

Diana de Castro

## **How a Brazilian Firm is Sustainably Solving the Problems of Urban Slums, One Community at a Time**

---

### **Warning**

The contents of this site is subject to the French law on intellectual property and is the exclusive property of the publisher.

The works on this site can be accessed and reproduced on paper or digital media, provided that they are strictly used for personal, scientific or educational purposes excluding any commercial exploitation. Reproduction must necessarily mention the editor, the journal name, the author and the document reference.

Any other reproduction is strictly forbidden without permission of the publisher, except in cases provided by legislation in force in France.

**revues.org**

Revues.org is a platform for journals in the humanites and social sciences run by the CLEO, Centre for open electronic publishing (CNRS, EHESS, UP, UAPV).

---

### Electronic reference

Diana de Castro, « How a Brazilian Firm is Sustainably Solving the Problems of Urban Slums, One Community at a Time », *Field Actions Science Reports* [Online], Special Issue 3 | 2011, Online since 04 June 2012, Connection on 15 October 2012. URL : <http://factsreports.revues.org/1649>

Publisher: Institut Veolia Environnement

<http://factsreports.revues.org>

<http://www.revues.org>

Document available online on: <http://factsreports.revues.org/1649>

This document is a facsimile of the print edition.

Creative Commons Attribution 3.0 License

## How a Brazilian Firm is Sustainably Solving the Problems of Urban Slums, One Community at a Time

**Diana de Castro**

Institutional consultant

**Abstract.** Terra Nova, a for-profit social enterprise, helps urban slum dwellers obtain legal title to the land they occupy irregularly. By managing all aspects of the land regularization process, Terra Nova helps community residents purchase the land they live on, formalizing an important asset and catalyzing economic growth. This enables the government to implement much needed infrastructure such as running water, sewer systems, electricity and paved roads. The process offers triple bottom line results (i.e., social, environmental and economic benefits) to these urban slums. It transforms dead asset into capital benefitting all stakeholders: 1) community residents purchase important assets, gain access to credit and are transitioned into the formal economy, 2) governments resolve complex, costly problems associated with urban slums and collect taxes and 3) land owners are compensated for their occupied property. Terra Nova's methodology for sustainable land regularization provides a dignified and empowering solution to formalizing property rights.

**Letter from the founder.** Terra Nova presents this work as not just a business opportunity, but the project of a lifetime dedicated to reversing the factors that put at risk human life on Earth.

We work to join people in dissolving conflicts, to cure the "sick cells" of the Cities and to revitalize social, environmental and economic aspects.

Through our work we identify hard-working people within these communities, who try with few resources, to lessen the difficulties of their friends and neighbours. We join them and add our efforts to make this "chain of goodwill" grow, involve institutions and bring partners that can strengthen this process of social transformation. This is the main objective of this work.

Love has been the constant note of our daily work, renewed by the field experiences and the theoretical knowledge produced by notable people who concentrate efforts to uncover ways of reverting the uncertain destiny of people living in these settlements.

The present work synthesizes our endeavor and our confidence that we can join efforts to expand this work wherever any human being still waits to have their basic necessities met.

MR. ANDRÉ ALBUQUERQUE

Founder and CEO to Terra Nova Regularizações Fundiárias.

**Keywords.** Affordable housing, urban, slums, land regularization, Brazil's favelas, Social Entrepreneurship, social transformation, Terra Nova.

The United Nations estimates that a billion people live in slums in the world and this figure is projected to reach 1.4 billion by 2020.<sup>1</sup> The process of world-wide urbanization has taken a large contingent of poor populations to the cities

looking for better opportunities, generating disordered, informal growth of irregularly occupied areas. In many developing countries, the formal production of low-income housing did not meet the extraordinary demand causing people to occupy public and private areas without formalizing ownership titles. In Brazil, approximately 1.8 million urban households were occupied in this way.<sup>2</sup> The problems associated with areas where property rights are not formally recognized are familiar. It results in slums which are filled with precariously

<sup>1</sup> UN Program Habitat study—The state of the Slum quarters in the world 2006-2007.

**Table 1.** Brazilian households with irregularly occupied land – evolution in urban areas.

Region	2000	2006	Variation
North	56,346	59,443	5.50%
Northeast	432,27	354,437	-18.00%
Southeast	650,406	1,005,886	54.60%
South	325,923	322,401	-1.08%
Center-West	43,799	53,046	21.10%
<b>Brazil</b>	<b>1,508,744</b>	<b>1,795,213</b>	<b>19.00%</b>
MR Belém	28,406	25,558	-10.00%
MR Fortaleza	53,211	58,208	9.40%
MR Recife	70,295	48,898	-30.40%
MR Salvador	39,982	31,297	-21.70%
MR Belo Horizonte	46,395	74,83	61.30%
MR Rio de Janeiro	99,561	169,888	70.60%
MR São Paulo	271,205	524,423	93.36%
MR Curitiba	33,57	43,519	29.63%
MR Porto Alegre	117,62	109,824	-6.62%

constructed housing often without basic infrastructure, such as sanitation and sewer systems, clean water or electricity, posing serious health concerns and environmental issues.

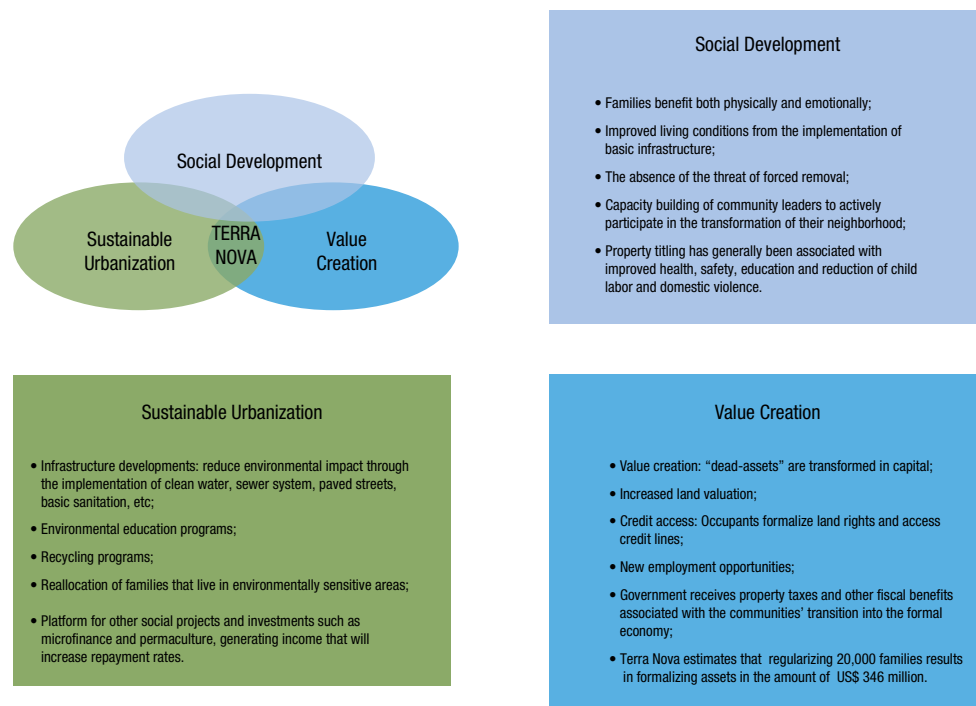
It also has adverse economic repercussions. It is estimated that there are US\$ 9.3 trillion “dead assets” concentrated in the poor population of the world. (Hernando de Soto, “The Mystery of Capital”). He refers to the hidden and dormant value of assets that are not legally recognized, monetized, protected or standardized. According to his studies, the poor do have significant assets. However, these assets are held informally and in ways that dramatically limit their full economic potential. Any policy or instrument that formalizes these assets serves as an important catalyst for economic growth. This reality can be seen in the concrete examples of Terra Nova’s work where entire communities are transformed economically, socially and environmentally by formalizing property rights.

In Brazil, the occupation of privately held land caused significant conflict between proprietor and occupant that has often existed for decades. Land owners have all but considered this land a “dead asset.” These disputed areas can cause challenges for the government to implement infrastructure or collect taxes from the communities, resulting in the urban slums that plague the developing world. Currently, the primary solution to these problems in Brazil rests with government initiatives and, in the case of privately held land, is

resolved by expropriation, whereby the government buys the land from the proprietor and gives it to the residents. This is costly to the taxpayer, inefficient and creates an incentive for further squatting.

Andre Albuquerque, a Brazilian lawyer, saw firsthand some of these challenges while presiding over the housing agency, Companhia de Habitação de Pinhais, in the state of Parana. It was at this time that he began his work in mediating conflicts between land owners and occupants who were being threatened with forced removal. Shortly thereafter, a change in administration resulted in the termination of the housing agency by the new mayor. This is when he decided to create his own company, to provide a sustainable, private-sector alternative to existing government solutions.

In 2001, he created Terra Nova, a for-profit social enterprise to formalize urban slums by peacefully resolving the land disputes and managing the regularization process. Additionally, he wanted to create the conditions whereby residents could take responsibility for their actions and shape their future in a dignified and empowering way. As such, Terra Nova resolves conflict between land owner and occupant by mediating an agreement whereby community residents purchase the land they occupy. With this agreement secured, the government can implement the necessary infrastructure such as running water, sewer systems, sanitation, electricity and paved roads. The methodology provides an



**Figure 1.** Triple bottom line Benefits – Social, Economic & Environmental.

attractive alternative to solving the problems of urban slums at a substantially lower cost to public coffers than the government expropriation.

Terra Nova’s land regularization model is an important tool for transforming “dead assets” into capital, benefitting all parties involved. Landowners are compensated for their property. The government increases revenues from property taxes and reduces costs associated with the complex problem of land rights. Community residents receive so much more than legal acquisition of an asset: their neighborhoods are transformed into healthy, thriving communities. Property values appreciate substantially from titling and infrastructure. They gain access to credit, new employment opportunities and are integrated into the formal economy.

Today, Terra Nova manages every step of the regularization process – from conflict resolution to urban planning, capacity building, legal administration and financing community residents. The land regularization process is typically initiated by one or more of the different stakeholders involved –the proprietor, who wants to be indemnified for their property; the resident, who wants to secure legal title to the occupied land; or the government who needs to collect taxes and solve the various problems associated with urban slums, but lacks the resources to do so.

## 1 The process

### 1.1 Viability Study

The process begins with a viability study—an evaluation of the legal, environmental and urban circumstances of the areas in question. It defines the parameters for negotiation with the

proprietor. Included in this study are: 1) verification of ownership, liens and fiscal obligations of the occupied area 2) identification of community association and its leadership 3) determining whether the land is suitable for permanent settlement; whether it is located in areas that are environmentally sensitive or at risk and whether it is necessary to relocate families. It also includes executing the Regularization Contract between proprietor and Terra Nova granting it exclusivity for the regularization process.

### 1.2 Diagnostic Phase

This phase includes mapping the land and performing an assessment of each household to understand their socio-economic status (e.g., income, employment, education and number of family members). Critical to Terra Nova’s work is capacity building such as the training of the community’s leaders so that they may actively engage in the regularization process. It also includes “community sensibilization” to educate its members about the benefits of formalizing property rights. The intention is to create agents of change who continue to be active in shaping their community’s future well after Terra Nova’s work is done. This is also critical to securing the support and enrollment of families in the regularization process.

It is during this phase that Terra Nova prepares the urban, legal and social evaluation which defines the community’s needs and is used in the negotiation with its leaders and the municipality. Terra Nova forges an agreement between proprietor and residents and establishes a value for the land, securing the government commitment to implement certain public works.



Makeshift Water Lines Improvised by Community Residents



Implementation of Formal Water System.



Makeshift Water Lines Improvised by Community Residents



Implementation of Formal Water System



Day Care Center, capacity for 150 children.



New Health Care Center

**Figure 2.** Vila Marinho community, Paranaguá, Paraná, Brazil—before and after settlement.

A Multi-Stakeholder Council is set up which includes the government officials at the local and state level, proprietor(s) and the community's leadership. The purpose is to facilitate the negotiations and ensure representation of all parties. It sets priorities for urban projects, allocation of monies from the Community Fund (see Project Approval & Management) and resolving issues such as family relocation, and assisting the poorest families.

### 1.3 Judicial Agreement

The Judicial Agreement, ratified in the courts, is the product of the conflict resolution among the stakeholders and defines the rights and obligations of each party including the right to seize property in the event of non-payment. At this time, Terra Nova begins securing the indemnification contracts from the residents.

## 1.4 Project Approval and Management

Once the Judicial Agreement is signed, Terra Nova opens up a service post inside the community to facilitate the process of enrolling residents and formalizing agreements with each household. Terra Nova manages its contracts, receiving payments from each family. These occur in small monthly installments over a period of approximately 8-10 years. Terra Nova keeps its service fee, passes on the proprietor's indemnification and sets aside a percentage for the Community Fund. This fund is for the benefit of the residents and will be used for projects that are outside the scope of the government's work, such as community, for example. The percentage varies by area and depends on the community's needs. The government on the local and state levels approves urban and environmental projects.

Terra Nova has tested its conflict resolution and land regularization methodology in seven cities in various regions throughout Brazil and plans to scale to the major metropolitan areas throughout the country and in other developing nations. However, Terra Nova needs to secure long term financing to match the term of its receivables. Most of Terra Nova's work (and costs) are upfront yet its revenues are realized over 8 to 10 years. It is negotiating with local financial institutions and development organizations to address this need.

## 2 Conclusion

Terra Nova's land regularization methodology delivers triple bottom line solutions (social, economic and environmental) to the problems of urban slums. Land owners are compensated for the occupied land. The government resolves a costly and politically sensitive problem, increases tax revenues and transitions entire communities to the formal economy. Community residents living in squalid conditions are now able to obtain legal title to a significant asset through their own efforts, obtain access to credit and dramatically improve the quality of life for their families.

Terra Nova's work has been recognized both nationally and internationally by Ashoka, the Schwab Foundation, the Omidyar Network and the World Habitat Building and Social Housing Foundation, among others.

## 3 Stakeholder Testimonials



*"We suffered much discrimination from the neighboring communities. Anything that went wrong was our fault. Our community was referred to as 'Bog Ville' because there was so much mud and the vehicles would always get stuck. Now, thank God, we are living in something that we can call our own. The neighborhood appreciated in value and will certainly get better."*

Antônio Florêncio Brandão, resident of Vila Governador and current President of The Community Association.

*"Terra Nova is a company specializing in a unique land regularization, process. Once I became Councilman, I learned of their work. Until such time, I had never known a company to include conflict resolution as part of their regularization process. I found it very interesting. It is very difficult for a landowner to speak with 500 people and form a regularization agreement with each, and Terra Nova is more than just a lawyer it is a company with specialists that, for me, is a unique model that helped us here and, from what I understand, other places as well."*

Luiz Goularte Alves—mayor of Pinhais.

*"Dr. André—director-presidente of Terra Nova— still work at City Hall of Pinhais and already understood the problems we faced. With the change in administration, he left to establish Terra Nova. That's when the regularization began. The process went well. I don't know of any company in Brazil, or even in other areas of the world that do the same work that Terra Nova does. For me, this company was a very good surprise to resolve the issue of privately occupied land."*

Domingos Sprada—land owner— Vila Governador.



*"Life was so difficult, we had nothing to lose. [My husband] slept beneath a tent. At night, frogs jumped all over us. There was no light or water, I washed our clothes in a drum. So much suffering, but now we can live in peace. It is horrible to know you live on irregularly occupied land. Now the neighborhood appreciated in value and I wouldn't leave here for anything."*

Maria Aparecida Cavalcanti do Prado—resident of Vila Governador since the 1990s.