

Decentralization in Brazil: Urban Democratic Governance and Development

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Not long ago, in the developing world the link between development and the institutions of democracy was often considered unclear, less than relevant, or simply impractical in so many authoritarian regimes. Today, however, that importance of democratic practice to sustainable development – and of development to sustainable democracy – is well accepted as a critical point of departure. Likewise, not long ago, national politics and economy were the focus of scholars and policymakers alike; after all, decisions were made in the national capitals. But today we see that the subnational setting – the institutions and reform of local government within urban centers in particular – are receiving extraordinary attention. Countries are decentralizing, growing urban centers continue to face daunting governance problems, the world is globalizing, and technology is advancing at a rapid rate. The mechanisms for dealing with these changes are proving to be insufficient, and the demand for better understanding and innovative ideas is great.

In an effort to address these issues, the Woodrow Wilson Center and São Paulo's Florestan Fernandes Institute for Public Policy, supported by USAID's Office of Urban Programs and the Tinker Foundation, convened a workshop in São Paulo November 5–6, 2001, entitled "Democratic Governance and Development in the Urban Setting." The issues of democratic governance and development in the urban context proved highly topical, especially in the



Joseph Tulchin (center), Director of the Wilson Center's Latin American Program, Maria Teresa Angusti (left), President of Instituto Florestan Fernandes, and Neusa Maria Goys, Manager of SENAC (right) form the part of the decentralization panel in Brazil.

Brazilian context. Metropolitan institutions are weak and globalization and technological advances are generating new pressures to adapt and be flexible. Yet demands for improved public services, much greater social equity, and great inclusion are widespread. The workshop not only highlighted these challenges, but also shed light on the progress that is being made.

The first panel examined the question of how to make a city sustainable: What is required to ensure that metropolitan areas develop in an equitable, coherent, and economically productive fashion? It quickly became clear that conditions in Brazil are presently not well-suited to meet the challenges of urban governance. Neither the subnational institutions of government nor the status of the public finances provides much opportunity for change absent reform and a considerable shift in approach. As Márcio Pochmann, professor of economy at the University of Campinas and labor secretary in



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the São Paulo government, explained, Brazil is extraordinary in a number of respects, which makes the emergence of metropolitan government all the more complex. Brazil is one of the few countries in the world containing a diversity of densely populated, large urban centers, which taken together represent about 45 percent of the population and some two-thirds of the nation's economic production. Yet, Brazil has little institutional basis for handling the challenges of urban governance. Brazilian subnational governments are comprised of states and municipalities: metropolitan governments do not exist. Lack of an institutional mechanism to address fiscal concerns, social policy, and many other areas from a metropolitan perspective are much more difficult. In addition, intermunicipal coordination is problematic because local mayors (*prefeitos*) traditionally do not concern themselves with issues outside the territory of their municipality and there is no precedent of intermediate governments situated between the state and municipality. Development funds, public policies, or other incentives to promote metropolitan development are also notable for their absence, added Pochmann.

According to Amir Khair, economist and government finance consultant, Brazil is not much better prepared financially for the creation of metropolitan areas because the resources are not

available. A much more rational distribution and efficient use of existing public resources at all levels of government, as opposed to taking the extremely difficult step of enlarging the pot of public resources through taxation, is required.

William Goldsmith, of Cornell University, noted that cities reproduce inequality and new responses were needed to make such urban centers more equitable. Crime is increasingly making cities hard to live in even for the most privileged. However, the deteriorating conditions of safety and security may open up opportunities for finding common solutions to urban problems that affect all levels of society.

The degree to which scarce urban resources are equitably distributed can be attributed to social and political traditions, the presence or absence of democratic practices, technical reforms, and the level to which governments are decentralized, among other factors. An identification of the most important determinants and processes responsible for equity in urban centers was the focus of the second panel. Steven Friedman, director of the Center for Policy Studies of Johannesburg, South Africa, argued that the ability of urban residents to organize and engage effectively in local democratic politics was the key to the emergence of a more equitable city. The quality of democratic life and egalitarian access to representative institutions of governance are more important than technical solutions, even those that are participatory in nature.

It may be that decentralization is the key to this problem, especially given the strong role of the municipality that has emerged in Brazil following the 1988 constitutional reforms, according to Marcus André Melo, professor of political science at the Federal University of Pernambuco. In Brazilian urban centers, the radical separation of social policy decisions and decision making on large public investments creates a dynamic that contributes to an extreme concentration of power and inequality, argued Raquel Rolnik, professor of urban affairs at the Catholic University of Campinas. Low-income populations are eternally associated with making social demands, while investors of capital and business people are equat-

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ed with economic development. Yet the source of opportunity in urban centers lies with these large investments, and only decentralization and social inclusion will bring change for the poor.

Over the past two decades, the trend throughout the developing world toward decentralization and municipal development has given rise to a wealth of reform, research, and development assistance programs aimed at enhancing community participation in local government. Efforts usually focus on according traditionally marginalized groups – women, the poor, indigenous groups, and others – a significant role in municipal decision making. Changing long-held patterns of official community interaction is no easy or short-term task, as was evidenced in the presentations and discussion of panel three, which focused on democracy and equity in urban governance. Richard Stren, professor of political science at the University of Toronto, explained that municipal reforms have had an uneven trajectory and the extent of the progress – if any – remains unclear. Responding to social diversity and organizing effective governance are major challenges in the attempt at increased equity, but serious hurdles remain. Florencia Almansi, an associate at the International Institute for Environment and Development in Buenos Aires, described how some neighborhoods have been able to bring together the major community actors to address successfully some local problems. Difficulties continue with such efforts to build social capital, however, including an abysmal gap between what is occurring at the grassroots and the types and requirements associated with development projects financed by international donor agencies.

The types and success of participatory mechanisms available to local communities is subject to considerable discussion, and many countries in Latin America have instituted multiple tools, including referenda, *cabildos abiertos*, advisory groups, and community oversight committees. One of the more renowned is participatory budgeting in Brazil. Citing other cases, Félix Sánchez, professor of the Catholic University of São Paulo and coordinator of participatory budgeting for the city government, explained that the participa-

tory budgeting process allows open participation by all citizens on equal footing. It also combines direct and representative democracy and permits the allocation of investment resources according to general as well as technical criteria. Begun in São Paulo with the Worker's Party's (PT) victory in the 2000 municipal elections, participatory budgeting is seen as replacing the neoliberal model of fiscal responsibility with an alternative based on social responsibility. Aldaíza Sposati, professor at the Catholic University of São Paulo and a city council member, called for the construction of a new perspective centered on social inclusion and for the practical incorporation of such a paradigm into public policy.

The impact of technological developments and the emergence of the so-called new economy naturally have had a great impact on urban governance because more educated populations, wealth, and productive industry, among other advantages, tend to be concentrated in large and growing developing world cities. If the reason for a focus on technological advances in urban areas is fairly clear, however, the implications for democracy and equity are much less so. Does new technology create a more level playing field for all citizens to join in public decision making or can it reinforce the societal inequities that have been present for generations? Such questions of technology, democracy, and equity were the focus of panel four. Indeed, Kent Hughes, director of the Woodrow Wilson Center's Project on America and the Global Economy, emphasized that the new economy can contribute to an improved environment and a better quality of metropolitan life. Yet it can also lead to a fall in income for people with limited or unsuited skills. On the whole, Hughes added, the new economy has become an engine of change, encouraging metropolitan areas to shift toward knowledge-intensive development, to give more attention to the urban environment and quality of life issues demanded by hi-tech workers, and to generate innovations in environment-friendly technologies.

Latin America has witnessed a strong movement toward the development of community telecenters. According to Rodrigo Ortiz



Inequality of Public Resources and Services: A Study of Decentralization in Brazil

Marcus Andre Melo and Flavio Rezende,
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Given that decentralization was seen as a means to address social inequality, it is perhaps no surprise that Brazil's subnational governments dedicate most of their resources to the social sector. Governors and mayors have generally not been able to cover the decline in federal investment in housing and sanitation, Melo and Rezende point out, yet reform has pushed them into areas such as health care and education. Despite the concentration of poverty in the north and northeast of Brazil, social spending is relatively low because the states in these areas are among the poorest.

Until 1999, the federal government had not played a significant role in poverty alleviation, Melo and Rezende argue. Rather, many federal initiatives, such as the transfer program linked to school attendance that began in Brasilia and elsewhere (*Bolsa Escola*), involve the federal government scaling up successful municipal experiences. Macroeconomic stability has been the fundamental concern of the federal government in the 1990s, and, in addition, the high spatial concentration of poverty makes addressing the problem more difficult. The authors also cite participatory budgeting as a good example of how the poor can influence local spending through community claim-making and negotiation.

The process of fiscal decentralization in Brazil has been appropriately criticized on a number of grounds, the authors explain. The massive transfer of financial resources to the subnational level was not accompanied by a strategy for dealing with the problem of weak local institutional capacity. Patronage, corruption, and poor management continue to present problems, Melo and Resende add. States and municipalities face few incentives to be fiscally responsible; when they contract too much debt, they pressure the federal government to bail them out. Federal bailouts—shifting subnational debt onto federal accounts—has become a notorious tradition. In the mid-1990s, according to the authors, nearly one-third of the federal deficit was subnational debt. The new Law of Fiscal Responsibility, which is aimed at controlling subnational spending, has met with local resistance and deficits continue. The federal role in supporting the least developed areas of the country with fiscal transfers and in defining taxes also cannot be discounted, though states (especially through the value-added tax) and municipalities have significant new revenue mobility.

Another major problem is the poor definition of expenditure responsibilities among levels of government. This lack of clarity often leads to duplication of effort, waste of resources for service delivery, and eventually poor performance and indebtedness. Accountability suffers because local policy priorities are not sufficiently matched with citizen priorities.

To conclude, Melo and Rezende point out that Brazil has moved from centralized to cooperative federalism, though the degree of that cooperation is limited. The process has not been conducive to macroeconomic stabilization, and its ability to reduce inequality appears minimal. The increasing role of subnational governments in policy design and implementation and in service delivery nonetheless continues to reshape Brazil's intergovernmental system.

Assumpção, coordinator of the "sampa.org Digital Inclusion Project," telecenters promote community economic development, facilitate access to public services, open opportunities for professional training, and generate citizen-based learning. Sampa.org has established ten telecenters in southern São Paulo, each with ten computers linked to the Internet, and they attract 10,000 visitors per month. The telecenters not only give the community the opportunity to participate in decision making, they also can be used to prevent a deepening of existing socioeco-

nomic, political, and other types of inequalities. Strengthening democracy is an explicit goal. Likewise, Jorge Sampaio, educator and coordinator of the IT Communication and Democratic Governance Project at the Florestan Fernandes Institute in São Paulo, emphasized the power of knowledge. The redistribution of knowledge, because it influences thinking, has a very strong political dimension. As such, Sampaio pointed out, it is no different from the redistribution of income, and its potential impact on democratic inclusion is



Decentralization, Civil Society, and Democratic Governance in Brazil

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Unlike many countries of Latin America, according to Marcus Melo and Flavio Rezende, Brazil has experienced cycles of decentralization and centralization throughout its history. Even before the latest incarnation of decentralizing reforms in 1988, which was intimately linked to and shaped by the political forces of the democratic transition, Brazil was more decentralized than most other parts of the continent. Melo and Rezende argue, in a paper prepared for the Latin American Program's project on decentralization, that despite areas in which decentralization's impact has been predictable, Brazil's experience is atypical in many ways. The authors' work provided important input to the November 5-6, 2001 conference in São Paulo, "Democratic Governance and Development in the Urban Environment."

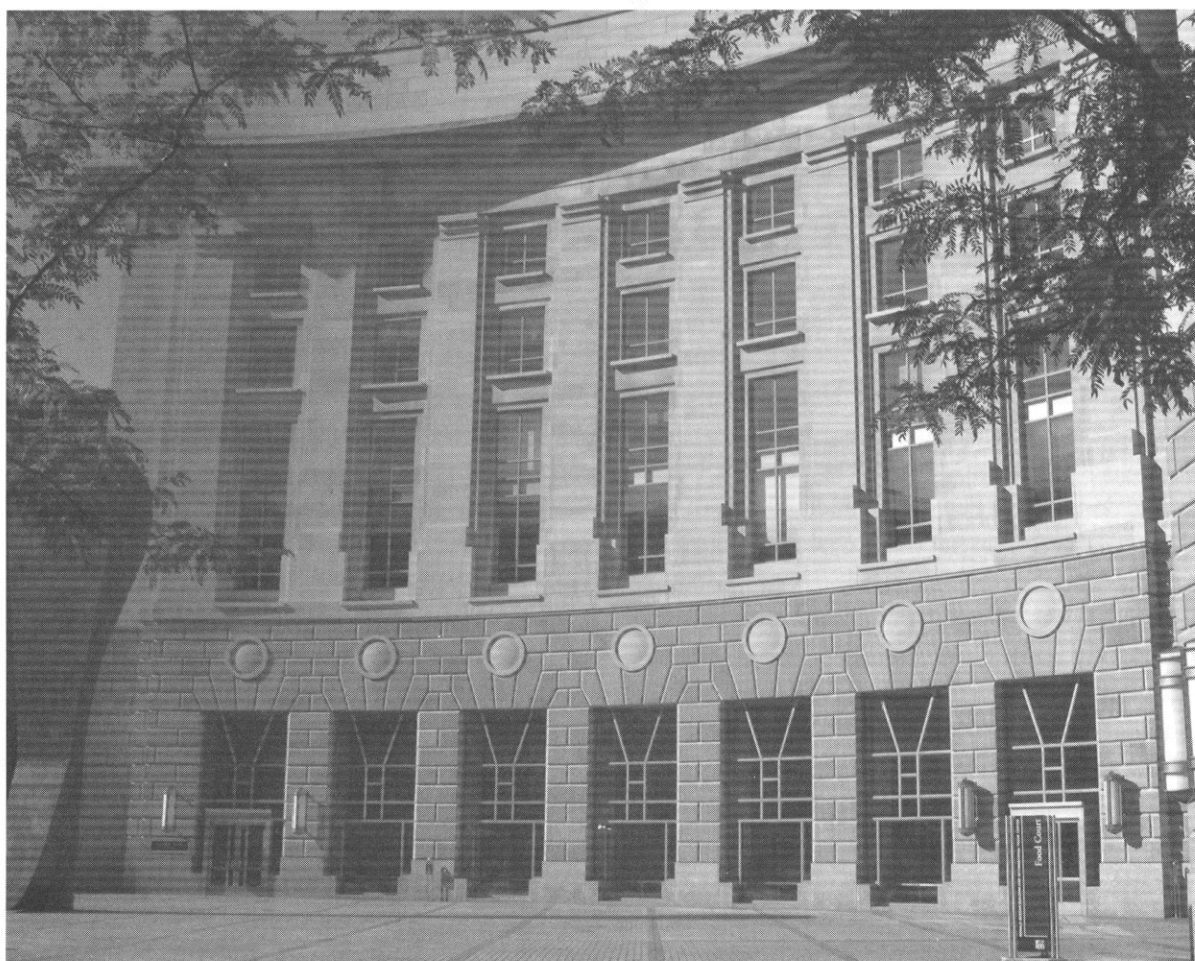
Brazil's Old Republic (1891-1930), the federalist origins of which were strongly influenced by the U.S. experience, saw the emergence of a highly decentralized system in which governors played a central role, Melo and Rezende explain. Yet, the Revolution of 1930, which brought Vargas to power, and the subsequent Vargas dictatorship (1937-1945) established the key institutions of modern Brazil and the developmentalist state—all of which were centralist in nature. During the return to democracy in 1946, subnational politics were reinvigorated, but the long military regime (1964-1985) strongly recentralized the state. The 1970s and 1980s nonetheless marked historically a "Copernican revolution," according to the authors. During this period, everything local came to be viewed as virtuous (i.e., democracy), while all that was national came to be associated with vice (i.e., oligarchy). Decentralization became integrally linked to the process of democratization. Decentralization became one of Brazilian society's principal responses to the crisis of authoritarianism: The deepening of democracy demanded the breaking up of centralized power.

Melo and Rezende subsequently examine the political impetus behind the decentralization reforms incorporated, to a great extent, into Brazil's 1988 Constitution and implemented in the 1990s. The 1980s' reformist agenda focused on social development—the imperative of addressing the needs of the poor. In the view of many, the "social debt" was the result of years of excessive bureaucracy, centralized decision making, the favoring of sectoral interests, and the exclusionary logic of policymaking. Participatory governance and transparency in policymaking—as well as decentralization—were seen as answers to these problems. The 1988 Constitution encapsulates much of the agenda. It includes innovative mechanisms for civil society participation, legislative primacy in areas once reserved to executive dominance, new fiscal federalism, and significant new social rights and entitlements. The decentralization measures in the constitution would be completed by 1990s, and a series of laws at all levels of government soon helped to institutionalize participatory governance.

The election of Cardoso (1994-2002) and his administration's move to dramatically reform the state replaced the social agenda of the preceding administrations with a focus on making Brazil competitive in the world marketplace. Decentralization, moreover, was now viewed as excessive, the cause of disorganized sectoral policies, and inefficient. In particular, autonomous governors and mayors, who were now responsible for spending nearly 50 percent of government income, have gone on spending sprees in response to social and other demands, generating huge state debts. Despite efforts to reign in state fiscal autonomy, decentralization was eventually consolidated in key sectors, especially health and education, and had generated innovations such as municipal participatory budgeting. In Brazil, the authors conclude, decentralization coalesced as part of a democratic transition that was independent of international consensus in favor decentralization. The power of state governors and leftist politicians during the transition were also leading factors in the move to reform.

Compared with the rest of the Latin American, Brazilian decentralization is unique, Melo and Rezende argue, because the framework provisions of decentralization are in the Constitution (though some sectoral reforms, especially the decentralization of health care, came later). Unlike other countries, decentralization in Brazil has never been criticized by the left or civil society as a neoliberal project; on the contrary, it is seen as a banner of the leftist parties and opposed by conservatives. Finally, service delivery in Brazil was fairly well decentralized before the reforms. Primary and secondary education, for example, have historically been a state and municipal responsibility.





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