



## **Moving Beyond Market Forces: Housing Cooperatives in Uruguay**

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### **Introduction**

In the era of the commodification of housing where the right to decent shelter was replaced by speculative investment considerations, the case of Uruguay's housing cooperatives provides a refreshing and fundamentally different alternative. This case study will briefly highlight the social, economic, political and legal factors that contributed to the establishment of the housing cooperative movement and its achievements in Uruguay. By 2018, over 25,000 families were organised in 560 cooperatives and this programme represents one of the world's most ambitious and radical attempts to solve the housing crisis. It serves as a model to be emulated and adapted to diverse national contexts not only in Latin America but also in other regions of the world (Chavez, 2018) and provides valuable lessons for countries like Namibia.

### **Background**

As in all capitalist societies, the economic situation in Uruguay had a large influence on access to housing which became the most expensive and often inaccessible commodity for working class families. This was due to the existing economic inequality as well as the organisation of the urban space according to capital's interest and by real estate speculation (Maricato, 2000, quoted by Valdares and da Cunha, 2018). Market housing had paved the way for "an unprecedented speculative feast" (Valadares and da Cunha, 2018).

As urbanisation accelerated, the claim for the right to housing has shifted to "the right to the city" based on the realisation that adequate access to adapted urban and housing goods and commodities was needed for all inhabitants to enjoy decent living conditions. As pointed out by Nahoum and Valles (2014) "This is a claim for urban rights and when these are truly effective, they assert the right to the city and therefore citizenship".

In Uruguay, the industries are concentrated in the capital Montevideo and many people (mostly young) have migrated to the city or to other countries in search of jobs and a better life. About 10% of the population of Montevideo have had to live in informal settlements, improvised housing with no basic water services, electricity and sanitation (Valadares and da Cunha, 2018).

### **The "Right to the City"**

Access to urban rights has traditionally been overlooked and housing policies have often focused on cheaper solutions in poor urban areas, often without access to the adequate services. Relying on market forces has failed to solve the problem of access to land and led to evictions and social segregation by making it impossible for lower-income earners to afford a decent location in the city where they live and work. (Valadares and da Cunha, 2018). Nahoum and Valles (2014) thus asserted: “To enforce the right to the city, urban land must be considered a public good and along with an adequate location, it should be the basis for a decent urban and housing solution”.

Uruguay has utilised self-managed housing cooperatives which are run by the members of the cooperatives as a key mechanism of “social production of habitat”. This was one of the most efficient and successful solutions to the housing problems faced by low-income earners. The Uruguayan cooperative system has taken various forms and the most important and successful one was self-management and mutual assistance under collective ownership. This helped to sidestep the logic of the market by making families the builders and managers of their own homes. Such collective ownership granted ownership to the group while families were entitled to use and enjoy the common property. Thus, the Uruguayan housing cooperatives restored the concept of housing as a right instead of as a tradeable commodity that benefits speculative capital (Valadares and da Cunha, 2018).

Nahoum and Valles (2014) pointed out that besides democratic participation, self-management, and collective ownership, the housing cooperatives relied on technical guidance provided by non-profit multi-disciplinary teams. Even more critical was the state’s participation as a key player dealing with policymaking, planning, supervising and monitoring programme implementation, as well as financing. This role could not be performed by any other actor.

Funding for the housing cooperative programmes had to cover access to urban land. This was a challenge because the cooperatives did not have their own resources and state funding could only be obtained once the programme was approved and the loan signed. This resulted in a vicious circle: “the land can be paid for with the funding, but the financing cannot be obtained if there isn’t at least a minimum guarantee regarding the land” (Nahoum and Valles, 2014).

### **The Housing Law of 1968**

This dilemma was solved with the passing of the Housing Law in 1968 which provided the legal framework for housing cooperatives. It established a public land bank “to allow beneficiaries to access adequate land and pay for it once they had received the funding they applied for. This boosted the cooperative movement significantly” (Nahoum and Valles, 2014).

It is importantly to point out that the specific inclusion of cooperatives in the law was the result of union struggles in the 1960s. These struggles included housing as a social struggle and formed part of an attack on the legal, economic and organisational problems in the country such as economic instability, the reduction of exports and the increase in imports which exacerbated the economic crisis. The new Housing Law meant that cooperatives no longer played a marginal role but became active players to solve social problems. It enshrined the principle that every family, no matter their income, was assisted with adequate housing and that the state was responsible for creating the necessary conditions. Although the state did not have to provide the dwellings, it had to provide “fair means of access to the entire population”

while the housing cooperatives had to provide adequate housing for their members (Valadares and da Cunha, 2018).

Uruguay's Housing Law is based on the theory of human dignity, seeking to promote dignified housing for any person, regardless of family income, safeguarding individuality and inviolability. The law gives cooperative members the full right to use the house and even to pass it on through inheritance while the property belongs to the cooperative unit (Valadares and da Cunha, 2018).

### **The Federation of Housing Cooperatives**

Uruguay's housing policy aims to deal with the housing demand by regulating housing independent of market considerations. In 1968, housing cooperatives met to find solutions to problems such as the lack of construction materials and cumbersome bureaucratic processes. In 1970, the Uruguayan Federation of Mutual-Aid Housing Cooperatives (FUCVAM) was formed as an umbrella body which represented the cooperatives when dealing with public and private institutions, including government at all levels (Valadares and da Cunha, 2018).

FUCVAM's objectives are related to housing while its members individually participate in political activities in their respective unions or political parties. When the Uruguayan government announced its intention to increase the interest rates in the 1970s, FUCVAM fought back through protests and legal action. In the 1990s, FUCVAM formed an alliance with the Occupants and Tenants Movement (MOI) in Argentina and with the UNMP in Brazil to establish the Latin American Secretariat of Popular Housing (SELVIP). The main objective of this secretariat was to initiate actions "in opposition to capitalism and its forms of production and circulation of goods; to stimulate self-management in housing provision policies; and to adopt collective property in housing projects as a way to fight the interests of the capital" (Valadares and da Cunha, 2018).

### **Achievements**

During its 50 years of existence, the Uruguayan Federation of Mutual-Aid Housing Cooperatives has successfully promoted workers' self-management, participatory democracy, and what Chavez (2018) called "sweat equity" i.e., the direct contribution to the building process by all cooperative members. FUCVAM contributed not only to the construction of high-quality dwellings but has also become a leading organisation resisting authoritarianism and social exclusion. One of the criticisms of FUCVAM's practices was the requirement of 80 hours of work per month from each member to build the cooperative houses. Questions were raised about the possible work overload for the members. In response, FUCVAM pointed out that its operations were the only ones to enable workers to have decent housing because with their monthly income workers could not purchase the houses on offer in the real estate market. Therefore, the additional work by members was the only way to overcome the market limitations and guarantee a decent house for all cooperative members (Alvarez, 2008, cited by Valadares and da Cunha, 2018).

In the Uruguayan cooperative housing movement, housing construction and political activism have been closely intertwined and the active involvement of cooperative members in the building process resulted in a broader social engagement of the movement. FUCVAM understands housing as a common good and thus the houses built by the cooperatives are not privately owned. Instead, the members of the cooperative jointly search for a suitable plot of land, take out a loan from the state and then take charge of the building process as well as the

management of their urban space. This fosters a spirit of solidarity, social empowerment and grassroots democracy (Chavez, 2018).

The housing units built by the FUCVAM cooperatives can only be used by cooperative members and do not enter the real estate market. The units cannot be sold or mortgaged because they belong to the cooperative but the members can use them for an indefinite period. The user right can be transferred by inheritance and the heirs then have the same obligations as the initial cooperative member. The heirs are incorporated into the cooperatives' board of members with the same rights and conditions (Baravelli, 2006, cited by Valadares and da Cunha, 2018). Members take all the decisions, from the design to the execution of housing projects.

The success of Uruguay's housing cooperatives is built on supportive state interventions in the form of financial support and provision of land. The state thus decides where construction takes place but the cooperatives pay for the land through a revolving fund mechanism. Only seed capital is required and since 1990 a Land Portfolio is operational in Uruguay's capital Montevideo where over half of the country's population lives. Other municipal authorities soon followed this example and in 2008 a national land portfolio was created under the Ministry of Housing. This contributed towards making the right to urban land a reality in Uruguay (Nahoum and Valles, 2014).

Nahoum and Valles (2014) pointed out that the State *“has a decisive role to play and is not just a facilitator for the market. This proactive gesture is an element of public policy which responds to a long-lasting claim from the cooperative movement... Land policy and the cooperative movement can, hand in hand, prove to be a very powerful driver for materializing urban rights. Examples of this can be found in experiences throughout the city in which popular sectors have undertaken cooperative housing projects and are experiencing collective ownership of land and housing”*.

Uruguay has taken steps towards desegregating urban spaces through experiments in consolidated urban areas with mean densities, as well as urban restoration initiatives in the historical centre of Montevideo, known as the “Old City”. This was done by creating favourable conditions for access to land and at the same time implementing high-quality urban and architectural projects to meet the needs and aspirations of the urban inhabitants (Nahoum and Valles, 2014)).

Although the granted urban land has not always been used optimally, the collective ownership and access to decent locations have provided a very real alternative for low-income earners living in urban areas. This was only possible because the State went beyond creating a conducive environment for the market and instead took steps towards social inclusion (Nahoum and Valles, 2014).

The Uruguayan case study demonstrates that alternative housing initiatives require not only a progressive housing policy and an adequate legal framework but also the political determination to make housing rights a reality.

## References

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