter needs of a particular community, and the approach adopted was to empower that community to be an active partner in the process. Social inclusion was a fundamental concept in this process. The emphasis, however, was on promoting social change, which was reflected by the emphasis of the programme on qualifying the target community (and the neighbouring communities) to engage a process of life quality improvements, of learning and of moving forward. The programme had a clear social change multiplier effect. The Fortaleza experience is therefore

in between moments II and III of the development strategies (social inclusion and social change).

2. Americana experience - The case of Americana evolved from the need to solve an existing problem. The process was an inclusive one (socially and to a less extent, also economically). The local community was, however, a passive type of beneficiary. The approach adopted was to passively include the community while the public sector advocated on behalf of the community to generate a solution for the area. It revealed, however, a more open-minded approach as to the focus of the programme, attempting to deal with other aspects of the shelter dimension apart from the construction of the housing unit on a serviced plot. The project implementation was also subject to debate at the municipal council, and its decision making was not confined to office meetings. It is, therefore, situated in between moments I and II (problem solving and social inclusion).
3. Participatory budgeting - The process of participatory budgeting strongly addresses social inclusion while also promoting social change. The emphasis in the Porto Alegre case was on sharing with the respective communities the decision making process of distributing the city investments through a democratic process of public assemblies based on negotiation. The focus of the programme was on increasing participatory democracy through the process of budget allocation. This enabled the community to discuss a wide range of development investments city wide. The impact of such a practice on policy outcomes and the prospective change effect on involved communities is unquestionable. Therefore, it is situated between moments II and III (social inclusion and social change).

4. Inter-linked operation – From the point of view of the public sector, the inter-linked operation, in the particular case of Rio de Janeiro, was approached as a problem solving strategy; as a fund generating strategy. It was based on a bureaucratic approach to decision making where resolutions are reached in closed-door meetings. When social inclusion is addressed (in cases of investments on social housing), it is of an indirect and passive nature (the target community is a mere beneficiary), presenting a narrow focus on the housing problem limited to the construction of the physical housing unit. Thus, it is situated in moment I (problem solving).

Table 6.6 – Experiences analysed *versus* development strategies

Cases	problem solving	inclusion	change
Fortaleza		✓	✓
Americana	✓	✓	
Participatory budgeting		✓	✓
Inter-linked operation	✓		

The analysis of the underlying development strategies of multi-sectoral partnership arrangements is crucial. The identification of the three different moments of the public sector line of intervention is also important to indicate what can be the expected results in each of the development strategies identified, and what could be improved for reaching a more desirable situation. For building a Brazilian-focused framework, the following points are worth considering:

- ❖ The three development strategies can bring unquestionable benefits for the housing issue, although each one is of a different nature and coverage. The problem solving approach, although more limited in its scope and focus, may be used to solve existing and more delineated problems. Its impact on the housing deficit, however, tends to be marginal.

- ❖ The social inclusion approach seems to be a key analytical angle through which to pursue multi-sectoral partnerships for urban land development in Brazil, basically because that is what the root problem is all about: social and economic exclusion. It is a separating and differentiating element in traditional and progressive public policies. Incorporating the target community into the decision making process is a necessary but insufficient condition to foster change. Why? Because low income groups have to build and strengthen their own capacity to work, to interact, to intervene and to influence. That is why a third development strategy based on promoting change was identified.
- ❖ The approach of promoting change is ultimately the development strategy that may have more positive impacts on the issue of housing and land access. It is the most important analytical angle for approaching multi-sectoral partnerships in Brazil. Considering the magnitude of the housing problem in the country, a solution that is capable of providing a significant contribution to the housing situation of low income groups inevitably means fostering changes in the performance of the respective sectors, particularly in the performance of more vulnerable groups.

Gains and losses

As already noted in this work, the ‘win-win’ situation^{vi} attributed to partnership arrangements is brought into a context of trade-offs. Therefore, one partner gives something in exchange for gaining or receiving something else from another partner. However, the total outcome of the undertaking has to have a positive balance. The tricky thing about partnership is that it cannot be simply a zero-sum game in which there is a direct transfer from losers to winners with no net gain. The trade-off

situation in partnership has to produce a non-zero-sum game. In other words, the arrangement agreed on between trade-offs has to be such that all partners accomplish something beneficial with the partnership. The equilibrium between gains and losses for each partner is crucial for the success of the partnership. It is not essential that partnerships be among equals but is vital that both risks and benefits are proportional (and are perceived as such by all parties) (Payne, 1999). This touches the core of the debate on partnerships and is related to the difference between cooperation and competition (Jarillo 1993)^{vii}:

In economic terms one can approach a relationship as a zero-sum game or not. For instance, a specific negotiation between a company and its trade union can be seen as a zero-sum game: the extra money the workers get will come straight out of the company's profits. But it can also be viewed as a non zero-sum game: if the company and the unions reach a prompt, efficient agreement, with some sort of profit-sharing mechanisms, *both* the company and the union can make more money than if they go on arguing. They can also, through a prolonged strike, both lose money. Seen like that, it is certainly a non-zero-sum game. In the first case the competitive view prevails. The second takes into account the opportunity for cooperation (Jarillo 1993, pp. 129-130).

The challenge of partnerships is to move from a competitive to a cooperative environment (see Figure 6.5). The potential partners have to realise that, by cooperating, they may increase (and even generate) the value to be shared, transforming the game into a non-zero-sum one. The gains and losses of a partnership, however, cannot be strictly viewed on financial terms.

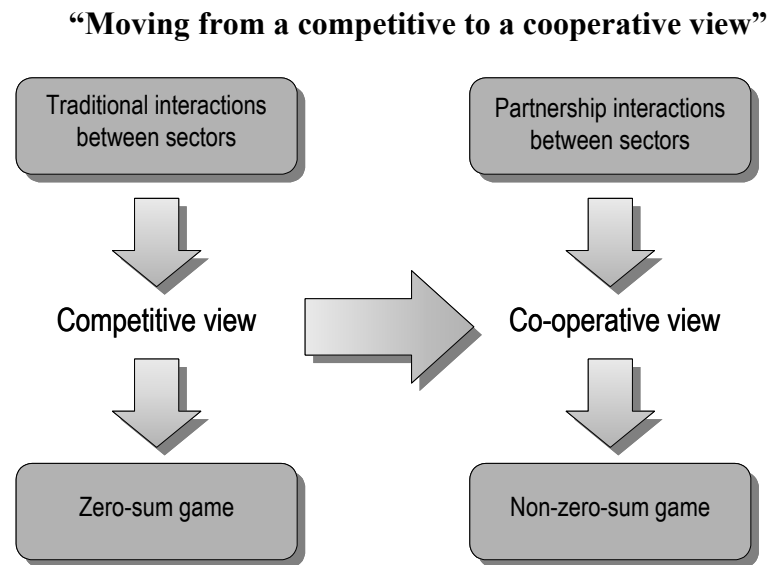


Figure 6.5 – The partnership postulate

Table 6.7 illustrates the internal trade-offs related to each of the Brazilian experiences discussed.

Table 6.7 – Trade-offs for each partner

Experiences	Public sector	Private sector	Third sector
Fortaleza	co-ordination and subsidies ↑↓ guided land development	----	labour, time ↑↓ access to shelter, training and jobs
Americana	finance and (some level of subsidy) ↑↓ solution to a city problem	percentage of the land ↑↓ free land to market	labour, time, investments in original houses ↑↓ legal access to shelter
Participatory budgeting	sharing decision-making ↑↓ better allocation of resources	----	cumbersome and time consuming process ↑↓ influence on urban planning priorities
Inter-linked operation	zoning concessions ↑↓ financial contribution	financial contribution ↑↓ extra profit	no participation in decisions ↑↓ eventual access to housing units

Another important dimension in the trade-off mechanism of multi-sectoral partnerships (particularly if the public sector is involved) is the relationship between the partnership and the city. Partnership arrangements can produce positive and

negative externalities, and this indicates that they have also to be analysed from the point of view of the city as a whole (environmental issues included). In cases such as Fortaleza and Americana, cities benefit from the partnership arrangement because the population group being housed and employed makes a direct positive contribution to the well being of the entire city. The conflicting interests behind the trade-offs are less visible.

In the case of participatory budgeting, the benefits for the city as a whole are also clear. However, better distributing resources implies changing the traditional practice of investing in central areas of the city. The population of such central areas might feel they are losing long established advantages. In these cases, the conflicting interests become more visible.

In the case of inter-linked operations, the advantages for the city are not very clear. Although channelling resources for social housing or cultural preservation are indeed beneficial actions for the city as a whole, the lack of public criteria in the zoning concessions jeopardises the positive effect of the partnership arrangement. Here, fragmented case-by-case negotiation hides the visibility of the conflicting interests. The more city-wide dimension of the partnership as to gains and losses has also to be considered.

It is possible to conclude that the trade-offs in partnership arrangements have to be analysed from an internal and external logic. Internal trade-offs are those exchanges between partners based on cooperation and characterised by a non-zero-sum game. External trade-offs are those between the partnership and the city and ultimately this balance should also be positive. To justify the involvement of the public sector, the general public interest has to be addressed too. That is why it has

been advocated that multi-sectoral partnerships have to accomplish both a social and a private benefit.

The balance of gains and losses within partnership arrangements is a key issue for the success of partnership operations. The interaction between sectors and their particular interests and contributions should be based on cooperation (instead of competition) producing a net gain for each sector and for the city as a whole.^{viii} As a contribution for building a Brazilian-focused framework it is possible to indicate the following:

- ❖ Situations for the development of multi-sectoral partnerships should be approached through a co-operative rather than a competitive perspective, aiming at producing net gains within the operation which should be shared among the respective partners.

Characteristics

Two situations are identified in which the characteristics of partnership identified in Chapter 4 did not apply. The case of inter-linked operations revealed that no risk was shared, but neither was any risk identified. The developer took the risk of the development, but the outcome of the development was also exclusively directed to the developer. Thus, the partnership object was not the development itself, but the standards upon which the development would be conceived. In this case, there was a joint finance, not over the whole development but over a percentage of the development related to the area object of the agreement.^{ix} In the specific case of participatory budgeting no joint finance was identified, although again, the object of the partnership did not relate to financing developments but to sharing the decision on budget allocation. In this case, the risk (of a “bad” choice) was shared among the parties.

Table 6.8 illustrates their attainment according to the particular experiences.

Table 6.8 – Experiences *versus* characteristics

experiences → characteristics ↓	Fortaleza	Americana	Participatory budgeting	Inter-linked operation
complementarity	✓	✓	✓	✓
synergy	✓	✓	✓	✓
sharing of costs, benefits and risks	✓	✓	✓	no risks
preservation of identity	✓	✓	✓	✓
mutual interest & voluntary action	✓	✓	✓	✓
joint finance	✓	✓	not applicable	✓
compatibility of sector's objectives	✓	✓	✓	✓

The characteristics identified in Chapter 4 seem to apply to the cases studied except for those in which the object of the partnership did not involve specific features such as risk taking or finance sharing. The idea of co-finance and risk sharing is that all partners are mutually committed to the joint undertaking. This, however, may happen even if no risk or no finance exists. Having made this remark, it is possible to state that the experiences discussed in Chapter 5 fit the partnership definition developed in Chapter 4.

As a contribution to the framework, it is possible to state:

- ❖ Although the analysis of the characteristics attributed to partnership arrangements is an important matter, the great variety of particular arrangements as to the sectors' interactions indicate that what is more important than just fulfilling the list of characteristics is the realisation of the partnership postulate – joining

efforts to produce net gains (in terms of asset building, policy making, capacity building, citizenship consolidation, and/or financial advantages), and as a consequence, sharing the respective costs and benefits of the operation.

Process conditions

Table 6.9 illustrates the experiences versus the process conditions identified in Chapter 4. As to the objectives to be reached by the partnership arrangements, only the case of inter-linked operations did not present a clear definition of objectives from the public sector side. The rationale of the instrument seems to be associated with a more flexible zoning regulation making stronger use of the discretionary power of local government, but so far the application of the inter-linked operation in Rio has been more related to fund raising.

Table 6.9 – Experiences *versus* process conditions

cases → conditions ↓	Fortaleza	Americana	Participatory budgeting	Inter-linked operation
objectives	clear	clear	clear	unclear
actor's roles	defined, but multiple and flexible	defined and fixed at start, more flexible in the end	defined, but multiple and flexible	defined, limited and fixed
institutional structure	assembly	law	assembly	municipal decree
mechanisms of implementation	process management	project management	process management	project management
social control	strong	satisfactory	strong	weak

As to each sector-actor's role, the case of Fortaleza was the one that presented a higher level of flexibility, showing the ability to evolve during the development of the

programme. The case of Americana, although focusing on other issues beyond shelter development (such as job generation), in the beginning did not present the same level of synergetic interaction between partners, being more limited to a pre-determined actor's performance. It managed, however, to evolve to a more flexible interaction between parties. The participatory budgeting experience presented a clear, fixed but multiple role for the actors involved, obtaining a considerable level of synergetic interaction between partners. The inter-linked operation, however, presented a defined, fixed and limited role for the actors involved.

The institutional structure of the cases presented some variety. In the case of Fortaleza, agreements were signed between different partners, depending on the stage of the programme, but the decisions were made in the integration council meetings, through assemblies with representatives from the different sectors. In the case of Americana, contracts were signed and later on legitimised by municipal laws. In the cases of participatory budgeting, sets of assembly meetings were held and the municipal councils then approved the final budget, but there was no institutionalisation of the process. In the case of the inter-linked operation, the same type of procedure employed in the case of Americana was adopted. Agreements were signed which were then transformed into municipal decrees, but in this case, without public scrutiny.

As to implementation mechanisms, the cases of Fortaleza and of participatory budgeting could be characterised as applications of process management because the respective decisions were made along the development of the operation. The cases of Americana and of the inter-linked operation illustrate a project management approach, through which decisions were reached and the project implemented.

As to social control over the operation, the cases of Fortaleza and of participatory budgeting performed well. The many assembly meetings held assured a broad societal involvement in the process. The case of Americana also presented a satisfactory level of social control, the project being discussed twice in the municipal council. The case of the inter-linked operation showed a low level of social control since the operation had to be assessed by the municipal board for urban policy, and so far the board has only been informed about the operations, but not formally consulted.

As a contribution for building the framework, it can be pointed out:

- ❖ The analysis of the process conditions is important to identify the weak and strong aspects of the operation, particularly for establishing the areas which require further improvements. As for the characteristics discussed, the most important thing is to fulfil the partnership postulate and, with that, ensure a satisfactory outcome. However, guaranteeing the achievement of certain conditions during the process is crucial for the success of the partnership operation.

Evaluating criteria

It is possible to distinguish two levels of evaluating criteria to assess multi-sectoral partnerships: one aiming at evaluating the process, and the other aiming at evaluating the impact of its outcome.

Evaluating criteria for the process of partnerships:

The application of partnership-based instruments requires first and foremost a legitimate government. McAuslan (1994) remarks that legitimacy goes far beyond the concept of a government elected by popular vote. The idea behind good governance is that legitimacy embraces accountability, transparency, probity, equity and efficiency; attributes difficult to measure. According to Coelho (1996) a specific definition of

“urban governance” has yet to be elaborated in Brazil. The author proposes a starting point from which to approach the subject: “a governing process characterised by: (a) popular participation in the public sphere based on the rights of citizenship; (b) a modern and democratic relationship between government and civil society; and (c) administrative efficiency capable of positively associating technical and political concerns” (Fedozzi 1994).

With the aim of better framing the experiences analysed here, based on the concept of good governance developed by McAuslan (*op. cit.*) and Coelho (*op. cit.*), and the discussion on the important elements for multi-sectoral partnerships developed in the present chapter, the following criteria have been chosen to assess the process of the experiences analysed: accountability, transparency (capacity of being an open, visible and public process), community participation (citizen involvement in the decision making process), effectiveness (capacity of reaching the planned goal), applicability (the level of difficulty in applying the instrument), sustainability, and replicability.

Evaluating criteria for the outcome of partnerships:

Here, three criteria will be used which involve assessing the extent to which each experience contributes to alleviating the housing problem (understood as increased access to land and housing); to promoting change within a sector’s performance; and to showing a capability for improving efficiency in the land market (this last one borrowed from Payne 1999).

For each criterion, a gradation has been established to check the level of attainment (see Table 6.10). The cases are then analysed according to the aforementioned criteria.

The Fortaleza case – The Mutirão 50 (and later on the Comunidades programme) addressed the criteria of accountability and transparency, being a collective entity to run the programme with decisions being openly discussed and agreed upon. The involvement of the community in the decision making process was a cornerstone of the programme, and the results obtained revealed that it has been quite effective. The applicability is complex since it involved many stakeholders in a lengthy process. The fact, however, that the experience evolved from a pilot-project (micro-settlement) to a state-wide programme illustrates that even though complex, its applicability is an attainable process. As to sustainability, although highly dependent on political will, the programme managed to have been continued through different political mandates. This may be explained by the fact that by involving many communities and institutions, the bargaining power of the programme was stronger.^x The programme proved to be successfully replicable in other municipalities within the state of Ceará.

As to the level of contribution of the experience to the housing problem, it is concluded to be high and of a direct nature (the main focus of the programme is to address the housing issue). Also, the capacity of the programme in promoting change (particularly due to the plural focus of the programme, addressing issues such as capacity building and job generation initiatives) is perceived to be high. The experience also improved market efficiency by increasing the range of legal options for the poor.

The case of Americana - As to accountability and transparency, the experience of partnership in Americana seems to have done well. The terms of the agreement were discussed thoroughly at the municipal level, and the negotiation was finalised by the approval of a municipal law, thereby being vested with legitimacy and with

responsibilities clearly defined. As to community participation, it has already been discussed that the target community, although included in the project, had a smaller and more passive role, not being used to its full potential. Effectiveness will only be able to be assessed after the completion of the project and is directly related to the ability of local dwellers to stay on the site after the subdivision has received all the required levels of services. So far the original target population has managed to stay on the site. Applicability of the instrument seems to be a complex matter due to the long and cumbersome process of negotiation between partners. The experience proves, however, that it is not an impossible task. Sustainability will always be dependent on political will but the experience of Americana shows that a sound project with visible public benefits can survive political changes in municipal administration.

Replicability is dependent on finding (or building) the required pre-conditions. There are probably many slums throughout the country that could be regularised on the same basis, so replicability is in theory, possible. The general perception of the experience as being successful and the involvement of civil society in the partnership application will always help the replicability of the instrument.

As to the level of contribution to the housing problem, the experience presented a large contribution of a direct nature. The capacity of promoting change increased substantially with the development of the project, but its focus was still relatively limited to the upgrading of physical conditions. The experience also contributed to improving land market efficiency through a more rational occupation of the land.

Participatory budgeting – The experience of participatory budgeting in Porto Alegre seems to meet the criteria of accountability, transparency, community participation and effectiveness. The applicability of the instrument is complex (but

manageable) and sustainability is dependent on political will since it is not an institutionalised instrument running the risk of being discontinued with changes on the local political scene. It has already proven to be replicable since many other cities in Brazil have already applied the instrument of participatory budgeting.

The level of contribution to the housing problem is considered high and of an indirect nature (since the focus of the instrument is not specifically on housing itself but on budget allocation). The capacity for promoting change is considered high because it increases the communities' understanding of the process of public resource allocation and their capacity for influencing decisions; it also increases the understanding of the public authorities concerning the communities' needs and demands. Therefore, it promotes changes in the sector's performance as to the land and housing development. In addition it improves land market efficiency by promoting a better distribution of investments in the city.

Inter-linked experience in Rio de Janeiro - The experience of inter-linked operation in Rio shows that accountability is partially achieved due to the fact that, being approved by a mayoral decree, the responsibility is clearly defined, but the instrument's operationalization has no built-in mechanism for citizens to question this decision. Transparency is weak since the criteria used internally by the local government to judge public interest is not made explicit. Community participation has not been an integral element of the instrument's implementation. Effectiveness has been partially achieved since compensation (usually in money terms) is obtained and channelled to the municipal fund for urban development, but alterations are not approved according to limits defined by municipal legislation (through municipal laws). Thus, part of the original goal has not been achieved. Applicability is relatively simple because it has not conformed to the requirement of being approved by law and

has not undergone any community consultation. The sustainability of the instrument is guaranteed by legislation, but the terms of the agreements are dependent on political will and on the level of public resistance opposed to some aspects of its operationalization (so far, low), which may constitute a threat to the future application of the instrument. It has been replicated in other cities of Brazil (although each one in different terms).

As to the level of contribution to the housing problem, the instrument is considered to be low and of an indirect nature. The capacity for promoting change is also considered low. It has not improved land market efficiency. On the contrary, its use is based on obtaining exceptional exemptions to urban standards, a disincentive to promoting the required review on urban legislation.

Table 6.10 summarises the results of relating the experiences to the criteria identified above. It is interesting to note that the most successful experiences are those with a complex process of application. Partnerships are indeed complex processes because they deal with the interaction of multiple parties, many times representing competing interests and different organisational cultures. It becomes even more complex when considering that the partnership arrangement itself has to be scrutinised by the general public. Thus, the criterion for a complex or cumbersome operationalisation has to be considered in terms of cost, but cost cannot be a determining criterion for judging the viability of the instrument.

Further, it is interesting to note that with the exception of the Americana case, all the other cases have already been replicated in other cities. Even considering that they have to be adapted to particular local circumstances, it shows that the basic underlying idea of each case can be transplanted.

Although it is difficult to measure the evaluation criteria identified above, the level of contribution to the housing problem, the capacity of promoting change and the capacity for improving land market efficiency are the three most important criteria to judge the significance of a multi-sectoral partnership arrangement.

Table 6.10 - Cases *versus* criteria

	Fortaleza case	Americana	Inter-linked operation	Participatory budgeting
<i>accountability</i>	■	■	▲	■
<i>transparency</i>	■	■	▲	■
<i>community participation</i>	■	▲	●	■
<i>effectiveness</i>	■	?	▲	■
<i>applicability</i>	complex	complex	simple	complex
<i>sustainability</i>	dependent on political will (so far managed a relative independence)	dependent on political will (so far managed to overcome different mandates)	legal guarantee (the terms of agreement dependent on political will)	highly dependent on political will (so far managed to overcome different mandates)
<i>replicability</i>	possible (already replicated)	possible	possible (already replicated)	possible (already replicated)
<i>level of contribution</i>	high direct nature	high direct nature	low indirect nature	high indirect nature
<i>capacity for promoting change</i>	high	medium	low	medium
<i>Improve land market efficiency</i>	high	medium	low	high

■ - criterion met; ▲ - criterion partially met; ● - criterion not met

Framework for guiding partnership arrangements

Using the Brazilian experiences analysed in this work, it is possible to identify the following elements as part of a framework to guide local governments in the potential use of partnership arrangements:

ELEMENTS FOR DETERMINING IF PARTNERSHIP IS A GOOD SOLUTION:

- Partnership arrangements may be developed in a variety of situations. Situations that show some level of interdependence between sectors as well as deadlock situations should be approached as potential situations for developing multi-sectoral partnerships.
- A situation should be analysed strategically by identifying: 1) its strong and weak points and 2) the potential partners to be involved and their particular interests. In this analysis, the costs of intervening or not intervening (present costs and future costs), and the intervention costs with or without the partnership arrangement should be taken into account. The idea is to think strategically about the situation in order to answer the following questions: Does it make sense to intervene? and Does it make sense to co-operate?
- A problem should first be defined well so that its solutions can be related to a development strategy. The public sector needs to engage in partnerships knowing in advance what their mission is and avoiding being driven by the negotiation process. Multi-sectoral partnerships are only instruments for achieving policy goals. Local governments should make clear the development strategy the partnership arrangement is trying to achieve.

BUILDING AN ADEQUATE ENVIRONMENT FOR DEVELOPING PARTNERSHIP

- If multi-sectoral partnership is thought to be a good strategy, then analyse the situation from the point of view of transforming a competitive perspective

between sectors into a co-operative one. This relates to changing the sectors' perceptions about their interaction as to the situation under discussion. In general terms, this can be achieved by publicising successful multi-sectoral partnership arrangements. In specific terms, interests should be analysed to reach an overlapping area which may be used as the basis for an agreement discussion. The idea is to build a convergent agenda by transforming competing interests into compatible interests.

- In the specific case of increasing land access for low income groups, in order to provide a real contribution to the present status quo, the development strategy to be followed by the public sector should address social inclusion aiming at promoting social change. This is mainly because the housing problem in Brazil is not a casual market imbalance between supply and demand. It is a structural problem that requires structural changes to be solved. A problem solving approach, although valid in specific situations, will provide only a marginal contribution to the housing issue.
- Make explicit the trade-off arrangements for each partner involved and the net gain(s) for the operation as a whole. To justify the involvement of the public sector in the operation, the public interest should be made clear (as to the target community and to the city as a whole).

ENSURING AN ADEQUATE PROCESS FOR DEVELOPING PARTNERSHIPS

- Formalise, whenever possible, the agreement in terms of a contract or a law. This increases the chances of ensuring legitimacy to the operation, as well as providing a forum for solving occasional disputes. If this is not possible or desirable, ensure the attainment of legitimacy by promoting a transparent negotiation process which is somehow subject to public scrutiny.

- Provide built-in mechanisms for public scrutiny. Ensuring social control over multi-sectoral partnership operations is crucial for guaranteeing that the development of the operation does not deviate from its original goals but, if so, that the partnership postulate and the public interest are achieved nonetheless. This applies to all three incidence situations identified as to partnership arrangements, but is particularly important in the case of special development opportunities and when the underlying objective is to have access to special treatment.
- Guarantee mechanisms of programme continuation. If a strategic partnership has been reached between sectors with positive results, then its continuation should be pursued independently of individual political mandates. The best way of achieving this is to ensure that the general public is involved and informed as much as possible, and particularly that the benefits for the city as a whole are publicised. The more favourable the general public is toward the partnership, the more chances it has to be continued despite individual political mandates. For this, it is necessary that the public have access to information on the benefits of the undertaking.
- Guarantee that the characteristics of the partnership arrangement are achieved *vis-à-vis* the partnership postulate of combining resources (in a broad sense) to generate and share gains in terms of asset building, policy making, capacity building, citizenship consolidation and/or financial gains.
- Guarantee that the process conditions are attained in the partnership arrangement *vis-à-vis* the partnership postulate and the model of development strategy approached.

MONITORING AND EVALUATING THE PROCESS OF PARTNERSHIPS

- Evaluate the implementation of the partnership instrument on an on-going basis during the whole development process so that it is possible to make changes even during the course of action (to correct or improve it).
- Guarantee that the identified evaluation criteria are used before, during and after the application of the multi-sectoral partnership to steer and evaluate the development process so that the primary goals are achieved successfully.

Conclusions

The Brazilian scene illustrates that although there are not many consolidated multi-sectoral partnership experiences focusing on low income land and housing development, the experiences visited reflect four areas for which public intervention is considered necessary: urban regulation, distribution of basic infrastructure, regularisation programmes and new land development.

In an environment of scarce public resources, public investments should be channelled to situations that optimise the results according to primary social development goals. There are two important dimensions related to this. The first one is the importance of implementing development strategies which focus on social inclusion aiming at promoting social change. The rationale of such an idea is to foster solutions that reach the core of the problem which is related to social and economic exclusion. The association of the public and third sectors is the one which may generate more spill-over effects and more adequately reach a greater number of people, particularly if this association promotes capacity building, and income and job generation opportunities.

The second dimension is the scope of the partnership. Multi-sectoral partnerships, which are project-based, generally assume a more opportunistic

performance related to the project limits. A specific situation is identified for which a unique solution is considered. It is therefore associated to a problem solving approach. These situations are more difficult to generalise, although the framework used may indicate the relevant issues to be considered for a successful operation.

The use of partnership with a programme-based scope assumes, on the contrary, a more systematic performance. These situations are more likely to be replicable and transplantable mainly because they generally deal with the more structural aspects of the problems and not only with rare and exceptional circumstances. Beyond solving problems these actions are more related to promoting change by aiming at solutions of wider coverage, and consequently, a more significant impact on the problems to be solved.

From the cases visited, the two most successful partnership arrangements were the case of Fortaleza (followed by Comunidades) and the experience of Porto Alegre participatory budgeting because both were programme-based experiences with a high level of social inclusion (meaning a shared decision making process), aiming at qualifying the target community to move forward on the social scale (despite the different weights of both experiences as to the social change achieved). The Americana case, although representing an important step in improving the housing conditions of the target community, started out as a typical case of a problem solving approach failing to use the project to generate other transformation processes. Its development, however, showed a stronger commitment in this direction. Therefore, it is considered a relative success. The inter-linked operation case was the least successful of the experiences visited. Its application seems to be driven by real estate profit motivation from the private sector side and by fund raising motivation from the public sector side. The process lacks fundamental mechanisms of social control and

the benefits for land and housing development for low income groups tend to be marginal and indirect.

Multi-sectoral partnerships are instruments which use the local articulation of stakeholders to achieve objectives of housing and land policies. They are circumscribed by specific local contexts. Successful partnership arrangements are based on the association of various actors who manage to interact co-operatively to produce gains, or benefits, which will be shared accordingly. The conditions of such situations are not easy to replicate. However, the basic ideas of many experiences may well be transplanted from one city to another. Governments should be prepared to recognise the existence of such co-operative interaction opportunities and even to create the right conditions for them to flourish. In the case of an identified potential partnership situation, it is necessary to have a clear idea on what the fundamental issues are to be tackled (as to the development strategy sought, the key characteristics, the process conditions and the criteria for evaluating the operation). These are the elements in which comparison is possible. The present chapter has identified the particular issues which are relevant for the Brazilian debate on the use of multi-sectoral partnership arrangements for low-income land development. The few existing Brazilian multi-sectoral partnership experiences illustrate that partnership may be both a promising instrument if used to implement a progressive social agenda committed to change, or a limited tool if used to solve problems with a narrow minded attitude in a shorted-term approach.

Notes

ⁱ The model of budget enlargement is not examined by Hastings and will not be considered in the present work since it does not apply to the Brazilian situation.

ⁱⁱ This strengthens the idea advocated by the present work that convergent objectives are obtained as a result of the partnership process and not as a previous given element.

ⁱⁱⁱ Synergy did occur in both the Fortaleza and in the Inter-linked operation experiences, but in the first case transformation was highlighted, while the second case was dominated by the special treatment approach.

^{iv} Passive inclusion is considered when the community, although being benefited, does not become an active stakeholder in the process.

^v A connection between the potential of achieving benefits and the scope of the partnership intervention can be identified. If it is project-based the change achieved will be a restricted change. If, however, the scope is on programme-based partnership, the impact of change is more likely to be of greater coverage; to be a wider change. This is applicable to all development strategies. The wider the scope, the more benefits achieved.

^{vi} This idea is recurrent in the literature, advocating that: “Partnerships offer the possibility of creating win-win solutions in which the legitimate interests of different actors can be satisfied” (Payne 1999, p.218).

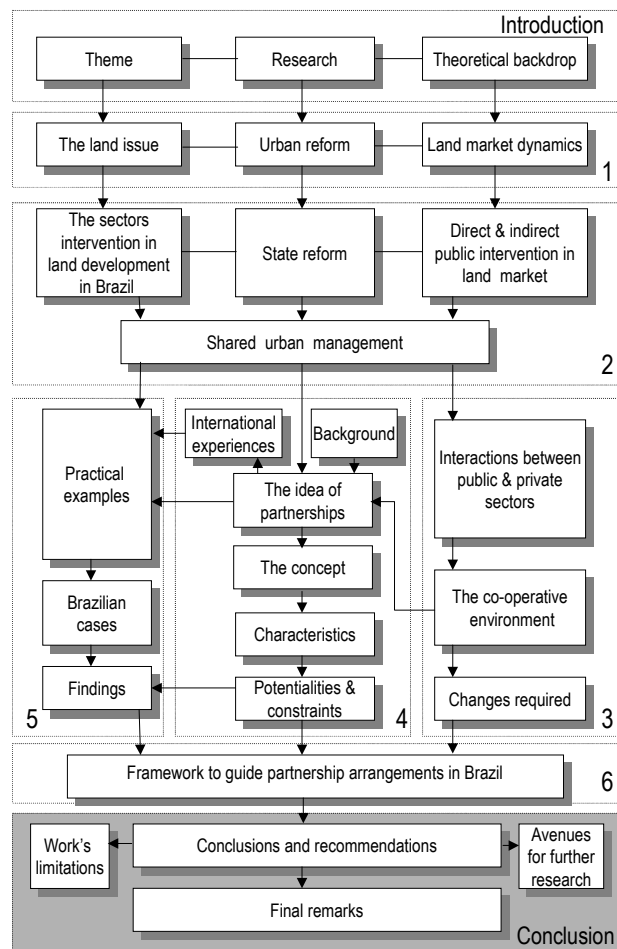
^{vii} Although the discussion raised by Jarillo (*op. cit.*) refers to strategic networks involving private organisations, the argument is also valid for partnerships since the tension between competing interests is also present in them.

^{viii} It is important to remark that the public sector authorities do not necessarily represent the city interests. These may be driven by particular election oriented motives or even by more obscure reasons. This is why it is stressed that the benefits for the community as a whole should be made clear as well as the need to guarantee social control mechanisms over partnership arrangements.

^{ix} Remember that the counterpart charged by the municipal government relates to a percentage of the extra value which is added to the development because of the alteration of the parameters.

^x The programme has suffered recent changes to incorporate an environmental perspective.

Conclusions and Recommendations



This final part aims at gathering the relevant issues analysed during the development of the present work to answer the following research questions:

Can partnerships contribute in any way to increasing the supply of legal housing alternatives to the poor? If so, under what conditions? How may a particular sector's interests be combined in a convergent agenda? What are the elements for building a framework to guide partnership arrangements in Brazil? To what extent may the findings be generalised? What is the future scenario for the use of multi-sectoral partnership arrangements in Brazil?

The answers will be given along with the development of the arguments that support them and will be summarised in a specific section. In the end, recommendations will also be drawn, both of a theoretical and practical nature.

Conclusions

Concerning the housing situation in Brazil. The housing problem in Brazil is a matter of great concern. It is intertwined with the problem of limited (or lack of) access to urban (serviced) land by a significant part of the population. The root of the problem is economic and social and not only technical. It relates to the fact that a considerable part of the Brazilian population is excluded from the formal labour market, and even when people have jobs (formal or informal) the level of earnings is not enough to provide for an adequate shelter. The solution to the housing problem is, therefore, far beyond the scope normally addressed by technicians, engineers and architects. It relates to the macro-context, to economic and political decisions made nationally and internationally which have an impact on the development of the country as a whole. It is also highly dependent on public policies regarding education and, particularly, strategies for professionally qualifying the more vulnerable population to help them face the challenges of a global economy and a more demanding job market.

The housing problem is also aggravated by certain characteristics of the Brazilian land market, as discussed in Chapter 1, which allow for land speculation to be a common practice in large cities. This is to say that the housing issue is by no means trivial, but is, rather, a complex issue with many facets. However, it should not be seen as an irresolvable problem either. As pointed out during the development of this research, governments that have been successful in promoting adequate housing policies, particularly in promoting administrative continuation of such policies, have

had positive outcomes. The complexity of the housing issue has frequently been used to justify the lack of public initiative or lack of managerial capacity to deal with it.

Concerning the emphasis on land and the public sector's role. This work has been developed based on two principles. The first is that land is a crucial input for shelter development, which considering its urban qualifications, is far beyond the reach of a great part of the population not only in Brazil but in many developing countries. Unlike a housing unit, which may be built according to the needs and affordability level of the family dwellers, a legal plot requires, among other things, access to the trunk infrastructure, circulation network and transportation system which are out of the sphere of people's individual control. This relates to the second principle on which this work is based – the pre-eminent role attributed to the public sector in organising the land market and assuring a favourable environment for supporting the shelter needs of vulnerable groups. In other words, it is recognised here that the public sector has an irreplaceable role in orchestrating the required changes to allow for a more efficient and effective land market. The idea of working with the instrument of partnership in no way suggests that the predominant role of the public sector is obscured.

Concerning how to face the housing situation in Brazil. Understanding that the housing issue requires consideration from many aspects is important to pursue an adequate set of solutions. This is the reason why it is advocated that governments should develop an integrated approach to housing and land policies rather than a sectoral partial one. The solution is associated with correcting traditional distortions of the land market and relates to: fighting land speculation, changing regulations to be more flexible and negotiable (particularly in addressing the issue of affordability), reaching a more balanced distribution of infrastructure and services all over the city,

incorporating the informal city into the planning boundaries through illegal settlement regularisation programmes, and guiding new land development by increasing legal options for sheltering low income groups.

Concerning the failure of the individual sector approach. It is recognised that neither sector alone has been or can be able (given the limits of the Brazilian social and economic contexts) to provide a proper response to the housing needs of poor communities (as discussed in Chapter 2). The public, the private (formal) and the third sectors have traditionally failed to address this issue individually in an adequate manner. In Brazil the informal sector (composed of both the informal commercial sector and poor communities) is the one which ends up offering shelter solutions to vulnerable groups at cost, e.g. associated to informality for the communities themselves and for the city as a whole. This has proven to be a non-sustainable development model, particularly with society's increasing concern with environmental issues. The performance and role of all three sectors should be, therefore, subject to change via building a more co-operative relationship among them.

Concerning the debate on the required sectors' changes. A more co-operative relationship between the three sectors implies changes as to the sectors' performance. From the public sector's side, the changes discussed go in the direction of borrowing concepts from the private sector, e.g. creating a public entrepreneurialism (or an entrepreneurialism of public action). This would particularly help to qualify local governments to be active parties in negotiating urban development related matters with other sectors, according to their policy priorities. From the private sector's side, the change goes in the direction of becoming more involved with social development, not with a philanthropic-type approach, but in a way that increases its market share

under a legal umbrella or even expands market boundaries. This would not only mean reducing gains in individual projects, but increasing the total gains as a result of reaching more people who would otherwise be supplied by the informal market. The necessary third sector change relates to moving from a traditional demanding role to a more proposing role, assuring the involvement of organised groups to influence government definition of policies and priorities. The advocacy of changes in each sector is based on the assumption that what is required is to improve each sector's performance (individually and collectively). By no means is it advocated that the differences between sectors should be eliminated as to their respective structural guiding principles.

Concerning the search for co-operation. It is recognised that the complexity of contemporary societies implies increasing interdependencies between sectors. Thus, a co-operative approach is advocated to better qualify the sectors in dealing with this new situation. Indeed, it was seen in Chapter 3 that co-operation is a key concept for both improving individual sector performance in traditional roles and enlarging the scope of action in new fields. For that, it is required that each sector be aware of its own competencies and, consequently, its comparative advantages, as well as of those of the other sectors. It also implies that each sector recognises the legitimate interests of the others.

Concerning public sector intervention. The public sector should focus (regarding shelter provision) on setting up a favourable environment for the land market by: 1) ensuring credit to low income groups; 2) providing an adequate regulatory framework with a more friendly (=flexible) set of standards which do not penalise the poor; 3) inducing or forcing the release of strategic idle land kept vacant by current owners for speculation purposes; 4) better distributing trunk infrastructure

in the city; 5) promoting cross-subsidies whenever possible so that poor neighbourhoods benefit from the development of richer areas; and 6) pursuing opportunities for partnerships with other sectors.

Concerning how to approach partnerships. Although partnerships are frequently associated with the idea of privatisation, this work has proposed a different way to approach the instrument. In the specific case of multi-sectoral partnerships for urban land development addressing low income groups, partnerships are considered as a way to increase the participation of the public sector in this market segment which has traditionally been dominated by the informal private sector. Not only has the public sector a pre-eminent role to play in partnership arrangements; it is also the one more indicated to trigger the process. Nevertheless, the partnership instrument certainly borrows elements from the private sector management style such as entrepreneurialism and strategic planning. Thus, the idea of joint operations through multi-sectoral partnerships can be seen as an alternative tool to policies based on either governmental monopoly or privatisation. It could be better understood as an expression of a shared management policy.

Concerning the potential of partnerships. Partnerships are basically a policy tool and, therefore, should be understood as such. This implies that partnerships serve a policy or a strategy and like many other tools, have no value *per se*. It is how they are used and for what purpose which will determine their value. This is a way of avoiding the simplistic view of labelling partnerships either leftist or liberal (Weaver and Manning 1992). This also implies that one cannot judge the tool “partnership” as being successful or not while disregarding the context in which it exists. Potentially, there are many partnership arrangements, set up in different contexts and pursuing different strategies. There is evidence that multi-sectoral partnerships may contribute

to improving land access for low income groups if they serve land policies aiming at promoting a more equitable development.

Concerning the danger of overestimating partnerships. Multi-sectoral partnerships are a potentially effective tool for increasing access to urban land if used under the right circumstances. There is, however, the danger of overestimating their potential in the sense of shifting the focus of public policies to what is happening in the private and third sectors at the expense of what should be happening in the public sector. In other words, the partnership tool may be important for public policies, but it should be orchestrated by the public sector to achieve priority development strategies. Woodside (1986, p.152) warns about the risk of situations in which “declining public support for public purposes becomes the price to pay for private sector involvement.”

Concerning the concept of partnership. In general terms, the public-private partnership concept in the literature is still vague and does not offer a proper model to guide its use (Weaver and Manning 1992). In Chapter 4, a distinction was proposed between the use of the term partnership, first as a mere principle of collaboration among sectors, and second, as an instrument to implement a defined development policy. It is the latter concept that is the object of the present work.

Concerning partnership as a policy tool. The first implication of considering multi-sectoral partnership as a development tool is that it may be used for achieving different purposes. Chapter 6 identified three broad policy strategies for local development, for the achievement of which partnerships may be used: problem-solving, social inclusion, and social change. They were presented as different moments on a continuum line of development strategies which move their characteristics from bureaucratic, provision-oriented, narrow-focused, project-based and of limited geographic scale to democratic, empowerment-oriented, broad-focused,

programme-based and of wide geographic scale; this last grouping constituting the situation to be sought.

Concerning the paradox and postulate of partnership arrangements. Partnership arrangements imply a permanent tension between different interests (political, social and economic) and convergent objectives. This is at the same time their strength and weakness. The tricky element of multi-sectoral partnership is how to move from a traditional competitive relationship (different constituencies, interests, strategic and operational realities) to a co-operative relationship (compatible objectives, production of net gains, mutual investments, and sharing of respective costs and benefits). This is the core element in the application of multi-sectoral partnerships. While it is desirable to share economic risks, much attention must be given to minimising political risks. In many situations, the more politicised the process, the less attractive the partnership becomes for the private and third sectors because it runs the risk of distorting policy objectives to achieve other short term benefits such as electoral gains.

Answering the questions

Can partnership arrangements in any way contribute to increasing the supply of legal housing alternatives to the poor? If so, under which conditions?

Partnerships have the potential of bringing sectors together to reach mutually beneficial solutions. Multi-sectoral partnerships may make a significant contribution to improving land access in so far as they are used to implement developing strategies that aim at benefiting the poor. The more socially inclusive and capable of promoting social change, the more beneficial they will be.

How could a particular sector's interests be combined in a convergent agenda?

Identified situations where it makes sense for the sectors to join efforts (situations presenting some level of interdependence and deadlock) should be

approached strategically. This means replacing the traditional competitive relationship between sectors with a co-operative environment. In practical terms, objectives should be analysed as to whether they match in a compatible arrangement, particular resources should be pooled together and analysed as to their complementary contributions, and situations should be analysed by determining the gains and losses of adopting or not the partnership arrangement.

What are the elements for building a particular framework to guide partnership arrangements in Brazil?

The framework developed in Chapter 6 proposes a set of steps to be followed in partnership arrangements particularly aiming at improving their contribution to the housing issue. In summary, they relate to actions as to: a) judging the suitability of using partnerships; b) establishing the right environment for the partnership start-up; c) guaranteeing the adequate process conditions for partnership development; and d) monitoring and evaluating the process.

To what extent should the findings and conclusions be generalised?

Multi-sectoral partnerships are basically interactions between certain groups of people which are determined locally. It was seen in Chapter 5, however, that even though the partnership agreement is locally determined, it may be replicated and adapted to other local contexts, provided that all contexts share the same basic problem configuration. In the event that local particulars are taken into consideration, the experiences of multi-sectoral partnerships discussed in the present work may be transplanted (provided that they are appropriately adapted) to other Brazilian cities. Even when the situations differ, meaning that instrument transplantation should not be pursued, the general framework of the partnership may contribute elements subject to generalisation.

What is the future scenario for the use of multi-sectoral partnership arrangements in Brazil?

The possibility of the emergence of partnership application will depend upon local circumstances and the ability of the respective sectors to reach a convergent agenda. It should be based on the balance between the principle of legality, and the principle of efficiency and effectiveness (guaranteed by social control over the operation). It will ultimately be highly dependent on the performance of local governments in guiding and generating development opportunities, and the capacity of society in better distributing and exercising political power. The difficulty in accomplishing a favourable set of conditions for the emergence of partnership implies that, although it may be potentially a positive contribution as to low income shelter development, it should not be expected to be of large-scale use in the short or medium term. It may flourish (and hopefully it will) in specific cities of Brazil (dominated by socially sensitive administrations), following the prevailing dispersal pattern of application.

Implications and recommendations

It is possible to point out some theoretical and practical implications of the present work. As for theoretical implications, mention should be made as to the contribution of the present work to the debate on the setting in which to help approach the potential use of multi-sectoral partnerships in Brazil. This refers to a) the definition of partnership; b) the identification of the requirements for the use of partnership; c) the analysis of the incidence of the use of partnership; d) the establishment of the general objectives and their underlying development strategies; e) the identification of the characteristics and the process conditions for the use of partnership; and f) the required evaluating criteria to assess the application of

partnership. The main contribution, however, is the outline of a framework to help guide potential partnership use. It is designed as a sequence of steps to help keep the focus on the sensitive areas to be addressed in partnership schemes. It highlights the need to link the use of partnership as a tool to an established development strategy, and it proposes a framework in which to place the partnership application according to the respective strategies, so that the position obtained becomes visible *vis-à-vis* what is considered a more desirable situation.

The practical implications relate to recommendations which help to ensure that partnerships are used in an adequate way. If the public sector – in particular, local government – intends to use multi-sectoral partnership arrangements as a policy tool for achieving development strategies, then certain recommendations are indicated. These reflect once more the preponderant role attributed to the public sector and are given with other recommendations that are also addressed to the third sector and to research institutions:

1. Local government should direct its efforts and resources to partnership arrangements (particularly with the third sector) aiming at promoting social change through socially inclusive strategies. These have proven to be potentially positive in bringing a significant contribution to the housing issue. Multi-sectoral partnerships will only be an effective instrument if they are used to reach a development strategy that aims at improving the traditional sector performance as to shelter development.
2. The local government staff should be prepared to face this new task. This implies training personnel in negotiation techniques and qualifying urban managers and urban planners to have a deeper and more comprehensive understanding of the rationale of real estate development. This is necessary for the public sector to

recognise development opportunities which are favourable for partnership arrangements (and understand the logic upon which they may be conceived), and to improve the negotiating capacity of civil servants within partnership arrangements.

3. Local government should make attempts to attract the private sector by negotiating a) standards, b) risk sharing and c) the time horizon of land development operations, pursuing new development opportunities to shelter low income groups. The private sector will most probably respond reactively and not pro-actively as far as low income land development is concerned.
4. The use of multi-sectoral partnerships has to be viewed with caution. The framework developed in Chapter 6 is designed as a guideline for the use of partnership arrangements. Local government should use the steps proposed (or an adapted form) as a basis for keeping the focus on necessary issues and avoiding being overwhelmed by the negotiation process or the pragmatism of implementation procedures. It is not meant as a recipe to be uncritically used but as a checklist of the relevant issues to consider when adopting partnership schemes.
5. NGOs should also invest in enlarging the understanding capacity of local communities as to urban matters beyond the limits of the needs of their particular neighbourhoods. Understanding the role of regulations, the budgeting process, the distribution of basic infrastructure, the need for environmental preservation, and the responsibilities of local governments, among other things, is crucial for increasing communities' negotiating power in joint schemes and their capacity to influence public decision making.

6. Cases using the partnership tool should be available in databases in order to be accessible to local authorities as well as NGOs, CBOs and private entities. The idea is to make experiences involving partnership arrangements in Brazil more public so that people interested in applying partnership arrangements may learn from the successes and failures of previous experiences. The participatory budgeting experience has already been the subject of a national conference to discuss the various cities' cases.

Limitations of the work

1. The scarcity of a systematic use of multi-sectoral partnership results in the lack of consolidated experiences with which to deepen the study of partnerships. Much has been said about partnerships in Brazil, much of which is, however, limited to the level of vague political discourse. Few practical experiences have really used and explored the several dimensions of partnership. This implies that the present study of partnership is qualitative, of a prescriptive nature, the emphasis of which is much more on pointing out the direction of regarding how to pursue the instrument, and not on collecting hard data and quantitative analyses of the results obtained. Indeed, the outcome is more about the potential use of the partnership instrument for low income land development, since the experiences described are used here as indications of particular movements of the different sectors toward approaching the related issues using a co-operative rather than a competitive approach. This is a limitation imposed by the Brazilian reality, by the limited number of existing experiences to research.
2. The fact that the cases studied cover four different partnership applications in four different cities limited the depth of certain aspects pertaining the cases. Particulars as to the institutional organisation of the public agencies involved were not

explored, nor were the details on the respective financial arrangements (which in most cases were simply not available). The choice of exploring more cases as opposed to exploring only one case in more depth was done to show an overview of partnership arrangements in the four different areas for which public intervention is thought to be in need of improvement. This is also explained by the fact that no one case in particular is a good representative of multi-sectoral partnerships in Brazil since most of them are confined to a city or a region, or addressed to a specific issue.

Avenues for further research

As to the partnership cases described in Chapter 5, it might be important to monitor and evaluate the results obtained in each situation. This could help answer questions related to the extent of social change promoted by the partnership operations, the ability of local dwellers to improve their particular situation over time, and the possible side-effects that evolve from the partnership operations. Only a *post-facto* evaluation would be able to check the sustainability of the partnership operations. The idea of building an urban watch-station for partnership arrangements would meet the recommendation of gathering and making public all possible information about implemented experiences.

The potential involvement of the private sector has not yet been fully explored. The experience of Americana and the inter-linked operations in Rio de Janeiro suggest that the participation of the private sector is more restricted to being of an indirect nature. However, the minimisation of risks and the flexibilisation of standards may be negotiated as an attraction for direct private sector involvement in land development. This is an area for further exploration.

Four cases, even though rich in particulars and diversities, constitute a limited universe on which to base the findings of the several dimensions of multi-sectoral partnerships. An enlargement of the cases studied may offer other dimensions to explore when working in partnerships. Likewise, issues regarding the degree of generalisation would be better addressed with the study of more cases. This suggests that an effort should be made to enlarge the study of multi-sectoral partnership arrangements in Brazil.

It has been concluded that multi-sectoral partnership arrangements may be transplanted (provided they are adapted) to other Brazilian cities since most of them share the same problem configuration. It is not clear, though, whether the framework developed could be applied to other national contexts, or whether the cases studied could be transplanted to other developing cities in the world. The distribution of landed property, the level of administrative decentralisation and the level of third sector organisation are only some of the various factors that do play a significant role in the housing problem contour. Comparative studies could therefore be enlightening to answer the degree of possible generalisation and to add new dimensions to the theme.

Final Remarks

The magnitude and diversity of the housing problem in Brazil requires the search for a variety of solutions, among which the partnership instrument should be further investigated. The intent of the present work has not been restricted to simply qualifying or disqualifying the use of multi-sectoral partnership as a policy tool. Instead, the idea has been to investigate the (multidimensional) relevant issues that should be considered as a framework to guide the potential use of partnership schemes. The multi-sectoral partnership tool has, nevertheless, a particular feature that

qualifies it to contribute to enlarging legal options for the poor – the establishment of a closer interaction between sectors allows the development of matching programmes that focus on interrelated aspects of the housing problem, such as capacity building, job generation and co-operative creation. It is, however, the purpose imputed to the instrument and the circumstances of its application which will provide elements to assess its merit.

Although Brazil reached the end of the 20th century with chronic problems, among them the uneven distribution of national wealth, and restricted access to urban land and proper housing by a significant percentage of urban population, there are identified experiences in local government administration moving in the direction of guaranteeing the development of legitimacy in urban governance, of searching for alternative solutions to traditional practices and of sharing the formulation and implementation of public policies with society. It is in this context that the idea of multi-sectoral partnerships may flourish to the benefit of the poor.

Multi-sectoral partnerships in Brazil have been used locally and in diverse ways as a tool for local governments to cope with the decentralisation policy of transferring to local authorities the responsibility to deal with urban issues. The four cases discussed illustrate experiences in four different areas of public intervention and in four different cities of Brazil. It is remarkable, however, that the most innovative experiences discussed are located outside the two most important urban centres in Brazil – Rio de Janeiro and São Paulo. This may be explained by the size of both cities, and by the size and complexity of their administrative structures, which offer a significant resistance to change. The present study has emphasised that partnership is basically built upon co-operation and trust and, therefore, requires a cultural shift in the nature of the relationship between sectors.

The study of the experiences has revealed different degrees of success in the use of partnership arrangements. The solutions with a greater social coverage and that better address the several aspects of the housing problem are the ones which are able to pursue social inclusion and promote social change. In practical terms, that means solutions which are democratically driven, aiming at empowering target communities, approaching the problem with a multidisciplinary focus and having a programme-building orientation city wide. The most successful cases also revealed that the most beneficial experiences for the poor are the ones which centre the partnership upon the relationship between the public and the third sectors. Moreover, they reveal that a long-term monitoring system supported by either the public or the third sector is crucial for consolidating and perpetuating the process of social change triggered by the partnership. Finally, they indicate the importance of administrative continuation for the projects or programmes (and therefore once more favouring smaller cities, which have less frequent highly politicised administrations compared to cities such as Rio and São Paulo).

The further application of multi-sectoral partnership in Brazil will depend on the level of articulation and political confrontation between the three sectors and their ability to either (1) create a more appropriate environment to support its use and then influence the legal apparatus through the elaboration of pertinent legislation, or (2) create a legal framework to induce its application. The legal framework *per se* is not a sufficient condition for the emergence of partnership arrangements. There is evidence, however, that there is a movement of local governments which are moving in the direction of a closer interaction with other sectors for a more sustainable and balanced urban development. There is also evidence that society is organising in search of

alternative solutions to deal with public matters, constituting a non-governmental public management (Bonduki 1996, p.265).

This work recognises that it is not an easy task to achieve the right circumstances for the emergence of multi-sectoral partnerships. If the ideal desirable situation cannot be achieved (according to the stages of development strategies identified in Chapter 6), then the solution is to work with what is politically, economically and socially possible and attainable. However, it is important to keep the desirable situation in perspective so that it may eventually be achievable, propitiated by more favourable conditions.

This work aims at contributing a framework to guide the potential use of multi-sectoral partnership arrangements for low income land development in Brazil. The framework proposed has been built based on international and national literature, and on input collected from the four Brazilian cases. It does not intend to exhaust the task of reaching a decisive frame of reference on the theme. Partnerships are basically interactions between sectors, institutions and individuals, and are unquestionably dynamic in nature. The intention, instead, is to be a practical guide for local governments to depart from, with a relative sense of security about the sensitive areas to be addressed when working in partnership schemes.

The final point to be raised is that considering that urbanisation is, indeed, a wealth-producing process (Doebele 1994, p.49), enlarging land access to poor communities is ultimately a way of incorporating excluded groups of people into the land valorisation process and, therefore, an effective way of distributing wealth. Considering the preponderant role credited to local governments in steering the land market, ultimately, the multi-sectoral partnership tool will be only effective in adequately addressing the housing issue in the hands of governments committed to

inducing and conducting social transformation processes, allowing for a more equitable and sustainable urban development.

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Biographical Notes

Maria Teresa Corrêa de Oliveira is Brazilian, born in Rio de Janeiro in 1960 and holds a Bachelor's Degree in Architecture from the Federal University of Rio de Janeiro (1983) and a Master's Degree in Urban Management from Erasmus University and the Institute for Housing and Urban Development Studies (1993). During her work at the Local Government of Rio de Janeiro, at the Municipal Attorney General for Environmental and Urban Affairs (1986 – 1993), dealing, among other things, with the revision of municipal legislation, the regularisation of illegal settlements, and the revitalisation of innercity areas, she increased her interest in land management issues. The present PhD thesis is a step further in this direction of analysing the problem of difficult land access to low income groups in Brazil, as well as outlining the possible interventions focusing on a more collaborative interaction between sectors.