Can the Left reduce poverty?:

Social policy and political conflicts in the PT government of the city of Sao Paulo

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My greatest frustration was not being able to achieve a policy of massive housing building addressed to all the population, and not only to the organised movements or those living in risk conditions

--Erminia Maricato
Secretary of Housing in Luiza Erundina’s government

Introduction

Poverty and inequality have been extensive for many centuries in Latin America. They have remained in most of the countries, even during periods of high economic growth. A concern for reducing poverty and an agenda for action has been developed among multilateral international agencies (U.N., World Bank and IDB) in the last ten years. There have been important shifts in this agenda; from the 1980s structural adjustment and rollback of the State to compensatory programmes to protecting the poor and vulnerable; to the 1990s so-called New Poverty Agenda, comprising “pro-poor growth”, better public services and safety nets. Also, there has been a broadening of the concept of poverty from the income-poverty to a definition of capabilities, in which powerlessness and lack of voice in political and economic processes are included (See Lipton and Maxwell, 1992, UNDP, 1997, Yaschine, 1998, World Bank, forthcoming). The political dimension of poverty reduction has been recognised, as UNDP Human development report (1997) asserts, “politics, not just economics determines what we do --or don’t do-- to address human poverty” (p. 94).

At the national level different pictures emerge; in some countries, the same concern and anti-poverty agenda do not exist or differ radically from the international debate. It has been clear that since “all genuine social transformations have been initiated from within the society... international agendas on poverty reduction can be effective only by influencing national political agendas” (Toye, 1999). Thus, one should be looking to “nationalise rather than internationalise the anti-poverty agenda in poor countries” (Moore and Devereux, 1999).

In Latin America, there is a strong tradition of popular struggle and organisation, but regarding poverty and inequality reduction, two largely deterministic visions dominate. The first is grounded on economic determinism and affirms that the poverty and inequality are locked into the economic structure that only changes in the long run. One has to wait until the country becomes fully modernised and developed, for poverty to be reduced and wealth distribution to improve naturally. This vision echoes the “poverty reduction through economic growth” global statement. The second vision is conditioned by power-balance determinism and maintains that poverty will be reduced when those genuinely committed
Redistributionists take over government and put in place profound reforms (Ascher, 1984, p. 5). The limitations of these two visions are more or less obvious. For the first one, neither the income distribution nor the wellbeing of a society are directly related to the level of GDP and growth of a country (See UNDP, 1995). Political will to promote strategies of welfare and redistribution have proved to be crucial in achieving better social indicators and well-being. The limitation of the second vision is that taking over power and political commitment are not enough to achieve deep social changes, especially when the State is not very efficient and when the powerful economic and political groups are able to react and block redistributive attempts.

On the other hand, there is a growing literature that argues in favour of considering the effect of State institutions and public policies on eliminating poverty. De Swaan (1988), for example, through the examination of historical cases, argues that interdependence between the rich and the poor was central to the process of establishing collective schemes for providing health care, education and other public benefits. He stresses the role alliances played in supporting the provision of public services and goods by the State, especially when members of the political elite and the middle classes were convinced that themselves had a positive interest in providing these assets to the poor. Ascher (1984), as well, proposes the study of the policymaking process involved in attempts to redistribute income. The successful policies do not only demand political will, but also detailed proposals and technical elements such as the right choice of instruments and an effective implementation of policies. It is within this framework, where public policy can make a difference on poverty, that this paper is written.

Brazil has been recognised as one of the most unequal countries in the world; it holds the higher Gini coefficient in Latin America (0.59). While the three lowest deciles receive 5% of GDP, the top 10% receive 47% of GDP. Poverty is also very extensive, as 14% of the population is not expected to survive to age 40, 27% do not have access to safe water and 17% of adults are illiterate. Approximately, 29% of the population live under an income of $1 dollar a day (IDB, 1998, pp. 25 and 53 and UNDP, 1997).

Many authors have sustained that Brazilian political institutions and public policy have been distorted in favour of regressive distribution or preventing redistribution (See Buarque, 1994). Weyland (1996) argued that the organisational fragmentation of society and the State poses crucial obstacles for equity-enhancing reforms in Brazil. The existence of multiple agencies with cross purposes and duplicating functions has impeded central coordination for the implementation of coherent and effective social policies. Bureaucratic politics and politician’s habits of patronage have created obstacles for redistributive State action. “State fragmentation skews policy making toward distribution, that is, handouts to the most vocal groups, usually the better-off” (p. 185).

Weyland (1995) holds that the success of redistribution policies depends on a “long-term effort at comprehensive, yet gradual institutional transformation, supported by a solid, wide-ranging organization in society. Social movements need to join forces, broaden their concerns, design a comprehensive program and participate in the electoral arena” (p. 73). Castañeda (1993) sustains a similar argument, that is, the call for a reformist party in power that can redesign policies so to improve inequality and poverty. According to this last author, Left-wing parties have suffered profound changes in the last twenty years (see also Angell, 1996, Ellner, 1993, Molyneux, 1996 and Roberts, 1998) and have played an important role in democratic consolidation, but it is their commitment to the “social

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1 For a discussion of these limitations, in the light of democratic consolidation in Latin America, see Castañeda (1996).

2 Although poverty and inequality are each a separate problem, with different causes and required policies, for the purpose of the argument I will take them as the same problem of "lack of basic capabilities".
question’ what could help them strengthen their electorate and guarantee them future electoral triumphs. However, until now the record on poverty reduction of many Left-wing parties in government has been mixed.

The PT (Partido dos Trabalhadores) is perhaps one of the most powerful and organised Left-wing party in Latin America. Although the initial push for its creation in 1980 came from the labour unions in the region of Sao Paulo, very soon it became a melting-pot where politicised union and grassroots leaders, radical Catholics, intellectuals, former Marxist-leninist organisations and former MDB members met (see Keck, 1992, Alves, 1993, Sader and Silverstein, 1991 and Castañeda, 1993). It has strong links with popular organisations, a relationship that is be crucial in advancing an anti-poverty agenda at the local level, because social movements can not only give the PT votes to win government but can provide it with diagnosis of the problem, policy proposals, experienced cadres for government and allies in society to implement policies and projects (See Fox, 1994).

The return to democracy in Brazil (1985 - 89) opened new opportunities for the PT to win elections particularly with Ignacio "Lula" da Silva as its charismatic leader, who was close to winning the 1989 presidential race. In 1988, the PT had one of its greatest electoral triumphs, wining 32 municipalities, among of which were three state capitals (São Paulo, Porto Alegre and Vitória) and important cities like Campinas and Santos. Hence, the PT became a good example to analyse how a Left-wing party with a concern and agenda for reducing poverty behaved when it took over local government.

The local government level in the federal structure of Brazil offers a scope of autonomy, in terms of resources, responsibilities and political space for manoeuvring, to make a difference in the lives of local people. The Brazilian municipal government, compared to other Latin American countries, enjoys an enviable financial position, as it receives funds from 4 different sources (strong tax capacity, shared revenues, transfers and borrowing) and has the responsibility (alongside with state and federal governments) in the provision of crucial services such as education, health, housing, sanitation, and social assistance (See Nickson, 1995, Tavares, 1995, Willis et al., 1999, Mainwaring and Samuels, 1997 and Reiter and Graber, 1997). Local government can also be used to test innovations and put in practice “pilot” programs, which can give opposition Left-wing parties credibility and convince that they are fit to govern at national levels (Fox, 1994).

However, the PT received perverse inherited problems that made governance and social reforms difficult. First, an inappropriate institutional design of half-decentralised and ill-defined responsibilities between levels of government, an electoral system that encouraged party fragmentation and polarisation, and a very rigid and inefficient municipal administrative structure. Secondly, State-society relations, where patronage and clientelism are the norm, did not help the redesign of equity-enhanced policies and reallocation of resources. Thirdly, the local governments had to operate in a context of economic instability and roaring inflation, a situation practically out of their control. Finally, the deepness and scale of the social problems should also be considered, when one studies the policies implemented and their success or failure in reducing poverty.

This work started as an analysis of the PT government of Luiza Erundina in the city of Sao Paulo, evaluating the difference it made in terms of poverty reduction. But, soon, I discovered that the transformation the PT aimed to accomplish was, in fact, intertwine with the learning process of governing for the first time and building an agenda of more detailed and feasible proposals. The PT, as it tried to change the social conditions, was changed by the governing experience. A simple judgement on its capacity or incapacity to modify social exclusion and inequality would had been partial and risked to leave out a very rich dimension of the political process.

The PT had to meet the double challenge of learning to govern and learning to distinguish what reforms were possible, and a more complex explanation of these two
dilemmas was needed. Actually, the PT had to distinguish between political will and commitment, the scope for change within structural limitations and the political obstacles its efforts were creating. So, I have to warn that this is not a detailed study of what impact did the PT government had on poverty, but rather an analysis of the PT governing and its struggles, many times unsuccessful, to transform the city.

I choose the study of two policies (housing policy and the administrative reform project), in order to understand more clearly how the process of policy-making had changed, what policies were different, what conflicts arose and, finally, what outcomes were produced. In this paper, I analyse the housing policy in order to understand the successes and the limitations of the Erundina government in formulating a progressive social policy. I selected the case of housing policy because it was broadly recognised as a successful social policy, as one of the positive and innovative heritages the PT left the city.

Creating and investing in housing policies responded to a need that was high in the agenda of social reform in São Paulo. During the 1980s, grassroots movements had appeared and grown demanding land and affordable housing. The isolated claims of neighbourhood associations in the city periphery for public services and of favelas resisting removal articulated into regional and city-wide organisations, aided by the CEBs (Comunidades Eclesiais de Base). These social organisations quickly politicised and became strong supporters of the PT. In fact, Luiza Erundina had joined the PT while she was involved in these struggles.

After working in favelas as a municipality social worker, Erundina had been elected vereadora in 1986 by a strong coalition that defended favelados’ interests and in 1988 the housing movements campaigned actively for her election as prefeita. Due to her own commitments and the electoral support she had received, it was expected that low-income housing policies would be one of her government’s priorities. Studying housing policies is also relevant because it allowed us to examine the tense relations between the PT and its constituents in the housing movement.

In the first part of this paper I review more than the PT discourse, its concept of redistribution and social policy. I do not deal with the concept of “deepening democracy” or “radicalising democracy”, because of limitations of space. The second part is a brief outline of the housing problems in São Paulo and the national context of confused responsibilities between the three levels of government. Thirdly, the differentiated problems and groups of demanders are examined, before turning to the description of the programmes the Prefeitura put in practice for each case. The factors that explained the innovations of these programmes are set out in the fifth part of the paper. Finally, the last section explores the relations between the Housing authorities and the social movements, together with the limitations of establishing a clear criteria for beneficiaries selection.

The PT government faced an impressive challenge in reducing poverty in São Paulo. It was a test where it had to show that priorities could indeed be reversed. It soon found that commitment and political will were not enough. The field of housing was even more difficult since building houses and providing them with service infrastructure demanded very large public investments and complex institutions to manage the different stages of the construction process.

In the context of collapsed federal policies, the PT municipal government was able to put together an innovative scheme of self-built houses through a partnership with community organisations and technical advisers. These programmes broke away from the traditional paradigm of State provision of finished houses --the so-called "chave na mão" model, where residents received from the government the key to their houses -- being

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3 The second part of this work deals with these last concepts and the administrative reform project, and is available to anyone interested.
strongly influenced by the empowering and self-management ideas of Catholic activists within the PT. After the PT lost power and Maluf governed the city in 1992, the housing policies in their original form, like other long-term transformation projects of the Erundina government, were dismantled although many features of the programmes survived and others survived in state government policies.

The political capital of the PT: reversing the priorities

In order to differentiate itself from other parties, the PT claimed that their government would bring about changes in the socio-economic conditions and in the political practices. The PT had been able to carve itself a place in Brazilian politics with a powerful and attractive discourse of ethical politics and the need to build a public space, differentiated from the private use traditional politicians gave to public positions and resources. Two other concepts composed the political capital of the PT: the deepening of democracy and the reversal of priorities. I will not touch on the first concept, but I will discuss the second one in the light of the PT experience in the government of Sao Paulo.

The reversal of priorities was a principle rooted on the claim against the Brazilian State’s unjust and regressive practices of public resources collection and distribution. The members of the PT held that the State had been a central piece of the “income inequality architecture” (Buarque, 1994). This architecture consisted of public policy mechanisms that transferred income from the low class majority to the upper classes. Among these mechanisms were, first, the fiscal policy, with its tax incentives, exemptions and low imposition levels for the highest wage earners and large firms. Secondly, the pensions and national housing systems to which all members of the formal sector had to contribute, but their benefits were distributed in a highly regressive way. Thirdly, the common practice of using public expenditure for high-cost infrastructure projects that benefited the middle and high sectors, such as rapid motorways and tunnels\(^4\), while social expenditure for basic services like schools and clinics remained one of the lowest in Latin America.

Although most of these policies were federal and the municipality of Sao Paulo could do very little to revert them, Luiza Erundina used persistently this discourse and tried to prove that with political will some equity-enhancing measures at the local level could be taken. In the fiscal side, the PT administration raised the property tax or IPTU (*Imposto Predial e Territorial Urbano*) which, being a direct tax had better redistributive effects than other taxes. The property value register was brought up to date and new progressive brackets were established. In 1991, the PSDB voted along the PT in the local Council to approve the new IPTU levels and as a result of this increase, by 1992 this tax was providing 20% of the municipal income (Kowarick and Singer, 1993). In the public spending side, social expenditure increased from 34% to 48% of the total expenditure.

### Social spending in proportion to total municipal expenditure

<table>
<thead>
<tr>
<th>Years</th>
<th>Prefeito</th>
<th>Social spending (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975-78</td>
<td>Olavo Setúbal</td>
<td>32.2 %</td>
</tr>
<tr>
<td>1979-82</td>
<td>Reynaldo de Barros</td>
<td>38.4 %</td>
</tr>
<tr>
<td>1983-85</td>
<td>Mário Covas</td>
<td>37.4 %</td>
</tr>
<tr>
<td>1986-88</td>
<td>Jânio Quadros</td>
<td>33.8 %</td>
</tr>
<tr>
<td>1989-92</td>
<td>Luiza Erundina</td>
<td>48.1 %</td>
</tr>
</tbody>
</table>

Source: *Balanço da Prefeitura e Relatório de execução orçamentária*, cited in Kowarick and Singer (1993)

\(^4\) Buarque’s (1994) arguments for explaining the “income concentration architecture” are more complex and convincing than what I present here. See also in this respect Weyland (1996).
However, "reversing the priorities" did not only entail what could be changed through political will, like the budget allocation, but demanded more difficult decisions that could be presented as trade-offs. For instance, giving priority to services such as schools, clinics, popular housing and small infrastructure works in the periphery, instead of monumental investments concentrated in areas already provided with good infrastructure, led to abandon middle-class neighbourhoods and the city centre to decay, and noticeable services such as waste disposal and transport. As a consequence, many people disapproved these actions and, reinforced by the image media was projecting, considered the PT government incompetent and full of contradictions.

Another dilemma was if the PT administration should concentrate in improving social services, which impact would only be perceived in the long run and in a very fragmented way, or if it should invest in large visible works. From 1991 onwards, Luiza Erundina with her cabinet and communication new team, resorted to channel its energies in recuperating its deteriorated image for the coming elections. Together with a publicity campaign, new and more recognisable projects were prioritised such as inaugurating under-staffed hospitals, inaugurating the awaited Formula One championship and refurbishing the Anhangabaú valley as a recreational area. Social spending decreased and consequently, priorities were not change. In her last year, Erundina followed the tradition criteria for government's performance measured by the amount of new public infrastructure completed (de Lima, 1997).

Finally, structurally there were many things that could not have been possible for the PT government to change. Singer (1996) emphasised his preoccupation for not alienating large business interests, since their leave would imply unemployment and more poverty. The scale and deepness of the social problems --the "historic debt" as petistas called the needs that for many decades had been neglected-- was also immense and demanded more resources than those available to the PT municipality, together with a long-term perspective of more than 4 years of policy continuity. Therefore, it is important to understand the context in which the PT was operating when implementing housing policies. The "historical debt" in housing and the federal structure need to be taken into account before turning into the description of the policies.

The scale of the problem: the housing deficit in Sao Paulo and federal arrangements

Brazil has faced a severe housing shortage. As a result, millions of Brazilians live under very low standards of housing conditions, places like shantytowns (favelas), tenement slums (cortiços) and precariously built houses in non-urbanised plots. There are no official figures and the numbers are controversial, but it was estimated that in the beginning of the 1990s, Brazil's housing deficit was around 6.4 million units and the state of Sao Paulo concentrated between 1 and 2 millions of them (Sachs, 1990, da Silva, 1994a, Bradshaw et al., 1997 and Setzler, 1997).

Based on a 1987 Sao Paulo census, it was estimated that by 1991 one million people lived in favelas, 3 millions in cortiços, 2.4 millions in irregular plots without basic services and 1.3 millions in precariously built houses in geological unstable or subject to overflowed areas (da Silva, 1994a and Muçouçahe de Almeida, 1991). Between 40% and 70% of the existing houses in Greater Sao Paulo had been self-built (Bonduki and Rolnik in Sachs, 1990). In 1991, 28% of homes lacked a connection to the water system and 50% were not linked to the sewerage system (Santos, 1996).

\[O \text{ bom governo é aquele que faz obras.}\]
This quantitative and qualitative deficit was the result of various trends that increased the demand for low-income housing, while the offer was limited. On the side of the increasing demand, one can mention, first, the massive growth of the city between the 1970s and 1980s due to both a high demographic growth and migration from other states. The metropolitan area expanded from 8 million to 15 million inhabitants between 1970 and 1991 (Bradshaw et al., 1997). However, the demographic growth cannot alone explain the increase of the population living in precarious conditions, as the next tables show.

### Growth rates of total municipal population and population living in favelas

<table>
<thead>
<tr>
<th>Years</th>
<th>Growth of municipal population</th>
<th>Growth of population living in favelas</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973-75</td>
<td>4.4% (c)</td>
<td>22.8% (c)</td>
</tr>
<tr>
<td>1975-79</td>
<td>3.2% (c)</td>
<td>22.8% (e)</td>
</tr>
<tr>
<td>1979-85</td>
<td>3.1% (e)</td>
<td>12.4% (e)</td>
</tr>
<tr>
<td>1985-87</td>
<td>2.6% (e)</td>
<td>13.6% (c)</td>
</tr>
</tbody>
</table>

(e) Estimated    (c) Data from census

Source: da Silva (1994a)

### Growth of favelas

<table>
<thead>
<tr>
<th>Years</th>
<th>Number of favelas</th>
<th>People living in favelas as percentage of total population</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>1,621</td>
<td>---</td>
</tr>
<tr>
<td>1972-73</td>
<td>525</td>
<td>71,840</td>
</tr>
<tr>
<td>1974-75</td>
<td>942</td>
<td>117,390</td>
</tr>
<tr>
<td>1977</td>
<td>---</td>
<td>400,000</td>
</tr>
<tr>
<td>1980</td>
<td>571</td>
<td>594,525</td>
</tr>
<tr>
<td>1984-87</td>
<td>1200</td>
<td>1,000,000 aprox.</td>
</tr>
<tr>
<td>1991</td>
<td>1,600</td>
<td>1,100,000 aprox.</td>
</tr>
</tbody>
</table>

Sources: "Bolaffi in Ramsdell (1990), " Taschner in Sachs (1990)  
SEMPLA in Sachs (1990), " Santos (1996)

The limited offer of affordable housing was the other side of the deficit. The average purchasing power was low as labour market saturation kept wages down and pushed a large proportion of the population into the informal sector. Economic recession and inflation in the 1980s decreased even further the purchasing power. The Tenancy law and continuous rent freezes turned highly risky the business of renting for low-income families. The private sector stopped investing in this type of buildings, while evictions and sale of the dwellings aggravated the housing shortage (Bonduki, 1994). Also, land prices began to hike drastically as speculation held central lands vacant and the city periphery expanded very quickly (Bradshaw et al., 1997 and Setzler, 1997). The next table shows the rate of expansion of the city periphery.
Distribution of demographic growth in the metropolitan region of Sao Paulo (1970-1987)

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Average demographic growth of Sao Paulo municipality</td>
<td>4.8%</td>
<td>3.7%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Distribution of demographic growth</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>♦ Central</td>
<td>1.3%</td>
<td>6.8%</td>
<td>14.3%</td>
</tr>
<tr>
<td>♦ Intermediate</td>
<td>14.6%</td>
<td>7.2%</td>
<td>16%</td>
</tr>
<tr>
<td>♦ Periphery</td>
<td>84.1%</td>
<td>86%</td>
<td>69.7%</td>
</tr>
<tr>
<td>Average demographic growth of the metropolitan region (rest of 39 municipalities)</td>
<td>5.5%</td>
<td>4.5%</td>
<td>1.9%</td>
</tr>
</tbody>
</table>

Source: IBGE, from HABI (1992b)

An additional factor that cannot explain completely but contributed to the housing shortage was the failure of public policies. Brazilian housing policy can be traced back to the populist era of 1942 to 1964, but it was during the military regime when the main policies and institutions took shape. In 1964, the Housing finance system (SFH, Sistema Financeiro da Habitação) and its operator, the National housing bank (BNH, Banco Nacional da Habitação), were established with a highly centralised structure. Their funds came from compulsory 8% payroll deductions, but the institutions were designed mainly to serve as loan operation intermediaries. The bank set the terms of investment in housing construction and usually lent to COHABs (states housing companies) and private construction firms.

However, to guarantee their repayment loans were given to those who could prove a secure income and afford interest rates above the inflation level. Therefore, the SFH was highly regressive as it secured capital from all formal sector workers but 4/5 of its total resources were used to finance families that earned more than 5 minimum salaries, and 25% of all its expenditure went to families earning more than 10 minimum salaries. “Overall, this centralized policy was an economic and employment strategy, not a low-income housing program” (Bradshaw et al., 1997, p. 74).

In 1986, as a residual effect of the financial crisis of 1982, payroll taxes decreased dramatically and the SFH lost most of its capital in the upward inflationary spiral without being able to establish soon enough an indexation system. These financial problems together with the discredit of the SFH being highly regressive, pushed José Sarney to eliminate the Housing bank and transfer its duties to the CEF (Caixa Econômica Federal). The successive years were a period of confusion, unstable new and then abandoned federal policies.

The 1988 Constitution established for housing policy mutual responsibility among the federal, state and municipal governments. As a result, the policy vacuum that existed was institutionalized, because the federal government could then argue that providing for housing needs was not its exclusive obligation (Bradshaw et al., 1997). The lack of a housing policy resulted from the fact that each level of government claimed that the responsibility belonged to another. It was a true case of the affirmation that: “The practice of granting concurrent powers has the added drawback that no tier of government can then be held accountable when the service in question is not delivered” (de Souza in Nickson, 1995, p. 121). It was a true case of “decentralisation by absence” (Tavares, 1995).

In the 1990s, states and municipalities became more active in taking over this field and, most importantly, in focusing on low-income housing projects. But their efforts have
The financing system has remained the same: payroll deductions concentrated in federal agencies. The federal government has been spending less in this area, and no clear rules to distribute resources among the competing states and municipalities exist.

The state of Sao Paulo, being the richest in the Federation, could gradually developed its own housing system and was not affected so severely by the lack of federal policy. In 1982, the state government created the CDHU (*Companhia de Desenvolvimento Habitacional e Urbano*), which first operated with a state lottery and from 1989 onwards with a fund generated by 1% of the state sales tax (Bradshaw et al., 1997 and Setzler, 1997). However, it was until the mid-1990s, when Mario Covas assumed the governorship, that the state housing policy strengthen and became more coherent. Nowadays, the state level is probably the most effective tier of government acting in housing matters in Sao Paulo.

The low-income housing projects reviewed here should be understood in the context of a policy vacuum from federal government and recent decentralization of responsibilities to the states and municipal governments. It should be clear that the impact of the prefeitura alone in 4 years could not solve the housing deficit that had accumulated for decades nor had the resources to do so, since the payroll deductions were maintained as federal funds. Sachs (1990) estimated that to cover the housing needs of metropolitan Sao Paulo, between 34 to 51 thousand new houses were required every year, representing an investment of 0.39% to 0.59% of local GDP for at least 15 years. In addition, public investment (including urban infrastructure, transports and subsidies to housing programmes) was calculated around 4.4% of municipal GDP (pp. 206 and 207). Municipal public provisioning was definitely a limited long-term solution, when so large investments were needed.

Thus, the PT-led experience should be judged less in terms of its impact6 and more in terms of having proven that a local government could take the initiative to structure a housing policy. It was a positive example of a government who took on the responsibility of providing housing to low income groups in a crucial moment when federal government had abdicated it and state government had not yet taken over.

### The differentiated demand for low-income housing

By the late 1980s, the "illegal city" represented the largest proportion of the city of Sao Paulo. Social movements had placed housing and land in the political agenda, but it is important to distinguish three main claims from different groups among the housing movements. First were the groups that demanded land and the construction of new low-income homes; secondly, there were the favelas and land tenure claims and thirdly, the people that lived in cortiços (slum tenements) whom in most occasions were underrepresented (Gohn, 1988, see Miranda, 1997).

The claimants for new housing units were mainly involved in grassroots activities supported by the Church. Following the basismo principles, they advocated a proposal of self-built communitarian schemes (*mutirões*7) as participation experiences that developed

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6 An impact study clearly needs more detailed data than the one that is available. Therefore, this work does not pretend to evaluate the impact of the PT housing policy, rather it is aimed at analysing the process and obstacles of the policy making.

7 The word “mutirão” in Portuguese has the additional meaning of getting together for an exceptional effort to accomplish an unusual task that individuals alone cannot undertake. It does not refer only to building things, but also to other communitarian tasks such as cleaning-up, cooking, among others.
the spirit of individuals and created community links among them. Building ones’ own living space was a particular empowerment process as the home was a constant reminder of what could be achieved through organisation and community struggle. Usually, these self-built schemes were supported by the technical advice of idealist architects and urban planners working in university housing laboratories.

The second group demanded public services and urbanisation of their favelas, but most importantly was their claim for land-tenure as a sense of security and permanence. Favelas had been a hotly debated issue among policy-makers in Sao Paulo; municipal governments had followed a wide range of contradictory policies, from improvement programmes and providing public services to their total removal and resettlement of their residents.

Finally, the third group concentrated on the problems of cortiços (slum tenements). The population that lived in cortiços was clearly the most vulnerable and poor and received hardly any attention nor funding from any level of government. By 1991, it was estimated that 24 thousand cortiços existed in Sao Paulo and the majority of its residents (55%) earned the minimum wage or less (Kowarick and Bonduki, 1994 and Bonduki in Sachs, 1990).

Usually, a large number of families lived in rundown old buildings subdivided into many small rooms and shared common facilities such as toilets and bathing areas. These families paid very high rents considering their housing conditions and were always in danger of being evicted, as their rent contracts were informal. Their main complaints were against the abuses they suffered from their landlords, their insecure contracts and the judicial processes they had to face to prevent eviction, but also they advocated claims for the improvements and refurbishment of their living conditions. Having drawn a picture of the different groups and housing groups, I now turn to describe the policies implemented by the Erundina government.

The low-income housing policies of the PT government

Luiza Erundina for the three main posts in the Secretar y of Housing appointed academics whom had a recognised technical capacity and links with the PT. They had been involved with the university laboratories that had advised the mutirões experiences mentioned above. Additionally, many housing movements leaders became second-level officials. Apart from the land-regulation organs, the Secretary had two main structures for providing low-income housing. The first was COHAB (Companhia Habitacional) which was a rigid bureaucratic structure that had served as intermediary and regulatory agency between the SFH and the contracting private firms that actually built the houses. Usually, its projects consisted of massive housing complexes built in far away areas of the city’s periphery, where no urban infrastructure nor social services existed.

The COHAB did not play any major role in the PT administration. To the contrary, the PT was hostile to it since it was an expensive building scheme which produced high profit gains for construction firms and very low quality housing. The government decided to

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8 Government funding for popular housing had always privileged the construction of new housing units, condemning old urban centres to deterioration, even if the costs of acquiring land in the periphery, building the units and providing them with basic infrastructure exceeded those of refurbishing old dwellings (Bonduki, Interview).
complete the unfinished projects that had been inherited by the previous administration\(^9\) and restricted to minor improvements in the COHAB management (Maricato, 1997).

The second structure was HABI (Superintendência da Habitação Popular), whose particular history made it unique among the housing organs. It had been created in the early 1970s as part of the Social welfare secretary to help with the removal of families from the favelas, but a few years later its approach changed completely and became an agency of social promotion at the service of favelados; among one of its tasks was carrying out favelas census. By the early 1980s, the social workers that composed HABI -- Luiza Erundina was one of them -- were strong advocates of the favelas urbanisation.

Linked to HABI, a special fund for subsidising housing improvements and self-built houses was established in 1979 called FUNAPS (Fundo de Atendimento à População Moradora em Habitação Subnormal). In 1986, HABI together with this fund were transferred to the recently created Secretary of Housing, but in many ways they represented the aspect of social promotion and organisation that was more common in the social line Ministries than the architectonic and engineering profile the Secretary had. HABI and FUNAPS were to play the main role in the innovation of the low-income housing policy the PT government implemented in Sao Paulo. Three main programmes of low-income housing were put in practice, which are now described in detail.

The *mutirões* programme

The *mutirões* programme consisted of contracts (convênios) signed between HABI and grassroots organisations, made up of future residents with incomes between 1 and 5 minimum wages, financed through FUNAPS funds\(^10\). These contracts regulated how the public resources were to be used. Total production costs were determined by the number of units to be built\(^11\), but overall 82% of the funds should be used for materials, up to 10% for hiring specialized labour like electricians, plumbers, carpenters, blacksmiths, up to 4% for tools, equipment and a site office, and up to 4% to contract HABI-registered technical advisors, being this last condition an obligation of the contract. Even if these were self-built units, the funds received were a loan that participants had to repay, usually through a scheme of based on the between 25% and 10% of the family income and in a period of 5 to 25 years\(^12\). Thus, the government ended up subsidising between 25% to 75% of the new popular housing units (Bonduki, 1996, Muçouçah and de Almeida, 1991).

A set of internal rules for the building process was required to be approved in democratic assemblies, where the amount of work that each participant had to put in and sanctions for their non-compliance were included. Between 1989 and 1992, 84 convênios were signed, 11 thousand units were completed and around 25 thousand families benefited directly from this programme (Bonduki, 1996)\(^13\). Other 15 thousand units were in process of completion at the end of Erundina’s administration, but some were suspended

\(^9\) Cidade Tiradentes was one of these immense housing complexes completed in 1992. It consisted of 40 thousand houses and 16 buildings of 40 m\(^2\) flats (Maricato, 1997).

\(^10\) A plot of land had to be previously established to start a *mutirão*. HABI, COHAB, CDHU (the state government housing organ), the Church or even the grassroots association could provide it.

\(^11\) On average, the new units had a limited area of 60 m\(^2\), while traditional popular housing programmes had 24 m\(^2\) on average (Muçouçah and de Almeida, 1991).

\(^12\) Unfortunately, there is not available data on the repayment rate, which is an important indicator of the policy's efficiency and sustainability.

\(^13\) There are large discrepancies among authors about the numbers of beneficiaries, mainly due to different criteria of the Housing authorities for counting beneficiaries and establishing the distinction between "finished" or "in construction process" units built. Therefore, the figures cited here should be taken considering this problem.
by the next government. Although these numbers were very modest gains compared to
the housing deficit in the city, what should be noted from this experience was its ability to
articulate different social actors in a way to make the use of limited resources more
efficient.

Compared to the projects of construction firms, the units built through the *mutirões*
programmes were around 40% less expensive, as the next graph shows.\textsuperscript{14}

\textbf{Comparative costs between *mutirões* and construction firm schemes}

![Graph showing comparative costs between mutirões and construction firm schemes](image)

Labour costs were clearly saved, a controversial issue that some considered unjust, but
Sachs (1990) puts forward the argument that labour is an abundant resource among the
poor and, through the *mutirão*, it can be transformed into a physical capital asset (a
house). Higher quality and adequate architectonic solutions for the diverse contexts were
also recognised as benefits resulted from this scheme (Bonduki, 1996). Another
comparison might be made with COHAB in terms the number of housing units produced.
COHAB had built around 109,000 dwellings between its foundation in 1965 and 1991
(Kowarick and Bonduki, 1994), that is around 4,200 houses in average per year; while
HABI had produced close to a third of this amount in only 4 years, that is, 5,400 units per
year with less resources.\textsuperscript{15}

The role of technical advisors was particularly relevant for both providing
architectural knowledge in the construction and organising the participants. From previous
experiments, middle-class professionals had accumulated practices and experience in

\textsuperscript{14} The costs are made up from the COHAB units average costs, built by construction firms and the regulations
of FUNAPS resources transferred to community associations, without taking into account the labour costs of
its participants (HABI, 1992b).

\textsuperscript{15} This figure is estimated with both the completed and unfinished units and considering a 5 year period
(when the unfinished units were expected to be completed).
participatory housing building. HABI, instead of hiring them and enlarging its staff, promoted the formation of NGOs to offer their services to the grassroots associations after compelling with certain rules and being registered\(^{16}\). Their intervention as external actors accompanying self-management processes was also crucial for dealing with bureaucracy and official procedures (See da Silva, 1994b).

**The favelas programmes**

The second programme of HABI, the improvement of *favelas*, shared many of the *mutirões* programme but at the same time had major differences. As it was previously mentioned, *favelas* was a polemic issue in the city of Sao Paulo. On one side, there was the viewpoint that *favelas* were temporary settlements that had to be removed for sanitary concerns, aesthetic improvement and respect for urban plans. Their demolitions would commonly be followed by resettlement programmes which involved building new housing units for the displaced residents (Miller, 1997).

From the other point of view, *favelas* were inevitable as consequences of the housing deficit. They were considered as permanent settlements, as the costs of removal would imply serious conflicts and irregular settlements elsewhere in the city, since the municipality did not have enough resources to build enough new houses. Many public servants in the local administration supported these ideas and were in favour of upgrading the *favelas* into *barrios*, a process which required tracing of urban plots and streets, introducing urban services, providing social infrastructure like schools, crèches and health posts and regulating property rights.

Between 1975 and 1992, the policy of successive governments in Sao Paulo towards *favelas* responded to one or other view of the debate, within two dimensions: urbanisation and regularisation. With respect to the first dimension, in 1983, Mário Covas introduced potable water and electricity for the first time in some *favelas* in the city. Between 1986-88, these improvements stopped and Jânio Quadros carried out a policy of removal, renewing the struggles of *favelas* organisations.

With respect to the other dimension, in the beginning of 1985, Côvas presented a legislative initiative for giving a concession of use of municipal land to *favelados* for 40 years, which they would be obliged to pay according to their income. This initiative divided the *favelas* organisations, who choose among two options. The MUF (*Movimento Unificado de Favelas*) --linked to the PT-- asserted the option of a non-paying land-use concession or CDRU (*Concessão do Direito Real de Uso*) for 90 years\(^{17}\). The CORAFASP (*Conselho Coordenador das Associações de Favelas de São Paulo*) --with sympathies for the PMDB-- argued in favour of the payment in order to obtain full property rights, not only the use concession. However, by 1986 neither option was approved by the local Council and Quadros substituted this project for his own law of *desfavelamento* (da Silva, 1994a and HABI, n.d.).

The Erundina administration meant a shift from the policies of *favela* removing. The previous experience had showed that urbanising them was more acceptable than regularising their tenure (Bonduki, Interview). Three modes of urbanisation were designed.

\(^{16}\) Through the resources received in the *convênios*, grassroots organisations could hired and fired with freedom these middle-class professionals, who were then placed in a subordinated relation. In the first year, there were 3 registered groups and by the end of the administration they increased to 23 (da Silva, 1994b).

\(^{17}\) The land use concession implied the signature of a contract with the municipality, which specified the use of land for a certain period of time, the restriction for housing use (not commercial nor office use) and the right to inherit or transfer the use to other persons (HABI, n.d.). The 1988 Constitution included the land use concession (CDRU), but it was the responsibility of the municipalities to approve the leasing these lands (Bradshaw *et al.*,1997).
The first one consisted of large-scale works, such as slope containment barriers and introducing sewage and water infrastructure. The second mode entailed simple works in domestic sewage to improve sanitation conditions. The main distinction between both modes was that the first one was carried out by engineering firms, due to their highly technical nature, and the second one took the form of *mutirão*, where *favela* associations provided the labour force and received public funds for materials and hiring technical advisors.

The third form of urbanisation was restricted to *favelas* that had been removed from risk areas. It followed the same procedures of the *mutirões* programme, but its main innovation was the "verticalisation" as a more efficient way to use land and basic infrastructure, particularly in central areas. Taken together, these interventions benefited approximately 41 thousand families (out of a population of 135 thousand families demanding the programme), concentrated mainly in 22 *favelas* (da Silva, 1994ª and Maricato, 1997).

However, a real transfer of assets to *favelados* implied land-tenure security, since in most cases, their "illegality" hindered their entitlement for urban infrastructure services (Bittar, 1992). Long-term amelioration of *favelas* necessarily included access to land-rights. In this direction, HABI recuperated the land use concession project that the MUF had advocated in the Côvas administration. The project presented by the PT government to the local Council in 1991 planned to transferred for free the CDRU to 139 *favelas* that had existed for an average of 17 years and included approximately 35 thousand families (HABI, 1992).

The initiative was hotly debated. All the parties, with the exception of the PCdoB and PCB, opposed the project, with the PSDB leading the opposition and arguing against the *prefeitura* because it wanted to "legalise illegality" and hand over public land that should had been reserved for green areas. Finally, the PSDB presented a substitute initiative recovering the Côvas project of a subsidised sell of land-plots (da Silva, 1994a).

Meanwhile, the PT government calculated that its initiative would be approved if the *favelados* mobilised and pressured the local Council to give in. The pamphlet published by the government to explain the CDRU even suggested that "it was necessary to struggle in order for the Câmara to approve the project... All the *favelas* need to be known by the vereadores. They will be known when their organised residents participate in the movements, demonstrations, meetings and public acts... The strong and united *favela* movement can make the vereadores vote in favour of the CDRU project" (HABI, n.d., pp. 10-11).

Since the project had special interest for the government, Luiza Erundina negotiated with the MUF for them to accept the selling of plots and acquire full property rights (the PSDB initiative) to which they agreed on the condition that the bill extended to include a total of 1200 *favelas*. Nevertheless, in an electoral year, the opposition parties calculated that any decision that would favour government would mean the victory to the PT (Couto, 1995). The controversial issue of land rights and being *favelas* always sensible to patronage giving, they did not want to take the risk of offering the PT the chance to win the *favelados’* vote. As a consequence, no legislation in this respect was passed and *favela’s* regularisation together with their urbanisation problems remained.

**The cortiços programme**

The *cortiços* (slum tenments) was the last programme that HABI created in 1991 and the merit was to have brought them into the agenda of public policy. Social interventions in this sector were difficult since they depended on third actors: the landlords and the federal law of tenancy. But, in Sao Paulo where the urban renewal of the central areas was strategic,
cortiços projects opened the option of renovation without expelling their low-income residents. These projects also translated into more efficient use of areas already provided with urban infrastructure and low transport costs, and prevented the periphery from growing even further.

HABI introduced two programmes as a means to start dealing with the cortiços’ problems. First, it carried out a campaign for the tenancy law to be known and prevent abuses. In addition, HABI signed contracts with 37 NGOs (academic centres, human rights organisations and law firms) to offer free legal assistance in housing matters; close to 230 thousand people benefited from this assistance. Even if these services were opened to all, the people that mostly recurred to them were acortiçados with rent and legal conflicts which showed a large need for these services.

The second programme was the creation of a fund for the purchase of cortiço buildings by their residents, through the FUNAPS scheme. Those who signed a long-term permanence contract could also receive funds for dwelling’s refurbishment. Although this programme had an important potential, it started very late in the administration and could only be implemented as pilot projects in 4 cortiços with a limited number of 1,500 families benefiting.

Explaining the innovative housing policy

The low-income housing policy of the PT prefeitura had an important impact on the living conditions of many people, especially when the absolute numbers are considered. Even if in relative terms the housing problem was still immense and the municipal resources were limited to solve it completely, in comparison to previous governments the Erundina administration accomplished significant changes shown in the next table.

<table>
<thead>
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<th>Housing programmes and beneficiaries</th>
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<tr>
<td><strong>Programme</strong></td>
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<tr>
<td>Mutirões new housing *</td>
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<tr>
<td>Favelas urbanisation / improvement works</td>
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<tr>
<td>CDRU</td>
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<tr>
<td>Cortiços mutirões</td>
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<td>Free legal assistance</td>
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* Including housing units for residents of favelas removed from risk areas

Source: SAT-HABI cited in da Silva (1994a)
The variety of programmes and the volume of works achieved by HABI were possible thanks to four innovation factors: 1) HABI's increased resources, 2) the use of policy instruments and laws that previously existed, 3) the decentralised and flexible structure of HABI allowing greater room for informal reforms and contracting-out services, and 4) the existence of an organised movement of demanders with links to the PT.

An important achievement, result in great measure of Erundina’s political will, was the allocation of more expenditure to the housing programmes. Within the context of extremely limited resources coming from state and federal sources, HABI expenditure grew with the years, as the next graph and tables evidence. This was more remarkable in the Brazilian economic situation in those years, when hyperinflation soared and stabilisation shocks were being put in practice.

### Housing expenditure, compared to other sectors
(last year of each government)

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<tr>
<td>Housing</td>
<td>1.8 %</td>
<td>0.8 %</td>
<td>4.5 %</td>
</tr>
<tr>
<td>Social services *</td>
<td>24.5 %</td>
<td>23.3 %</td>
<td>29.8 %</td>
</tr>
<tr>
<td>Public works</td>
<td>16 %</td>
<td>25 %</td>
<td>13.3 %</td>
</tr>
<tr>
<td>Cleaning and waste disposal</td>
<td>14 %</td>
<td>14.4%</td>
<td>13.3%</td>
</tr>
<tr>
<td>Transport</td>
<td>12.9 %</td>
<td>3.4 %</td>
<td>15 %</td>
</tr>
</tbody>
</table>

* Includes education, health, welfare, sports and culture expenditure

Source: de Lima (1997)

![Popular Housing Expenditure (HABI)](image)

Source: HABI (1992b)
It is noticeable that an important part of the increased resources came from the private sector, through the use of a previously established policy instrument: the *operações interligadas* law. This law was established in 1986 by the Quadros government with the intention of removing *favelas*. The *operação interligada* was a permit that construction firms could buy from the municipal government which allowed them to go over the land use rate regulations (*coeficiente de aproveitamento*). The value of the permit was calculated in accordance to the profit surplus that the extra built units were to provide. An office in the Planning ministry evaluated each application and estimated the permit cost. The resources obtained were transferred automatically by law to the FUNAPS fund (See Van Wilderode, 1997 and Singer, 1996).

In contrast to the Quadros’ *desfavelamento* aim, the PT government used this policy instrument to redistribute resources from highly profitable building sites –where these permits could be afforded– to low-income housing projects. Most of these permits were applied in the central Southeast region of the city, where modern office and luxurious apartment buildings were located. It was in the Erundina government when most of these permits were granted (around 69), generating an income of approximately US$32 millions and representing 15% of the HABI budget (Maricato, 1997). Using the municipal prerogative of land-use regulations, the interlinked operations together with the FUNAPS were crucial policy instruments to mobilise additional local resources from the well-off private sector to housing schemes for lower-income groups.

A third factor that explained HABI innovations was its decentralised and flexible structure. Most of its staff worked in 13 regional offices, while the central part was in charge of setting up policies and regulations. The regional offices had the task of identifying the participant associations and making them comply with the project requirements. This structure proved to be very efficient for contracting out the services and increasing the number of beneficiaries.

The decision to "contract out" to civil society organisations was taken after it was evident that the housing problem needed urgent and large-scale solutions. They could not wait for modifying existing institutions nor creating new ones. In contrast to COHAB, HABI had very flexible regulations, a characteristic that compensated for its lack of structure and personnel, and allowed for informal changes in its management (Bonduki, Interview).

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18 Other sources of income for these programmes were a municipal housing lottery and FUNAPS paid loans.
19 There were certain restrictions in granting these permits such as the respect for exclusively residence and environmental protected areas. Only between 1989 and 1992, the permit granting power was concentrated in the executive since before and after those years it was obligatory for the local Council to approve all modifications to the land use regulations, including the *operações interligadas* (Van Wilderode, 1997).
Hence, it was transformed into a "contracting out" unit, without being obliged to legislate its reform.

The terciarisation of services was a rapid and efficient solution for building houses, urbanising *favelas* and giving legal assistance. The alternative housing programmes relied in finding the adequate partners in civil society and making sure they were using the public resources for the stated goals. HABI central team's duty was to create the norms to regulate the transfer of public resources. These regulations were drawn along the way and perfected through trial-and-error, because there was pressure to quickly achieve results. As Bonduki explained: "The only way to make a new public policy and respond quickly enough to social movements was by creating a bare minimum of rules and norms. I had the commitment of doing this as soon as possible. We put together a team that worked two or three nights to create the programme's rules. We didn't have more time" (in da Silva, 1994b, p. 13).

The final innovation factor was the existence of social organisations and technical capacity in civil society to participate in housing policies' partnership. As Raczynski (1998) states about this condition of the new paradigm in social policy: “This modality works to the extent that there is a ‘market’ of NGOs, community organizations, agencies and schools that are informed, trained and motivated to participate and to provide quality services and projects. The expansion of some programs is [sometimes] limited by shortages of this ‘market’” (p. 154).

The city of Sao Paulo by the end of the 1980s had all the components of this “market”. Between the late 1970s and early 1980s a number of social movements and community leadership had formed around the popular housing issue. There was predisposition and active involvement from many housing technical advisors as representatives of a progressive middle-class sector who wanted the PT administration to succeed. In other words, there was a wide network of social capital to support the innovations and the main task for HABI was to articulate the required resources and actors into the housing policy. However, it was also in the selection and relation with these partners, its main beneficiaries, where many of the limitations of the housing policy can be found, as the next section explains.

**The political limits to innovative policies: the difficult relation with beneficiaries**

Even when the housing policies were innovative and programmes focused on low-income groups, they had major complications in their design and selection of beneficiaries. These obstacles have to be put in the context of the troublesome relations between the PT and social movements. The PT, as other Left-wing parties in Latin America, had formed an implicit alliance with social movements. Grassroots organisations had approached the PT with the strategic vision of obtaining representation in the institutional framework (Assies, 1993). Years of mobilisation and negotiation with public servants and politicians led to think that their problems had not been solved because of a lack of political will. They believed that if their own leaders and the PT governed the municipality, their demands would be heard and their needs solved. Surely, they placed all their hopes in the taking over public office and in political will (Ruscheninsky, 1997).

For the PT, the social movements' support was fundamental because together with labour unions, they were their popular base. They represented not only votes but also a whole organizational structure of militants and an agenda of issues (even if not clearly defined proposals) on social problems and people with experience in these matters. What is more in ideological terms, grassroots organisations became the social agents that
represented "the marginalised", "the poor" and "the people" within the party and this assumption would had further consequences when the PT implemented social policies.

The grassroots organisations that had participated in the PT electoral campaign were overjoyed and had great expectations when Luiza Erundina triumphed in Sao Paulo. Macaulay (1996) has pointed out that they anticipated a special treatment and a rapid improvement in their living conditions. In particular, the PT policy-makers, who aimed to design and implement a policy to benefit the poor, were pushed by political pressures of their constituencies to a policy that prioritised and attended them almost exclusively. The category of being poor and a PT supporter sometimes, but not always, matched and the limitations of the housing policies lay precisely in this confusion: providing for its constituents did not necessarily meant providing for the poor.

The beginning of the government can be described as an identity crisis for the housing movements (Ruscheninsky, 1997). In the first place, many of its leaders and advisors left to work in the PT administration, which weakened the organisation's sense of direction. Those who had been social leaders had a hard time adjusting to their new role of policy-makers and selector of demands, subjects to crisscrossed pressures. The opinion of Francisco Macena illustrates this problem: "I had always been in the movement, I had been a leader and an educator there. But when I assumed public office, I could not be a movement's representative in government. My movement fellows called me *pelego* (strikebreaker). They said: 'You are defending the government and not us' to what I replied: 'I am the government'" (Macena, Interview).

In the second place, many organisations did not know what position they should take towards the PT government. Some thought they could not demonstrate against nor criticised it the way they had done with other state or federal governments. They wanted for the PT to succeed and were in favour of establishing a more cooperative relation (see Assies, 1993). At the same time they did not want to be co-opted or appear submissive because their problems and demands subsisted, even with the new government.

Moreover, the housing movements wanted to seize the opportunity of having the PT in power and rather than press to influence the public policy process (discussing rules, selection criteria, priorities, etc.) --as expected by those that conceived stylized versions of social movements-- they urged for the attention of their specific demands and particular interests. It was common to find disputes between similar groups, and fragmentation when previously there had been coordination and articulated organisations. Also, there was competition between regional and sectorial movements for the scarce municipal budget (Singer, 1996). This was, in the words of Weyland (1996), a process of segmentalism and personalism against universalist principles: "Segmentalism and personalism make most social forces focus on narrow interests not on broad-based redistributive change... Segmentalism allows them to press their narrow demands directly on the state instead of relying on parties [this case, in formal procedures]" (pp. 44).

After the identity crisis passed, these groups realised that they would not receive a special treatment unless they pressured and learnt that those who mobilised the most, gained the greatest. This was being proved by other groups linked to opposition parties that had carried out invasions of land and unfinished COHABs units, during the first months of government. The grassroots organisations saw that to have their demands met,

20 A leader of the housing movement recognised: "During the first six months of the PT government we made four demonstrations against the state government and one against the federal, but none against the prefeitura. Our constituents complaint: 'Are you leaders of the popular movement or are you defending the administration?' We were trying to prevent the mobilisations, we served as a shield. We were conscious that the government was different, that they treated us in a totally different way, but the people were aware that there was still a lot to do" (in Harnecker, 1996, p. 244).

21 For a detailed account of these conflicts and fragmentation, see Miranda (1997), pp. 68-84.
they would have to resort to a strategy on two fronts. First, they had to participate in the institutional channel set out by the PT government in the form of endless assemblies and meetings with participatory aims. Secondly, they had to mobilize and pressure, the same way they had done with other governments.

On the other side, the PT administration was desperate to prove that it was really different from other governments. But given the context, the easiest and most noticeable thing to change was the attitude. They wanted to be seen as closer to the people, so top officials visited the periphery and showed themselves to be more open to discuss problems and give explanations about what the administration was doing or not doing. They would receive all organisations that knocked on their doors, even without appointments (Harnecker, 1996 and da Silva, 1994b). Their approach of direct contact with their beneficiaries led the PT government to soon be overwhelmed by demands that exceeded their means and resources²².

By the end of the first year, the grassroots movements ended the truce they had given the PT administration (Ruscheinsky, 1997) and to the disbelief of many government members, those who had helped them get elected started making demonstrations outside their offices. These demands and demonstrations surrounded the government, which until then had not come about with structured policies, priorities nor programme procedures. Most government in the administration remembered not being able even to establish a work routine since they constantly had to deal with conflicts and emergencies.

As Nabil Bonduki recalls: "It was a period in which practically every two or three days, there was a demonstration outside the Secretary's doors and my office. In those days, when I arrived to HABI in the morning and didn't find a mobilised organisation or people outside the building, I was relieved because I would be able to work reasonably. It was a violent pressure that blocked the development of regular work. On the other side, perhaps all that pressure made things happen. Any person that worked in HABI those days has a fond memory, because it was a time when things were boiling. We designed, we produced and we saw things become reality" (in da Silva, 1994a, p. 17).

Indeed, the mobilisations generated an urgency to create projects and seek for innovative ways to solve the housing problem. However, they also led to design the programmes for addressing two priority groups: 1) those who lived in risk areas and 2) the organised groups. The implications of defining these priorities --especially the "organised groups" one-- were of different kinds.

First, they imposed a condition for the poorer groups to be excluded. Even if people had greater need for housing benefits, the fact that they were not organised excluded them from being beneficiaries. In the development literature, it has been argued that the poorest are less likely to be organised. The process of organisation and articulation of demands involves certain costs in time and self-confidence that the poorest might be unable to meet. As well, they might not be capable to take the burden of cost-sharing, being cash or labour contributions. One might assume that mutriões associations, relying on labour contributions, would had been groups that encouraged young and healthy persons especially men to join, in order to have more "strong hands" for the construction process and would exclude families composed exclusively of physically weak members (children, women, elderly).

The PT justified the criteria of "organised groups", firstly, because it was an incentives for people to organised themselves and, indeed, many organisations emerged to pragmatically comply with this criteria (Bonduki and Sposati, Interviews and Maricato, 22)

²² Pontual refers to this as "... the explosion of the historic debt. When expectations and participation spaces are created, the historic debt emerges. The social and political demands that the for-many-years-unattended sectors bring inevitably lead to conflicts" (Interview).
Secondly, the PT believed that the poor were organised; the popular movements in Sao Paulo were the proof of it. However, as it was previously said, the fact that the PT members saw social movements as representatives of the marginalised did not mean in reality that they included all the poor nor the poorest among the poor.

To participate in a grassroots organisation should not have been taken as a poverty criterion and in doing so, the policy might have been incurring into undercoverage (when the programme fails to reach the poor or target group) and leakage (when benefits reach those who are not in need) errors in targeting public resources (Cornia and Stewart, 1995). The "living in risk areas" priority was a city planning strategic criteria and again not a poverty one. Probably, there were only two indirect mechanisms for selecting beneficiaries according to welfare indicators. The first one was the requirement of having an income of 1 - 5 minimum wages in order to be a participant of a mutirante association. But, this indicator was not strict enough to discern the welfare of households since a large proportion of Sao Paulo’s population fell in this income category and would qualify in their need for affordable housing. The second was the self-selection mechanism of labour contribution, i.e. one had to participate personally in heavy work activities during weekends and it was expected that only those in great need would have been inclined to do it.

The emphasis on the lack of strict criteria for selecting beneficiaries lies in the fact that housing policies concentrate a large portion of subsidies in a limited number of beneficiaries, since the new units and their corresponding services demand very large public investments. Thus, the distribution of these resources, selection of beneficiaries and similar issues in targeting are inevitable questions that need to be discussed thoroughly, if one desires for the policy to have an effective impact on the social conditions of the city.

Another consequence of having these vague and loose criteria was that too many applicants complied with the requirements and as limited resources were available, further informal selection mechanism were established. Either they were chosen among those that attended regional forums and conselhos --changing substantially the nature of voluntary participation to participation as a compelling step to have demands met-- or they might have been selected through clientelist means, either through contacts in the Housing agencies or via the hired technical advisors, PT vereadores and partisan loyalties.

Although no detailed documentation exists, some authors have recognised that clientelist practices continued in the PT government (Kowarick and Singer, 1993 and da Silva, 1994b). The old clientele and bosses were likely to have been substituted by new networks and hubs. Opposition parties and numerous grassroots organisations accused the PT of clientelism, and probably even if the evidence is weak, it was persistently believed that the distribution of patronage prevailed. This leads one to think that as expectations were frustrated and promises of improved living conditions did not materialised for everyone, many justified their not benefiting by their lack of personal connections or links to the PT government.

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23 Targeting is most recommended when the policy objective is to reduce poverty and there are budget limitations, which was clearly the case of the PT housing policies.
24 Other activities like office (account-keeping), cooking, teams-coordination and nursing jobs were also considered labour contributions and they could had been considered more acceptable to not-so poor people.
25 In the introduction of the Modo petista (Bittar, 1992), it is recognised that clear criteria and transparent procedures for the access of housing programmes are needed in order to "eliminate direct and personalised attention that the culture of favours originates" (p. 28).
26 The PCdoB and PSDB criticised the housing programmes because the organisations with PT links were prioritised (Maricato, 1997) and the interviews of grassroots leaders in da Silva (1994b) recurrently referred to these practices. For a broader discussion on clientelism and State policy see Migdal (1988) and for the Brazilian case in particular, see Hagopian (1996).
The grassroots movements were much more autonomous than other Brazilian corporate organisations and they challenged strongly the PT government, but what was clear was some degree of manipulation. The creation of a "public sphere" to which the PT discourse recurred constantly was not accomplished, as the logic of "privatizing public benefits" or rent-seeking never disappeared (Maricato, 1997)\textsuperscript{27}. Mobilisation was continually used as a means to pressure public officials, and they themselves resorted to this logic to pressure other government agencies and even the Legislature.

Singer (1996), for example, described how: "The budget implementation suffered from the indiscipline of some first-level government officials who did not hesitate to appeal to Luiza Erundina when their requests for additional funds were rejected by the Finance and Planning secretaries. And more than a few times, their pleadings to the prefeita were reinforced by mass demonstrations of those directly interested" (p. 131). In this way, there was no genuine respect for the movement's autonomy, nor was the municipal government policy formulation truly autonomous from the political mobilisation of the grassroots organisations.

As a response to these problems HABI, alongside with PIEP, tried to establish a Housing council, where movements and government would discuss the policy, in particular its priorities and resource allocation. The goal of the Council was for grassroots organisations to gain a broader view of the problems, to understand the limitations of the municipal budget and to accept and comply with stronger and stricter selection criteria, preventing clientelist and pressured-by-mobilisations decisions (Bittar, 1992, Maricato, 1997 and Miranda, 1997). The Council would have regional and by-problem (favela, mutirão, cortiço) representation and its members, generally the movements' representatives, were to be elected by secret votes.

Through a decree in July 1991, Luiza Erundina created the Housing council, but the Câmara de vereadores pronounced it unconstitutional and suspended the decree. As in other experiences, the bad relation with the local Council proved decisive to obstruct fundamental reforms that the PT could have introduced. As with the CDRU project, there were two proposals defended by the PT and the PDSB-PMDB (see Miranda, 1997). Their discussion prolonged more than a year and the next government filed both projects. It is difficult to say how different would the policies had been if the Housing council would had been installed. It doesn't seem probable that institutionalising participation through this channel would had fill the omissions in the policy design, but possibly it would had served as an intermediary and demands' containment space between the movements and the PT government. The more successful cases of "participatory budget and planning" in Santo Andre and Porto Alegre showed the importance of a space like this, where those who made claims interacted among them and through deliberation acquired a shared vision and a new dynamic of consensus-making, turning the policy process less conflictive.

Conclusions

In this paper, I have analyze how the PT government understood social policy and redistributive efforts in the context of the Sao Paulo municipality. The background of the raising housing needs and the existing policy vacuum, when the federal government had withdrawn and the state policies had not yet been set in place, was set out in order to understand the structural constraints within which the PT government was working. The

\textsuperscript{27} The phrases the Housing secretary often had to listen reflect this logic: "You are obliged to attend me because I am the people", "There is participation if I am heard", "The budget is democratic if it meet my demands" (Maricato, 1997, p. 75).
description of the housing programmes the Erundina administration implemented, together
with an explanation of its innovations and limitations was put forward. I now turn to discuss
these findings in terms of the long-term impact of the policies on the social conditions of
the city.

The housing policies of the Erundina administration departed from the traditional
Left formulations, where the State alone was responsible for building houses for the
workers. Many criticised the policies arguing that low income groups had an already heavy
work journey during the week and the government promoted their overexploitation when it
asked them to participate in self-built schemes. On the other hand, CEBs and their self-
reliance ideas were very powerful within the PT. They supported the self-built scheme as
an empowering and organisational experience.

At the end, the pragmatic approach dominated over the ideological alternatives as
the PT prefeitura did not have enough resources to implement a policy of massive units
built with the traditional approach of hiring construction firms. The mutirões programme
was certainly less expensive and used the public resources in a more efficient way,
through the involvement of grassroots organisations and technical advisors. The HABI
innovative programmes coincided with the social policy new paradigm prescriptions about
incorporating civil society actors and contracting out services (see Raczynski, 1998 and
HABITAT, 1996, section 11.2).

The programmes received international recognition as HABITAT best-practice (see
Bonduki, 1996) and became decisive references that influenced the housing debate and
consecutive municipal and state policies. At the municipal level, the urbanisation of favelas
and their "verticalisation" were programmes that continued (in the widely-publicised
Cingapura project) receiving an IDB loan in 1996. At the state level, the mutirões
programme was replicated by the CDHU with its complete set of features and regulations.
The state government also recuperated the strategic importance of cortiços and a pilot
project, with the IDB cooperation, has been established for financing the dwellings' sale to
their occupants. In this sense, although the resources the PT government controlled at
the municipal level were not enough to provide for the housing needs of the majority of the
population, the policies implemented had an important outcome in providing houses to a
significant number of low-income people, and at the same time influencing other
governmental actors --even attracting international resources-- into the same dynamic.

The housing policies also had an important impact within the PT agenda of policy
proposals. The chapter dedicated to housing in the Modo petista, practically written by the
Sao Paulo HABI and Secretary of Planning teams, reflects well-thought and clearly defined
projects. These included aspects such as land use regulations to lower the price of land,
giving access to property-rights to those who live in the "illegal city", incentives for the
private sector investments in affordable housing, support to self-built schemes, locally-
controlled taxes and permits resources channeled into low-income housing, and
institutional channels for participation and policy priority-setting (see Bittar, 1992).
Therefore, the governing Sao Paulo experience helped the PT to shape the housing policy
of other cities and states where the party governed.

What was remarkable about the housing policies, compared to other PT strategic
projects, was the better measured political timing. Quick results were sought, recognising
that the PT government did not have much time to prove that it could govern well. Policy
innovations were put together in very short time and by informal means, for instance,
HABI's decentralised structure and contracting-out regulations or the interlinked operations

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28 The Sao Paulo favelas improvement program (938/OC-BR) received an IDB loan of US$150 million and
US$100 millions financed locally. The Cortiços Action Plan (BR-0298) received a loan of US$140 millions,
with the same amount to be financed by state government (www.iadb.org).
where the permits were granted within the Executive branch. This meant that no legislating was passed and the policies were under no risk of being rejected in the local Council\textsuperscript{29}, except for two fundamental pieces: the CDRU for favelas regularisation and the Housing councils.

These two projects were introduced in the Câmara in the last year of government, when approaching municipal elections transformed the political priorities of vereadores into zero-sum outcomes. The favelados' vote was taken into consideration and this project that could have improved their living condition was rejected because of suspicions of patronage practices in the coming elections. The Housing councils would had been a crucial piece for building a true "public sphere" in the housing policies. The PSDB and PT projects in both the CDRU and Housing councils were very similar, but the political differentiation logic and the PT unwillingness to compromise prevented them from approving a common proposal. The PT clearly did not recognised that there was more to gain with a gradual accumulation of forces than with their maximalist approach.

Regarding the endurance of social changes and innovative housing policies overall, the lack of these two legislation projects proved to be fatal, but the whole structure of informal reforms was dismantled as soon as the PT lost power. Specifically, at the municipal level, the mutirões self-built programme together with the scheme of "contracting out" to community and technical organisations, disappeared and the traditional construction firm model returned to municipal policies. Unlike the PT problems of communicating its accomplishments, Maluf was very skillful in advertising its housing projects and the public opinion has a favorable image of them, while they have not reached as many beneficiaries as the previous policies\textsuperscript{30}.

Finally, the lack of clear welfare indicators was perhaps its most notable error, as it did not allowed to target the scare resources to the most needy groups. Vague indicators used for beneficiaries' selection opened the programmes to very large numbers of people and the method of allocating resources became a political criteria: the most mobilised and vocal groups, usually PT supporters, were the selected beneficiaries. From the beginning, it was clear that the available resources at the municipal level would not be enough to solve the scale of the social problems in Sao Paulo, but the disenchantment with the PT of those unattended by policies reinforced their perspective of the clientelist functioning of government. These shortcomings were particularly relevant, since the partisan and clientelist channelling of benefits distorted the aim of social policies. They were not longer perceived as public intervention instruments for eliminating poverty and providing welfare, but as prizes whose winners were to be determined by the political struggle.

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\textsuperscript{29} The first attempt for legislating reforms was to convert HABI and FUNAPS into a Housing foundation, which was rejected in 1990. After that failed attempt, where possible, informal changes prevailed (See Miranda, 1997).

\textsuperscript{30} The failure of the PT government in making its achievements known was recognised by Erundina who stated that the communication strategy had been the weakest point of her administration (de Lima, 1997).


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