

DECENTRALIZATION AND DEMOCRATIC GOVERNANCE IN LATIN AMERICA

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**Edited by
Joseph S. Tulchin and Andrew Selee**



**Woodrow Wilson
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PREFACE

JOSEPH S. TULCHIN

In the last decade, in every part of the world, there has been an unprecedented swing to democratic forms of government. In Latin America, this shift has been accompanied by macroeconomic reforms that have given priority to market forces. While the nature or strength of these democratic regimes has been the subject of intense and protracted debate, most analysts agree that, whatever their definition of democracy or their appraisal of the quality of existing democratic regimes, there is “more” democracy today than there was ten or twenty years ago.

In the present volume, we explore one of the crucial intersections of political and economic change: how the reform of the central state in the form of policies of decentralization has affected democratic governance in different countries and at different levels of society. More specifically, we examine the impact of decentralization on civil society and how civil society and the state interact in decentralized democratic governance. We believe that the success or failure of the relationship between civil society and the state at subnational levels will be central to the construction of democratic governance in Latin America in the coming decades.

This book is the product of a two-year project on decentralization at the Woodrow Wilson Center, generously supported by the Tinker Foundation, which included both national-level and comparative research on decentralization. Two scholars from each of the five countries involved (Argentina, Brazil, Venezuela, Guatemala, and Mexico) met in Washington at the outset of the project to present papers on decentralization and discuss the various experiences of their countries comparatively. Each of the national research teams, together with the Wilson Center, then organized a national forum on decentralization and democratic governance that included scholars; national, regional, and local government officials; civil society representatives; and, in several cases, representatives of the business community. Publications were produced with summaries of the debate in each of these fora. In light of these debates and the com-

Joseph S. Tulchin

parative discussion among the research team, the participating researchers revised their chapters for this volume.

We hope that this volume will make a contribution to the important debate on decentralization and democratic governance in Latin America and to broader debates on state reform in the region.

Exploring the Link Between Decentralization and Democratic Governance

ANDREW SELEE

In the 1980s and 1990s, decentralization reforms swept across Latin America as almost every country implemented measures to strengthen the role of local and regional governments.¹ This was hardly an isolated trend, however. Countries as distinct as South Africa, France, and the Philippines underwent similar processes during this period. According to one estimate, 63 out of the 75 countries with a population over 5 million have undergone a major process of decentralization since 1980.² Proponents of decentralization in Latin America and elsewhere, who have been drawn from all places on the ideological spectrum, have argued that strengthening local and regional governments would both improve the efficiency of government and contribute to better democratic governance. In this book we look at the second proposition to see how decentralization has affected democratic governance in five Latin American countries: Mexico, Guatemala, Venezuela, Brazil, and Argentina.

Decentralization is not new in Latin America. Most countries in the region have a dual legacy of centralized political institutions inherited from Spanish colonial rule and strong regional identities and interests enhanced by the weakness of the post-colonial state. However, throughout the twentieth century the central state in almost all of Latin America succeeded in concentrating an unprecedented degree of power, authority, and resources under its control. This concentration of power succeeded in counteracting the centrifugal influences of regional elites and helped set the bases for some degree of state-led development in the region. However, authoritarian and exclusionary³ regimes in most countries also used this concentration of power to limit or silence the voice of citizens. In Michael Mann's terms, the state exercised its centralized power primarily through coercion of civil society rather than developing an institu-

tionalized power that could coordinate the activities of civil society productively.⁴

As many of these countries underwent transitions to elected governments in the 1980s and 1990s, decentralization became a favorite strategy of democratic reformers who wanted to ensure that the central state would not have the overbearing power that it had possessed—and political leaders abused—in previous decades. According to many partisans of this approach, decentralization would make the state more accessible to average citizens and ensure a counterweight to the abuse of power by national leaders. At the same time, many political leaders, facing the economic crises of the 1980s and 1990s, hoped that decentralization would help make the state more efficient by generating government services more in line with citizens' demands and willingness to pay.

The chapters in this book look at how decentralization has affected democratic governance by assessing two dimensions of decentralization. First, we ask how much decentralization has *redistributed power within the state* by actually giving local and regional governments increased authority, power, and resources. Second, we ask how much has decentralization *redistributed power between the state and citizens*, in order to create a more responsive and accountable state.

We find that the answers to both questions are mixed. All of the countries studied have undergone important processes of decentralization that appear to have transformed the role of local and regional governments. However, we find that the depth of decentralization is strongly correlated with previous processes of decentralization, so that countries with longer histories of centralization have remained, *de facto*, largely centralized even after formal attempts to change this. Moreover, the effect of decentralization on democratic governance is uneven. On one hand, decentralization has broadened spaces of electoral competition and generated important experiences of democratic innovation in many subnational governments. On the other hand, in other subnational areas, it has reinforced and revived authoritarian regional and local power structures that centralized government had been designed to control. This analysis forces us to look at the uneven tapestry of state-society relations in each of the countries. These findings suggest that the success of decentralization, like many other important initiatives of state reform that have been designed to improve the performance and responsiveness of the state in Latin

America, cannot be viewed outside the historical and political context in which it is implemented.

CENTRALIZATION IN LATIN AMERICAN HISTORY

Centralization in Latin America has a long historical legacy dating back to the Spanish and Portuguese conquest of the Americas. The colonial systems implanted by the Spanish and Portuguese in their New World colonies were based on extraction of wealth and required a strongly centralized set of institutions to coordinate this process. These centralized institutions have formed the basis of post-colonial governance systems that continue to this day (Véliz 1980), although in many cases they were modified by the adoption of French-inspired models of centralist administration during the post-independence period.

However, the colonial legacy of Latin America also created a countervailing force to centralism in the form of regional elites who had economic and political dominance over specific territorial extensions and popular movements that contested the terms of citizens' inclusion within the nation-state. After independence, regional elites became increasingly important, given the weakness of the post-colonial state, and most countries became a patchwork of loosely held together regions. The history of centralization in Latin America is therefore also tied to a struggle between national and regional elites in the process of state formation and conditioned by popular struggles over meaning and political participation. Emerging national elites gradually sought to centralize power in the capital as a means of dominating large concentrations of rule-making authority outside of the state (Midgal 1988). While Latin American states retained a symbiotic relationship with regional elites, they gained certain relative autonomy vis-à-vis these elites during the course of the 20th century by centralizing power further.

Two of the countries in this volume, Brazil and Argentina, are federal states with a long history of highly decentralized government, although they have oscillated between periods of greater and lesser centralization. Argentina began as a loosely organized confederation of provinces and the city of Buenos Aires after independence. It was not until 1860s - and more strongly after 1880 - that the modern state began to emerge with the creation of a federal government with some degree of authority over the

provinces and port city. The provinces retained a fair degree of power over the federation, but this was slowly eroded in the era of mass parties in the twentieth century as successive presidents strengthened the autonomy of the federation against the provinces. Several periods of military rule further centralized power in the federation, as Falleti observes in chapter 3.

Melo and Rezende (chapter 2) argue that Brazil began as a highly centralized empire, although with significant regional centers of power among large landholders in the states. After the beginning of the first republic in 1890 it became a federal state with considerably decentralized loci of power. The 1930s ushered in the period of the developmentalist state with the rule of President Vargas, and this began a long period of centralization of power in the federal government under the belief that a strong national state was necessary for development. The period of military dictatorship from 1964 to 1985 further centralized power in the federation. However, regional elites retained their power bases and emerged from the military regime as significant political actors (Hagopian 1996).

Two other countries examined in this volume, Venezuela and Mexico, are also federal states but they have historically been quite centralized, more so even than many unitary states in the region. Venezuela's process of re-centralization began in the late 19th century, but increased dramatically during the administration of President Juan Vicente Gomez (1904–35). The advent of oil extraction gave the federation resources beginning in the 1920s that were used to further develop the autonomy of the state vis-à-vis regional elites (Levine and Crisp 1999; Kornblith and Levine 1995). The emergence of mass-based parties in the 1940s, and the power-sharing agreement between the two major parties in 1958, cemented a political system in which allegiance to the party was primary over regional bases of power. This “partyarchy” cemented a highly centralized system, with the parties monopolizing power and most space for civil society (Coppege 1994).

Mexico became highly centralized under the administration of President Porfirio Díaz in the late 19th and early 20th century, but the Mexican Revolution of 1910–20 led to the almost complete collapse of the state. After the Revolution, President Plutarco Elias Calles created what would come to be called the Revolutionary Institutional Party (PRI) as an all-encompassing party that would seek to include all major interests in society and serve as a mechanism for mediating conflicts

among competing forces (Mizrahi, chapter 5). As the PRI strengthened its role as the ruling party, regional elites were increasingly moved among positions in the political system, increasing their allegiance to the party over their original power bases (Cornelius 1999; Tulchin and Selee 2003). The party never succeeded entirely in eradicating local power bosses, however, and these have remained until today in several regions of the country (Díaz Cayeros 1995). At the same time, indigenous identities were gradually suppressed in the attempt to forge a single national identity, and the state used a mixture of force and co-optation in an attempt to control and assimilate indigenous communities (Mallon 1992, Rus 1994, Díaz Polanco 1997). However, the Mexican corporatist state was never as all-encompassing and monolithic as often portrayed. Local political struggles, cultural meanings, and forms of social organization shaped the forms of political incorporation of communities and regions throughout Mexico. These showed considerable variation depending on particular local histories and patterns of state-society relations (Joseph and Nugent 1994, Vaughan 1999, Rubin 1997).

The remaining country, Guatemala, is a unitary state, and has a long history of centralized government, albeit in considerable symbiosis with regional elites. Linares and Puente in chapter 8 note that like most of its neighbors in Central America, Guatemala endured long periods of military dictatorship, a total of 78 years in the twentieth century. The period of the late 1970s and early 1980s brought an especially harsh period of military rule that further centralized power through military and paramilitary control of the countryside. As in Mexico, the state also sought to control the majority indigenous population through a mixture of repression and co-optation of indigenous leadership. The Guatemalan state managed to impose military control over its territory, but it largely failed to develop a strong institutional base that could penetrate society by non-military means (Smith 1990, 13-14).

This quick review—developed more fully by each of the chapter authors—suggests that by the early 1980s most Latin American states had developed a highly centralized institutional structure and a degree of relative autonomy from regional elites, but that these states were far from monolithic institutions of political power. On one hand, centralization contributed to the period of remarkable state-led growth from the 1940s through the early 1970s in the region and succeeded in reinforcing a

strong sense of national identity in most countries. On the other hand, centralization in the context of authoritarianism also helped to suppress dissent, distort policymaking priorities, and limit the expression of ethnic identities.⁵ Moreover, centralization also left a harsh legacy for equity in most of the countries. Indeed, it should be noted that public investments were usually concentrated in the capital and major cities.⁶ Even under elected governments, voices for regional development and advocates of the poorest sectors of society were routinely marginalized from decision-making processes.

THE ORIGINS OF DECENTRALIZATION

In the 1980s and 1990s, decentralization reforms swept through Latin America, driven by both economic and political considerations. The severe economic crises that struck all the countries in the region in the early 1980s caused a crisis of legitimacy for state elites. The reduction of government budgets further eroded traditional clientelistic arrangements through which politicians maintained their links to voters. At the same time, significant civic movements around democracy, human rights, indigenous rights, and economic justice had been building in the 1970s and early 1980s and important international regimes had developed around these issues (Chalmers et al. 1999, Levine and Crisp 1999, 408-11). These movements brought new demands into the public sphere and energized challenges to existing political arrangements (Avritzer 2002, Oxhorn forthcoming) In this context, state elites often seized on decentralization as a means of redirecting discontent to local arenas or recovering citizens' confidence in the political system. While these efforts were sometimes aimed at preventing major political changes, they generated significant political upheavals in all of the countries studied.

In Venezuela, the delegitimization of the two-party system in the middle of the economic crisis led to the appointment of the Presidential Commission on State Reform in 1984, made up of political, church, business, and civic leaders. The Commission's report in favor of constitutional reforms, the pressure of civil society organizations, and the explosion of popular discontent at the end of the decade led to the creation of elected state and municipal governments for the first time in 1989 (Mascareño and Gonzalez, chapter 7; Levine and Crisp 1999, 408-11).

In Mexico, the 1982 *peso* devaluation and ensuing depression led the federal government, anxious over citizen discontent, to implement a municipal reform in 1983 that granted municipalities greater autonomy with new functions and resources. The PRI-led governments of the 1980s and 1990s implemented a series of additional reforms expanding state and municipal functions and increasing resources to subnational governments in response to repeated crises of political legitimacy and the demands of an ever-growing opposition. Mizrahi (chapter 5) argues that the PRI gradually allowed the opposition to win spaces at a local level in order to deflect conflict away from national-level politics, but the increasing local success of the opposition parties helped gradually dislodge the PRI from power. At the same time, successive governments pursued sectoral decentralization in health and education in the belief that this would make services more efficient and demand-driven.

In Guatemala, both national leaders' search for legitimacy and the peace process with the armed insurgency of the URNG propelled the process of decentralization, according to Linares and Puente (chapter 8). The 1984 constituent assembly was a first step for the country emerging from the period of extreme violence in the early 1980s, and led to the 1985 constitution that granted substantially increased authority to municipal governments (while keeping departmental governments as appointed bodies). Constitutional changes in the 1994, as part of the growing process of democratization and resolution of the civil war, further deepened the degree of decentralization. The peace accords with the URNG, signed in 1996, added a series of provisions that granted recognition to indigenous forms of association and dispute resolution within municipalities, although these provisions were only approved as law in 2002 (Cardona 2002).

Transitions to democracy in Brazil and Argentina restored the historically important role of state and provincial governments, respectively, in the 1980s. Municipal governments also gained a degree of autonomy, although this was significantly less than that of the regional level. In Brazil, the economic crisis speeded the return to democracy after two decades of military dictatorship. The newly elected government convened a constitutional convention to set the outlines of the new democratic regime. Melo and Rezende (chapter 2) argue that the centralized government was seen as a legacy of the discredited military governments and that political forces from left to right promoted decentralization as a means of ensuring

transparency, participation, and equity. The decentralized nature of political parties, which in Brazil have traditionally been controlled by local elites (Mainwaring 1995), also made decentralization a key theme for most of the political parties involved in the debates of the constitutional convention, which included decentralization reforms in the 1989 constitution (Willis, Garman, and Haggard 1999).

In Argentina, the provinces recovered authority with the return to democracy and increased their margin of influence through iterative negotiations with the national executive throughout the 1980s (Willis, Garman, and Haggard 1999). The arrival of a Peronist president in 1990, who had run on a banner of federalism, coupled with a severe fiscal crisis led the central government to transfer major responsibilities and resources to the provinces in the early 1990s. The Argentine government decentralized both education and healthcare to the provinces without accompanying resources to compensate them for the new responsibilities, according to Falleti (chapter 6). This helped the federal government achieve its goals of reducing the federal budget, but left the provinces in a precarious financial situation.

Initial decisions to decentralize were mostly top-down in the five countries. In Brazil and Argentina, where there was a history of decentralization and political parties were considerably more decentralized, subnational actors had a much greater influence on the process (Willis, Garman, and Haggard 1999). However, for the most part, initial decisions to strengthen the *political role* of subnational governments have been driven by national leaders' desire to reinforce or regain legitimacy in the eyes of the populace, with the desire to deepen democracy a secondary concern. Decisions on *sectoral decentralization*, primarily education and health, on the other hand, have been driven by concerns for efficiency or fiscal pressures. Although both of these processes were largely top-down, decentralization inevitably creates new stakeholders, especially subnational government officials, who become important actors in later negotiations over the terms of decentralized governance. Attempts to reverse decentralization reforms in Argentina, Brazil, and Venezuela, for example, have all met with substantial resistance from local and regional government leaders (Eaton 2001; Melo and Rezende, chapter 2; Bland 2002c).

Nonetheless, it is worth noting that governors and mayors, despite their role in resisting re-centralization, have not emerged as strong,

unequivocal champions of decentralization either. In each of the countries studied, mayors' and governors' associations remain relatively weak and often divided along partisan lines. In Mexico, for example, there are mayors' associations for each of the three major parties (Santín, chapter 6), although a tenuous national alliance of the three associations has emerged recently. The National Governors' association is also primarily led by the opposition governors, with sporadic participation by those affiliated with the governing party. In Guatemala, the mayors' association has only recently begun to emerge from the shadow of the Interior Ministry and develop its own platform (Linares and Puente, chapter 8). In Argentina, governors are largely split along party lines, although there are some signs that they have begun to work together more closely on education policy (Falleti 2002). Overall, concerns shared by leaders of subnational governments tend to remain highly subordinated to partisan concerns.

REDISTRIBUTING POWER WITHIN THE STATE?

How much has decentralization effectively redistributed power among levels of government in Latin America? To assess this, we need to understand the way that decentralization reforms have reshaped state functions along three key dimensions of decentralization: political, administrative, and fiscal (Rondinelli 1981).

Political Decentralization

Perhaps the most striking element of decentralization in Latin America has been the emergence of elected governments at a regional and local level (Chart 1.1). At the beginning of the 1980s, few Latin American countries had local authorities chosen in free and fair elections. This mirrored and compounded the lack of democracy at a national level in most countries. With the return to democratic rule in Argentina and Brazil in 1983 and 1985 respectively, governments were once again elected for provinces/states and for municipalities, after a long period in which few elections had taken place.⁷ In Venezuela, where no elected offices existed at the state or municipal level, constitutional changes allowed full elections for municipal governments starting in 1985 and for state governments starting in 1989. In Mexico, elections had taken place regularly for mayors and state governors since the 1917 constitution, but no opposition

Chart 1.1: Starting Year of Elections for Subnational Authorities

	Regional Elections	Local Elections
Mexico	1917 / 1989*	1917 / 1983*
Venezuela	1989	1985
Brazil	1986**	1988**
Argentina	1983**	1983**
Guatemala	None to date	1946 / 1986***

* Mexico began elections in subnational governments in 1917 but opposition parties rarely won municipalities until 1981 and never won state elections until 1989.

** Both Brazil and Argentina had municipal and provincial/state elections prior to takeovers by military dictatorships in 1964 and 1975, respectively. In Brazil, some municipal elections continued to take place during the military dictatorship.

*** Guatemala has had elected municipal governments since 1946, but real electoral freedoms were sharply curtailed until the 1986 municipal elections. In the ten-year period after 1986 until the peace accords were signed in 1996, electoral freedoms were gradually strengthened at a local level (and at a national level).

party had won a state government since the PRI's founding in the 1920s, and the opposition had rarely been allowed to win municipal elections. After 1983, opposition parties began winning a series of small and intermediate municipalities, and then state governments and larger cities after 1989. In Guatemala, elections for municipal leaders began in 1946; however, these elections were largely restricted under a series of authoritarian regimes from 1955–1985 and can really only be considered to be relatively free and fair as of the 1986 municipal elections.

The advent of competitive elections in subnational governments may be the most important reason that subnational governments have become important arenas of political debate and key actors within the state apparatus. While much of the literature on decentralization has focused on the administrative and fiscal gains made by subnational governments, their significance in everyday political discussion in Latin America largely derives from their status as competitive arenas of political contestation.

Polls in several countries suggest that citizens have a generally positive impression of the role of municipalities. Guatemalans overall approve of their municipalities' work and are more likely to interact with municipal officials than national officials (Gálvez and Hoffman 2001, 16–32, 104, 135–6). In Venezuela, citizens express support for decentralization and greater confidence in state and municipal officials than in federal officials (Mascareño and González 2001, 23). In Argentina, neighborhood organization leaders report generally positive impressions of their interactions with municipal governments and an eagerness to collaborate with them (Smulovitz and Clemente, chapter 4). These polls provide evidence that

ected subnational governments have established themselves in the minds of citizens as significant political institutions in the past few years.

Administrative Decentralization

Reforms have helped delineate the responsibilities, rights, and functions of regional and local governments more clearly than in the past, while also assigning them increased responsibilities and functions. The Brazilian constitutional reform of 1986, the Mexican municipal reforms of 1983 and 1999, the Guatemalan constitution of 1985, and the Venezuelan constitutional reforms of 1989, for example, all endowed subnational governments with clearer authorities than they previously enjoyed. These changes helped clarify the relationship among the levels of government in these countries more clearly than in the past.

Subnational governments have assumed substantial responsibilities for new functions since the beginnings of the decentralization reforms, but these have varied by country and level of government (Chart 1.2). Regional governments have generally acquired more authorities (and more resources), but their responsibilities have frequently been concurrent with national government authorities, limiting regional governments' margin to set policy. Municipal governments have generally assumed fewer new responsibilities but have often had greater latitude to set policy in these areas.

In Brazil, Argentina, and Mexico, governments decentralized primary responsibilities for both education and healthcare to regional governments. These new functions, however, have generally come with considerable strings attached. In Mexico, the national government continues to set education curriculum, teachers' wages, and most education policies, leaving the states primarily as implementers of education policy (Mizrahi chapter 5). In Brazil, the concurrent responsibilities of the federal and state governments create overlapping functions in several areas, according to Melo and Rezende (chapter 2). In Argentina, education shows considerable coordination among levels of government, but healthcare remains principally directed by national-level policymakers with the provinces as implementers (Falleti 2002).

Venezuela has a completely different system in which states can request specific functions from the national government. If approved, these functions are transferred to state governments with corresponding resources after the

Chart 1.2: Examples of Major Functions Decentralized

	Significant decent	Moderate decent	Limited decent
Mexico	Healthcare, Urban planning	Education, Social develop.	
Venezuela		Education, Healthcare	
Brazil	Healthcare	Education, Infrastructure	Housing
Argentina	Education	Healthcare	
Guatemala	Water	Primary Healthcare	Education, Healthcare

Sources: Chapters in this volume.

signing of administrative agreements. This process has created a patchwork of decentralization reforms that are different from each state. Education and healthcare are among the most often transferred responsibilities, but these patterns vary considerably across the country (Mascareño 2000, 60).

Municipal governments have consolidated primary authority over a series of functions, for which they tend to have considerable autonomy. This includes most basic municipal services, such as local infrastructure, trash collection, and municipal planning. In Guatemala, municipalities have responsibilities for water and some primary healthcare functions. In Brazil, municipalities increasingly work with states to implement education policies. In all five countries, municipalities have begun to play a growing role in poverty alleviation and social development.

Subnational governments have a markedly uneven capacity to assume new functions, however. This is partly related to different capacities to raise local revenues, which we discuss below, but it also has to do with the existing human capital that differs across localities and regions. This unevenness in capacity is further compounded by the failure of central governments to coordinate decentralization arrangements effectively. Mascareño and González observe that Venezuela has legislation mandating the creation of a federal agency to coordinate activities among the various levels of government, but that this agency has never been created (chapter 2, also Bland 2002c). Melo and Rezende also point to the failure of national level secretariats in Brazil to coordinate sectoral functions that have been decentralized (chapter 5).

Several innovations have been tried to address the uneven capacity of subnational governments. In Venezuela, the provision that allows states to assume different functions based on agreements with the government is a kind of *asymmetric decentralization* that is increasingly discussed in other

countries as an option as well.⁸ In theory, this allows subnational governments to choose from a menu of options of functions they would like to assume based on their particular abilities and needs. Argentina and Guatemala have experimented with *associated municipalities* (or *mancomunidades*), in which small and medium-sized municipalities receive legal recognition as collective entities for particular purposes (Selee 2002, Cardona 2002). This legal category allows small municipalities to develop joint solutions to infrastructure and economic development challenges by pursuing loans, development funds, and investment opportunities together. In several countries, there have been discussions about creating *metropolitan governance structures* to address the complex needs of very large cities.⁹ Creating metropolitan structures allows large cities, whose metropolitan area spills across several municipal jurisdictions, to develop more coordinated policy approaches. Few metropolitan areas have experimented seriously with this in Latin America to date, however.

It should be noted that decentralization refers to the empowering of subnational governments in all three branches. Despite this, most literature on decentralization refers almost exclusively to the executive branch and, occasionally, the legislative branch. However, there is a critical need for local and state/provincial courts to develop new capacities to enforce the rule of law. The evidence of strengthened judicial authority and professionalism at the local and regional levels is highly fragmentary and leads us to suspect that much remains to be done in this regards.

Fiscal Decentralization

Subnational governments have comprised an increasing percentage of total government expenditures since the mid-1980s, which bears witness to their growing importance (Chart 1.3). In Mexico, for example, subnational governments exercised only 11.6% of state expenditures in 1988 (Mizrahi, chapter 5) and 28.66% eight years later (Rowland and Ramírez 2001, 6). In Venezuela, subnational expenditures grew from 17.18% of total state revenues in 1989 to 27.07% in 1999.¹⁰ In Guatemala, municipal revenues increased from 8% of total state revenues, which were mandated in the 1985 constitution, to 10% in 1993, and then to around 20% in the late 1990s as a special transfer of value-added taxes was added as well.

At the same time, most subnational governments remain largely dependent on fiscal transfers from the national governments (Chart 1.4).

Chart 1.3: Total Subnational Expenditures as a Percentage of Total Public Expenditures

	Subnational expenditures
Mexico	28.66%
Venezuela	27.07%
Brazil	37%
Argentina	43.9%
Guatemala	20%

Sources: For Mexico: Rowland & Ramírez (2001, 6); figures for 1996; state governments spend 23.30% of total government expenditures; municipalities 5.36%; For Venezuela, Mascareño (2000, 88-89); for Guatemala, Puente and Molina (2000, 269); for Argentina, Falletti (chapter 3); for Brazil, Burki, Perry, and Dillinger (1999, 15).

Note: Data on subnational expenditures are somewhat unreliable and vary depending on the sources used. They are useful for gauging approximate revenues and expenditures by subnational governments, but should be viewed with some caution.

Chart 1.4: Subnational Governments' Dependence on Fiscal Transfers (by level of government)

	Regional Governments	Local Governments
Mexico	91.4%	70.6%
Venezuela	98%	41%
Brazil	17%	67%
Argentina	69.62%	17%
Guatemala	N/A	30.18%

Sources: For Mexico, Mizrahi (chapter 5); for municipalities, 1991-98; for Venezuela, Mascareño (2000, 70); for Guatemala, Linares and Puente (chapter 8); for Argentine provinces, Falletti (chapter 3); for Brazil and for Argentine municipalities, Burki, Perry, and Dillinger (1999, 28).

Note: Data on subnational expenditures are somewhat unreliable and vary depending on the sources used. They are useful for gauging approximate revenues and expenditures by subnational governments, but should be viewed with some caution.

This is especially true for regional governments in Mexico and Venezuela and local governments in Brazil (which depend on a mixture of federal and regional government transfers). In many cases, this reduces the degree of autonomy that subnational governments have to set policy. For example, the Guatemalan constitution mandates that 90% of the principal funds transferred to municipal governments be used for investments, which limits the margin that municipal authorities have for maintaining a staff and ongoing municipal operations (Linares and Puente, chapter 8). Similarly, Mizrahi argues that in Mexico most federal transfers to states come with significant strings attached that limit states' ability to set policy.

Different subnational governments, however, have differing capacities to generate revenue. More urban and industrial regions generally have

been able to take advantage of opportunities to become inserted in the global economy and generally have more extensive revenue bases. In Mexico, federal transfers made up from 29.6% (Baja California) to 89.5% (Coahuila) of state revenues in 1990, with a wide range in between (Díaz Cayeros 1995, 103). In Argentina, the city of Buenos Aires raises 92.78% of its own revenue and the Province of Buenos Aires 56.51%, while some provinces, such as Catamarca, La Rioja, and Santiago del Estero, raise only 10–15% (Falleti, chapter 3).

Even more significant, however, is the fact that fiscal arrangements often reinforce existing inequalities. Those regional governments least able to raise local revenue often also receive fewer national transfers, compounding their poverty. Melo and Rezende note that the North and Northeast of Brazil receive an average of R\$847.1 and R\$721.5 *per capita* in social spending, respectively, while the comparatively wealthier South and Southeast receive R\$982.5 and R\$1,157.5 respectively (chapter 2). In Mexico, Mizrahi notes that poorer states generally receive fewer education funds than wealthier states (chapter 5). In fact, Mexico's three poorest states, Chiapas, Oaxaca, and Guerrero, received N\$344.5, N\$223.1, and N\$235.9 in federal transfers in 1993, respectively, while the two wealthiest states, Nuevo León and Baja California, and the capital district received N\$417.6, N\$509.1, and N\$577.3 respectively (Ward, Rodríguez, and Cabrero 1999, 102).

CHANGING THE RELATIONSHIP BETWEEN THE STATE AND CITIZENS?

In the context of concern over the quality of democracy in Latin America—especially with reference to concerns about the accountability of democratic institutions, uneven access to citizenship rights, the lack of citizen engagement in the political process, and the historical exclusion of women and ethnic minorities—many scholars, political leaders, citizens organizations, and international institutions have heralded decentralization as a strategy for deepening democracy and reconnecting citizens and the state.¹¹ Proponents of democratic decentralization have largely centered their claims on three assertions. First, they argue that subnational governments tend to be more accountable to citizens since they are better able to monitor local governments “close to home” than distant national

governments. In theory, subnational governments should be easier for citizens to observe, monitor, and influence. Since the link between government actions and outcomes is more clearly observable, citizens should also be able to hold their elected officials retrospectively accountable through voting as well as prospectively influence their behavior. Fiscal theories also suggest that expenditures in local governments tend to be more efficient and reflect better citizens' preferences. Because citizens can see the actions of subnational authorities more clearly, they can influence what programs are implemented and they are more likely to be willing to pay taxes for these programs. In essence, citizens "get what they pay for, and pay for what they get."

Second, some proponents of decentralization see an opportunity for citizens to develop new practices of participation within local arenas. The issues dealt with by municipal and state governments are generally bread-and-butter issues that affect the quality of people's daily life: schools, roads, healthcare, social welfare, and trash collection, among others. For people in poor communities, these are often the issues which most influence their quality of life. Moreover, some proponents argue that people's lives are lived within local communities and recovery of community as an important political space presents an opportunity to engage in collective problem-solving and develop notions of the common good. While national political community may seem like a remote concept, local political community in contrast offers the possibility for greater participation and deliberation. Within local arenas, people may be able to develop an active, ongoing engagement with the political process that goes beyond the retrospective accountability which sustains national-level democracy. Citizens may develop a new kind of civic awareness that allows them to reason collectively about politics and policy with other citizens, and in turn make reasoned assessments about the public good.

Third, several proponents point out that decentralized government may allow for greater inclusiveness of different sectors of society. Some point to the increased participation of women in local governments,¹² and argue that minority groups and the poor might have a stronger voice in local decision-making than they do in national decision-making. Moreover, some have argued that empowering local governments, especially in the context of differential rights for indigenous municipalities, may strengthen the participation of indigenous peoples in the political

process and ensure respect for their concerns and traditions. This combination of strengthened local governments and differential rights might allow mostly indigenous municipalities to join customary and legal authority, which have often been parallel but separate strands of decision-making and dispute resolution, and ensure them a stronger voice in policies that affect their communities.

On the other side, skeptics of decentralization have doubted many of these claims and instead argued that decentralization may undermine democratic governance. Some skeptics worry about the resurgence of authoritarian regional elites who may capture the resources of decentralized government and use them to limit political freedom (Fox 2002, Fox and Gershman 2000, Mohan and Stokke 2000), thus making the state less responsive and accountable.¹³ Others argue that decentralization undermines the coherence of the national political community. These concerns have been raised in part around the fragmentation of decision-making structures, which might undermine coordinated social policies and lead to fiscal instabilities.¹⁴ Others have worried that decentralization may also undermine already weak party systems (Sabatini 2003) and the rules for national policymaking more generally (Stepan 2001). Finally, concerns have been raised that decentralization may introduce additional inequalities into already unequal societies by strengthening the resource base of wealthier local and regional governments at the expense of poorer ones, especially if substantial devolution of fiscal powers is involved. Increased inequality might, in turn, undermine citizens' equal access to political participation by increasing unequal access to education and economic influence.

The evidence to substantiate any of these claims for or against decentralization as a tool for deepening democracy is inconclusive in this volume. However, the chapters in this volume find evidence of four important trends in Latin America that shed light on the linkage between decentralization and democracy.

Electoral Competition in Subnational Governments

First, subnational governments have become important arenas of electoral competition, and in some cases they are far more competitive than national governments. This was the case in Mexico in the 1990s, where subnational governments became the key arena of electoral competition

when national elections were still dominated by a single party. The victories of opposition parties in subnational elections allowed these parties to negotiate greater transparency in national election processes and to build bases of support (Mizrahi, chapter 5). Venezuela, on the other hand, has seen a re-concentration of power in the hands of the central government and the ruling coalition of President Hugo Chávez since the late 1990s, while subnational governments have remained at least a partial counterbalance to this tendency (González and Mascareño, chapter 6). These two cases suggest that decentralization may help encourage or preserve political plurality in party systems that are highly centralized and exclusionary. However, further research is necessary to determine whether decentralization may also help undermine the stability of weak party systems, as Sabatini (2003) has argued.

In Guatemala, only local elections feature independent candidacies that allow citizens to bypass political parties to create their own “civic committees” to compete in elections. Civic committees have had mixed success in Guatemalan elections, but they compete regularly in up to a third of municipal elections, and in the 1999 elections won 25 of 330 municipalities, including the second largest municipality, Quezaltenango. In a country where political parties are known for patronage politics, Linares and Puentes (chapter 8) credit civic committees with allowing citizens to develop new forms of political action at the margin of clientelistic politics.

Innovations in Democratic Participation

The authors in this volume find ample evidence that subnational governments in every country have sought to develop a more horizontal and participatory relationship with citizens in the policymaking process. In the best cases, subnational governments have innovated with new ways of engaging citizens in government planning and monitoring of public activities. These innovations appear to change traditional patterns of top-down interactions between the government and citizens; empower groups that have been historically marginalized from politics; and promote some form of public deliberation about the kinds of policies to pursue.¹⁵ In most cases, however, the democratic innovations pursued by subnational governments are more modest and incremental.

Most of the innovations noted in this volume have taken place at the municipal rather than the regional level. Regional governments in most

countries appear to be primarily implementers of policy rather than dynamic centers of public debate and innovation. This is partly due to their size: in four of the five countries studied regional governments are quite large and physically distant from most citizens.¹⁶ These limitations are also the result of the kind of functions regional governments carry out. Health and education policies take up most of their responsibilities and national governments maintain an interest in making sure that common standards and basic equity are guaranteed.¹⁷ Finally, regional governments often have overlapping, or concurrent, responsibilities with national governments built into the constitution and existing legislation to a degree considerably greater than municipalities do.¹⁸

Instead, municipalities have become the primary locus of democratic innovation. Brazilian municipalities have been, by far, the most extensively involved in democratic innovation. Melo and Rezende (chapter 2) note that almost all municipalities (99%) have tripartite councils, made up of representatives of the government, civil society, and business, that oversee a wide range of sectoral areas, including education, health services, employment, and social assistance. They argue that these tripartite councils have succeeded in giving citizens an effective voice in municipal policymaking and service delivery. Moreover, they note that dozens of Brazilian cities have experimented with participatory budgeting, including Recife, Santo André, and Porto Alegre (cf. Sánchez 2001, Bland 2002b, IDB 2003). Perhaps the best known case, the southern city of Porto Alegre, began its participatory budgeting in 1989 as a means of engaging citizens in municipal planning efforts. Today, the participatory budget allows citizens in their neighborhoods to set priorities for municipal investments and to participate in city-wide bodies that set broad policies and hold the government accountable for execution. The percentage of the municipal budget available for investments has risen from 2% to 20% between 1989 and 1994, and a higher proportion of investments have been targeted to poorer areas than previously. Indeed, the average participant in budgeting meetings is slightly poorer and less educated than the average city resident, unlike many planning efforts that tend to draw the more educated and affluent (Baiocchi 2001; Abers 2001).

Argentina has few cases of participatory planning or oversight councils on the scale of those in Brazil; however, the chapter by Smulovitz and Clemente (chapter 4) gives evidence of municipal governments' attempts

to involve citizens in governance in ways that are qualitatively different from citizens' interaction with national and provincial governments. They note that municipal governments now commonly have *jornadas comunitarias* (community days) where the mayor meets with citizens to discuss municipal priorities. While less institutionalized and more discretionary than the Brazilian experiments in participatory governance, they note that it still represents a significant change from the vertical politics of only a few years ago. As municipalities have assumed more functions for social policy, they have generally started important collaborative relationships with neighborhood organizations to implement policies. Whereas the national and provincial governments tend to collaborate with established non-governmental organizations, municipal governments collaborate most frequently with neighborhood organizations that represent average citizens. In turn, these neighborhood organizations tend to have a favorable impression of their relationships with municipal governments, and they often end up developing linkages among themselves through their interactions with the municipal government.¹⁹

In Mexico, Santín (chapter 6) argues that municipalities have increasingly tried to reach out to citizens by instituting new forms of participatory policymaking; moreover, non-governmental organizations have become increasingly engaged in municipal governance. By law, Mexican municipalities are required to set up municipal planning councils to involve citizens in decision-making on community investments and overall development goals; few municipalities have done this effectively, however (Rowland and Ramírez 2001, 22). Instead, several notable local innovations have emerged. For example, both the northern border city of Tijuana (Guillén 2003) and the rural municipality of Berriozábal (Santín and Motte 2002) in the southern state of Chiapas have step up planning boards to involve citizens in decision-making in key areas of municipal planning and investment. Similarly, the mostly rural municipality of Cuquío developed its own participatory budgeting process that has allowed citizens to participate actively in most major investment decisions since 1992 (Bazdresch 2002). However, these experiences, and others like them, are infrequent, incipient, and highly fragile in Mexico.

In Venezuela, where municipal governments are somewhat weaker, González and Mascareño (chapter 7) note that innovations in state-society relations appear to be primarily in service delivery, with the growth of

partnerships between the state government and civil society organizations, generally neighborhood associations. However, several municipalities have also experimented with *cabildos abiertos* (public assemblies) and participatory planning processes, though with little institutionalization of these efforts to date (Mascareño 2000, 149-74).

In Guatemala, legislation crafted out of the peace accords created a series of municipal development councils that would give citizens and government officials joint responsibility over development funds; however, these were invalidated by the Supreme Court, which argued that the councils' responsibilities duplicated those of the elected municipal governments (Linares and Puente, chapter 8). The councils have recently been restored under new legislation, but it is too early yet to predict their performance (ASIES 2002). At the same time, several municipalities, including Quetzaltenango, Sololá, San Lucas Tolimán (Sololá), Jocotenango (Sacatepéquez), and Río Hondo (Zacapa), have developed highly successful horizontal relationships with civic organizations, involving them in planning and execution of projects (Gálvez, Hoffman, and Mack 1998, 71-89; Puente and Molina 2001, 279-80). In particular, Quezaltenango, under its non-partisan civic committee, developed a successful demand-driven approach that succeeded in increasing investments in low-income and rural areas. However, the innovative relationships between Guatemalan municipalities and civil society largely lack institutionalization, as in most countries, and tend to depend on the innovation of particular leaders (Puente and Molina 2001, 276-80).

On balance, the innovations in all countries are significant for the ways that they increase government accountability and responsiveness to citizens. However, in all countries, these innovations are the exception, not the rule, and in most cases they are still poorly institutionalized and dependent on the vagaries of local leadership. Perhaps even more troubling, some subnational governments in all countries show signs of "capture" by local and regional authoritarian elites. This is hardly unusual since centralization was achieved largely through bargains with local and regional elites; however, it is particularly worrisome that while some municipal governments may have become arenas of democratic innovation, others may have become strongholds of particular groups and families that have seen decentralization as an opportunity to reassert their control. Within smaller localities, especially where significant inequalities

exist and the protections of the central state are far away, elites are often best able to maintain control over political processes (Mohan and Stokke, 1999; Schonwalder 1997; Manor 1999, 106).

Moreover, in several countries, regional elites show signs of regaining significant bargaining power as a result of decentralization reforms. In Argentina, for example, decentralization has emboldened provincial leaderships, indebted the state, and made national policymaking difficult. The old bargaining between central and provincial leaderships that characterized Argentine political life earlier in the century intensified again in the 1990s with the decentralization reforms. Falletti (chapter 3) notes that provincial governors of the governing *Justicialista* (Peronist) party bargained for resources and reached individual agreements with then-President Carlos Menem on resource transfers outside of the margins of the institutional rules (cf. Eaton 2001). Similarly, in Mexico, although the PRI lost the national elections of 2000, the party has consolidated itself within significant bastions of state control from which it has resisted modernizing political and economic reforms (Mizrahi, chapter 5). In Brazil, authoritarian elites survived both the military dictatorship and the return to democracy. Embedded in elected and appointed office, they remain a powerful force in state and national politics (Hagopian 1996, Mainwaring 1995).

Decentralization should thus be seen as both helping generate local arenas of democratic innovation and reinforcing enclaves of authoritarianism and resistance to change.

Responsiveness in Social Policy

The chapters on Brazil and Argentina in this volume provide ample evidence that municipal governments are becoming major innovators in social policy. In both countries, Smulovitz and Clemente (chapter 4) and Melo and Rezende (chapter 2) find that municipalities have increased their overall participation in social spending significantly. In Brazil, municipalities are now the major implementers of poverty alleviation programs, which takes up most of their resources for investment. Similarly, in Argentina, municipalities have increased their share of spending on social outreach and welfare from 17.5 percent to 25 percent between 1990 and 1999. According to the authors, municipalities have been forced to assume the burden of social needs not met by the central state, generally

by cobbling together federal and provincial transfer programs. However, increasingly municipalities have also responded to demands from citizens by creating and sustaining new programs with their own resources. The authors document that Argentine municipalities are moving gradually from being implementers of provincial and national social policies to being innovators in social policy, in response to the needs of citizens within their jurisdictions.

The role of municipalities as agents of social policy requires further research. To the extent that municipalities are being required to assume functions abdicated by the national government, this change may reflect a loss of coherent social policy in the country at the national level. However, to the extent that municipalities are becoming innovators in social policy in response to citizen demands, it may reflect favorably on the accountability of local governments and their responsiveness to the needs and desires of citizens. We lack further evidence from the five countries (and any evidence from three of them) to draw firm conclusions on this account, but there is reason for guarded optimism based on the evidence from Brazil and Argentina.

Inclusiveness in Governance

Finally, the chapters by Santín (6) and Linares and Puente (8) suggest that in Mexico and Guatemala, decentralization appears to have contributed to greater inclusion of indigenous peoples within the nation-state by increasing the number of indigenous elected officials and making incipient reforms around indigenous self-government more relevant. In Guatemala, few nationally elected officials are indigenous; however, indigenous candidates are increasingly winning local elections. In 2002, 52 of the 330 municipalities had indigenous mayors (Cardona 2002), while only 11% of the Congressional deputies were Indian (Linares and Puente, chapter 8). In some cases, such as the municipality of Sololá, this has helped bring together the two strands of authority—official and customary—that co-exist in mostly indigenous municipalities (Puente and Molina 2000, 298).

In both countries, recent reforms have also given a degree of legal recognition to indigenous forms of governance, including traditional methods for selecting leaders and resolving disputes within communities. In Guatemala, these changes were contemplated in the 1996 peace

accords, but have only recently become law in 2002. The state now recognizes limited rights for indigenous communities to elect community-level authorities (but not municipal authorities) and to resolve intra-community disputes according to customary practices (ASIES 2002, Congreso de la República de Guatemala 2002). In Mexico, the national legislation is vague, but it recognizes the rights of mostly indigenous municipalities to adopt customary law and grants state governments the right to legislate on this (Arnson, Benítez, and Selee 2003). A few states, led by Oaxaca, have done this, recognizing customary law for the election of municipal authorities and resolution of certain disputes, as long as no individual guarantees are violated. While these reforms in both countries fall far short of the demands made by indigenous organizations, they are first steps in recognizing the plural political and social practices that take place within these countries (López Bárcenas 1998; Recondo 1999; Hernández Díaz 1999; Hernández Navarro 1998).

In Guatemala, the debate on indigenous rights has been strongly tied to the debate on strengthening local governments, while in Mexico these two debates have largely been separate. Nonetheless, strengthening municipal governments has increased the relevance of the new forms of self-determination accorded to (some) indigenous peoples at the local level in both countries.

FINAL REFLECTIONS ON CENTRALIZATION AND DECENTRALIZATION IN LATIN AMERICA

Centralization in Latin American countries was never a unidirectional or comprehensive process. Rather, the centralization of the administrative apparatus and fiscal powers of the state coincided with a complex process of negotiation with local and regional groups about the terms of their incorporation in the nation-state. Moreover, in most countries of Latin America, other than Brazil and Argentina, the state has never exercised an overwhelming percentage of national resources, and in all countries the exercise of state power has required a significant degree of accommodation with key regional and local elites. Far from the picture of all-encompassing centralized bureaucracies that dominated all areas of national life, Latin American states have actually been fairly limited in their penetration of society and sustained in large part through bargains with other social forces.

Therefore, it should not be surprising that as decentralization has occurred it has produced multiple and often contradictory results for democratic governance within countries in Latin America. Much as centralization involved a series of encounters and negotiations between the central state and subnational groups, so too has decentralization involved a renegotiation between these groups and the state. In areas where local and regional elites were fairly strong, it seems likely that they will be major beneficiaries of decentralization. In other areas where these elites had lost their predominance and other groups in civil society have gained a foothold, it is possible that decentralization may produce opportunities for democratic innovation. As the centralized state was a tapestry of varied configurations of state-society relations, so too is the increasingly decentralized state.

Decentralization has clearly transformed the state in Latin America since the early 1980s and produced a new configuration of relationships between the state and society. The causal link between decentralization and democratic governance, however, appears tenuous, based on the evidence provided in this volume. Like many other approaches to state reform, decentralization alone is unlikely to produce the expected results for democracy if it is not accompanied by complementary policies that implement the rule of law, encourage the flourishing of civil society, ensure an equitable investment of resources, and coordinate policies effectively among levels of governments. Where this is happening, at least in part, decentralization appears to be facilitating a more fluid link between citizens and the state. In others, the promise that decentralization holds for democracy remains as yet unrealized.

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The Link between Decentralization and Democratic Governance

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NOTES

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2. Kyu Sik Lee and Roy (1999). On this global process of decentralization, see James Manor (1999) and Philip Oxhorn, Joseph S. Tulchin, and Andrew Selee (2004).

3. We consider “exclusionary regimes” to be those that maintain a semblance of procedural democracy but fall far short of Robert Dahl’s concept of polyarchy (1989, 220–224). In this book, both Mexico’s one-party state and Venezuela’s two-party state would qualify as “exclusionary regimes,” a point we discuss further below.

4. Mann (1986) refers to these two dimensions of state power as “despotic power” and “infrastructural power.” The first is a non-institutionalized means to maintaining control over civil society through coercion; the second an institutionalized approach to penetrating civil society through coordination of its productive activities.

5. Three of the countries in this study, Argentina, Brazil, and Guatemala, were under dictatorships by the early 1980s. The remaining two countries, Venezuela and Mexico, had exclusionary political systems in which political decision-making was highly controlled and real participation limited.

6. In Guatemala, for example, at the end of the 1970s approximately 26% of the population lived in the capital, but it received 70% of public investment, 57% of education expenditures, and 68.5% of health and social assistance expenditures (Punkte and Molina 2000, 246)

7. During the dictatorship in Brazil, governors and mayors in state capitals were appointed, but mayors of other municipalities were elected. There were severe restrictions on even these elections, however.

8. Asymmetric decentralization is discussed more fully in Litvak, Shah, and Bird (1998, 23–24) and Shah (2002, 31). On the importance of asymmetric relations for political reasons in federal systems, see Stepan (1999).

9. While this has only been discussed in Latin America, it has been tried with some success, albeit mixed, in other cities, such as Jakarta and Manila (Laquian 2001; Stren 2001).

10. Nonetheless, total government revenues in Venezuela dropped precipitously in this period, which means that actual subnational expenditures remained constant, as a percentage of GDP, at a time when national revenues were falling (Mascareño 1990, 65–66).

11. Examples of these works include publications of international financial institutions, such as World Bank 2000; Burki et al. 1999; Shah 2000; Peterson 1997; government publications such as COMODES 2001; INAFED 2002; civil society organizations such as Equipo Pueblo 2000; and academic studies, such as Manor 1999; Campbell 2003; and Mascareño 2000. Not all the studies agree with all three of the propositions stated here, but they all defend one or more of the propositions.

12. For example, CEPAL 2003.

13. Similarly, in the context of the United States, McConnell (1966) worries about the greater relative strength of elite groups in local democratic arenas and Young (2000) worries both about elite capture and the lack of diversity present in local arenas. Not all of these authors are opponents of decentralization, but they express caution about the potential for elite capture.

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14. These concerns were raised in Argentina and Brazil after a series of fiscal crises in the mid-1990s when soft budget constraints allowed subnational governments to unload their debts on the national government (Remmer 1999), and in South Africa, where the first post-Apartheid government feared that decentralization would undermine its ability to coordinate social development policies (Friedman and Kihato 2004).

15. Fung and Wright (2001) refer to this as “Empowered Deliberative Democracy” (EDD). It is worth noting that most democratic innovations we describe fall far short of EDD, but most address these three variables in some way.

16. The remaining country in the volume, Guatemala, has no elected regional governments.

17. Ivan Finot (2002) makes this argument eloquently, suggesting that national governments should continue to have an interest in ensuring standards and equity in health and education policies and, therefore, more control over these decentralized areas. He suggests that we should look at these processes separately than other functions which rightly should be discretionary at the regional level.

18. Despite this, Tandler (1997) has documented an important series of innovations in governance at the state level in Ceará, Brazil. Further research is needed on governance at the regional level.

19. There are a few incipient experiments in participatory planning in Argentina as well, but these are far less institutionalized than similar experiences in Brazil. For example, the municipality of Reconquista has developed an Inter-Community Consultative Council that gives citizens direct responsibility over decisions on key community investments. The Council includes representatives of organized neighborhood organizations and citizens elected through community assemblies. Similarly, the cities of Buenos Aires and Rosario have also initiated participatory planning processes, dividing the cities into zones for the purpose of soliciting citizen input on key municipal investments (Selee 2002).

Decentralization and Governance in Brazil

MARCUS MELO AND FLAVIO REZENDE

It is widely recognized that Brazil is a highly decentralized federation. In fact, Brazil has a legacy of decentralization experiences under federalism since its independence. The states (including the federal district) and municipalities today enjoy high political and fiscal autonomy. Since the mid-1980s, decentralization has further increased in all areas of social and public policy. This was primarily a result of the return to democracy, but also can be construed as part of a longer trend towards decentralization. The municipalities and the states account for over one-third of total government spending and revenue collection. They also account for almost 40 % of the public sector's net debt stock.

The Brazilian federation is also highly unequal. Revenue mobilization capacity is concentrated in the more prosperous states and municipalities of the south and southeast. Although some equalization of expenditure capacity has been pursued through mandated revenue sharing, the net result of state expenditures and tax abatements favors the southeast where industry is highly concentrated. Political and administrative decentralization is also quite substantial, as governors and mayors enjoy unparalleled power within the Latin American context. Each subnational jurisdiction has its own directly-elected legislature and executive branches, as well as an independent judiciary. The federal government has limited control over subnational tax administration; budget formulation, execution, and oversight; as well as wage and investment policies (Affonso and Melo 2000).

This paper discusses the process of decentralization in Brazil in the 1980s and 1990s. It is organized in seven sections. In the first section, we explore the historical legacy of the centralization-decentralization process in Brazil. The next section is devoted to analyzing the impetus for decentralization under the democratic transition. It highlights the uniqueness of the Brazilian process of decentralization. The relationship between decen-

tralization, inequality and poverty alleviation is analyzed in the following section. The roles of the government in social policy, especially in poverty alleviation, are discussed in the two remaining sections. Fiscal federalism and its consequences for governance are addressed in the seventh section. In the final section, we make some concluding remarks.

THE HISTORICAL LEGACY: AUTHORITARIANISM, REGIONALISM AND FEDERALISM

The Brazilian experience is in some aspects unique in Latin America in that its history is marked by historical cycles of decentralization and centralization. After independence from Portugal in 1822, Brazil became a unitary monarchy until 1889, at which point the Republic was founded. The sheer size of the territory and the existence of strong regional oligarchies undermined the centralization impetus throughout the history of the Empire. Nevertheless, the process of state-building in Brazil in the nineteenth century was associated with the hegemony of the central state over the provinces. The central state succeeded in overcoming the centrifugal forces associated with regionalism and provincial autonomy, which manifested themselves in a number of provincial insurrections. The Federal Republic was formally established through the constitution of 1891, and was the product of a coalition of army officers strongly influenced by French positivism, regional oligarchies, and anti-slavery forces. The republican movement was also strongly influenced by American federalism. During the Old Republic (1891-1930), a highly decentralized political system emerged in which the governors came to play a central role. This decentralized system gave way to a highly centralized one after the Revolution of 1930 that brought Vargas to power (1937-1945). The Vargas regime established the key institutions of modern Brazil and set up the foundations of the developmentalist state – all of which were centralist in nature. These include the institutions of economic development, such as development banks and national planning institutions, as well as the institutions regulating labor relations and social security.

With the return to democracy from 1946 to 1964, basic forces associated with subnational politics were substantially reinvigorated though within the new constrained political space of national politics of the Vargas Era. The military regime (1964-1985) promoted re-centralization,

particularly during the heyday of the so-called Brazilian economic miracle (1967-1973). The nature of bureaucratic-authoritarianism under the military in Brazil during the 70's was distinct from other South American countries in that a semi-competitive political system was allowed to develop. Although limited and constrained, congressional elections were held and the regime and subnational politics were active. At the political level, centralization in this context (1968-1982) implied primarily the appointment of governors (who were formally elected by electoral collegiates) by the central government and mayors of capital cities. It was strongest, however, in the policy-making arenas, where central agencies wielded substantial discretion and authority. Notwithstanding the centralization, the institutions of fiscal intergovernmental relations ensured some degree of fiscal autonomy at the subnational level. For instance, two of the key mechanisms guiding fiscal federalism today, the FPM (Municipality Participation Fund) and FPE (State Participation Fund), were created in this period.

The Brazilian experience is in some aspects unique in Latin America in that its history is marked by historical cycles of decentralization and centralization. Even during the Old Republic, when the states were at the apex of their powers, the municipal governments were weak. Mayors were appointed by the state governors, and municipal governments enjoyed very little institutional capacity. This is indeed a pervasive feature of municipal governments. 'Municipalism' is, however, an old and deep-rooted ideology that developed at the turn of the century and was fostered by the authoritarian governments during the Estado Novo (1937-45). At the time, municipal autonomy was extolled in an antiliberal manner and advocated as an alternative and antidote for the excessive autonomy of the states.¹ Federalism, regionalism and oligarchies were concepts that were severely attacked by the ideologues of the Vargas Era. The states were equated with *coronelismo*, *mandonismo* and oligarchical control, and federalism was viewed as conducive to fragmentation and the absence of an effective and much needed state intervention in the society and economy.²

The 1970s and 1980s marks historically a Copernican revolution. The local as opposed to the national was increasingly viewed as the *locus* of 'virtue' (democracy) as opposed to its 'vice' (oligarchical control). Decentralization came to be seen as an integral part of the process of democratization. In the 1990s, criticism of the decentralization process

came to the fore, and the ‘excesses’ of decentralization were associated with fiscal ungovernability, fiscal wars and ‘municipal hobbesianism’ (Melo 1996).

Almeida (1995) aptly noted that in the Brazil, the decentralization process can be understood as a transition from an “extreme centralized federalism” that prevailed under military rule to “some form of cooperative federalism” without a precisely planned strategy for change. The logic underlying the decentralization process in Brazil is therefore distinct from those in unitary states. Decentralization meant the redefinition of functions of the federal government and a new assignment of functions and tax powers to subnational governments. As such, decentralization was carried out as a response to the crisis of the authoritarian regime and was viewed as a requirement for the deepening of democracy.

THE IMPETUS FOR DECENTRALIZATION

As mentioned before, the 1980’s are a watershed period in Brazilian history because it marks the return to democracy following almost two decades of military rule. The impetus to decentralize was part and parcel of the democratization process and its key founding events, such as the Constituent Assembly of 1988, constituted the arenas in which decentralization decisions were made. A number of legislative initiatives were also arenas in which decentralization was discussed at the sectoral level. This occurred in the areas of health care, social assistance and social security, taxation, and so on. It should be noted that no initiatives regarding the reversal of decentralization were implemented during the two episodes of constitutional reform after the enactment of the Constitution of 1988, which took place in 1993–4 and 1995–1999.

Democratization was made possible as a result of an inter-elite pact. As a result, a coalition of center-left and center-right political forces dominated the transition agenda. The former, represented in party politics by the Party of the Brazilian Democratic Movement (PMDB), enjoyed a hegemonic position in this coalition in which the Party of the Liberal Front (PFL) – a dissident faction of the pro-regime Social Democratic Regime – was the junior partner. In turn, the military retained veto power in matters concerning the armed forces and a few policy issues. Social movements, particularly neighborhood-based movements linked to the

Catholic Church and the ‘new trade unionism’, played an important part in the mid-1970s onwards, culminating in the creation of the Workers Party (PT) in 1978. It should be noted that the democratization of the executive branch occurred according to a specific sequence: elections were held first for state governors (1992), then for the president (1985), and lastly for the municipal executives (1986).

The reformist agenda of the 1980’s addressed a variety of policy areas and was aimed at implementing sweeping reforms. The new civilian government’s motto in 1985 was *Tudo pelo Social* – Everything for Social (Development). The motto was not just a rhetorical device – it indeed expressed the reformist impetus underlying the transition to democratic rule. This agenda was shaped on the basis of a diagnostic of the pattern of public policy-making under bureaucratic-authoritarianism. This diagnostic was a collective endeavor and a product of years of criticism, largely (but not exclusively) by opposition circles – in particular, by the professional and intellectual elites. In this perspective, the country’s so-called ‘social debt’ was thought to be a result of excessive bureaucracy, extremely centralized decision-making processes, permeability to sectoral interests, and the exclusionary logic of public policy-making in which the needs of the poor were not adequately addressed.

At a more general level, the new agenda would prioritize redistribution and the need to overcome abject poverty by a combination of macroeconomic policies and emergency measures. At a more specific level, this agenda addressed an array of issues relative to the *modus operandi* of public policies and proposed changes. Lack of participation and ‘transparency’ in policy-making was responsible not only for the structural bias in favor of middle income target groups, but also for the capture by business groups of the resources allocated to the provision of goods and services to the communities. Gigantic bureaucracies were viewed as pursuing narrow organizational interests and dissipating public money. Decentralization and participatory practices were thus proposed to overcome these problems.

The apex of these initiatives was reached during the drafting of the new constitution of 1988. The new constitution encapsulates most of the so-called reformist agenda (Melo 1996); it established a number of institutional innovations such as participatory mechanisms at the various levels of governments and restored the primacy of the legislative in areas where

the executive came to dominate, such as in the case of budget-making. It also created a new fiscal federalism and imposed an important decentralization process which was completed in 1993. In terms of substantive changes, as opposed to institutional and procedural, the constitution significantly expanded social rights and entitlements.

The institutionalization of participatory mechanisms proceeded following the promulgation of Organic Laws at the federal, state and municipal level. These laws set out the rules for the setting-up of tripartite councils in which civil society institutions have a seat, together with government and business, in a large array of sectors ranging from health and social assistance to urban development and children's rights.

Local authorities came to play a key role in the establishment of mechanisms of democratic governance in the country. In effect, the Constitution of 1988 has mandated new attributions and a bigger share in general revenue to municipalities. These changes were demanded by the opposition forces under the military government, and were the centerpiece of the administrative reform agenda during the so-called New Republic (1985-1990). Decentralization proceeded at a significant pace in the 1990s although it was resisted by a variety of interests. It should be noted that important changes occurred in the political culture, and the municipal governments in turn have been much more permeable to interests from the urban popular sector than before.

Many of the initiatives of the reform agenda were discontinued or were erratically implemented during the Collor administration (1990-1992). A young and politically-isolated executive, Collor ran for office on a ticket targeting the elimination of corruption and economic modernization. However, widespread corruption in his government led to his impeachment by Congress amidst a wave of protests and civil society agitation. Typifying a pattern of authoritarian populism that came to prevail in some Latin American countries in the 1990s, Collor's government was primarily associated with the economic plan which imposed an emergency comprehensive price freeze and the temporary hold of nearly 90% of the financial assets in the economy.

Following a short period of time when Collor's vice-president Itamar Franco took over, Fernando Henrique Cardoso was elected on the success of the price stability scheme known as Real Plan. During his first years in office (1994-1998), Cardoso embarked on a program of sweeping

constitutional reforms which included deregulation, the privatization of state owned enterprises in key areas such as telecommunications and energy, and liberalization of foreign trade. In addition, Cardoso asked for Congress's approval of an agenda for the reform of the state, which included comprehensive measures reforming social security, public administration, and taxation. Cardoso's early success at price stabilization led him in turn to a second term of office (1999-2002). Escalating unemployment and fiscal austerity prompted growing and unprecedented criticisms of his government, however.

The formation of the agenda for state reform under Cardoso represented, to a large extent, a reaction against the agenda that prevailed during the Constituent Assembly in 1987-1988. As noted before, this latter agenda was dominated by a number of important issues: a consensus on the need to decentralize and restructure current intergovernmental relations, granting more fiscal autonomy and decision-making capacities to states and municipalities, a widely held view that it was necessary to enhance social control and transparency of public policy through participatory institutional arrangements, a consensus that the social debt should be redeemed, and that social policy should be granted a high priority in public expenditures. This agenda was to be replaced by a new one centered on market reforms. Central to this new agenda was the notion of reducing the *Custo Brasil* – an imperative for the country's competitive integration within world markets. This required revamping public administration and making institutional changes in the judicial system, labor legislation, and tax structure. A major short-term priority was ensuring macroeconomic stability, as opposed to the former strategy of promoting growth, even if this produced distortions like inflation.

The specific sequences of stabilization versus decentralization and democratization in Brazil produced a very complex situation (Melo 2002a, chapter 3). The 1980's agenda reflected the new social and political demands engendered by the process of democratization. The fact that democracy preceded the efforts at the stabilization of the economy had important consequences, because it empowered actors who could offer resistance to reforms. It created a political environment inimical to market reforms; important actors during the transition, such as trade unions and former opposition politicians, were pressing primarily for social spending and pro-growth economic policies. In a similar vein, the fact that financial

decentralization and devolution of powers to state and municipalities was implemented before stabilization undermined, to a certain extent, market reform efforts. Responding to social demands and to the expanding political market, mayors and governors embarked on a spending frenzy that ushered the states into heavy indebtedment, and in turn a crisis of Brazilian federalism.

In the area of intergovernmental relations, excessive decentralization was deemed to have disorganized sectoral public policies and caused more inefficiency. The creation of almost 2000 new municipalities after 1988 was regarded as the symbol of centrifugal forces fragmenting the institutional system and of the expansion of patronage. More importantly, it was argued that the dramatic increase in the share of the budget absorbed by social security payments, debt service, and automatic transfers to subnational governments had reduced the degree of fiscal liberty – ushering in an unprecedented public finance crisis. In addition, the newly-acquired fiscal autonomy of the states was blamed for the perverse effects of the fiscal wars among them (Melo 2002a; chapters 3 and 5).

Notwithstanding many of these criticisms, and attempts by the governing coalition to curb the fiscal autonomy of the states, decentralization proceeded in most areas and was fully consolidated in many sectors, particularly health and education – the former coming to represent the paradigm of sectoral decentralization. In fact, having acquired more fiscal and policy making autonomy, the subnational governments, particularly municipalities, have become important loci of innovation and democratic governance. The setting-up of participatory mechanisms was an integral part of the effective decentralization of public policies. It is worth stressing, however, that the municipalities became autonomous loci of political transformation throughout the late 1980s and 90s, and attracted an important left vote. Indeed, there occurred a continuous increase of the vote for leftist parties in local government elections, especially the PT, but also the PSB and other parties. In 1988, the PT elected 32 mayors; in 1992, 53; and in 1996, 115.

In the mid-1990s, the states were empowered to decide the allocation of federal funds in the area of housing and sanitation. Fifty-eight percent of all municipalities were empowered to use federal resources for health as they deemed fit, and 33% of municipalities were empowered to use federal funds earmarked for social assistance at their discretion. Considering

that these resources, which constitute the lion's share of social spending in Brazil, were entirely centralized at the federal level in the mid 1980s, it could be argued that a revolution took place in the country in the area of intergovernmental relations (Arretche 1998). More importantly, this revolution was accompanied by the setting-up of thousands of municipal sectoral tripartite councils – involving civil society, the state and service providers (health, urban development, etc) – mandated to authorize the allocation of monies.

Between 1990 and 1999, over 28 thousand councils were set up, covering 99% of Brazilian municipalities. There was an average of 4.9 councils per municipality in 1999. In 2001, there were more than 35 thousand councils (the sectoral disaggregation was not available at the time of writing). In 1999, 1,391 municipalities had created at least 5 councils (cf. Table 2.1). In larger municipalities (> 200 thousand inhabitants), all but one municipality had four councils set-up. In small municipalities (pop < 5, 000), coverage levels reached 70% - a highly significant coverage as well. In some areas – e.g. health and education – coverage was already virtually universal in 1999. In the area of employment, 34% of municipalities had set up councils in 1999; this number rose to 87% in 2000. More importantly, the regional penetration of these decentralized institutions is relatively homogeneous and not biased towards the more industrialized areas of the countries. It is highly significant that the coverage for the more rural Northeast is higher than that for the urbanized southeast. In the areas of education and health, it reached the same level as the South (Table 2.2).

The municipalities' ability to intervene in land use in favor of low income residents were also strengthened as a result of an array of new urban planning instruments introduced by the Constitution of 1988. In some municipalities, participatory budgeting arrangements were set up through which priorities for investments can be discussed. These arrangements are in addition to the tripartite councils and represent comprehensive schemes regarding all types of investments and not only those in the social sectors.

It should be noted that a coalition for decentralization coalesced during the transition process independent of international trends towards decentralization. It was legitimized by the support of multilateral institutions and the diffusion of an international consensus on the need to

Table 2.1 – Municipal councils according to sector, population and region 1999

Population/region	Municipal council										
	Sector	Education	Health	Social assistance	Children and adolescent rights	Employment	Tourism	Housing	Environment	Transport	Urban development
Total	5 010	5 425	5 036	3 948	1 669	858	439	1 176	228	188	2 882
Population brackets											
< 5 000	1264	1380	1241	761	311	118	81	168	7	11	688
5 001 to 10 000	1202	1298	1187	868	338	149	87	211	19	13	633
10 001 to 15 000	787	848	802	648	279	125	56	166	14	15	451
15 001 to 20 000	488	527	486	415	170	92	38	121	26	13	272
20 001 to 50 000	830	897	858	787	343	196	64	250	34	41	504
50 001 to 100 000	253	276	267	271	131	91	54	129	49	32	192
100 001 to 200 000	98	106	103	105	54	41	22	62	39	20	68
200 001 to 500 000	64	67	66	67	33	33	26	49	27	27	53
500 001 to 1 000 000	14	15	15	15	8	8	5	11	8	8	11
>1 000 000	10	11	11	11	2	5	6	9	5	8	10
Region											
North	399	434	396	261	50	47	7	51	14	5	187
Northeast	1650	1771	1601	1087	288	127	38	161	36	24	891
Southeast	1503	1631	1516	1210	449	319	152	542	70	61	776
South	1068	1150	1091	1005	774	298	215	337	97	85	763
Center west	390	439	432	385	108	67	27	85	11	13	265

Source: IBGE

Table 2.2 - Number of municipal councils according to population brackets and regions 1999

Population and regions	Municipalities												
	Number of existing municipal councils												
	Total	0	1	2	3	4	5	6	7	8	9	10	11
Total	5 506	20	33	252	734	1 391	1 335	904	466	219	94	41	17
Population													
< 5 000	1 407	4	13	109	300	395	328	171	58	20	8	2	-
5 001 to 10 000	1 320	8	7	77	212	383	321	191	67	37	12	3	2
10001 to 15000	860	4	4	34	99	220	222	158	79	31	8	-	1
15 001 to 20 000	532	3	3	17	58	131	134	101	54	22	8	-	1
20 001 to 50 000	908	-	6	14	55	215	242	191	114	50	15	4	1
50 001 to 100 000	279	1	-	1	9	33	60	61	51	26	20	14	3
100 001 to 200 000	106	-	-	-	-	10	21	21	18	17	8	8	3
200 001 to 500 000	68	-	-	-	1	4	4	10	16	11	10	9	3
500 001 to 1 000 000	15	-	-	-	-	-	3	-	3	5	1	-	3
>1 000 000	11	-	-	-	-	-	-	-	6	-	4	1	-
Regions													
North	449	5	9	32	113	117	106	39	20	6	1	1	-
Northeast	1 787	7	10	105	327	622	442	193	53	17	5	1	5
Southeast	1 666	6	12	92	209	402	377	270	171	72	34	17	4
South	1 159	2	2	17	46	123	269	322	196	105	50	19	8
Center west	445	-	-	6	39	127	141	80	26	19	4	3	-

Source: IBGE

decentralize and make the government work with more efficiency, accountability, and with greater participation of civil society. The transition to democracy since the beginning of the 1980s opened the political space for the politicians and also for the local governors. They became powerful actors in the decentralization process as a response to the crisis of the military regime and its centralization project. The pro-decentralization movement in the Brazilian federation was a consequence of the politics at the state level and the political leadership of the governors. Other key actors were also decisive: the leftist politicians. The movement towards decentralization became associated with democracy through the devolution of power and autonomy to the subnational governments. Within the domain of the social policies, decentralization was associated

with the “failure” of the centralization project. The high centralization, bureaucratism, low accountability, and lack of the inclusion and participation of society in the public policy-making were the elements attacked by the decentralization strategy in a democratic context. Decentralization was, especially in the arena of social policies, driven by the idea of reducing social inequalities and correcting allocative distortions. Decentralization would introduce efficiency, equity, and social control and justice in public policy-making. The redefinition of the role of the state in Brazilian federalism was the cornerstone of the decentralization process, as most of the analysts argue. This was made through a redefinition of functions and responsibilities in order to increase the proximity of the citizens to the formation of public policy and service delivery by governments.

The decentralization process in the 1990s in Brazil is a historical watershed in terms of the role of the state in economic and social development. The devolution of power and authority to the subnational governments is an attempt to revise the logic and role of state intervention. It is widely recognized that Latin America became a locus of neoliberal experiments aimed at the structural adjustment of its economies. Sweeping reforms were implemented in the region aimed at trade liberalization, deregulation of the economy and privatization. The crisis of foreign indebtedness of the 1970s gave way, in the 1990s, to foreign exchange crises. The economic stabilization strategies pursued were centered on the liberalization of foreign exchange controls and the use of fixed exchange rates. The globalization of financial markets undermined state capacity to regulate financial flows, making these economies extremely vulnerable to fluctuations in capital movements. Brazil, however, was a reform-laggard in Latin America; its earlier success with the import substitution strategy led to the formation of a powerful coalition of interests against market reforms, particularly in the areas of trade liberalization and the deregulation of financial markets though also in the redefinition of the role of the state. After the inauguration of the Collor government in 1990, however, Brazil embarked upon a wave of reforms in various sectors. Brazil’s erratic pace in implementing these reforms contrasts with the experience of other countries in Latin America; it confers uniqueness to the decentralization process in Brazil.

THE UNIQUENESS OF THE BRAZILIAN DECENTRALIZING EXPERIENCE

Brazil's movement towards decentralization differs from other Latin American countries in important ways. *First, the decentralization was encapsulated in a new constitution rather than through ordinary legislation.* No Decentralization Act was enacted in the country because most of the provisions for the decentralization were part of the new Constitution. A number of sectoral organic laws, however, were enacted following the promulgation of the Constitution that specified in detail the decentralization process in several areas. These included the Organic Laws for Health (1990), Social Security (1991), and Social Assistance (1993) (see Table 2.1). Taxation was another area that was regulated through constitutional provisions. Changes in this area and in many aspects of intergovernmental relations require changes in the constitution. Health care was the showcase of the Brazilian decentralization, and it was an arena in which a convergence occurred of extremely heterogeneous political forces ranging from the powerful organized interests of the medical professions (public health specialists, physician's unions), academics, bureaucrats and the leftist political parties, to mayors, conservative politicians and health economists (See Table 2.3 for a comparison among major social policy sectors).

Second, unlike other Latin American countries, the decentralization process has never been criticized by leftist political forces and civil society organizations as being part of a neoliberal project. On the contrary, the empowerment of the subnational government was seen as one of the key banners of the left parties. Municipalization and the enlargement of the political participation at the subnational governments were pointed to as pivotal ingredients for a successful return to democracy. Indeed, critics of the decentralization process usually are associated with conservative forces for whom the new fiscal federalism could result in ungovernability, fiscal crises, and poor performance in the provision of public services. The argument went that subnational units acquired more resources without a corresponding transfers of responsibilities – as was the case elsewhere in Latin America (e.g. Argentina). Decentralization led supposedly to coordination failures and promoted high subnational indebtedness. However, only in the sanitation and housing sectors was it alleged that decentralization was associated with the “neoliberal dismantling” of social sectors. What happened in

Table 2.3 – Decentralization of Social Policies

	Health Care	Social Assistance	Housing	Education
Existence of a National Decentralization Policy (apart from changes dictated by the 1988 Constitution)	Yes, since 1985	None until 1993	No	None until 1995
Coalition pro-Decentralization	Strong and National	Weak	Non-existent	Strong at the national-level, but weak and unstable at the state-level
Old Structure	<ul style="list-style-type: none"> – Strong financial and decision-making centralization at the federal level – States and Municipalities involved in service delivery – Low ambiguity in the role of each level of government in policy 	<ul style="list-style-type: none"> – Strong financial and decision-making centralization at the federal level – States and Municipalities involved in service delivery – Overlapping responsibilities in policy – High institutional fragmentation 	<ul style="list-style-type: none"> – Financial and decision-making centralization at federal agency (BNH) – State and municipal agencies involved in the implementation of policy 	<ul style="list-style-type: none"> – Centralization by the federal government of some programs and part of the resources – States and municipalities involved in the delivery of elementary education – Overlapping responsibilities in the policy
Type of decentralization	Decentralization as a deliberate policy	Weak decentralization	Decentralization by “omission” with more autonomy to states and municipalities	<ul style="list-style-type: none"> – Slow Decentralization of the federal government – Municipalization policies at the state level – State and municipal policies pro-devolution of functions

Source: Adapted and updated from Almeida (1995)

these areas was much more a sort of decentralization by ‘omission’ – a sort of sectoral paralysis rather than a robust reform strategy (see Table 2.3). The situation is therefore very different from countries in which decentralization was equated with non-funded mandates (e.g Argentina).

Third, in many sectors in Brazil, service delivery was already highly decentralized. The states and municipalities already had experience in providing a specific range of services with some degree of autonomy. The recent developments of the decentralization process revealed the expansion of the role of these governments in areas such as health care, education, social assistance, urban planning, and infrastructure.

As previously mentioned, the area of health care was the showcase of decentralization. A decentralized system was implemented following the promulgation of the Lei Orgânica da Saúde (1990), and the enabling legislation (normas operacionais básicas NOB 01-93 and NOB 01-96). This led to the dismantling of the extant highly centralized system under the aegis of the INAMPS which favored curative health care. A new financing system was put in place, which was based on transferring money directly from the Federal government to municipalities. At the local level, a new governance structure was created in which the health council was the centerpiece. Other planning councils were also set up: Comissões Intergestores at the state level and Comissões Intergestores Bipartite e Tripartite at the federal level. Nine years after the first steps were taken, there were 5,445 health councils. At the end of 2001, more than 99% of the municipalities had been qualified to receive monies directly from the federal government. Two types of eligibility were introduced: the first entitled municipalities to have discretion over resources for primary health care whereas in the second type, these were autonomous to manage all the health funds transferred, including payment for hospital-based treatment by both public and private providers. Whereas in 1997, there were 144 municipalities (with a share of 17% of total population) receiving funds directly from the central government, in 2001 this figure reached 5,516 – covering 99.9% of the Brazilian population. In 2001, 66.9% of all central government funds for the área of health care were allocated through this mechanism. Similar measures were taken to integrate primary care within public health initiatives. Decentralized mechanisms were introduced which included a number of financial incentives for the setting-up of community health teams and preventative initiatives (Melo 2002b)

With reference to education, the new constitution requires subnational governments to earmark 25% (states) and 18% (municipalities) to finance outlays in education. In 1998, a very important innovation was

introduced in this direction. A new fund, the FUNDEF, was created to finance the states and municipalities in primary education. The FUNDEF also has the role of equalizing the expenditure capacity across the states with the purpose of reducing the inequalities at the regional level.

This explains the virtual non-existence of an explicit decentralization policy for education until 1994. As a rule, decentralization was tantamount to ‘municipalization,’ but in some cases, it went beyond that. Decentralization in education meant primarily deepening the level of local involvement to reach the school. Since 1995, however, the public education system has been experiencing more decentralization. A planned devolution of functions and managerial responsibilities to the subnational governments took place. The Ministry of Culture and Education (MEC) has been implementing this strategy and a new system of intergovernmental relations has been deepening the roles of the municipality and the public schools (the key actors in the process) in education policy.

The new role of the government in education has been changing towards more decentralization since 1995 with the Programa de Manutenção do Ensino Fundamental, using resources from the National Fund for the Education Development. The program has the underlying purpose to decentralize the implementation of federal resources; to improve and reinforce the autonomy and participation of the schools in policy-making; and finally, to contribute to the improvement of the physical and pedagogical infra-structure of the schools. The federal resources are decentralized directly to the schools that have the authority to manage these resources, having the participation of social actors in an education board for the school.

Another key regulation that reinforces decentralization in the education policy is the *Lei de Desenvolvimento do Ensino Fundamental e de Valorização do Magistério* (1998) that launched the new role of the government in education in Brazil. Under this law, 60% of the resources constitutionally-mandated to the states and municipalities for education, or 15% of the tax revenues and intergovernmental transfers, should be centralized in the states in a state fund that redistributes resources for the states and municipalities in proportion to the number of students enrolled in the school. This new rule establishes that 60% of the resources of this fund should be allocated for the salaries of the teachers. The federal government has the role of transferring resources to guarantee the minimal level

of resources and the redistributive nature to deal with regional inequalities. The total amount of resources mobilized through the program reached around R\$ 2.5 billion in 1998. In twenty of the twenty-six Brazilian states, the states will play the decisive role, having the authority to transfer resources to the municipalities. In the rest of the states, however, the rule is the opposite. The municipalities will be responsible for transferring the resources to the states. Therefore, the decentralization strategy in this case is not merely a mechanism to transfer resources to the subnational governments; it involves fundamentally a pivotal change in the role of the three levels of government. The federal government will have a more regulatory and normative role to push forward its redistributive role reducing inequality. Municipalization and the enlargement of the role of the states are also key features. Operationally, the expansion of the autonomy of the public schools and the increase in participation are the other dimensions encapsulated in the plan.

Decentralization of education was also achieved through the creation of a number of participatory local arrangements. The local structures were responsible in varying degrees for the management of resources transferred from the federal and state governments. Data from a survey carried out in 1997 (Parente and Luck 1999) found 13 different types of participatory arrangements at the local level in state schools in 26 states. School councils were found in 13 states, corresponding to 37.28% of all schools, while Teachers' and Parents' associations were also found in 13 states, corresponding to 32.69% of the schools; *colegiados escolares* (a participatory managing unit) were implemented in four states in a quarter of the schools; finally, *caixas escolares* were active in nine states, corresponding to 18.22% of the schools.

Another important development was the direct election of school principals. This mechanism was an important instrument that empowered local stakeholders in education. Starting in 1982, these direct elections were gradually diffused to the Brazilian states. Between 1984 and 1986, they were held in Paraná (PR) (1984), Ceará (CE) (1985), and Santa Catarina (SC) (1986). In the late 1980s, they were adopted in three additional states: Mato Grosso (MT) (1987), Rio de Janeiro (RJ) (1988) and Rio Grande do Norte (RN) (1989). In the 90s, direct elections were also implemented in Paraíba (PB), Espírito Santo (ES), Minas Gerais (MG) and Mato Grosso do Sul (MS) (Table 2.4). In 1997, the practice was pres-

Table 2.4– The diffusion of direct elections for school principals in Brazilian states

Estados	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Maranhão (MA)																				
Piauí (PI)																				
Ceará (CE)																				
Rio Grande do Norte (RN)																				
Paraná (PR)																				
Pernambuco (PE)																				
Sergipe (SE)																				
Bahia (BA)																				
Minas Gerais (MG)																				
Espírito Santo (ES)																				
Rio de Janeiro (RJ)																				
São Paulo (SP)																				
Santa Catarina (SC)																				
Paraná (PR)																				
Rio Grande do Sul (RS)																				
Mato Grosso do Sul (MS)																				
Mato Grosso (MT)																				
Goiás (GO)																				

Source: Barros e Mendonça 1998

ent in 13 states, and was adopted in 38% of all state schools. Three types of mechanisms were used: elections only (13% of the total); elections plus a public examination; and elections plus relevant professional criteria. In 2002, traditional clientelistic mechanisms were, however, still in place in 10 states which were among the less populated and backward states (Machado 2002) (Table 2.5).

DECENTRALIZATION, INEQUALITY AND POVERTY

The decentralization process in Brazil, as in many other Latin American countries, was also accompanied by the implementation of market reforms which produced or exacerbated poverty and rampant inequality in the region. Brazil has one of worst income distribution in the world (with the Gini Coefficient around 0.60) and a large number of people liv-

Table 2.5
Methods for the selection of school principals in Brazilian states (2002)

State	Professional prerequisites plus direct elections	CV only	Public examinations followed by direct elections	Political appointments
AC	X			
AP				X
AM				X
PA	X			
RO				X
RR				X
TO			X	
MA				X
PI				X
CE			X	
RN				X
PE			X	
PB	X			X
AL	X			
SE				X
BA		X		
RJ	X			
SP		X		
MG			X	
ES				X
SC				X
PR	+		X	
RS	X			
MS	X			
MT	X			
DF		X		
GO	X			

Source: Machado (2002)

ing below the poverty line. This scenario has not changed since decentralization, and how to change this condition continues to be a challenge for policymakers. However, decentralization promoted a considerable change in the role of the governments – federal, state, and municipal – and an expansion of their involvement and spending in social functions and programs. The Brazilian experience of decentralization presents a case in which high levels of poverty and inequality appear as serious obstacles to

local governments, even as they attempt formulate policies to effectively reduce inequality and promote social equity. Subnational governments have been increasing their social intervention in ways that are quite unique in Brazilian history.

How to deal with inequality in an environment driven by pressure for implementation of market reforms certainly imposes, in the short-run, severe costs for the urban population and exacerbates social problems insofar as it implies cuts in public expenditures and job losses in sectors (particularly manufacturing and banking) previously shielded from external competition under import-substitution. The combination of hyperinflation and economic stagnation in the 1980s caused an increase in absolute poverty, and led to the impoverishment of the middle sectors while also producing high levels of inequality among and across regions.

The impact of the macroeconomic environment of the 1990s on poverty levels and social inequality is presented in Tables 2.6, 2.7 and 2.8. The data suggest the existence of a pattern of increasing levels of poverty coupled with increasing inequality, with poverty indicators exhibiting maximum values in 1994 when 33% of the metropolitan population was below the poverty line (of roughly US\$3 a day), and when the stabilization policy was launched. It should be noted that the absolute number of the population living below the poverty line in the metropolitan regions increased from 10.4 million in 1981 to 12.8 million in 1989. In 1994, the share of the national income earned by the 50% of the poorest in society dropped to a historical low of 11%.³

Because both intra and interregional inequality in Brazil is very high, the increase in poverty is not equally distributed. The Brazilian northeast, with some 30% of the country's population, accounts for some 63% of all those considered poor in regional distribution (according to a different threshold of roughly US\$2 a day) in Brazil. The northeast accounts for 47.8% of the poor in the total population (according to the same criterion). Poverty rates are much higher in rural areas, where over half of the population lives in poverty. The corresponding figures for the metropolitan areas are much lower: only 7.8% of their populations are poor; and this share of the population accounts for only 10.0% of the Brazilian poor.

Price stabilization attained from 1994 to 1998 brought immediate reductions in poverty, though to the detriment of inequality, which increased even further. GDP's real growth rates declined from 13.2% in

Table 2.6
Poverty indicators 1992-1998
(urban and rural)

	1992	1993	1995	1996	1997	1998
Percentage of poor people *	40.8	41.7	33.9	33.5	33.9	32.7

Source: IPEA 2000. Poverty line roughly equivalent to \$3 a day

Table 2.7
Regional Distribution of the poor *, 1998

Region	% of poor* in the total population	Regional Distribution
Northeast	47.8%	62.7
Southeast	8.8%	17.3
South	12.4%	9.0
North	30.7%	6.7
Centerwest	13.7%	4.3
Total	22.0%	100%

* Food -only Poverty line roughly equivalent to US\$2 a day (the two tables here are not comparable).

Source: World Bank 2000

Table 2.8
The spatial distribution of the poor*, 1998

	% of poor in the total population	Regional Distribution
Metropolitan areas	7.8%	10.0%
Rural areas	51.3%	51.7%
Non-metropolitan urban	17.1%	38.3%
Total	22.0%	100%

*Food -only poverty line roughly equivalent to US\$2 a day.

Source: World Bank 2000

1997 to 0.1% in 1998 and 0.8% in 1999. From 1997 onwards, the gains from stabilization were halted (Table 2.9) and unemployment almost doubled in relation to 1990 levels, reaching 8% in 1998 for the country as a whole, and an average of 20% in the metropolitan regions.

The increase in poverty and the enhanced visibility of inequality issues is a result of the new democratic environment, which in turn has produced the pre-conditions for an increase in social spending with the

Table 2.9
Growth rates, urban inequality and urban poverty indicators 1980-1996
(six largest metropolitan regions)
in %

	1980	1990	1991	1992	1993	1994	1995	1996
Share of national income of the:								
Poorest 50%	14.00	12.80	13.60	13.10	12.50	11.30	12.20	12.30
Richest 20%	63.00	62.80	60.90	61.10	62.10	64.70	62.20	62.40
Inequality rate	4.50	4.91	4.48	4.67	4.97	5.73	6.14	6.08
GDP per capita growth rates	7.00	-5.90	-1.30	-2.30	2.70	4.50	2.80	1.50
Population below poverty line		22.60	25.60	32.20	32.30	33.40	27.80	25.10

Source: Considera (1997)

Table 2.10
Federal Social Spending by sectors
1980-1996
(in % of Social Spending)

Sector	1980	1985	1991	1995	1996
Education	9	12	10	9	8
Health	19	19	19	18	15
Labor (1)	0	1	7	5	5
Social security	55	57	55	65	69
Housing and sanitation	17	11	9	3	3
Total	100	100	100	100	100

Source: IPEA/DIPOS, Gasto Social Consolidado, Brasília, 1998

(1) Workers training schemes and unemployment benefits

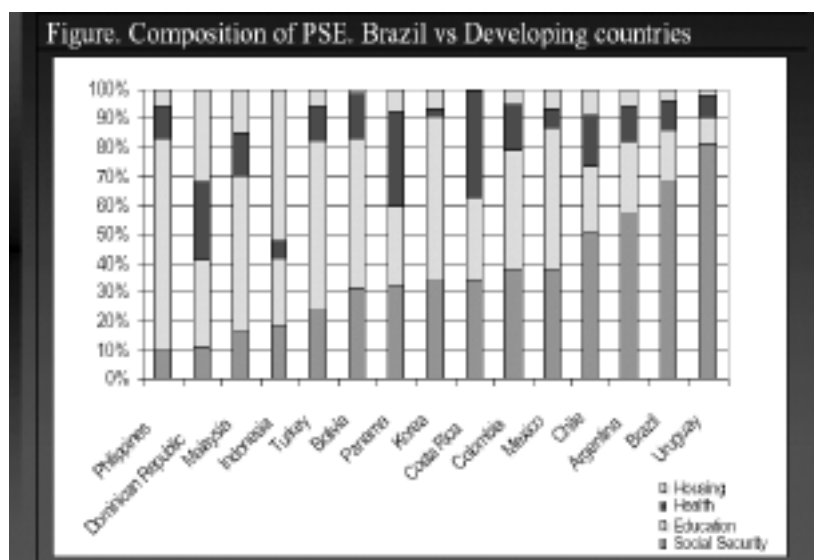
decentralization process. The federal government is also changing its pattern of intervention with more spending in the social areas. Table 2.10 indicates that the social security function and health continues to be the main intervention areas of the federal government. In 1996, the federal government alone spent some U\$75 billion in social policy areas (excluding the above). This includes education, health, Social Security and other labor-related transfers.⁴ These, however, are highly skewed towards the middle-income sectors of the population.

The data suggest a pattern of withdrawal of the state from investments in social housing, water supply, and sewage and an increasing and sustained channeling of funds to social security. Whereas in 1980, the feder-

al government invested 17% of total social spending in housing and sanitation, this share declined to 11% in 1985, reaching the level of 3% in 1996. Social investment in housing and sanitation declined both in relative and absolute terms. In fact, social security expenditures crowded out investments in other areas. This fact occurred throughout the 1990s in Brazil. In fact, in 1987, a quarter of central government's non-financial expenditure was absorbed in the payment of pensions. In 2001, this share accounted for 61%, and current expenditures and investments shrank from 51% to 13% of central government's non-financial expenditures. Apart from Uruguay, Brazil is the country where the share of social security expenditures in public social expenditure is highest in Latin America (Figure 2.1)

It should be noted that part of this expenditure played a key role – or more appropriately, it was the single most important factor – in combating poverty. Rural pensions reached impressive levels in recent years and are the most important source of income in rural Brazil, particularly in the northeast.

Figure 2.1. Composition of Public Social Expenditure: Brazil versus Developing countries (Circa 1998)



Source: Velez and Ferreira (2002)

Table 2.11
Total Social Spending by Level of Government
(% of total social spending)

	1994	1995	1996	average
Federal	60%	59%	57%	59%
State	23%	24%	23%	24%
Municipal	16%	17%	19%	18%

Source: IPEA

Table 2.12
Regional Distribution of Social Expenditures by the States - 1996

	Average Per capita (R\$/inhabitant)	Share of the Social State (in % of state social spending)
North	847.1	6%
Northeast	721.5	17%
Southeast	1157.5	52%
South	982.5	17%
Center-West	1483.0	8%

Source: IPEA

The trend depicted above also reflects the decentralization of programs in the area of urban development, which fell under the purview of state and municipal governments. Only in very few cases, however, have sub-national governments managed to compensate for the lack of federal funding in these areas. Federal intervention is still decisive and many of the states and municipalities depend largely on federal transfers to provide the funds for services under their jurisdictions.⁵

Municipal governments have increased their involvement with the social sectors. The municipalities increased their share from 16% in 1994 to 18% in 1996 (the last year for which reliable data are available). The states and municipalities today spend most of their resources on social functions. This is a visible phenomenon of decentralization in Brazil. Rezende (1997), comparing the new role of the states and municipalities for the period 1982-1996, suggests that the allocative preferences of the subnational governments changed, and there is a clear pattern for this. The states and municipal governments are getting more involved with the “social” functions of the government since the 1980s, and decentralization exacerbates it. In addition, there is a difference in the role of the government between the richer and the poor and also between the states and municipalities. That is, the richer states are getting more involved with the

“core functions” and the poorer ones are getting more involved with the “social functions”. The municipalities, both richer and poorer ones, on the other hand, are vigorously expanding their social spending. This clearly indicates that decentralization is pushing the governments to service delivery in areas such as education and health, for instance, indicating that a change in the role of the government has been caused by decentralization and democracy. However, this change is more than just an expansion of social spending. The implementation of several experiences of participatory budget-making is becoming more decentralized and participatory in the 1990s in some Brazilian big cities.

Brazil has another key feature that limits the potential for reducing poverty and inequality among regions through decentralization: poverty and inequality are spatially concentrated. The social spending is lower – both per capita and proportionally – in those regions with higher poverty such as the north and northeast (Table 2.12). The southeast and the south, regions with lower levels of poverty, have in contrast the higher average and share of social spending. Brazilian federalism, therefore, contains persistent institutional limitations to dealing with the challenge of poverty and inequality at the regional level.

THE NEW ROLE OF GOVERNMENTS AND POVERTY REDUCTION POLICIES

In spite of the increasing of social spending and the new role of the governments after decentralization, in the area of poverty alleviation the federal government has not played a significant role until 1999. The federal government did not have a well-designed policy, or a “national strategy” to address this issue. The nearest equivalent program designed to reduce poverty is the Comunidade Solidária Program, created in 1995 in the beginning of the first Cardoso administration and headed by the President’s wife, Dr. Ruth Cardoso. The resources in the Comunidade Solidária are primarily spent in compensatory programs, such as the distribution of free food to very poor communities affected by adverse shocks and high levels of social exclusion.

Apart from the Comunidade Solidária, however, the role of the federal government has been very fragmented. In fact, initiatives are already decentralized once states and municipalities are responsible for policy –set-

ting and provision. As a consequence of this, many of the current federal government programs consist of scaling up successful municipal experiences. These include the Bolsa-Escola – a transfer program linked to school attendance – which started in Brasilia, Campinas and a few other municipalities. This program is targeted to the poorest families and pays approximately 1/3 of a minimum salary (=US\$ 90) to families with dependent children attending school. For the year 2001, the program's budget has grown to the very significant size of nearly 1.0 billion US dollars. The other targeted federal sectoral projects are clustered in the Comunidade Solidária program.

The poverty reduction agenda in Brazil was overshadowed in the 1990s by concerns regarding fiscal equilibrium and monetary stability. Following a period of hyper-inflation, price stability acquired great priority in the federal agenda. In 1994, the Brazilian currency was pegged to the US\$ (1 real = 1 US\$) with important consequences in terms of job losses and increasing inequality. A central issue in the poverty reduction agenda remains how to make the poorer regions access more resources. As previously discussed, the high spatial concentration of poverty makes it difficult to design decentralization policies addressing this effectively. Poverty rates are much higher in rural areas, where over half of the population lives in poverty. Indeed, the corresponding figures for the metropolitan areas are much lower: only 7.8% of their populations are poor; and this share of the population accounts for only 10.0% of the Brazilian poor. However, this region historically receives less attention in terms of the resources in social policy areas.

The poverty issue is highly politicized and has led to several legislative proposals for the setting-up of an anti-poverty fund on the basis of earmarked sources of funding. Conservative and opposition politicians fought forcefully for the authorship of the proposals.⁶ However, while acknowledging the gravity of the poverty situation, the government opposed the idea of a fund because it would imply “budget rigidity.”

Apart from national poverty reduction actions, other arrangements have been set up to impact poverty by expanding poor people's capacity to influence public spending. Municipal participatory budgeting is one good example of these arrangements. It has been recognized as one of the few approaches which makes explicit connections between the formal, top-down decision-making processes of city government and the bot-

tom-up processes of claim-making and negotiation by communities. Recife, Porto Alegre, and Santo André are examples of municipalities where participatory budgeting schemes have been set up and implemented with some degree of success.

CONCLUDING REMARKS

The Brazilian experience of decentralization is in some aspects unique. It is marked by historical cycles of decentralization and centralization. Even in periods of centralization, subnational governments had some degree of fiscal, political, and administrative autonomy. The new federalism inaugurated in 1988 can be characterized as a transition from a centralized federalism to a cooperative federalism. The logic underlying the decentralization process in Brazil is therefore distinct from those in unitary states. Decentralization meant the redefinition of functions of the federal government, and a new assignment of functions and tax powers to subnational governments. The decentralization was carried out as a response to the crisis of the authoritarian regime and was viewed as a requirement for the deepening of democracy.

The accumulated social inequalities after the period of centralization, in conjunction with the political pressures to democratize the country, served to shape a new agenda in which decentralization played a key role. Decentralization was not pushed by exogenous actors or forces. Decentralization proceeded according to distinct timing and pace across policy areas. In some sectors, decentralization had a project, an agenda, and in others, this did not exist. While in the area of health care decentralization has been pursued since the mid-1980s, in others, like education, new mechanisms are currently being implemented to ensure participation, accountability, and performance in the school system. For some sectors, there was not a plan for decentralization. In fact, the very nature of overlapping responsibilities in the Brazilian federalism has created limited incentives to change the structure. On the other hand, the states and municipalities, in spite of massive efforts, still lack the capacity to perform some assigned tasks. This is one of the most problematic issues for the deepening of decentralization.

The low capacity of the subnational government reflects largely an historical legacy, but it is also the byproduct of a new fiscal federalism that

transferred power and authority but not policy responsibilities. Federalism operates under soft budget constraints. Recently a new law of fiscal responsibility was approved, but there is too much resistance from the subnational governments to follow the rules. They continue to have high fiscal deficits and very little technical and administrative capacity to deal with the challenges of the decentralization process.

Another feature of the Brazilian case is that decentralization has introduced changes in the role of the governments. They are more interested in the performance of social policies, and differently from the past, they are moving progressively in the direction of a more redistributive project. However, this process is far from reducing high inequality and alleviating poverty. Despite the changes, the federal government still plays the key role in the control of resources and also in guaranteeing the transfers to poorer regions that lack the capacity to extract their resources through taxation.

The Brazilian case also suggests that the sequence of the processes of stabilization and decentralization vis-a-vis democratization is significant. Social and political demands engendered by the process of democratization preceded and conflicted with the stabilization programs because fiscal decentralization and the devolution of powers to states and municipalities was implemented before stabilization undermined, to a certain extent, market reform efforts. In fact, it reinforced the expansion of debt at the subnational level. As a result of such influences, it can be argued that Brazilian federalism today works under a soft budget constraint, which may serve to complicate the ongoing process of decentralization in the coming years.

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NOTES

1. For a detailed historical account of the municipalist movement in the Old Republic and the setting up of Instituto de Administração Municipal (IBAM) in the 1940s, see Melo (1993).

2. For Brazilian federalism see Souza (1997), and Abrucio (1999). For Brazil's fiscal federalism in comparative perspective see Ter Minassian (1997).

3. Surprisingly, despite increasing poverty, urban conditions showed an improvement between 1981 and 1989. Inadequate housing as a percentage of the total stock declined from 10.9% to 7.5%; the share of overcrowded units (i.e. those with more than 3 individuals per rooms) in the housing stock declined from 16.3% to 11.8%; the share of units with adequate sanitation rose from 43.1% to 53.3%; and the share of the population living in dwellings units with water supply and internal connections rose from 58% to 71%. These improvements probably reflect the result of the massive investments in sanitation and housing in the first half of the decade. In addition, the dramatic fall in the growth rates of the urban population in the 1980's and household improvements made during short periods in which the purchasing power of the minimum salary almost doubled (i. e. the Cruzado Plan in 1986) seem to have played a role.

4. According to Paes de Barros et. al. (1999), a mere 15% of this figure, if perfectly and costlessly targeted through income transfers, would suffice to eradicate poverty (in any given year).

5. Resende (1998) argues that the metropolitan areas in Brazil are underfunded and that smaller municipalities have a higher revenue per capita than large municipalities, particularly than those at the fringe of large metropolitan areas. Because poverty (but not extreme poverty) are increasingly concentrating in large metropolitan areas, this poses a formidable challenge for the municipal governments in these areas.

6. For the Report of the so-called ad hoc 'Poverty Committee' set up by the Congress, see National Congress (1999). The report discusses all the legislative proposals concerning the Fund for Poverty Alleviation. Significantly the Committee's name makes strong references to social inequality: "Committee for the Study of the structural and conjunctural causes of social inequality and for presenting legislative solutions to eradicate poverty and social marginalization and for the reduction of regional and social inequality".

Federalism and Decentralization in Argentina: Historical Background and New Intergovernmental Relations

TULIA FALETTI

At the beginning of the decade of the 1990's, Argentina experienced an intense process of decentralization of responsibilities and functions from the federal government towards the provinces. This was primarily a process of administrative decentralization that was not accompanied by new resources. Schools, hospitals and food programs that until 1991 had been financed and administered by the federal government, were passed over to the control of the provinces, which had to finance them with their own resources. At present, the federal government is only in charge of a part of higher education and the non-privatized part of the system of retirements and pensions.

In Argentina, there were prior attempts not only to decentralize functions but to enact partial transfers of national public services to the provinces.¹ Since we are dealing with a federal country, the central government on various occasions utilized the national constitution in order to legitimize the transfer of social spending without the corresponding resources. This was the case, for example, in 1978 when the military government transferred national elementary schools to the provinces in a unilateral manner and without accompanying resources. However, decentralization became a systematic process (often referred to as “second generation reforms”) in the period from 1991–1992. From the first administration of President Carlos Saúl Menem (1989–1995), the decentralizing process became part of the reforms whose objective was to change the role of the state in the economy, the relation between state and society, and the way in which public services were provided to the population. The structural reforms included privatizations of public companies and state and provincial banks; deregulation of services, fees and taxes; and the

capitalization or privatization of the retirement and pension system. In this context, decentralization was framed as a set of legal and institutional reforms that sought to create conditions favorable to the operation of “market incentives” and that would diminish state intervention and regulation of the economy.

In Argentina, a country where subnational authorities were elected by popular vote according to the Constitution of 1853, the process of decentralization started as a process of administrative reforms, the transfer of the administration and provision of national public services to the provinces. This process was encouraged by the central government, the justification being that this would bring the provision of services closer to those who used these services and, consequently, this would make for an improvement in the quality of the services. Nevertheless, the true cause of the decentralization of services in Argentina is explained by the moment and the manner in which it took place. The real reasons for decentralization lay not in the desire to increase the efficiency or quality of services, but rather in the desire to lighten the burden of federal public spending by transferring this spending to the provinces. The transfer of services to the provinces took place at a moment in which, given the laws that regulated the tax distribution system between the Nation and the provinces (The Law of Federal Tax Co-Participation 23.548), the provinces were favored with an increase in the collection of co-participatory (shared) taxes.² The total amount of provincial resources practically doubled between 1990 and 1992 as a consequence of the increase in tax collection.³ At that particular moment, the national government saw the appropriate opportunity to decentralize more responsibilities for spending to the provinces. Although the process of decentralization did not experience a major collective resistance, it did have to be negotiated with the governors of the provinces.

Due to the fact that until now the principal reforms in the distribution of resources and functions in Argentina have occurred between the federal level and the provincial level of government, and due to the fact that the provincial executives were central actors in the negotiation that took place on the decentralization of functions and on the fiscal reforms that followed, this chapter centers its investigation on the relations between the federal and provincial levels in Argentina and has as its objective to answer the following questions:

- In Argentina, how have relations between the central level of government and the provinces evolved? What are the consequences of this evolution for the process of decentralization that began at the start of the decade of the 1990's?
- What are the principal institutional and normative characteristics that define the process of decentralization in Argentina?

The chapter has two parts. In the first part, the historical evolution and legacies of the institutional framework that governed intergovernmental relations in Argentina are analyzed. The central theme to be addressed here is the relation between the nation and the provinces and the transformations of Argentine federalism from its origins in 1853 until today. The second part of this chapter analyzes the process of decentralization in Argentina since the start of the decade of the 1990's, distinguishing between its fiscal, administrative and political dimensions. The legacies of previous reforms are examined, as well as the new norms that regulate intergovernmental relations.

The historical legacies and the new institutional arrangements that regulate intergovernmental relations constitute a framework of possibilities within which the policies of decentralization have a place, and in a certain measure determine the benefits or harm that can result from the recent changes in the distribution of responsibilities, resources, functions and capacities between levels of government.

THE RELATIONSHIP BETWEEN NATION AND PROVINCE

The institutional organization of the different levels of government

Before beginning the historical analysis of the evolution of the political relations between the nation and the provinces, this section first discusses the current characteristics of constitutional norms and the distribution of power between different branches and levels of government in Argentina.

Argentina is a federal country, organized into three levels of government: the national government, twenty-three provinces and the autonomous government of the city of Buenos Aires, and one thousand nine hundred twenty-two municipalities. The national constitution in force is that of 1853, reformed for the last time in 1994. Each province has its own constitution, many of which have recently been reformed.

The executive powers of the three levels of government (president, governors, and mayors) are elected by direct popular vote, as are the legislative authorities on the national and provincial levels.⁴

As regards the central level, the national government is divided in three powers: the executive, the legislative and the judicial. The executive power is made up of the President of the Republic, cabinet leadership, and eleven national ministries. The legislative power is bicameral and is comprised of a House of Representatives and a Senate. The House of Representatives has 257 legislators elected in provincial jurisdictions and in the city of Buenos Aires. Article 37 of the constitution of 1853 established that the number of national representatives should be proportional to the population of each province, in such a manner that there would be one national representative for each 20,000 inhabitants or for each fraction of more than 10,000 inhabitants. This article was modified in successive opportunities producing distortions in the principle of proportionality for the election of national representatives. Today, each province is guaranteed a minimum of five representatives with an upper limit of seventy, which generates over-representation in the smallest jurisdictions and provinces.⁵ This distortion in favor of the provinces with a low density of population has tended to benefit the Justicialista Party (Peronists) and provincial parties that have greater electoral support in the peripheral provinces (Gibson, Clavo and Faletti, 1999). As regards the Senate, this has historically made up of two representatives from each province and these were elected by their provincial legislatures. The constitution of 1994 raised the number of senators to three per province (two for the majority party and one for the party of the first minority) elected by direct popular vote. The Senate today has 72 members, and in October 2001 the first direct election of senators took place.

As regards the provincial jurisdictions, its inhabitants elect their governors by popular vote and the inhabitants of the municipalities do the same for their mayors. Even though the institutional design of the provincial executive changes from province to province, all the provinces have Ministries of Economy (or Finance), Education, and Health. As for the provincial legislatures, there is a significant variation among the provinces in terms of the number of legislators, the internal organization, and the expenses allotted per legislator. Nine provinces have bicameral legislatures (among these are six of the seven most populated provinces – Buenos

Aires, Córdoba, Entre Ríos, Mendoza, Salta, and Santa Fe – and to these can be added Catamarca, Corrientes and San Luis), and the other fourteen provinces (in general new provinces or provinces with a low density of population), and the city of Buenos Aires all have unicameral legislatures. The expenses in the provincial legislatures vary significantly, from \$10,160 to \$131,660 per month per legislator, which has been the center of recent controversies and proposals for change in the provincial legislatures.

Historical evolution of the relationship between Nation and Provinces

With reference to the evolution of the political relations between provinces and the central government, the Argentinean state has gone through four separate stages. *The first stage* dates from the war of independence in 1810 up to the approval of the national constitution of 1853. This period was characterized by a strong isolation and autonomy of the provinces, each one with its own army and *montoneras*, bonds, currency, and tariffs. In this period, there were various attempts at writing a national constitution (in 1813, 1816–1819, 1824–1826, and 1828), but all these attempts failed due to the conflict between Unitarians and Federalists. Unitarians and Federalists fundamentally disagreed about the degree of autonomy that the provinces should have with respect to the central government in the new republic, and also on the constitutional status that the city of Buenos Aires and its customs office should have. While the Unitarians (the majority being from Buenos Aires) wanted the city of Buenos Aires and its customs office to continue under the authority of the province of Buenos Aires, the Federalists (in general from the interior provinces) struggled for the federalization of the city of Buenos Aires and its port.

In this transitional period that Tulio Halperin Donghi (1992) referred to as “the long wait”, the provinces retained a large amount of autonomy and sovereignty over their territories. In this manner, José Carlos Chiamonte (1993) argues that the Federal Pact of 1831 established a confederation of free, independent and sovereign states. Three provincial constitutions approved in 1819, 1824 and 1832 do not even refer to the existence of a government regime superior to the provincial one.⁶ In these constitutions, matters relative to commerce, war, justice, public

finances, currency and relations with the church were all matters of provincial jurisdiction. Other three provincial constitutions approved in 1821 and 1823 made reference to the possible association of provinces and it was from this possibility that they alluded to the limitation of their sovereignty. During this stage, a succession of wars sought to establish – without achieving their goal – the dominance of one of the provinces over the rest. This situation finally crystallized around mid-century with the strong economic preeminence of the province and port of Buenos Aires.

The second stage started in 1853 and lasted until 1869. This stage represented the passing from a confederated regime of provinces that were independent and almost completely sovereign to a federal system with its headquarters in the city of Paraná, in the province of Entre Ríos. During this period, the federal regime did not include the province of Buenos Aires since this province resisted the attempt of the other provinces to create a political system that could confront the growing economic importance of Buenos Aires and could carry out a redistribution of the revenue generated by the customs office there. Chiaramonte points out the growing interaction and connections between the provinces of the territory that were produced between 1831 and 1852 and the fact that the generation of '37 – which had supported the idea of a unified country – finally accepted federalism.⁷

The federal constitution of 1853 also could be interpreted as an attempt of the provinces of the interior to achieve through the political system a redistribution of wealth generated by the port of Buenos Aires, and at the same time establish political controls (federal ones) over the power of that province (Gibson and Falletti, 2000). This attempt was, of course, systematically opposed by Buenos Aires, and in 1854 Buenos Aires wrote its own constitution and declared itself a sovereign state. In 1859, Urquiza, leader of the federation of 1853 from Entre Ríos, defeated the army of Buenos Aires in the battle of Cepeda and Buenos Aires agreed to sign the National Unification Pact of San José de Flores. This pact led to the constitutional convention of 1860, which resulted in the province of Buenos Aires starting to form part of the federation in exchange for certain guarantees such as control over its own budget until 1864.⁸

In 1860, Argentine federalism entered into *the third stage* that lasted until 1880. In this phase, a federation was formed and included, reluc-

tantly at first and then dominantly afterwards, the province of Buenos Aires, which managed to retain control of its customs office during the period. In 1860, Buenos Aires was integrated into the federation in a weak political situation. That year, the representatives of the province of Buenos Aires were not accepted in the federal legislature of Paraná under the pretext that they had been elected under the electoral laws of Buenos Aires and not the laws of the federation of Paraná. However, this situation of weakness for Buenos Aires only lasted until Cepeda was militarily defeated. In 1861, Bartolomé Mitre, who was in charge of the army of Buenos Aires, defeated the army of Paraná in the battle of Pavón, and in 1862 he was elected president. From that point on, he installed a system of government that corresponded to the political project of the nation that emanated from Buenos Aires. Between 1862 and 1880, three national presidencies – those of Bartolomé Mitre (1862-1868), Domingo F. Sarmiento (1868-1874) and Nicolas Avellaneda (1874-1889) – created a federal state that obtained relative autonomy for the province of Buenos Aires as well as the rest of the provinces. This period produced an impressive centralization of authority at the federal level (educational system, immigration policies, etc.) with relative autonomy for all the provinces.

The last stage of Argentine federalism began in 1880 when the governor of the province of Buenos Aires, Carlos Tejedor, was militarily defeated and the provinces achieved what they had dreamed of since 1853: the federalization of the customs office and the city of Buenos Aires – in other words, the redistribution of the revenues generated in Buenos Aires towards the interior. The federalization of the city of Buenos Aires put the province of Buenos Aires in a weak situation with respect to the federation, not only economically (since it lost control of its principal source of revenue), but politically as well (losing 18 of the 54 electors they held in the electoral college that chose the president of the nation). In 1880, Julio A. Roca, presidential candidate of the provinces grouped together in the League of Governors defeated the candidate supported by Buenos Aires.⁹

This marked the beginning of what Natalio Botana (1977) refers to as “the conservative order,” the consolidation of a system of government that rests on the economic dynamism of the provinces of Buenos Aires and the pampa region, but that politically (at least in the times of constitutional regimes of government) is sustained on the coalition of provinces

of the interior, over-represented in federal political institutions. This system of government was formally maintained almost unaltered until the constitutional reform of 1994.

In the federalism subsequent to 1880, two key political institutions existed in order to achieve a balance of authority between the central level and the provinces: 1) the electoral college, through which the provinces delimited the authority of the central government and 2) federal intervention, an instrument of central authority used to discipline the provincial elites or partisan factions from the interior. In this manner, the political regime created in 1880 established a mutual dependence between the authority of the president and that of the governors. In the words of Natalio Botana:

Presidents, governors and legislators unified the electoral origin of those positions . . . the president would intervene . . . in the designation of the governors of the provinces, who in turn would make note of their power and influence in the naming of representatives and national senators and the members of provincial legislatures.” (Botana, 1993, 242)

The provinces also exercised their power and influence on the central level through the electoral college. Observing the voting pattern of the electors of different jurisdictions in the electoral college in the period that goes from 1880 until 1916, one can clearly observe the presence of a group of provinces (Catamarca, Córdoba, Jujuy, La Rioja, Salta, San Juna, San Luis, Santa Fe and Santiago de Estero) that always supported the official candidate (of the National Autonomist Party). This group of nine provinces had 116 electors of 228 (51%) until 1898, and 126 electors out of 300 (42%) until 1910. It is worth noting that until 1898 these nine “historical” provinces voting in bloc were capable of defining the election of the president. After 1898 they still exercised a great deal of influence although their vote did not determine the results of the election.¹⁰

The following table sums up the characteristics of each of the stages of the federal Argentine system described herein until now.

The provinces exercised control through the electoral college, but they also benefited from the construction of a federal government that helped

Table 3.1. Historical stages in the evolution of Argentine federalism and in the relation between the nation and provinces.

Period	Type of system	Locus of Authority or Power	Situation in the provinces
1810-1853	Confederation of free states (Pact of 1831)	None	Strong isolation. Provincial autonomy. Conflict between unitarians and federalists.
1853-1860	Federal, without the Province of Buenos Aires	Paraná (Entre Ríos)	Growing interaction and connection between the provinces
1860-1880	Federal, with the Province of Buenos Aires, but without the federalization of the customs office nor the City of Buenos Aires.	Province and City of Buenos Aires	Until 1861 the provinces controlled the Province of Buenos Aires. 1861-1880: Hegemony of the Province of Buenos Aires over the rest of the provinces.
1880-1994	Federal, with the federalization of the customs office and the City of Buenos Aires.	Shared.	Economic authority in the Province of Buenos Aires and in the pampa region. Political authority in the "historical" provinces of the north.

them to resolve conflicts, sanction those who stepped out of line, and granted economic compensations. Again, in the words of Botana:

. . . the hegemony of the regime of the eighties . . . was to be found in this coalition of medium and small sized provinces. In this scenario, the role of the governors was as important as that of the president. The interchanges of reciprocal protections between the federal government and the provinces supposed that, without the support of the governors, presidential authority lacked sustenance and, in the opposite, without national protection the governors lacked the necessary degree of authority in order to govern in their province.” (Botana, 1993: 243)

Regarding the political use of federal intervention, one could say that from 1860–1880, federal interventions (29 in total) were used to guarantee national unity. Between 1880 and 1916, federal interventions (40 in total) were used, on the other hand, to preserve the political regime and discipline internal factions within the governing party. The following chart demonstrates the number of provinces intervened by presidential

Table 3.2: Federal interventions in the provinces according to type of intervention and by presidential term, 1853-1943 and 1983-1995.

President	Term	Interv. by Law	Interv. by Decree	Total provinces interv.	Interv. by year
Temporary Board of Directors and Urquiza	1853-1860	0	13	13	1.9
Derqui	1860-1862	2	7	9	4.5
Bartolomé Mitre	1862-1868	1	8	9	1.5
Domingo F. Sarmiento	1868-1874	1	4	5	0.8
Nicolás Avellaneda	1874-1880	1	5	6	1
Julio A. Roca	1880-1886	2	0	2	0.3
Miguel Juárez Celman	1886-1890	1	1	2	0.5
Carlos Pellegrini	1890-1892	1	2	3	1.5
Luis Sáenz Peña	1892-1895	7	1	8	2.7
José Evaristo Uriburu	1895-1898	5	1	6	2
Julio A. Roca	1898-1904	3	3	6	1
Manuel Quintana	1904-1906	1	0	1	0.5
José Figueroa Alcorta	1906-1910	3	4	7	1.7
Roque Sáenz Peña	1910-1914	0	2	2	0.5
Victorino de la Plaza	1914-1916	2	1	3	0.7
Hipólito Yrigoyen	1916-1922	4	15	19	3.2
Marcelo T. de Alvear	1922-1928	5	7	12	2
Hipólito Yrigoyen	1928-1930	0	2	2	1
Agustín P. Justo	1932-1938	2	3	5	0.8
Roberto M. Ortiz	1938-1942	1	4	5	1.2
Ramón S. Castillo	1942-1943	0	2	2	2
...	...				
Raúl Alfonsín	1983-1989	0	0	0	0
Carlos Saúl Menem	1989-1995	1	3	4	0.7
Total		43	88	131	1.36 average

Sources: for the period 1853-1943: *Materiales para el estudio de la Reforma Constitucional (Materials for the study of Constitutional Reform)*, Comisión de Estudios Constitucionales (Commission on Constitutional Studies), Buenos Aires, 1957; and for the 1983-1995 period: Molinelli, Palanza and Sin, 1999, p. 496. Explanation: the number of provinces intervened is counted. When more than one decree or law determines separately the intervention in the distinct branches of a province (executive, legislative and/or judicial) this is counted as only one intervention.

period between 1853 and 1943 and between 1983 and 1995, distinguishing those interventions carried out according to laws of congress (a third in total) and those carried out according to presidential decrees (two thirds in total).

Although the formal system of the institutions of Argentine federalism was maintained practically the same until 1994, the situation regarding the balance of power and mutual dependence between governors and presi-

dents started to change in the sense that the mass political parties acquired importance in the political system. The balance of power between governors and the president was transformed, in this manner, to the detriment of the former and to the benefit of the national executive. With the parties of the masses, the national executive could establish his power on popular support (at times almost plebiscitary), and shed his dependency on the consent or political support of provincial elites.

During these terms of constitutional governments after 1916, William Riker's thesis (1964) is carried out in Argentina. In his thesis, he maintained that strong centralized party systems tend to have centralized forms of federalism. The period that begins in 1916, when Hipólito Yrigoyen of the Radical Party takes office, is distinguished by the use of federal intervention in the provinces (19 provinces were intervened between 1916 and 1922), be it for punishing members of the opposition party or to discipline those who rebelled in his own party. This, accompanied by the incredible concentration of wealth that was produced in the region of the pampa (principal exporters of grains and meat), diminished the autonomy and authority of provincial authorities.

During the presidencies of Juan D. Perón, between 1945 and 1955, federal interventions manifest a clear content of disciplining the party. Perón made this explicit in some of his decrees of provincial intervention.¹² However, as Edward Gibson (1997) points out, the electoral support of the provinces of the interior, especially those governed by conservative or provincial parties, was fundamental for the national Peronist government. During this period, both the president and the governors of the traditional provinces of the north reinforced their authority. It is worth mentioning that the phenomenon of the centralization of power experienced during the Radical presidencies of Yrigoyen and Alvear (1916–1930) was largely repeated when Juan Domingo Perón took office in 1945 and with the creation of the Justicialista Party. The legitimizing and disciplinary strength of the mass parties, and the strong demographic and economic concentration of the pampa region managed to create a system of centralized federalism with strong presidents and relatively weak governors (although weaker in the Radical period than in the Peronist one). The authority of the provinces was limited to the national Senate, as long as their provincial legislatures were not intervened – since these bodies elected senators – or the disciplinary weight of the political party in

the Senate was not such that it would subsume the provincial interests to the partisans. The relative authority of the governors also depended on their capacity to mobilize votes and provincial support while Perón was in power.

The actions of dictatorial governments added to the centralizing tendency created by the rise of mass political parties and the regional concentration of population and wealth in the pampa area. In the 28 years that span 1955 to 1983, Argentina was governed for ten years by regimes that were elected by popular vote (and with a ban on the Justicialista Party) and for 18 years by military dictatorships. These dictatorships virtually suppressed the authority of the provinces, since the governors were military representatives or delegates from the center to the provinces with little or no intention or possibility of dissent as far as the decisions that were taken in the capital that affected the provinces.

With the return to democracy in 1983, and until 1989, president Raul Alfonsín did not intervene in any province. A Radical ex-governor suggested that this was due to Alfonsín's vocation for consolidating a democratic system of government.¹³ The governors gained authority at the expense of the national executive, especially the governors of the Peronist Party. But partisan interests and the logic of competition between political parties dominated over regional interests or the possibility of forming coalitions based on regional interests. This occurred because of the situation of divided government, in that the Radical Party controlled the national executive, but the Peronist Party held the majority of governorships (twelve between 1983 and 1987 and seventeen between 1987 and 1991), just as they have also held control of the House of Representatives and the Senate since 1987.

Carlos Saúl Menem intervened in four provinces in his first term as president (1989-1995): Tucumán, Catamarca, Corrientes and Santiago del Estero, the first three by decree and the last by law of congress. However, from 1992 on, as the process of decentralization of spending progressed and governors strengthened their authority in the provinces, sub-national executives acquired a major degree of authority vis-à-vis central authority. This fact was also manifest in the stage of unified government – during the presidencies of Carlos Saúl Menem (1989-1995 and 1995-1999) – just as in the situation of divided government during the presidency of Fernando de la Rúa (1999- 2001). The following Table

Table 3.3. Balance of power between presidents and governors.

Term	Balance of power	Prerogatives of the president. Mechanisms for controlling the governors.	Prerogatives of the governors. Mechanisms for controlling the president.
1880-1916 "Conservative Order"	Balance	- Federal intervention	- Electoral college - Appointing of national representatives and senators
1916-1930 Radicalism.	Strong Presidency	- Party of the masses - Disciplining provincial factions - Federal intervention	- Control of the national senators
1945-1955 Peronism.	Strong presidency with the support of the governors of traditional provinces	- Party of the masses - Disciplining of provincial factions - Federal intervention	- Electoral support
1983-1989 Alfonsín	Strong governors, specially governors of the Justicialist Party (Party logic dominates)	- Transfer of current and discretionary resources to the provinces	- Control of national representatives' and senators' votes - Links to unions
1989-1999 Menem	Strong President. Governors acquire growing quotas of power	- Discretionary transfers. - Political favors for friends and loyal members of the P.J.	- Federal Pacts - Federal Councils
1999 – 2001 De la Rúa	Strong Governors. (Party logic and regional interests, both present)	?	- Federal Pacts - Federal Councils - New authority derived from the administration of social services

3.3 sums up the characteristics of the evolution of the balance of power between presidents and governors in the stages analyzed herein.

Proof of the growing importance that governors have acquired since the beginning of the decade of the 1990's is their role as negotiators with national executive authority. The discussion and redefinition of "federal" matters, in a wide spectrum of public policies that range from co-participation (sharing) of taxes and the fiscal regime to the distribution of social spending, is carried out first of all with the governors – frequently in the context of federal councils –and after having reached agreements with the governors, these themes are presented and discussed in the national legislature. As an example, the following pacts must be mentioned: the Federal Pact of Luján of 1990; the Fiscal or Tax Pact of 1992; the Federal Pact for growth (economic), production and employment of 1993; the Federal

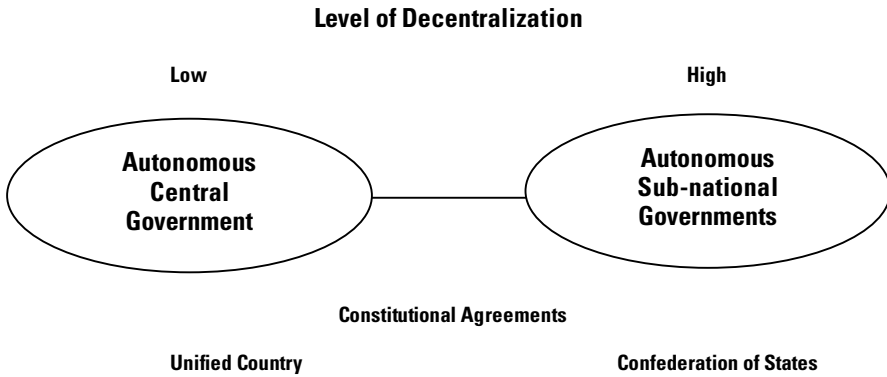
Pact for Education of 1994; the Tax Pact of 1999; and the Tax Pact of 2000.

Various pacts were subsequently ratified as law by national congress and are analyzed in the next section. In all these pacts, the construction of consensus and the negotiation with the governors was fundamental. Even before the decade of the 1990's, however, there were already instances of negotiation and meetings between the federal executive power and the group of governors, indeed as much in constitutional periods as in periods of *de facto* governments (i.e. 1947, 1958, 1968 and 1970). In reality, though, none of these meetings resulted in "pacts" or agreements between both levels of government. The political institution of the "pact" as a type of consensual political agreement between the federal government and the provinces was not used before the constitution of 1853, and it can be said that it is an innovation introduced during the administration of Carlos Menem. He widely used this rhetoric and symbolism of federalism and he found his leadership consolidated thanks to the processes of administrative and fiscal decentralization that we analyze in the following section.

THE PROCESS OF DECENTRALIZATION: ORIGINS, NORMS AND CHARACTERISTICS

Before continuing, it is necessary to clarify exactly what we understand as decentralization. Decentralization is not a quality or characteristic but a process of reforms that place intergovernmental relations at some point on the continuum that goes from a situation of absolute autonomy of the central government with respect to sub-national levels of government, to another that is the absolute autonomy of sub-national governments with respect to central authority.

Although there is no direct correlation between this type of regime and the level of decentralization, it can be expected that the type of pre-existing constitutional institutions, unitarian or federal, affect the probability of placing the country being dealt with in the right or left half of the continuous level of decentralization. As notes Robert Dahl (1986), the defining characteristic of a federal system is the constitutional guarantee of independence of sub-national governments with their constitutionally-guaranteed respective rights and obligations. For this reason, at least in principle, one should expect that this constitutional guarantee of



autonomy, typical of federal regimes, favor a greater level of decentralization of the political and administrative system. Nevertheless, there are cases of unitary decentralized countries (China or Colombia, for example) and federal countries that have been intensely centralized (Mexico or Venezuela). For this reason, the concept of “absolute autonomy” should be thought of solely in terms of the construction of an ideal type and not in reference to a concrete historical situation.

An ideal type on the left side of the level of decentralization continuum would be a unitary country in which sub-national agencies exist, but they are merely representatives of the center in the periphery and only carry out functions and directives that come from the center. The rest of the functions of government correspond to central authority: design, administration, control, evaluation, programming, and planning; and the central level has all the political authority necessary to carry out these functions and to make sure they are carried out in sub-national jurisdictions.

On the extreme right, we could think of the ideal type as a confederation of states in which, if there exists a supra-state agency, this is not more than an instance for the coordination and collaboration between member states that are absolutely sovereign and independent. The states are the ones that define for themselves their policies. Planning, programming, design, administration, control, evaluation and administration of public policies are all attributes of the member states that have complete political authority and institutional and bureaucratic capacity necessary for carrying out and fulfilling these decisions.

In concrete historical experiences, the processes of decentralization place intergovernmental relations on some point of the continuum that

goes from absolutely autonomous central government to the absolutely autonomous sub-national governments. In empirical terms, we can only speak of “relative autonomy” of one level with respect to another, and the processes of decentralization will precisely be those that modify this degree of “relative autonomy.” From the point of view of the policies to be analyzed in the process of decentralization, they can be grouped into three areas:

- **Fiscal decentralization** this is the collection of measures that tend to increase the fiscal resources available at sub-national levels of government. This can be done either by increasing the proportion of transfers of higher levels to lower levels of government, or by increasing the capacity of tax collection of the sub-national levels, or its autonomy to fix or set their tax bases and fees, or to contract debt.
- **Administrative decentralization** refers to the collection of reforms that transfers the administration and provision of social services from higher levels to lower levels of government. In other words, this is about a decentralization of social spending that was in the hands of a higher level of government to levels that are closer to the recipients of that social service. Within administrative decentralization one can find the transfer of social services such as education, health, food programs and housing.
- **Political decentralization** is a set of reform measures for electoral or constitutional systems that return electoral or political capacities and autonomy to sub-national political levels or actors.

Fiscal Decentralization

Comparing Argentina to other Latin American countries, its fiscal system seems highly decentralized in terms of spending and collection; only Brazil has a more decentralized fiscal system than the Argentine one. Likewise, in comparison to developed countries, the level of decentralization of spending in Argentina is similar to that of the United States, and greater than that of Great Britain or Spain. Different authors (Acuña and Tommasi, 1999; Willis, Garman, and Haggard, 1999; Artana et al., 1995) when analyzing the percentage of spending carried out by provinces in Argentina sustain that its fiscal system is highly decentralized.

The comparatively high level of collection and spending of sub-national levels in Argentina is not a consequence of recent reforms, but

Table 3.4. Percentage of their own collection and spending executed by sub-national governments.

Country	Collection, Sub-national Governments			Spending, Sub-national Governments		
	1980	1990	1997	1980	1990	1997
Argentina	20.7	20.0	W/O D	36.4	48.1	43.9
Bolivia	14.3	15.1	19.1	10.8	17.7	36.3
Brasil	40.2	53.0	W/O D	48.8	63.5	W/O D
Chile	2.6	6.4	7.0	3.9	7.2	8.5
Colombia	17.8	18.4	W/O D	27.2	33.0	W/O D
México	9.3	17.3	20.6	9.8	12.3	26.1
Paraguay	2.7	0.8	2.0	5.6	1.9	2.6
Venezuela	4.1	3.2	W/O D	24.0	22.2	W/O D
United States	W/O D	33.8	32.9	W/O D	42.0	46.4
Great Britain	W/O D	5.9	3.6	W/O D	29.0	27.0
Spain	W/O D	13.3	13.8	W/O D	34.3	35.0

rather a long-term characteristic. Already in 1916 the sub-national governments collected and exercised 36.7% of the nation's budget (Porto and Sanguinetti, 1993: 8). In 1935, the provinces ceded to the nation the prerogative of provincial tax collection, taxes that were then returned or "co-participated" (shared) with the provinces. In 1935, the provinces received almost 30% of the total amount of taxes collected (FIEL, 1993: 151; Bocco and Repetto, 1994: 69). All during the 1960's and 1970's, high levels of transfers to sub-national levels were registered.

In 1973, the Law of Co-Participation 20.221 was approved and this established that 48.5% of taxes collected were for the nation, 48.5% for the provinces, and the remaining 3% for the Regional Development Fund. Law 20.221 established technical criterion for secondary distribution between provinces based on population, development, and population density. But this law expired toward the end of 1984 and since then until 1988 the provinces negotiated the transfers in a bilateral manner with the central government. Even though the bilateral transfer negotiations diminished the foresight of the provinces, the fact that Peronism had a majority in congress and the governorships made the amount of the

Table 3.5. Primary distribution of taxes between the nation and the provinces. Percentage that corresponds to the provinces. Argentina, 1935-1995.

Year/Term	% That provinces receive
1935 – 1940	25.6
1941 – 1950	20.7
1951 – 1960	20.9
1961 – 1970	39.0
1970 – 1972	38.7
1974	48.5
1975	52.4
1976 – 1979	48.5
1980	44.0
1981	32.6
1982	32.6
1983	29.0
1984	31.5
1985 – 1987	Bilateral agreements. Average surpasses 50%
1988 – 1991	57.6
1992 - 1995	49

Source: FIEL, 1993: 151.

joint transfers increase. The transfers of taxes to the provinces became an economic reward for the political support of Peronism in congress. Combined with the initial need in 1983 and 1984 to increase the transfers to the provinces in order to reward them for the services that were decentralized by the military dictatorship, this political rationale made transfers increase significantly, passing from about 30% in 1983 to approximately 57% between 1985 and 1987.

Towards the end of 1987, and after a series of negotiations with the Peronist governors, the Law of Federal Co-participation of Taxes 23.548 was signed. This law, established a transitory scheme for the distribution of national resources, continues in force until today, although it has undergone many modifications (that have given the Argentine fiscal system the nickname “the labyrinth”). According to the constitutional reform of 1994, this Law of Co-Participation should have been approved before the end of 1996, but this has not yet happened due to the difficulty of agreeing on coefficients of distribution that correspond to each province. Among the most important changes were introduced by Law 23.548, those that stand out are: the increase in primary distribution for all the provinces, the incorporation of new taxes in the co-participatory

total (like the tax on fuels) and the fixing of a limit on the Contributions of the National Treasury (resources that are managed at the discretion of the national executive). The primary distribution to the provinces institutionalized the high level of transfers that the provinces received towards the end of 1987. According to Law 23.548, 42.34% of the total of co-participatory resources was for the Nation, 56.66% was for the provinces and the remaining 1% was for the fund of Contributions of the National Treasury. As regards the secondary distribution of co-participation between the provinces, the coefficients established by law do not arise from any objective criterion of allocation (in contrast to prior Law 20.221), instead, the secondary distribution of funds that was in force at the time the law was enacted was maintained. The process of negotiation between governors tended to favor the provinces that were governed by the Justicialista Party toward the end of 1987.

Law 23.548 proved to be a decentralizing impulse with respect to the level of transfers that the provinces received during the military dictatorship (1976-1983). However, viewed in the long term, the percentage of co-participation received since 1988 is approximately the same as the provinces received in 1975 (when they had a lesser degree of responsibility of spending). In summary, the Law of Co-Participation of Taxes provided foresight to the provinces and was, without a doubt, a victory for the provinces over the federal government, but the high level of decentralization of resources for transfers from the central government toward the provinces is a structural characteristic of the Argentine fiscal system present since 1935.

The second structural characteristic of the Argentine fiscal system, and one that constitutes a serious problem for the autonomy of sub-national governments, is the total lack of correspondence between the level of collection and the level of spending in the provinces. A very strong provincial dependency exists, especially in the poor and small provinces, on transfers from the central government. In 1991, sub-national governments jointly collected 18% of the national budget, but they executed 44% of the same (Porto y Sanguinetti, 1993; Bocco and Repetto, 1994). As regards the dependency of the center, there are important differences between jurisdictions. The government of the city of Buenos Aires practically collects the whole amount of its budget (92%), and it is followed by the more economically active provinces of Buenos Aires, Santa Fe,

Table 3.6: Percentage of taxes collected by the provinces as part of the total of their budgets, 1991 and 1996.

Province	1991 %Collected by the province	1996 %Collected by the province	Dif
Buenos Aires	52.3	56.51	4.21
Catamarca	9.65	10.64	0.99
Chaco	12.42	17.33	4.91
Chubut	23.14	20.83	-2.31
Córdoba	38.86	48.18	9.32
Corrientes	No data	No data	No data
Entre Ríos	27.07	34.22	7.15
Formosa	7.2	9.6	2.4
Govt. City of Bs.As.	91.73	92.78	1.05
Jujuy	25.99	24.24	-1.75
La Pampa	36.08	33	-3.08
La Rioja	9.36	13.81	4.45
Mendoza	35.6	41.04	5.44
Misiones	16.59	23.27	6.68
Neuquén	26.36	27.72	1.36
Río Negro	27.1	30.26	3.16
Salta	24.53	27.34	2.81
San Juan	15.39	19.19	3.8
San Luis	19.5	30.27	10.77
Santa Cruz	12.99	30.84	17.85
Santa Fe	45.68	43.28	-2.4
Stgo. Del Estero	8.1	14.42	6.32
Tierra del Fuego	27.88	27.08	-0.8
Tucumán	21.56	22.88	1.32
<i>Average</i>	26.74	30.38	3.64

Source: Our own compilation based on data from the Ministry of the Economy.

Córdoba and Mendoza that collect 40% of their budgets. On the other extreme we find provinces like Formosa, Catamarca, La Rioja and Santiago del Estero that collect less than 15% of their budgets.

Accompanying the process of decentralization of social services (fundamentally that of education and health) at the onset of the decade of the 1990's, the federal government signed two fiscal pacts with the governors that modified fiscal relations between levels of government. These were the Fiscal Pact of 1992 and the Federal Pact for Employment, Production and Growth of 1993, that, strikingly enough, tended to cut back the fiscal capacities and the resources of the provinces.

The Fiscal Pact of August 12, 1992 diminished the percentage of primary co-participation between the nation and the entire group of provinces by 15%, and this percentage was covered by the financing of the system of allotment or assignation. In accordance with this pact, 11 provinces transferred their retirement and pension accounts to the national state. This pact was ratified by the national congress via law 24.130, approved on September 2, 1992.

The Federal Pact for Employment, Production and Growth of August 12, 1993 sought to eliminate the provincial tax on gross earnings since it was considered distortional – in spite of its being one of the principle sources of collection of the provinces – and it sought to eliminate the stamp tax. Some provinces started with partial eliminations of gross earnings, but this transformation was interrupted when collection fell significantly in 1995 as a consequence of the crisis in Mexico in December of 1994. This made it impossible to make further cutbacks or structural modifications of the collection system in the provinces, which in most cases continued to collect gross earnings.¹⁷

Two other fiscal pacts followed the previous two during the Radical administration of President Fernando de la Rúa, signed in December of 1999 and in December of 2000. These pacts cannot be considered measures of fiscal decentralization, but on the contrary, article 6 of the Fiscal Pact of 2000 establishes a sole and global monthly amount for transfers of all concepts (co-participation of taxes and specific funds) of the nation to the provinces. This amount was fixed at 1,364 million a month during the years 2001 and 2002, 1,400 million in 2003, 1,440 million in 2004, and 1,480 million in 2005. These amounts are as much upper limits as they are lower limits of the total amount of transfers to the provinces that will be carried out until 2005. The provinces also agreed not to increase their spending until 2005. Nevertheless, there is an additional clause that exists that permits the provinces to modify spending under certain circumstances, as in the case of putting at risk the provision of education and health services or because of a demographic increase.

How long the provinces will abide by these pacts is difficult to predict, but it is doubtful that these intergovernmental fiscal arrangements will be maintained in Argentina until the year 2005. A functionary of the Federal Investment Council (the independent agency that groups together all the provinces and where fiscal matters between the federal government and

the provinces are discussed) was of the opinion that in Argentina “pacts are signed not to be carried out . . . but as in the cases of moratoriums on payments, the signing of one pact signifies that after that there will be another.”¹⁸ The pact of 1999, and especially the one in 2000, have attempted to send signals of fiscal disciplining to local and international capital markets, but its importance seems more symbolic than practical.

Administrative Decentralization: Education

From the beginning of the twentieth century, the Argentine system of education has evolved as a mixed system of national and provincial schools, at the elementary school level as well as at the secondary level. The first attempts at decentralization of national elementary schools, to provincial control, dates back to the constitutional government of Arturo Frondizi (1958–1962). Between 1961 and 1962, 11 agreements for the transfer of national schools were signed, but only three of these agreements (Santa Cruz, Neuquén and San Luis) were actually ratified by provincial legislatures. The second decentralizing stimulus took place within the context of an authoritarian regime. Between 1968 and 1970, during Onganía’s military government, seven agreements detailing the transfer of schools to the provinces were signed, but again, only three were ratified by provincial legislatures (Buenos Aires, La Rioja, Río Negro). In spite of the different types of regime under which these two attempts at decentralization were carried out, both were stimulated from a central level, and strongly marked by the fiscal content of the reform as a method of alleviating federal spending by transferring a part to the provinces. In this manner, the transfer of educational establishments during Frondizi’s administration was discussed and included in the budget bills of 1960 and 1962.

In 1978, in the context of the military dictatorship that began in 1976, the central government unilaterally transferred national elementary schools to the provinces. Even though this topic of the transfer of elementary schools had been discussed in the Assemblies of the Federal Council on Education in 1976 and 1977, it was in reality a measure imposed by the central government that was not accompanied by resources. Some representatives of the central government in the provinces protested the manner in which the transfer of elementary schools was carried out, and they requested a greater degree of gradualism

and financing of the transfer. But in the context of the military regime, there was no place for confrontation or dissent (Ministry of Culture and Education, 1980: 230,231).

The decentralization of national secondary schools took place at the end of 1991 and, as we indicated in our introduction, it was part of a larger set of reforms of the national state. Once again, this was about a project imposed from the center. Even if distinct actors in the Ministry of Education of the Nation and in congress had been working on decentralization projects of the secondary schools, this would not have prospered had it not been for the stimulus that the Ministry of the Economy provided. The principal objective of the Minister of the Economy Domingo Cavallo was to balance the budget and improve the fiscal situation of the national government. When drawing up the budget for 1992, Cavallo sought to transfer the responsibility for social spending to the provinces to compensate the increase in resources that the provinces had received during 1991, a result of the increase in co-participatory tax collection.¹⁹

In Argentina, there are disputes with respect to whether or not the funds to finance the decentralized educational services were ever transferred from the central government. In reality, the provinces financed the transfer of educational services whose costs were calculated at 890 million pesos annually, with an increase in the collection of co-participatory taxes. But secondary distribution (it is worth noting, between provinces) of the resources destined to educational services were not carried out according to the coefficients of co-participation established in the Law of Co-Participation of Taxes 23.548. Rather, the portion of co-participatory taxes destined to the financing of decentralized educational services was distributed according to the number of schools transferred to each province. The Ministry of Education, basing itself on a survey of national secondary establishments carried out by the Federal Investment Council in 1990, calculated the amount of spending that corresponded to each province. Therefore, the provinces, whose percentage of schools was greater than the coefficient of co-participation, benefited from these calculations. The province of Buenos Aires, for example, practically received a third of the educational fund in proportion to schools transferred to its jurisdiction (had the criterion of federal co-participation been followed, it would only have received 25%). In summary, the transfer of services in 1992 was in effect financed with resources from the provinces, only that

Table 3.7: Secondary distribution of co-participatory taxes that correspond to the transfer of educational services. Argentina, 1992, in millions of pesos.

Provinces	Transfer from Culture and Education	Percentage
Buenos Aires	269.1	30.24
Catamarca	11.6	1.30
Chaco	12.5	1.40
Chubut	19.6	2.20
Córdoba	67.6	7.60
Corrientes	19.5	2.19
Entre Ríos	37.4	4.20
Formosa	8	0.90
Jujuy	16.9	1.90
La Pampa	8.9	1.00
La Rioja	12.5	1.40
MCBA	173.5	19.49
Mendoza	32.9	3.70
Misiones	14.2	1.60
Neuquen	7.1	0.80
Rio Negro	7.1	0.80
Salta	20.5	2.30
San Juan	17.8	2.00
San Luis	14.2	1.60
Santa Cruz	4.4	0.49
Santa Fe	66.7	7.49
Santiago del Estero	14.2	1.60
Tierra del Fuego	5.3	0.60
Tucumán	28.5	3.20
Total	890	100.00

Source: Appendix 1, Transfer of Educational Services Law 24.049 (December 6, 1991).

the secondary distribution of the amount of spending that the transfer implied followed a different criterion (that tended to benefit the most populated provinces and those with most schools) than the rest of the co-participated funds.

Regarding the consequences of decentralization from a fiscal point of view, the salaries of teachers in provincial schools (that in many instances received salaries that were higher than those of their colleagues in the national system) and the increase in the registration fees of the students placed heavy budgetary restrictions on the provinces. However, from a political point of view, the total decentralization of the system of basic education – elementary and secondary – gave more authority to the

provinces to administer and manage their educational systems. But in this respect, the larger provinces have a greater advantage than the smaller provinces since they can count on more material and human resources for investing in educational system reforms. What is interesting here, however, is that various medium-sized provinces, like La Pampa or San Luis, have carried out important transformations of their school systems. These transformations were made possible by the legal framework provided by the Federal Education Law of 1993.

The Federal Education Law introduced strong modifications in the structure of the Argentine educational system. The seven year system of elementary teaching and the five year secondary cycle were modified in order to create a system of three general basic teaching cycles, each three years in length, followed by a three year cycle of polymodal training. This law also extended the obligatory period of schooling from seven to nine years. The application of the Federal Education Law in the provinces is quite varied due to the fact that a large capital investment is required in order to train teachers in the curricular reforms of the polymodal cycle, as well as to adapt the buildings of elementary schools to the new system organization that requires new classrooms for eighth and ninth grades. There are provinces that have already completed all the reforms introduced by the Federal Education Law, as much in terms of physical plant as in the curriculum. Among those that have completed these reforms are the provinces of Buenos Aires and La Pampa. There are other jurisdictions where the process of reform either has been slower or simply has not even begun - as in the City of Buenos Aires and the province of Neuquén, where there are strong union and political pressures against the Federal Education Law.

In order to facilitate the implementation of the Federal Education Law of 1994, both the national executive authority and the governors signed the first Federal Education Pact. This pact constituted a sign of political support on the part of the governors for the Federal Education Law, while at the same time the national government agreed to transfer federal resources to help the financing of the educational transformation in the provinces.

From the decentralization of secondary schools at the onset of the decade of the 1990's, the provinces have gained a great deal of clout in negotiations in the Federal Education Council. This agency, created at the

beginning of the decade of the 1970's as a consulting institution, is presided over by the Minister of Education of the Nation and it is made up of the ministers of education of the 24 jurisdictions. Until the onset of the 1990's, the Federal Education Council played a role that was not very relevant, basically serving as the "seal" for the educational policies emitted by the Ministry of Education of the Nation. But since the transfer of secondary schools in 1992 (which left the Ministry of Education "without schools"), the Council has played a very important role in the building of consensus between the national government and the provinces. Its meetings are more periodical and more resolutions have been made in the Council in the last eight years that in the previous twenty years of its existence. Within the Council there have also been extensive discussions on the type and manner of operation of educational reforms that should have been carried out in the provinces after the approval of the Federal Education Law.

Finally, even though it is difficult to evaluate the impact that educational decentralization has had on the provincial administrations, in interviews held with representatives of the national government, with representatives of provincial governments and experts in the area of education, all coincided in pointing out that in an important number of provinces the ministries of education have improved their bureaucracies and technical management capacity (the provinces of Buenos Aires, La Pampa and San Luis stand out).

Administrative Decentralization: Health Sector and Food Programs

Law 24.049 of 1992 transferred to the provinces of Buenos Aires, Entre Ríos and the city of Buenos Aires the public hospital and the programs dealing with minors and the family that were in the charge of the Nation in those three jurisdictions. The annual cost of maintaining these programs was estimated at 124 million pesos. The law also transferred two food programs (Programa Social Nutricional or PRONOSU [Social Nutritional Program] and the program of Community Social Policies or POSOCO) to the entire group of provinces. These food programs represented about 200 million pesos.

Unlike the educational sector, the health sector evolved in a decentralized manner in Argentina, in such a way that in 1991 only three jurisdictions had national hospitals. In 1980, 95% of public health establishments

Table 3.8: Secondary distribution of co-participatory taxes that correspond to health and food program transfers. Argentina, 1992, in millions of pesos.

Provinces	Hospitals	Minors & family	POSOCO	PROSONU	Total
Buenos Aires	40.2	7.7	18.3	26.3	92.5
Catamarca			2.6	1.6	4.2
Chaco			4.6	8.1	12.7
Chubut			1.1	1.8	2.9
Córdoba			8.2	5.3	13.5
Corrientes			3.5	5.4	8.9
Entre Ríos	2.5	0.4	4.5	3.7	11.1
Formosa			3.5	3.8	7.3
Jujuy			2.7	4.6	7.3
La Pampa			1.8	0.7	2.5
La Rioja			1.9	1.2	3.1
MCBA	68	5.7	2.2		75.9
Mendoza			3.7	4	7.7
Misiones			2.9	6.3	9.2
Neuquen			1.6	1.9	3.5
Rio Negro			2.5	3.2	5.7
Salta			3.6	6.3	9.9
San Juan			3.4	2.1	5.5
San Luis			2	1.1	3.1
Santa Cruz			1.1	0.4	1.5
Santa Fe			8.3	6.7	15
Santiago del Estero			3.7	6	9.7
Tierra del Fuego			0.2	0.1	0.3
Tucumán			4.5	5.7	10.2
Total	110.7	13.8	92.4	106.3	323.2

Table 3.9: Number of establishments of the public sector, according to dependency, 1980 and 1995.

Year	National	Provincial	Municipal	Other official dependency	Total
1980	51 (1.1%)	3507 (75.5%)	903 (19.4%)	187 (4%)	4648 (100%)
1995	16 (0.2%)	4628 (66.4%)	2003 (28.7%)	324 (4.6%)	6971 (100%)

Source: Repetto et al., 2000: 22 (also cited in the guide to assistance establishments in the Republic of Argentina, 1995)

were already under provincial or municipal dependence, as can be observed in the following table.

The first transfers of public hospitals to the provinces was started in 1957 and continued during the 1960's decade. Just as in the educational sector, these transfers were established in the laws of the national budget. In 1978, the military government transferred 65 national hospitals to the provinces of Buenos Aires, Catamarca, Córdoba, Entre Ríos, Salta, Santa Fe, Santiago del Estero and Tucumán (Law 21.883). Just as with the schools, the dictatorship transferred the hospitals in a unilateral manner and without resources.

The emphasis of Law 24.049 was in the transfer of schools, that represented in terms of costs 73% of the total of the services and programs transferred to the provinces (from there that the law is called "Transfer of Educational Services"). The law did not define instances of coordination or policy design in the area of health, nor did it provide the mechanisms for the following and control of the execution or evaluation of the food programs. In a recent report, Repetto and other authors (2000) sustain that "in the moment at which the decentralization of services is produced, the issue of food was not an issue of priority, and rather said funds were utilized as a negotiation pledge for the acceptance on the part of the provinces of the structural reforms in the matter of co- participation [or the cutbacks of primary co-participation established in the Fiscal Pact of 1992]". The transfer of food programs was also a softener or "sweetener" for the transfer of the schools. The POSOCO and PROSONU funds allowed a greater degree of discretion in the management of these resources on the part of the governors that could direct them to other areas. In several provinces this implied the discontinuity of the school cafeteria program during the first months of the transfer.²³

Although it was not included in Law 24.049, another program that was decentralized at the beginning of the 1990's was the Maternal Infant Plan (PIM) for the purchase and distribution of milk. This program was decentralized by a method of specific assignation upon the signing of agreements with each province. Today, this program is financed with resources of federal and provincial origin, in dissimilar proportions depending on the province being dealt with (Repetto and others, 2000).

As a consequence of the process of decentralization in the health sector, the Ministry of Health of the Nation is now a regulatory and plan-

ning institution and it monitors the fulfillment of international commitments. While “provincial governments have a dominant place [in the health sector] since they are the ones who carry the programs forward, even though they cannot generate discussions about its design or improvement, they have continued to administer decentralized programs as they did before the transfer and they do not appear to have developed administrative capacities in keeping with their new function” (Repetto and others: 2000, 92). It is worth mentioning that the provinces are the executors of health policies with little influence on their design. In contrast to the educational sector, it would seem that the provinces have not improved their administrative capacities in the health sector even in light of the recent decentralization of services.

Political Decentralization

The most important changes in the relationship between the federal level and the provinces were introduced in the constitutional reform of 1994. The new constitution gave autonomy to the City of Buenos Aires, whose inhabitants now elect their representatives to the legislative assembly and the head of government. The constitution of 1994 also established popular vote for the election of senators, who previously were elected by provincial legislatures. In the fiscal area, the constitution in Article 75 establishes that the Law of Co-Participation of Federal Taxes is a “law-agreement”. Having achieved constitutional rank, any modification to the Law of Co-Participation of Federal Taxes must have the agreement of the governors. Furthermore, all the projects of reform to the Law of Co-Participation must be introduced to congress by the Senate where the provinces are equally represented. This series of constitutional reforms has given greater authority to the provincial level and especially to the governors.

However, the new constitution also introduced a third senator per minority. This change will probably have a centralizing political effect, since it increases the importance of competition between parties and partisan political interests in each province. On the other hand, it also increases political discipline within national political parties, since the national offices of the political parties have a strong impact on the process of nominating candidates for senator in the provinces.

CONCLUSIONS

The provinces, and especially the governors, were important factors when the constitution of the national state of Argentina was articulated. In the first part of this work, we observed that the “conservative order” was sustained on a balance of authority and mutual dependency of presidents and governors. In this order, two institutions were the pillars of equilibrium between the levels of government: the electoral college and federal intervention.

After an intense process of centralization of authority at the federal level of government (a consequence of federal interventions in the provinces, dictatorial periods, and the intense political disciplining that occurred within the two majority parties), it was only recently, with the return to democracy in 1983, that the governors acquired greater importance. Between 1983 and 1989, the logic of partisan competition dominated the relations between levels of government. While Radicalism occupied the presidency of the nation, Peronism controlled the majority of governorships. From 1989 until 1999, however, Peronism controlled not only the presidency but also the majority of governorships. However, since 1991, the governors have begun to acquire more relevance as representatives of their provinces. This was a result of the processes of decentralization of government, and especially the transfer of social services to the provinces. In the educational sector, the transfer of all the schools to the provinces and the modifications introduced in the educational system with the approval of the Federal Law of Education permitted provincial executives to assume a more active political role and to improve their capacity of administration in the educational sector. It is not clear, however, if the hospitals and food programs transferred to the provinces on the same date have had a similar effect upon political culture.

Regarding the different types of decentralization, the process of administrative decentralization has been more important than the processes of fiscal and political decentralization. In the fiscal area, the responsibilities and roles of the three levels of government are still confused. The Law of Co-Participation has been amended on several occasions and said modifications have had a tendency to diminish the capacities of sub-national governments. From a political point of view, federalism found itself both strengthened and weakened with the constitutional reform of

1994. The autonomy given to the City of Buenos Aires and the mechanisms foreseen in the modification of the Law of Co-Participation (which acquired constitutional status) strengthened the authority of the provinces. However, the direct election of senators diminishes the authority of the provincial legislatures and, therefore, of the governors as well. If the sub-national governors are gaining authority in Argentina, it is due in large part to the administrative decentralization and not to fiscal or political reforms. In all probability, it is in the bureaucratic and fiscal capacities that the provinces are developing for the implementation of reforms and administration of new decentralized services that one finds the full potential of the process of decentralization in Argentina.

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NOTES

1. A prior systematic intent took place during the development-oriented presidency of Arturo Frondizi (1958-1962). The political and ideological concept of Frondizi's government was to reinforce federalism and he sought to decentralize functions and grant more power to the provinces in distinct areas. Some of the leaders that participated in the process of decentralization of services in the years 1991 and 1992 had been functionaries of this development period such as the ex-minister of Education Antonio Salonia and his Secretary of Education Luis Antonio Barry.

2. Net co-participation (share) went from 4,810 million pesos in 1990 to 6.904 million in 1991 and 8,846 million in 1992 (Undersecretary of Fiscal and Economic relations with the Provinces, 1995: 15).

3. Total provincial resources of the 24 jurisdictions went from 11,820 million pesos in 1990 to 22,001 million pesos in 1992 (Undersecretary of Fiscal and Economic relations with the Provinces, 1995: 17).

4. Until the constitutional reform of 1994 there was an electoral college that elected the president of the Republic and the national senators were chosen by the provincial legislatures.

5. In 1995, for example, nineteen provinces that represented 30% of the population elected 45% of the national representatives.

6. The constitutions of Santa Fe, Corrientes and Santiago del Estero, respectively.
7. See for example, *Dogma Socialista* by Esteban Echeverría, member of the generation of '37.
8. At that point, the expenses (outlay) of the province of Buenos Aires exceeded the expenses (outlays) of the rest of the provinces combined (Botana, 1993: 232).
9. Twelve of the fourteen Argentine provinces formed the League of Governors that supported the candidacy of Julio A. Roca for president. Only Buenos Aires and Corrientes were not part of the league.
10. Data taken from: *Materiales para el estudio de la Reforma Constitucional (Materials for the study of the Reform of the Constitution)*, Comisión de Estudios Constitucionales (Commission for Constitutional Studies), Buenos Aires, 1957.
11. See for example the reasons used by Perón in his decrees of intervention regarding the province of Corrientes in *Materiales para la Reforma de la Constitución (Materials for the Reform of the Constitution)* (1957).
12. Interview with Eduardo César Angeloz, governor of the province of Córdoba 1983–1989 and 1989–1995, in Buenos Aires, December 19, 2000.
13. Interviews with the ex-Ministers of Economy of the Province of Buenos Aires, José Remes Lenicov in Buenos Aires on February 6, 2001, and the province of Santa Fe, Hugo Garnero in Buenos Aires on February 15, 2001.
14. Interview with Edmundo Sterenlicht, functionary of the Federal Investment Council, November 29, 2000.
15. Interviews with the ex-Minister of Education Antonio Salonia in Buenos Aires, December 15, 2000; with the ex-Secretary of Education Luis A. Barry in Buenos Aires, November 30 and December 4, 2000; and to the ex-functionary of the Ministry of Education of the Nation Sergio España in Buenos Aires, January 26, 2001.
16. Interview with Sergio España, Buenos Aires, January 26, 2001.

Decentralization and Social Expenditure at the Municipal Level in Argentina

CATALINA SMULOVITZ AND ANDRIANA CLEMENTE

Argentina has undergone a sustained process of administrative decentralization aimed toward the provincial level. In this chapter, we will consider whether decentralization also moved to the municipal level. In particular, we will analyze whether the process of decentralization that took place in Argentina during the 1990's brought forth new municipal skills and capacities for the provision of public policies that were more in tune with local needs.¹

Decentralization, as a public policy, has been promoted on the basis of normative and economic arguments. Normative discussions underline that decentralization promotes democracy and accountability because it brings about an increase in the responsibilities and resources of the population in the local area. On the other hand, economic arguments point out that decentralization results in a greater efficiency and effectiveness of expenditure since it permits a better assignation and control of the same. In this chapter we will examine whether the decentralization of economic resources toward provincial levels was accompanied by a similar decentralization of institutional responsibilities and resources toward municipal levels, if this process had consequences on the administrative capacity of the municipalities, and if it managed to fulfill the promises of greater efficiency, fairness, and control that are habitually attributed to processes of decentralization. Similarly, we also analyze whether decentralization had any impact on social organizations (particularly those known as grassroots organizations), since as with the municipalities, involving these social organizations was also part of the stated objectives of decentralized policies and programs in Argentina.²

DECENTRALIZATION AND SOCIAL EXPENDITURE IN ARGENTINA

The policies of decentralization entail the passing of authority and its responsibilities from national governments to local governments (provinces, municipalities or regions). This transition not only implicates a reduction in the size of the national government, but also the transfer of responsibilities in decision making toward the local units of authority. In one of the chapters in this volume, Tulia Falleti points out that the processes of decentralization place intergovernmental relations at some point of the continuum that goes from an absolutely autonomous central government to absolutely autonomous sub-national governments. Therefore, one can expect to find, in empirical terms, diverse degrees and forms in the processes of decentralization. These variations depend on: 1) the form in which each case defines the “relative autonomy of one level in respect to the other level, and 2) of the nature of the policy that is decentralized. So, in order to analyze the processes of decentralization, it is necessary to consider on the one hand, what levels of government have been included in said process. This entails analyzing, for example, if decentralization only reached the relations between the national and provincial levels or whether it also included municipal levels. On the other hand, in order to analyze processes of decentralization it is necessary to analyze the nature of the policies that are to be decentralized. Falleti (chapter 3, this volume) distinguishes among three types of decentralization:

1. Processes of fiscal decentralization that tend to increase the fiscal resources available at sub-national levels of government by increasing transfers from higher levels to lower levels of government, the capacity to collect taxes on a sub-national level, or their autonomy to establish tax rates and bases or to acquire debt.
2. Processes of administrative decentralization in which the administration and provision of social services is transferred from higher levels to lower levels of government.
3. Processes of political decentralization which, through electoral and/or constitutional norms, return electoral capacities and autonomy or political autonomy to sub-national levels or political actors.

We shall consider, then, just what has been the extent of decentralization in the case of Argentina and, in particular, if it reached municipal levels and just what policies it implied.

Institutional Framework of Decentralization

We shall recall certain data mentioned in earlier works. The National Constitution of 1853/60 adopted the form of a federal state. This constitutional legislation formally establishes two levels of government (Nation and Provinces) even though it implicitly recognizes the existence of a third level of government of municipal character. The recognition of the municipal level is found in Article 5 where the obligation for the provinces to “assure (make provisions for) the municipal regime” is established. This implicit recognition of the legitimacy of the municipal system made it easier to create an institutional framework in which the municipalities were subordinated to superior jurisdictions that *de facto* and *de jure* regulated their political, institutional and financial capacities. The constitutional reform of 1994 introduced two important changes in the relations between levels of government. In the first place, it established the constitutionality of the system of federal co-participation. Article 75 Section 2 provides that “*the contributions anticipated in this clause (direct and indirect) with the exception of that part or sum total that have a specific assignment, are co-participatory. A law of agreement, with a basis in agreements between the Nation and the Provinces, will institute regimes of co-participation of these contributions, thereby guaranteeing the automaticity of the remission of funds.*” In second place, the reform expressly confirmed in Article 123 the recognition of municipal autonomy. Said article maintains that “*each province should issue its own constitution in conformance with the provisions of article 5 thereby assuring municipal autonomy and regulating its reach and contents in institutional, political and administrative, economic and financial arenas.*”

The changes stipulated in Article 75 permitted the adjustment of the normative constitutional text to a practice of tax distribution that has been in force since 1935, thereby eliminating a source of judicial uncertainty. These changes provided a constitutional character to a pragmatic response whose use had been consolidated during six decades. What is more, the modifications introduced in Article 123 have had a twofold result. On the one hand, these modifications represented the formal recognition of municipal autonomy. On the other, while the process of

municipal autonomy is part and parcel of a federal regime, the degree and extent of municipal autonomy in the end, depends on the responsibilities/obligations that each provincial constitution, starting from their own respective organic laws, delegates or confers on local entities. In other words, the political, administrative, economic and financial physiognomy of Argentine municipalities is determined by intermediate state actors such as the provincial governments. Consequently, the reach of political and fiscal autonomy of the municipalities are dependent on politico-institutional conditions that are present in each province due to the federal character of Argentine institutions and because Article 75 (Sec. 2) of the Constitution (that alludes to the participation of national and provincial actors in the co-participation of resources) does not guarantee the levels of resources that correspond to the municipalities either. In this manner, then, one must point out that the institutional design in place since 1994 recognizes municipal autonomy but does not guarantee its extent or reach. This implies then that the implementation and reach of decentralization toward municipal levels depends on the conditions and political dynamics that are present in each province.

In countries such as Argentina, where the federal structure permits each province to fix its own regime of municipal autonomy, the specific form that fiscal and political decentralization acquired in the provinces and municipalities assumed then, varying forms and degrees. It is worth noting however, that beyond the great diversity in the definition of the reaches and institutional and political authority of the municipalities, political decentralization, understood as the capacity of municipalities to elect their own political authorities, is established in the distinct provincial Constitutions. These documents establish that the inhabitants of the municipalities have the authority to elect their own executive and legislative authorities. Therefore, it is necessary to remember that the controversy with respect to the extension of political decentralization to municipal levels, does not center on the inexistence of authority on the part of residents to elect their own political leadership on a municipal level, but in the definition of the reach of authority and in the degree of autonomy that the provincial constitutions confer on said authorities and governments.

Given that each provincial jurisdiction may establish the extent of municipal autonomy, local governments have acquired heterogeneous political and fiscal capabilities, which have also determined a large varia-

tion in the reaches of the processes of decentralization. Table 4.1 demonstrates the way in which the distinct provincial constitutions establish in differentiated ways distinct institutional capabilities for their municipalities. Those municipalities located in provinces whose constitutions authorize the creation of fundamental norms (home rule) or the creation of their own institutions and principles for their operation are considered as having institutional autonomy. This first grouping of the distinct municipal regimes is not able to demonstrate, however, the heterogeneity that exists between the municipal regimes of the different provinces nor does it provide any information on municipal tax authority. This last point will be discussed further on. A curious observation that arises from the data in Table 4.1 is that the provinces that are economically well-off and have a strong demographic weight, such as Buenos Aires, Santa Fe and Mendoza, have a tendency to have municipal regimes that are institutionally subordinate to the dictates of their respective provincial governments, while provinces that are less well-off and less populated such as Jujuy and Santiago del Estero possess municipal regimes that give way to a greater degree of institutional autonomy³.

Table 4.1 demonstrates the existence of a high degree of heterogeneity in the municipal institutional situation. This data is relevant in that it indicates that the analysis of the process of municipal decentralization necessarily has to be carried out case by case. Decentralization toward the municipalities is mediated by the way in which each intermediate jurisdiction (provinces) fixes the extent and type of municipal decentralization that is possible. Therefore, the level of municipal decentralization depends on the political dynamic that each provincial jurisdiction establishes with

Table 4.1: Municipal autonomy in provincial constitutions

Institutional Autonomy	Provinces
YES	Catamarca, Córdoba, Corrientes, Chubut, Formosa, Jujuy, La Rioja, Misiones, Neuquen, Río Negro, Salta, San Juan, San Luis, Santiago del Estero and Tierra del Fuego
NO	Buenos Aires, Chaco, Entre Ríos, La Pampa, Mendoza, Santa Fe, Santa Cruz, Tucumán.

Source: Our own creation using as a basis the PNUD, Argentine Report on Human Development (*Informe Argentino sobre Desarrollo Humano*) (1997), Volume I, p. 99.

its municipalities. The factors that explain this dynamic are varied. Even if we have not demonstrated the reasons that explain this phenomenon, it can be assumed that the variety of the results depends as much on institutional variables, whether or not territorial representation of the municipal departments exists in the province, as on economic variables. This demonstrates the degree of economic dependence of the municipalities on provincial transfers. Consequently, in order to analyze the impact of the extent of decentralization toward micro levels, it is necessary to take into consideration the specific limitations that make up each case. One can then conclude that we are not confronting a unique process of municipal decentralization but rather as many processes as municipal regimes that have been established on a provincial level.

One of the consequences of the diversity of regimes in municipal decentralization is that decentralization, as a general policy, does not necessarily bring about the benefits that its defenders prescribe. While the results and the specific definition of decentralization of a given policy will finally establish themselves in relation to the capabilities of the political actors in each jurisdiction, the result of decentralization of said policy is highly uncertain. It can turn out to be as much in the concentration of authority at intermediate levels of government as in the decentralization of the same toward lower levels. Consequently, in this institutional context and given the uncertain character of the results of the process of decentralization, one cannot rest assured that the same will produce the potential benefits that its defenders proclaim.

Fiscal Decentralization in the Municipal Arena

Next we consider what has happened during these years in the process of fiscal decentralization in the municipal area. The resources that municipalities receive are fixed, as are the resources of the provinces, through two basic mechanisms. In the first place, the mechanism of primary distribution, establishes the amount of the financial resources that the provinces destine to the municipalities. In the second place, the mechanism of secondary distribution establishes just how and on what basis these resources are distributed among the municipalities of a province. It can be gathered from the previous section that the processes of fiscal decentralization have been very diverse as they have depended not only on the nation-province relation, but also in particular, on the way in which the distinct provinces

distributed authority and obligations among provincial and municipal governments. For this reason, one of the characteristics of municipal co-participation is the inexistence of a distribution mechanism and/or a homogeneous coordination of resources in all the provinces. The lack of this homogeneous mechanism increases the difficulties in discerning exactly what the fiscal situation of the municipalities is in each province. In the following pages, and in hopes of obtaining a first approximation to this problem we present a variety of information that will allow us to visualize 1) what the fiscal relation is between provincial governments and their respective municipalities, 2) what incidence provincial governments have on municipal financing, and 3) if municipalities have local tax capabilities.

The bulk of the resources that provinces transfer to municipalities in accordance with the distinct regimes of co-participation of each province include resources that come from 1) provincial taxes (gross income or receipts, property, automobiles, and stamps), 2) royalties and, 3) resources previously transferred to the provinces by the Nation (principally via the Federal Co-Participation of Taxes). Likewise, some municipalities have the authority to collect taxes that previously were collected by provincial instances (i.e. urban property, rural property). Figure 4.1 demonstrates the origin and distribution of the different taxes that are shared with the municipalities.

We have already mentioned that the differences in municipal fiscal authority are attributable to the different provincial constitutional reforms

Figure 4.1

Composición de la masa coparticipable municipal (1998)



Source: Ministry of Economy and Public Works and Services(1999).

that took place in the eighties and nineties. During this period from 1983–1989 the provinces of San Juan, Jujuy, San Luis, Córdoba, Río Negro and Catamarca modified their provincial constitutions and they granted institutional autonomy to the municipalities for the enactment of “municipal rule”. However, those modifications did not change the conditions for the administration of local governments, since the majority of them, with the exception of Córdoba and Jujuy, did not transfer tax collection capabilities to their municipalities. In the 1989–1998 period, the provinces of Tucumán, Formosa, Tierra del Fuego, Mendoza, Corrientes, Buenos Aires, La Pampa, Chubut, Chaco, Santiago del Estero, Salta and La Rioja also reformed their constitutions. In this second wave of reforms only Chubut, Chaco and Tierra del Fuego minimally altered the tax capability of their municipalities.

Table 4.2 demonstrates the diversity of criteria and percentages that municipal co-participation (sharing) presents in different provincial jurisdictions. This same Table specifies the percentage of each resource that in each province is transferred to municipalities. This applies to resources coming from not only national sources but provincial sources as well. As can be observed, the provinces that receive *royalties* for the production or possession of hydroelectric or hydrocarbon resources carry out a partial transfer of the same to local governments. The range of that which is received by the municipalities is quite broad; for example, while the municipalities of Santa Cruz receive 7% of the resources obtained as royalties, those of Entre Ríos receive 50%. The Table also demonstrates the notable variations that exist in the distribution of that received as *taxes on gross income*. The province of Tierra del Fuego presents the highest level of participation given that it destines 45% of revenue collected for that tax to its municipalities. The provinces of Santa Cruz and Río Negro are in a similar situation as they receive 40%. The government of Entre Ríos, on the other hand, assigns on a monthly basis a fixed amount to its municipalities of the amount collected for this tax. For their part, the provinces of Chaco, Chubut, Formosa, Salta, Santa Cruz and Tierra del Fuego possess municipal authority over the *urban property tax*. In that which regards the *rural property tax*, the levels of participation oscillate between 10% (Catamarca) and 50% (Santa Fe), while the municipalities of the provinces of Chaco and Chubut took over that tax. The *taxes on automobiles* has been placed under municipal

control in the provinces of Chaco, Chubut, Córdoba, Formosa, Jujuy, Neuquen, Salta, Santa Cruz, and Tierra del Fuego. In the remaining jurisdictions, the level of municipal participation varies from 16% in San Luis to 90% in Santa Fe. Finally, it should be said that less than half of the jurisdictions share the tax on stamps with their municipalities. Among those that do share this tax, the variations, as in the other cases are quite noticeable; while San Luis shares 2.4% of the total with its municipalities, Tierra del Fuego does so with 45%.

Table 4.2 also demonstrates that certain jurisdictions such as Chubut or Chaco, have delegated greater tax authority to their respective municipalities. In theory, one supposes that as far as the delegation of tax authority implies a greater level of fiscal decentralization, the same could result in greater capabilities of tax collection. It should be advised however, that the acquisition of tax authority does not necessarily imply an increase in municipal financial resources. Certain municipalities that have received tax capabilities have proven to be unable to fulfill the assigned role⁴ given that they do not possess adequate administrative structures nor ideal personnel in order to carry out that function. In its turn, and given that the increase in tax authority to municipalities has taken place in provinces with a high percentage of their population in situations of poverty, the transfer of said authority instead of producing an increase in municipal financial resources has signified a reduction. In the majority of provinces, however, municipalities lack tax authority and depend financially on their respective provincial governments. The lack in this area of authority does not mean that the same do not dispose of resources, since as has already been pointed out, municipal resources come from transfers made by national and provincial jurisdictions. Furthermore, as can be appreciated in Tables 4.3 and 4.4, in many cases, municipalities that do not possess delegated tax authority, dispose of greater resources than others that do count on such authority. So it is for example, that the municipalities of La Rioja, that do not have tax authority, receive a greater amount of financial resources in absolute terms than others that are located in provinces such as Chaco and Chubut whose municipalities do have this authority.

It can then be concluded that the municipal landscape is doubly heterogeneous. On the one side, municipal institutional authority in each province is very diverse. The criteria and the form of municipal auton-

Table 4.2: Municipal co-participation (Share) (the situation in March of 1999, in percentages)

Jurisdiction	Resources of national origin (Federal share)	Royalties	Gross Taxes		Property		Automobiles	Stamps	Others
			Direct	Conv.mult.	Urban	Rural			
BsAs	16.14	-	16.14	16.14	16.14	16.14	16.14	16.14	16.14
Catamarca	8.5	-	10	20	10	10	70	-	-
Córdoba	20	-	20	20	20	20	Municipal	-	-
Corrientes	12	-	12	12	100	12	100	12	12
Chaco	15.5	-	15.5	15.5	Municipal	Municipal	Municipal	15.5	-
Chubut	10	(2)	Municipal	-	Municipal	Municipal	Municipal	-	-
Entre Ríos	14	50	(1)	-	24	24	60	-	-
Formosa	12	-	12	12	Municipal	12	Municipal	12	12
Jujuy	-	-	-	-	-	-	Municipal	-	-
La Pampa	10.71	-	21	21	21	21	21	21	21
La Rioja	(*)	-	20	20	-	-	50	-	-
Mendoza	14	12	14	14	14	14	70	14	-
Misiones	12	-	12	12	12	12	78	-	-
Neuquen	15	15	15	15	15	15	Municipal	15	-
Río Negro	10	10	40	40	40	40	40	-	40
Salta	12	20	12	12	Municipal	12	Municipal	12	12
San Juan	-	-	-	-	-	-	-	-	-

San Luis	8	-	16	16	16	16	16	16	2,4	-
Santa Cruz	11	7	40	40	Municipal	-	-	Municipal	-	-
Santa Fe	13.44	-	13.44	13.44	50	50	50	90	-	20
S. del Estero	15	-	25	25	25	25	25	40	25	25
Tucumán	23.1	-	-	-	18.95	18.95	18.95	86.2	-	-
T. del Fuego	25	20	45	45	Municipal	-	-	Municipal	45	-

Notes:

(1): Monthly amounts equivalent to the share in 1995 are transferred.

(2): There is a 14.4% share of Hydroelectric royalties and a 16% share of Oil Royalties.

(*) Partially suspended as per Agreement.

Buenos Aires: the percentages are distributed with a prior deduction of \$120 million maximum, according to the annual Budget. Of others, there is a share of the recollection of Redistributive taxes on Services, without a specific effect. Chubut: Gross Income. Of livestock farming activity 100% is distributed to municipal councils, but in reality this activity is exempt. Entre Ríos: Shares 50% of hydroelectric royalties with the communes situated on the banks of the Uruguay River. Formosa: Others, shares that which is collected for Lottery and Public performances. Jujuy: 20% share of the surplus over and above \$23.6 million monthly of the total received for Federal Coparticipation (Share) and the Fund for Imbalances. Misiones: automobiles are Municipal. Municipalities transfer 25% of that collected to the provincial government, who in time shares 12% of that tax with the municipal sector. With respect to vehicles more than 16 years old the municipality receives 100% of the tax. Neuquen: Automobiles are Municipal. The law 2148/95 established a minimum distributable monthly amount of \$6.8 million. Río Negro: There exists a Guarantee Clause in the case of Gross Income. When the amount collected surpasses \$2.140.000 monthly then only 10% of the surplus is transferred. Others, that produced by lotteries is shared (co-participated). Santa Fe: Others, they share the net results of each economic exercise that comes from the exploitation of the Lottery, Quimiela and Quini 6.

Source: "10 Años En La Relación Fiscal Nación, Provincias Y Municipios" Tomo II: Municipios, Ministerio de Economía y Obras y Servicios Públicos, 1999 (page 46).

omy varies from province to province. On the other, there is no uniformity of the mechanisms that fix the manner in which the municipalities accede to financial resources that allows them to develop their actions. The percentages of primary distribution of taxes between province and municipality, the criterion of secondary distribution between municipalities of the same province, as well as whether or not tax authority exists in the municipalities, vary from province to province. In this case, the results and the specific definition of fiscal decentralization will also be the result of the capabilities of the political actors in each jurisdiction.

Buenos Aires: the percentages are distributed with a prior deduction of \$120 million maximum, according to the annual budget. Of others, there is a share of the recollection of Redistributive Taxes on Services, without a specific effect. Chubut: Gross Income. Of livestock farming activity 100% is distributed to municipal councils, but in reality this activity is exempt. Entre Ríos: Shares 50% of hydroelectric royalties with the communes situated on the banks of the Uruguay River. Formosa: Others, shares that which is collected for Lottery and Public performances. Jujuy: 20% share of the surplus over and above \$23.6 million monthly of the total received for Federal Coparticipation (Share) and the Fund for Imbalances. Misiones: automobiles are municipal. Municipalities transfer 25% of that collected to the provincial government, who in time shares 12% of that tax with the municipal sector. With respect to vehicles more than 16 years old the municipality receives 100% of the tax. Neuquen: Automobiles are Municipal. The law 2148/95 established a minimum distributable monthly amount of \$6.8 million. Río Negro: There exists a Guarantee Clause in the case of Gross Income. When the amount collected surpasses \$2.140,000 monthly then only 10% of the surplus is transferred. Others, that produced by lotteries is shared (co-participated). Santa Fe: Others, they share the net results of each economic exercise that comes from the exploitation of the Lottery, Quiniela and Quini 6.

Provincial and Municipal Fiscal Decentralization: Who wins and who loses?

The 1990's, the quantity of resources transferred from the Nation to the provinces for federal co-participation increased (See Table 4.1 and Figure

4.1). These data would allow one to believe that the resources available to municipalities should have increased in similar proportions to those registered on provincial levels. However, Table 4.4 demonstrates that the difference in the average of resources per capita that the provinces and the municipalities receive is significant. While the average of resources per capita of national origin that the provinces receive is \$827, the average of resources per capita that the municipalities receive from the provinces is \$159.9. The difference between these two averages indicates that a significant part of the resources that the Nation transfers to the provinces is retained at a provincial level.

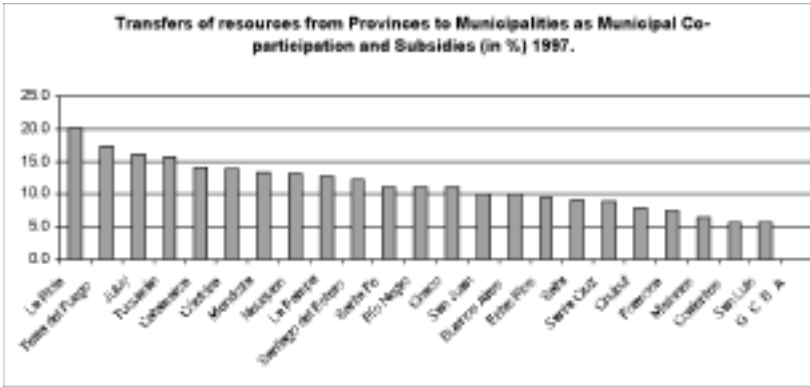
Even if it is true that the provinces are not obligated to transfer to municipalities more than each establishes in their respective agreements of primary co-participation, it is also true that the difference between that which is spent per capita between the provincial level and the municipal level allows one to infer the moderate extent that the decentralization of resources toward the municipal level achieved. Table 4.4 and Figure 4.1 demonstrate that the resources that are transferred from a national level to a provincial level are not decentralized in the same measure as from the provincial level to the municipal level. In other words, one could affirm that the decentralization of resources actually makes it to the municipal level in a very diminished manner. The percentages that appear in Figure 4.2 demonstrate, for example, that La Rioja, the province that directs the most resources to the municipal level, retains 80% of the resources that it obtains from the nation. And that Chubut and San Luis retain more than 95% of the resources they receive. Even though Table 4.4 demonstrates important differences in the resources per capita that the municipalities of each province receive (the municipalities of San Luis received in 1997 \$83.2 per capita while those in Tierra del Fuego received \$597.7), such differences do not hide the fact that the percentage of resources that are decentralized from the provinces to the municipalities tends to be quite low. This data demonstrates then that the fiscal decentralization which was carried out from the national government toward the provincial administrations was not able to become a reality in the second stage, that is to say, between provincial governments and municipalities, where the process of fiscal decentralization does not seem to have experienced any substantial development.

Table 4.3 Transfers of provincial resources to municipalities (1997)

Provinces	Resources (in millions of pesos)		Transfers	
	Provincial	Transferred	Resources (in %)	By inhabitant(\$) Is this amount in peso or dollar?
Buenos Aires	10,401,552	1,054,171	10.1	76.9
Catamarca	498,358	70,449	14.1	234.3
Chaco	885,036	97,343	11.0	106.0
Chubut	524,520	41,228	7.9	98.5
Córdoba	2,416,076	335,230	13.9	111.9
Corrientes	754,084	43,013	5.7	48.7
Entre Ríos	1,144,887	109,593	9.6	100.8
Formosa	626,742	47,369	7.6	100.9
G. C. B. A.	2,930,146			N/A
Jujuy	557,349	89,409	16.0	155.6
La Pampa	499,122	63,815	12.8	218.6
La Rioja	601,367	121,017	20.1	464.9
Mendoza	1,218,442	161,650	13.3	104.4
Misiones	754,033	48,900	6.5	52.7
Neuquen	958,170	125,767	13.1	251.1
Río Negro	650,009	71,654	11.0	122.9
Salta	826,119	75,177	9.1	75.1
San Juan	688,234	69,785	10.1	123.5
San Luis	505,470	28,146	5.6	83.2
Santa Cruz	658,703	58,956	9.0	308.2
Santa Fe	2,438,976	270,403	11.1	89.9
Santiago del Estero	771,368	94,886	12.3	133.5
Tierra del Fuego	345,095	59,490	17.2	595.7
Tucumán	958,343	151,392	15.8	121.4
TOTAL	32,612,201	3,288,843	10.1	92.2

Source: Ministerio de Economía. Subsecretaría de Programación Regional. *Informe Económico Regional. "Cotización de Recursos entre Provincias y Municipios" 1997.*

Figure 4.2



Source: Our own compilation of data based on Ministerio de Economía. Subsecretaría de Programación Regional. Informe Económico Regional. “Coparticipación de Recursos entre Provincias y Municipios” 1997 (Ministry of the Economy. Undersecretary of Regional Programming. Regional Economic Report. “Co-participation of resources between Provinces and Municipalities” 1997.)

Decentralization of Resources and Social Policy

The data analyzed until now has permitted the following conclusions: 1) that the decentralization of resources toward municipal levels has acquired very diverse institutional modalities; 2) that the provinces have demonstrated a tendency to retain a significant percentage of the resources they receive and not decentralize these resources in the direction of municipalities; 3) that even when the percentages of resources that the provinces transfer to the municipalities are relatively low there are important differences that exist in the percentages that each province transfers to its municipalities; and 4) that there is also a large variation in the amount of resources per capita that the municipalities receive.

In the following pages, we will consider whether there have been any changes in the composition of expenditures in the provinces and municipalities in the last ten years. We do know that in the last few years there has been an important transfer of resources toward the provinces and a lesser transfer toward the municipalities. Has this decentralization of resources had any impact on the structure of expenditure? If we heed what the defenders of decentralization allege, we should expect that an increase in decentralized resources should also produce a modification in the structure

Table 4.4: Resources received by provinces and municipalities

Provinces	%Resources of National Origin Received by the Provinces (1997)	Resources p/cápita of National Origin Received by the Provinces (1997)	Resources p/cápita Received by the Municipalities as Share corresponding to municipal co-participation	Unsatisfied Basic Needs (UBN)
	(a)	(b)	(c)	(d)
Santa Cruz	82.8	1,619	334.7	15.2
Corrientes	89.1	1,425	48.7	26.9
Tierra del Fuego	79.5	1,410	595.7	25.5
Catamarca	91.7	1,385	230.6	24.6
La Rioja	93.0	1,251	442.2	23.6
Formosa	95.09	1,140	100.9	34.3
San Luis	82.0	1,089	83.2	18.7
La Pampa	77.9	1,076	218.6	12.0
San Juan	84.8	909	127.8	17.2
Sgo. Del Estero	89.1	899	133.5	33.6
Jujuy	89.0	776	155.6	33.6
Rio Negro	75.7	699	122.9	20.7
Entre Rios	72.6	683	96.6	17.2
Neuquen	69.7	649	211.8	19.1
Salta	81.9	596	75.1	33.9
Misiones	85.6	574	52.7	30.0
Tucumán	80.8	573	83.8	24.6
Córdoba	62.3	539	111.7	12.8
Santa Fe	62.3	455	89.1	14.0
Mendoza	63.6	427	109.5	15.3
Chubut	82.7	338	63.5	19.4
Buenos Aires	46.0	282	80.9	14.7
Chaco	87.1	236	107.9	33.2
Average		827	159.9	22.6

Source: Columns (a) and (b) Grupo Sophia – Fundación Gobierno y Sociedad. *Informe sobre el Presupuesto Nacional 1999*; Column (c) Ministerio de Economía Obras y Servicios Públicos, Secretaría de Programación Económica y Regional. *10 Años en la Relación Fiscal Nación, Provincias y Municipios* Tomo II; and column (d) INDEC 1991.

of expenditures. Usually, it is argued that decentralization permits the execution of expenditure in a more efficient manner and it more clearly distinguishes the needs of the public to which said expenditures are destined. If this is so, one should expect that the process of decentralization has produced modifications in the structure of expenditure. Consequently, we shall examine certain data related to social expenditure.

Between 1990 and 1999 Public Social Spending increased by 68% (See Table 4.5), however, Table 4.6 demonstrates that its share of Gross Internal Product only increased 3% in that period. (See Table 4.5) During those years, Education, Health and Pension Plans continued to be the most significant components of social spending. It is worth noting that since teachers' salaries and the assignations for retirement pensions are considered part of social spending, the share of social spending in the total of public spending acquires an importance that is mistakenly disproportionate (65%). Likewise, it is worth noting that, just as a recent 2000 World Bank report indicates, the inflexibility of the education and pension plan component (whose main focus is on salaries and assignations for retirement pensions) limits opportunities for the reassignment of expenditures within total social spending.

In spite of this, and maintaining these limitations in mind, between 1990 and 1999, the structure of consolidated social expenditures underwent the following minor modifications: the share of spending in education increased 3%, the share of expenditure that went to pension plans decreased 6.2%, the share of expenditure devoted to social outreach, support and welfare increased 1.1%, and the share devoted to jobs increased by 2.4%. Nonetheless, even when during this period the global share of social spending in GDP did not suffer any important alterations, there did occur a significant modification during those years: there was a significant transformation in the manner in which said expenditures were distributed among different levels of government. (See Table 4.7 and Figure 4.3). Hence one can observe that between 1990 and 2001, while social spending in the Nation was reduced by 9%, in the provinces it increased by 8% and in the municipalities it increased by 1%. These modifications in the distribution of social expenditure among the different levels of government coincide with the changes in the distribution of transfers that were detected in the preceding pages. In other words, the tendency toward the decentralization of resources that was carried out toward the provinces

**Table 4.5: Structure of social expenditure by purpose 1990- 1999
(in millions of current \$ 2001)**

Year	1990		1999	
	Consolidated expenditures	% of total expenditure	Consolidated expenditures	% of social expenditure
Function				
Education, Culture, Science and Technology	6871	18.9	13961	22.9
Health	8224	22.7	14235	23.3
Drinking Water and Sewage	268	0.7	395.0	0.6
Housing and Urban Planning	1383	3.8	1249.0	2.0
Social promotion and welfare	1720	4.7	3547	5.8
Pension Plan	15502	42.7	22253.0	36.5
Jobs	770	2.1	2741.0	4.5
Other urban services	1552	4.3	2644	4.3
Total	36291	100.0	61024	100.0

Source: Own compilation based on data from the office of Consolidated Social Spending – Secretary of Political Economy

**Table 4.6: Evolution of public social spending according to share of GDP
(by levels of government)**

Year	National Government	Provincial Gov and GBA	Municipal Gov.	TOTAL
1990	11.09	6.37	1.11	18.57
1991	11.43	6.84	1.35	19.62
1992	10.53	7.85	1.42	19.8
1993	10.22	8.48	1.56	20.25
1994	11.04	8.39	1.52	20.96
1995	11.36	8.38	1.44	21.17
1996	11.12	7.6	1.34	20.06
1997*	10.64	7.74	1.38	19.76
1998*	10.54	7.97	1.47	19.98
1999*	11.13	8.92	1.52	21.57
2000*	10.9	8.88	1.5	21.29
2001**	11.02	9.2	1.61	21.83

(*) Temporary

(**) Estimated

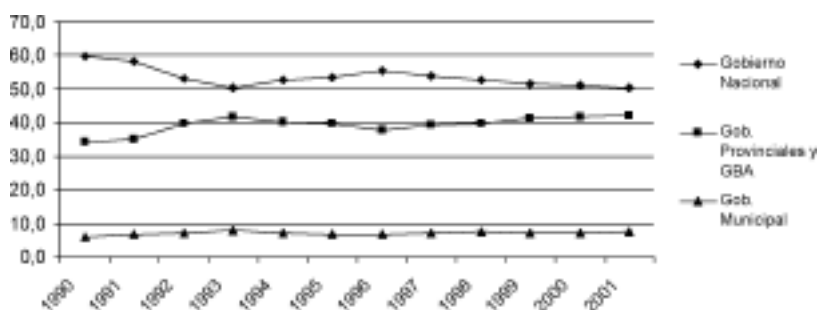
Source: Own compilation based on data from the office of Consolidated Social Spending – Secretary of Political Economy

Table 4.7: Evolution of public social spending according to level of government (in %)

Year	National Govt	Provincial Govt and GBA	Municipal Govt	TOTAL
1990	59.7	34.3	6	100
1991	58.3	34.9	6.9	100
1992	53.2	39.6	7.2	100
1993	50.4	41.9	7.7	100
1994	52.7	40	7.3	100
1995	53.6	39.6	6.8	100
1996	55.4	37.9	6.7	100
1997*	53.8	39.2	7	100
1998*	52.8	39.9	7.4	100
1999*	51.6	41.3	7	100
2000*	51.2	41.7	7.1	100
2001**	50.5	42.1	7.4	100

(*) Temporary (**) Estimated

Source: Own compilation based on data from the office of Consolidated Social Spending – Secretary of Political Economy

Figure 4.3 Structure of Public Social Spending according to Level of Government (% of Public Social Spending)

Source: Own compilation based on data from the office of Consolidated Social Spending – Secretary of Political Economy

and to a lesser degree toward the municipalities was also carried out in the distribution of social expenditure. In this case as well, the major beneficiaries of the decentralization of expenditure were the provinces and to a lesser degree the municipalities, to the detriment of the federal government.

We have already observed that between 1990 and 1999 the structure of consolidated social expenditure underwent only minor modifications. What must be asked, however, is if the decentralization of social expenditures toward provincial levels brought about any change in the composition of expenditures. Table 4.8 gives us a first response to this question. Between 1990 and 1999, the provinces increased their share of almost all the categories that make up social expenditures: education, health, housing, social outreach and support, and jobs. Even though all these categories registered increases, three observations deserve to be made:

1. Just as that which occurs in the composition of consolidated social expenditure, when one analyzes the composition of social spending on a provincial level, education and health dominate the scene. Likewise, one must note that the share of these two categories grows significantly in the composition of provincial social expenditure. Given the results pointed out in Falletti's chapter, this should not surprise us.
2. The data also demonstrate the virtual disappearance of spending on housing on a national scale and its concentration on a provincial level.
3. In the structure of provincial expenditures one may also observe the appearance of a category that did not exist the decade before: spending on jobs.

What happened with the structure of social spending at the municipal level? Here too there are increases registered in the share of various categories. However, the most significant increase was the increase experienced in the share devoted to social outreach, support and welfare within the structure of municipal spending. While in 1990, the municipalities spent 17.5% of resources destined to social outreach, support and welfare, in 1999 they disposed of 25.1% of the same. Therefore, in hopes of (1) analyzing whether decentralization of resources toward municipal levels

Table 4.8. Social spending by level of government 1990- 1999

Year	1990				1999			
	Nation (%)	Provinces (%)	Municipalities (%)	Consolidated (millions of \$)	Nation (%)	Provinces (%)	Municipalities (%)	Consolidated (millions of \$)
Education, Culture, Science and Technology	37.1	61	1.8	\$ 6,871	15.7	76.4	3	\$ 13,961
Health	60.8	34.3	4.8	\$ 8,224	50.9	43.5	6.2	\$ 14,235
Drinking Water and Sewage	14.1	85.8	0.0	\$ 268	17.2	82.8	0.0	\$ 395
Housing and Urban Planning	6.0	93.9	0.0	\$ 1,383	0.2	99.8	0.0	\$ 1,249
Social outreach, support and welfare	45.1	37.2	17.5	\$ 1,720	22.7	52.2	25.1	\$ 3,547
Pension Plan	80.3	19.6	0.0	\$ 15,502	80.4	19.6	0.0	\$ 22,253
Jobs	100.0	0.0	0.0	\$ 770	92.0	7.9	0.0	\$ 2,741
Other Urban Services	0	13	86.9	\$ 1,552	0.0	13.5	84.1	\$ 2,644
Total	59.7	34.2	6	\$ 36,291	51.6	41.3	7.2	\$ 61,024

Source: Authors' compilation based on data from the Ministry of Economy.

had any effect on the development of institutional and administrative capabilities at the local level, and (2) evaluating whether this decentralization had any impact on models of traditional administration as well as the democratization of public policies, we shall examine in the following pages, with the help of certain case studies, the manner in which the municipalities and the organizations administered these resources.

DECENTRALIZATION AND DEMOCRATIZATION OF SOCIAL POLICIES IN ARGENTINA⁵

Both decentralization and focalization became key support strategies for state reform in social spending. Within this context, decentralization had two principle purposes: to discharge part of social expenditures (health and education) from the national budget to the provinces and to improve the efficiency and the effectiveness of expenditures, by decentralizing the expenditure of services.

Decentralization has had a dramatic effect at the provincial level, as public social spending in provincial governments rose from 5.59% of total public spending in 1989 to 9.29% in 2001. In the case of the Province of Buenos Aires, the relationship in the execution of consolidated spending in social outreach, support and welfare in 1999 was 53% at the provincial level and 23% in the municipalities.⁶ In Argentina in 1985, less than 35% of social expenditures were carried out by municipal and provincial governments and by 1999 this amount had risen to 70%. As can be observed in Table No. 4.8, the category with the most significant increase in spending for municipalities was in the area of social outreach, support and welfare, which was directly linked to the execution of focalized programs for populations with Unsatisfied Basic Needs (UBN).

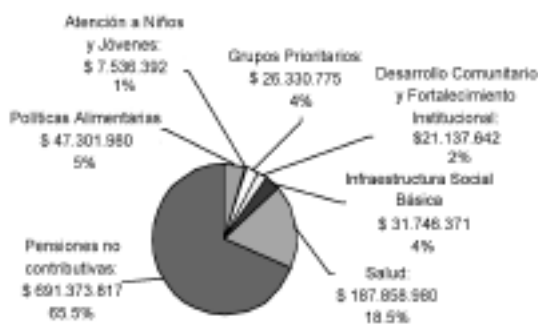
As for amounts and distribution criteria, according to official statistics, excluding the programs of the National Commission on Healthcare Pensions (CNPA), the average expenditure of focalized social programs of the Ministry of Social Development and the Environment (MDSyMA) was \$2.80 per capita. Observing the distribution of expenditure for the number of residents with UBN in each province, Tierra del Fuego receives the most funds per person with UBN at \$83.30; La Rioja is next with \$65.40; and La Pampa third with \$54.00. There is no correspondence between the UBN indicators and the amount spent per person in cases such as Jujuy or Formosa, these being the provinces with UBN indexes higher than those previously mentioned, and where the amounts assigned are sensibly lower per person with UBN, \$38.00 and \$18.30 respectively.⁷

Despite the capability that the municipalities have to carry out focalized social programs, these have taken a residual place within public social spending. This tendency has been constant since 1995. In Graph 1, the two largest categories in social spending are non-contributive pensions (PNC), with more than 65% of the expenditures, and health services destined to PNC beneficiaries, with more than 18%. The balance is distributed among the rest of the programs, although food policies reached a significant 5% of total expenditures in the year 2000.

Municipal Capacity

Municipalities were the principle entities responsible for implementing decentralized/focalized social programs. It is, therefore, particularly

Figure 4.4: Amounts allocated up to December 31, 2000 by the focalized social programs of the MDSyMA. (In pesos and in percentages).



Source: Own calculations based on data from Siempro.

important to observe the capacity these municipalities have to assume their responsibilities for these programs.⁹ To do this, we can look at the way decentralization has influenced three indicators: the areas of incidence of the decentralized programs, the mechanisms of inclusion involved, and the degree of social participation.

These decentralized national programs, destined toward groups at risk, have low levels of average expenditure. Those with relatively more resources are those for the elderly; housing and infrastructure; and child care. Other programs, including those dealing with education, jobs and training, and children and adolescents fall within the \$150 to \$250 million range.¹⁰

Municipalities tend to create their own programs in areas such as youth, handicapped services, housing improvement, tourism, and security where the national and provincial governments are not active. They use their own resources to meet needs that no one else is attending. Municipal programs often combine more than one source of resources and they are characterized by making intensive use of preexisting resources (municipal personnel, unused equipment) and for financing what is within the current budget.

The programs analyzed until now have more than one focalization (socio-economic indicators, territorial location, problems encountered by different age groups and gender groups), so it becomes possible for one family to be the object of one or more focalized programs, while other

families that live under similar conditions can be excluded. National and provincial focalized programs, even though they have a significant number of beneficiaries (in relation to the amount of resources they administer) focalize territory and particular groups of recipients within the specific sectors to which they are directed. On the other hand, municipal programs (although much more modest in their budgets) have a tendency to privilege the *family* as the subject of social policy. In many cases, this is accompanied by control mechanisms that allow for greater transparency, ongoing attention to the beneficiaries, and a means for evaluating the results. The municipalities have often gone further than provincial governments in creating these mechanisms.

Finally, many of the decentralized programs call for the participation of non-governmental organizations and of the beneficiaries themselves.¹¹ In fact, one can observe that these programs established direct channels between the beneficiaries and the executors, and in some cases they were the same group. The experiences in matters of participation of the beneficiaries are heterogeneous, but they offer certain regularities, such as the recognition on the part of the beneficiaries of new capabilities for the control and administration of the programs of which they are the objective; the elaboration of more structured networks of cooperation between residents and organizations; and new articulations between society and state as a result of the obligatory interaction that the model of participatory development encourages.¹²

An aspect worth highlighting is that the municipal programs (in contrast to the provincial and national ones) tend to establish a direct relationship with the beneficiaries (be they families or organizations), without setting up social organizations as mediators and/or co-executors of the services destined to families (a frequent condition in national and provincial programs). The NGOs tend to have some links to municipal programs largely derived from requirements imposed by the province or the nation in order for municipalities to benefit from the social programs.

The pragmatic and instrumental value that participation acquired in focalized programs allows us to propose at least two hypotheses. On the one hand, these experiences appear to leave behind a greater capacity in social organizations that permits a certain degree of empowerment in the face of the arbitrariness of changing political circumstances. On the other hand, it appears that organizations cannot generally sustain themselves when the resources are withdrawn.¹³

In many municipalities traditional clientelistic practices are gradually being displaced by more democratic and effective mediums. Many municipalities have *jornadas consultivas* (open forums) or public audiences between municipal officials and citizens. These and other mechanisms of periodic consultancy have been extended as of late over and above the normative dispositions of the provinces or of municipal home rule. These have emerged largely on the initiative of mayors who see that these instruments increase their ability to govern effectively in the territory (Clemente and Kors 2001) .

DECENTRALIZATION AND CIVIL SOCIETY

The term civil society organization (CSO) encompasses an endless number of organizations, heterogeneous not only because of the topics to which they devote their work but also for the variety of functioning, structure, and institutional objectives. The term includes not only neighborhood organizations, mutual benefit societies, clubs, and outreach and support societies but also foundations, centers for investigation and non-governmental organizations that work in the areas of outreach, support and development. The National Center of Community Organizations (CENOC), which was created by the Social Development Secretariat to register CSO's, has found that among CSO's, approximately 46% are support organizations (NGOs) and 54% are grassroots organizations. The difference between the two is the origin of its members and the recipients of their activities. While grassroots organizations are integrated by persons of the same community, acting principally in relation to these members or other members of the community, the organizations of support are formed by people that are not part of the community in which they carry out activities. Moreover, in general, the method of action of support organizations is to sustain the work carried out by grassroots organizations through donations, training or consultancy services, since frequently these last possess a little developed administrative capacity and in general lack human resources. On their part, support organizations count on human resources that have professional training and professionals with organizational structures that permit them to count on administrative and managerial capacity, which they also use in their search for funds for their financing.

The projects that are carried out by grassroots organizations tend to be oriented to helping those that need to cover a basic necessity, to the improvement of the community of which they are part, and not less importantly, to train their members for overcoming problems.

A poll carried out by the Union of Argentine Workers (CTA) of 265 community organizations in 24 municipalities around Buenos Aires in the year 2000, shows that 68% of the grassroots organizations active in the province work exclusively in their neighborhood, while 24% have functions beyond their neighborhood but within the same municipality.¹⁴ This data demonstrates the territorial character of the work of these organizations. Most organization leaders interviewed, 90 percent, indicated their interest in participating in the decisions taken by the municipality, while 88 percent of the organizations revealed a favorable attitude toward co-participation in the initial design of the programs or in the planning on a municipal or neighborhood level. These organizations now play an important role as the nexus between social programs and government plans and the neighborhoods. In a third of the associations interviewed, external revenue was more important than other sources of financing, less than two thirds of the CSO's are sustained principally with income generated by their own activities or by the collection of social fees.

A poll carried out by the IIED-AL and the Municipality of San Fernando, Buenos Aires Province of a sample of grassroots and intermediate organizations found that all the organizations have frequent contact with the municipality and 70 percent of them have a direct working relationship with the municipal government.¹⁵ The majority of organizations polled said they had frequent contact with local government and worked in conjunction with the municipality. Several of these groups explained that they are linked to more than one area or functionary. These findings suggest that CSO's have frequent collaborations with the municipality and indicate that the relationships go beyond traditional clientelistic relationships with particular political leaders.

Decentralization is supposed to contribute to the development of new institutional capacities in the neighborhood organizations, extend their arenas of action, and develop new kinds of interaction among governmental and nongovernmental actors in the public policy process. Our research suggests that even if these transformations are not always observed explicitly in all cases, there is a growing democratization and

horizontalness of links and relations in the policy process. The new institutional responsibilities lead to the incorporation of participatory practices for the resolution of problems. Although the old clientelistic practices do not disappear entirely, it is interesting to note how these diminish as leaders are forced to devote time and interest to new issues and actors.

Moreover, the organizations that have had the opportunity to participate in collaborative ventures with municipal governments have developed capabilities to assume new roles to execute and monitor projects. In some cases the quality of the services offered by these organizations can compete with those offered by the municipality. This positions the organizations on a horizontal level with respect to local government, formerly understood as the only level capable of offering certain technical conditions. Even though the differences of roles and responsibilities that should exist between state institutions and non-governmental ones (such as neighborhood organizations) does not escape analysis, this technical capacity self-evaluated by the same organizations is important at the hour of considering collaborative models between local governments and neighborhood organizations in the framework of decentralized processes.

However, these new institutional responsibilities are not yet sufficient for acquiring spaces for a wider participation in the design of social policies at a local level. There still exists on the part of local government, a monopoly on designing policies. It is important to point out that this monopoly on the part of local government reproduces the same practices to which national and provincial governments subject municipal governments, which are essential objects of predetermined social programs.

The relation of the neighborhood organizations with the private sector in the framework of participation in multi-actor processes (with the special intervention of the local government and NGO's) has resulted in the recognition of their rights by these companies. The participation of local governments promoting the support of CSO's, transferring principally technical information to the same, contributes to the development of more equitable relations between the companies and the CSO's and also generates another code of participation.

At the same time, participation in decentralized programs has generated new inter-institutional relations deepening the promotion of inter-neighborhood networks, opening spaces of exchange and information and above all, new scenarios for the negotiation and resolution of critical

conflicts. Even though these processes are generally started by the programs, they often continue on beyond the duration of the programs themselves, and methodologies from one experience can be applied to other needs.

In conclusion, the institutionalization of new decentralized practices is part of the processes that have been initiated in the recent times where the will of the intervening actors is that these policies and programs be reproduced, thereby providing instances that each time are more embracing and participatory. The decentralized processes favor the construction of a social fabric that sustains action and policies, consequently permitting the reform that is needed in order to attend to local demand.

These decentralized processes also enclose certain contradictions. Even though it is possible to perceive a transformation in the relationship between CSOs and the local government, it is not so clear whether these transformations also occur within the organizations. Even today, one can perceive the lack of true processes of internal democratization within CSOs. Less than democratic processes in the external environment are also reproduced internally within organizations. Many organizations count on strong internal leadership (extremely important in development processes), but they are incapable of renewing it or widening their internal bases of consensus.

Another important contradiction worth mentioning is the lack of a transfer of resources and information proportional to the transfer of responsibilities. Not all the participating actors in these decentralized processes count on the necessary information or with the necessary resources at the moment of assuming the responsibilities. Moreover, participation of neighborhood organizations is often still understood with the concept of volunteer work. There is always a part or the totality of the organizations' work in social programs that is considered a voluntary contribution, be it from the leaders or the residents. This concept does not correspond to the level of responsibilities these organizations assume which for the most part turn out to be quite costly in social terms.

Finally, with respect to the contradictions that these decentralized processes put forth, we should mention those related to the differentiation of responsibilities between local governments and neighborhood organizations. The decentralized processes, even when one is dealing with processes of agreement, participatory planning and joint management or

the construction of alliances, start from a relationship between the local government and the CSOs that is asymmetrical and, in many cases, instrumental for both parties. Taking new decentralized practices as the starting point, new spaces of discussion are being opened to deal with the new responsibilities that these actors have in the face of the management and monitoring of their responsibilities.

CONCLUSIONS: DECENTRALIZATION, MUNICIPAL DEVELOPMENT, AND CIVIL SOCIETY

In countries like Argentina, where the federal structure permits that each province establish its own regime of municipal autonomy, the specific form that fiscal and political decentralization of the provinces and municipalities acquired has assumed many different shapes and degrees. This suggests, then, that the analysis of the process of municipal decentralization should be carried out case by case since we are not confronting a unique process of municipal decentralization, but rather many processes as municipal regimes have been established at provincial levels. Consequently, in this institutional context and given the uncertain character of the results of the process of decentralization, one cannot guarantee that decentralization will produce the potential benefits that its defenders claim.

In matters of fiscal decentralization, it can be concluded that the municipal landscape is doubly heterogeneous. The data analyzed allows us to conclude that (1) the decentralization of resources aimed at municipal levels acquired very diverse institutional modalities, (2) the provinces have shown a tendency to retain a significant percentage of the resources they receive and not decentralize further toward the municipalities, (3) even when the percentages of resources that the provinces transfer to their municipalities is relatively low, there are important differences that exist in the percentages that each province transfers to its municipalities, and (4) that the variation in the quantity of resources per capita that the municipalities receive is also very high.

Between 1990 and 1999, the provinces increased their participation in almost all the categories that together make up social expenditure: education, health, housing, outreach/training and employment. However, even though all these categories registered increases, education and health con-

tinued to dominate. Likewise, one must note that the participation of these two categories significantly increases the composition of provincial social spending. Moreover, housing has virtually disappeared as an expenditure at the national scale; it is instead being executed at the provincial level. In addition, spending on jobs has emerged for the first time.

As far as the impact on decentralized programs in municipal administration is concerned, it is worth noting that on this level the most significant increase in spending took place in the programs of outreach, support and welfare – and that this increase was directly linked to the execution of focalized programs for population with UBN and vulnerable groups in general. Therefore, the development of municipal capacities as a product of decentralization makes itself apparent in the manner by which these governments execute these resources. In this respect, one observes that localization, type and amount of decentralized social programs reproduce the heterogeneity that the process of decentralization presents overall. For example, if we take amounts and criteria of distribution of these programs, one observes: a) that a connection between UBN indicators and amounts spent per person does not exist (Figure No. 4.1), and b) that even if the capacity that the municipalities had to execute social programs is evident, when we analyze the participation of the focalized programs in total public social spending with respect to the year 2000, one confirms the residual place of said programs that is not more than 10% of the total of social expenditures. Therefore, one can conclude that the principal additional resource that the municipalities managed in a decentralized manner was not only not very significant in terms of total spending, but it also implied mechanisms of access as diverse as the programs that existed.

Another aspect worth noting is the degree of the initiative that the municipal governments took in order to correct the deficiencies of the predefined social programs that were decentralized in their territories. The deficiencies in coverage and of vacancies of the decentralized programs permitted municipal governments, after a few years of training in the execution of social programs, to act in areas not attended to by other levels of government. In other words, they assigned their own resources in order to attend to problems that were not covered by decentralized programs from the provinces or national government. This has led them to carry out programs with municipal resources in areas such as youth, dis-

ability, housing improvement, tourism, and security, among others; to combine resources of different national and provincial programs according to the necessities and possibilities of financing; and to provide continuity to programs discontinued at central levels. This had significant budgetary consequences on already scant municipal finances.

The analysis of concrete cases permits the observation of conditions that influenced the conversion of certain decentralized programs into municipal policy. This passage seems to be more linked to political and technical questions than to those of a purely budgetary nature. In a preliminary manner, we can say that the possibility that the municipality assumes provincial or national programs as their own policies (besides budgetary limitations) is mainly associated to three types of questions: the degree of social consensus in the municipality on the problem attended to by the program and its possible solutions; the negative impacts that could be associated to the principal problem in the case of no intervention (for example, social and political consequences of the discontinuing of a nutritional program) ; and the degree of conflict associated with administrative models imposed by central levels (for example, excessive focalization of the beneficiary population).

With respect to social participation in the framework of decentralization, it must be noted that the model of joint management proposed by new social programs has opened a new scenario for the interaction between governmental and non-governmental institutions. It implies an alternative to the preexisting model of radial management between grassroots organizations of civil society and municipal government. It has generated a change in the position of these organizations and enabled, in certain cases, the formation of networks of cooperation between organizations and greater access to a more horizontal relationship with local government.

The experiences in the matter of the participation of beneficiaries in decentralized policies were heterogeneous, but they offered certain regularities such as: new capabilities of the beneficiaries for the control and administration of programs; more structured networks of cooperation between residents and organizations; and new aspects of coordination between society and state, a product of the obliged interaction that the model of joint management imposes.

With respect to the contradictions that these decentralized processes put forth, we must mention the difficulties encountered while attempting

to differentiate responsibilities between local governments and neighborhood organizations. The decentralized processes, even when they are about concerted processes planned in a participative manner, joint management or the construction of alliances, originate in a relationship between municipalities and CSOs that is asymmetrical and in many cases instrumental for both parties due to the rationality of each one of the actors. The new decentralized practices have opened a new space of conflict regarding the new responsibilities of these actors, as they begin to confront the responsibilities and control of governmental administrations.

Overall, the results of our research demonstrate that in spite of the residual and experimental character that these decentralized social programs have had in the total of public social spending, in those municipalities where there decentralization occurred, the results were positive. However, we need to make certain clarifications here that will permit the understanding of the context and the relevancy of these policies within the global scenario. The results of this investigation refer to cases in which there was a decentralization of resources toward the municipal level and where, moreover, the local organizations were the object of decentralized programs. In order to be eligible as beneficiaries of a focalized program, the municipalities had to have some of the following characteristics: a) more than 100,000 inhabitants, b) indicators of poverty with a high degree of concentration, c) capacity to contribute a financial counterpart or human resources, d) be the capital of a micro region or belong to a priority province. Only 5% of the 1,929 municipalities in Argentina have more than 100,000 inhabitants. Consequently, one can infer that only a very small percentage of municipalities could be beneficiaries of these programs. This indicates, then, that the universe of application of social policy by way of decentralized procedures was doubly restricted. On the one hand, this was due to the residual character that focalized programs occupied within the total of social spending, and on the other hand, it was due to the small universe of municipalities able to convert themselves into beneficiaries of decentralization.

Our research has also demonstrated the transitional character social policy resources have had within the municipal budget. Given the temporary nature of the contributions that external cooperation has cofinanced, municipal governments had to develop multiple strategies in order to adapt programs to their needs. In some cases, they took charge

with their own limited resources in order to carry forward discontinued programs. Such cases lead us to wonder what has happened in those municipalities where governments could not take charge of decentralized/focalized programs or deal with the demand for massive assistance that was the result of the increase in poverty immediately after focalized programs.

All this demonstrates that in the Argentine case before there was decentralization, diffusion was the order of the day. Some mayors that were consulted pointed out that, in Argentina, one must speak of the *municipalization of the crisis more than the decentralization of the state*. In this same manner, it can be concluded that municipal governments have been reconstituted since they have gone from being providers of public services to generators and executors of public policy. This is a process that is being consolidated due to the interest of local governments and their citizens. However, it would be desirable to have the normative modifications (institutional, political and financial) correspond to the new responsibilities and competences that in fact are carried out by the municipalities. Otherwise, many of the positive observations shed by this investigation, as regards the development of the capacities of municipal government and the democratization of the relations between society and the state, may one day be reverted.

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NOTES

1. This chapter is part of a larger research project supported by the WWICS that has included five documents. The other documents are:

Faletti, Tulia. *Federalism and Decentralization in Argentina. Historical Antecedents in the relation between the Nation and the Provinces*. UTD/WWICS. September 2001.

Faletti, Tulia. *Historical antecedents in the process of Decentralization and the Political and Institutional Stage of Decentralization in Argentina*. UTD/WWICS. February 2001.

Decentralization and the Development of Capacities for the Administration of Democratic Government.

Adriana Clemente. *The Case of the Municipality of San Fernando* (working document). IIED-AL/WWICS. November 2001.

Gaston Urquiza and Florencia Almansi. *Decentralization and the development of capacities in the OSC. The case of the Municipality of San Fernando*. IIED-AL. April 2002.

2. The municipal regime of the province of Buenos Aires, for example, is governed by a Provincial Constitution and by Provincial Law Dto. -Ley 6769/58 (Province of Buenos Aires 1958). There does not exist in the provinces any municipalities with autonomy to dictate their own home rule and the local administration is organized according to a strict administrative procedures manual. On the other hand, besides the intergovernmental transfers of the Province to the municipalities governed by the Provincial Co-participation Law No. 10559 T.O. 1069 (Province of Buenos Aires, 1985), there exist ad hoc mechanisms called "special transfers", that are granted discretionally by the Provincial Executive Authority to local governments. A final important aspect is that the Province of Buenos Aires has still not adapted its Constitution to the new incorporation of municipal autonomy provided

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for in clause No.123 of the National Constitution

3. In Resistencia, for example, more was collected for payment of vehicle license plates, that amount to about 25 thousand in the city, than for the property tax, that covers 50 thousand urban properties. This is associated with, on the one hand, the situation of land registries and, on the other, fiscal administration and the behavior of inhabitants (Pérez, Pedro, 1996).

4. The basis for this chapter is the advance report “Decentralization and Development of Capabilities for Democratic Government Administration”. The case of the Municipality of San Fernando. Adriana Clemente. Presented in the Forum on IIED-AL/WWC. Buenos Aires October 2001.

5. Economic Notebooks No. 50. The distributive impact of public spending in social sectors in the province of Buenos Aires. An analysis in the Survey on Social Development. La Plata. 2000.

6. Reports on Social Policy and Programs No. 2. Analysis of the expenditure of focalized social programs of the MDSyMA during the year 2000. SIEMPRO. Buenos Aires April 2001.

7. For the municipalities that carried out these focalized programs (of national or provincial character) the incidence of these programs in their budgets was important. For example, in the case of the MSF (Prov. Of Buenos Aires) of the 2.5 million that the SDS executed in the year 2000, 45% of these resources were items contributed by these programs.

8. The empirical base of these observations is the result of a case study of the Municipality of San Fernando (Prov. Of Buenos Aires), that was carried out by the IIED-AL, in the framework of the Investigation on “Decentralization and Democratic Governance in Argentina”. IIED-AL/WWC/UTD. 2000-2002.

9. Management of social risk in Argentina. WB. Year 2000.

10. Both the World Bank and the IDB mandate transparency, research, and participation in order to put into practice programs of cooperation between member countries. See Diana Tusse (1996).

11. Of the programs analyzed in this report, those that stand out in the line of active participation of the beneficiaries in their implementation are : PROMIN (WB), PAGV (IDB) and ASOMA (SDSandMA).

12. Kazman (1999) argues that the level of vulnerability (as a capacity of control over risks) is linked to the capacity of the family group to manage its assets as required resources for taking advantage of the opportunities that the medium offers. The notion of assets refers to the resources of homes and the strategies that they use to mitigate their problems.

13. The mentioned poll was carried for presentaion during the meeting held in 2001 under the auspices of the Central de Trabajadores Argentinos “Social Movements and Political Representation”.

14. Poll realized with the participation of grassroots organizations in San Fernando, carried out by IIED-AL, March 2001.

Mexico: Decentralization from Above¹

YEMILE MIZRAHI

One of the most peculiar features that has characterized the Mexican political system throughout its history has been its excessive political and economic centralization. Although according to its Constitution, Mexico officially has a federal system of government, in practice power has remained firmly concentrated in the federation.

Centralism in Mexico has deep historical roots. Since Aztec times and later during the Colonial period, the center has dominated the periphery. During the nineteenth century, the conflict between the liberals with their federalist ideas and the conservatives who were defenders of centralism ended with the construction of a state that was officially federal but strongly centralized. As Mauricio Merino affirmed, “the synthesis between the liberal ideas of the times and the rural reality of the country was what was established in daily practice” (Merino 1992, 12).

The centralist tradition dominated again after the Revolution of 1910. Although the Revolution began in the periphery as a rebellion against the centralist and dictatorial regime of Porfirio Díaz, it ended by consolidating an extremely centralized and authoritarian government. Compared to other countries, Mexico has one of the most centralized governments in the world, even when compared to countries with unitary systems of government (Díaz Cayeros 1999).

The results of centralization in modern Mexico have been excessively negative: a serious regional imbalance (relatively rich states in the north of the country and excessively poor states in the south), a very unequal distribution of wealth (one of the most unequal in Latin America), enormous bottlenecks impeding efforts to guarantee sustained economic development in the country, and low levels of efficiency and efficacy in public services provided by the government.

Given the government's deteriorating capacity to respond to the population's growing needs and demands, and given the resulting erosion of political legitimacy at all levels of government, the federal government was motivated to introduce administrative reforms aimed at decentralizing functions, powers and resources to state and municipal governments. Although the government promoted decentralization as a "democratic" measure, in reality the federal government's objectives were neither to increase political participation nor to introduce democratic reforms, but to increase government efficiency and maintain the hegemony of the PRI in power. Paradoxically, as we will see further on, these reforms did not substantially increase the government's efficiency, and yet they did successfully contribute to the erosion of the PRI's hegemony.

Following the recommendations of international institutions such as the World Bank and the Interamerican Development Bank, since 1970, and especially since 1982, the government has promoted a series of decentralization policies aimed at imprinting improved efficiency and agility on the state apparatus and thus legitimizing the state in the eyes of society (Cabrero 1998a). The central idea behind these policies is that state and municipal governments can be more efficacious in the provision of public goods and services because they are closer than the federal government to the users of these services and, therefore, can be more sensitive to the needs and preferences of the populations in each region (Banco Interamericano de Desarrollo 1997).

Approximately twenty years after the introduction of these reforms, it is worth asking what have been the results of decentralization in Mexico? What forms have these decentralization policies taken? And what challenges still lie ahead?

Without a doubt, compared to 1982, today states and municipalities possess greater functions, powers and resources to help them carry out their governmental tasks. Nonetheless, Mexico continues to be a very centralized country. Compared to other Latin American countries, both public expenditures and revenues continue to be very concentrated in the federation. Even though today the states and municipalities have greater economic resources, they continue to depend financially on the federal government and perhaps more importantly, lack the autonomy necessary to manage those resources. The states and municipalities do not have sufficient maneuvering room to make their own decisions, design their pro-

grams, and introduce innovative solutions to resolve their problems. In fact, state and local governments in Mexico continue to play a marginal role in the promotion of economic development. Maybe that explains why twenty years after the introduction of decentralization policies, Mexico continues to be a country with serious regional imbalances and profound social inequalities.

To a large extent, the forms that these policies took and their results can be explained by the weight of the centralist tradition in Mexico. Decentralization was a process induced from above and aimed at decongesting the load of responsibilities of the federal government. Decentralization in this sense follows a centralist logic. But traditions do not last on their own nor do they have relentless inertia. The forms taken by the decentralization policies in Mexico are best explained by their political purpose: the hegemony of the Institutional Revolutionary Party (in Spanish, PRI).

Decentralization did not promote nor did it have the intention of promoting a new political equilibrium among the federal, state and municipal governments. Nor was it destined to foster increased democratization in the political life of the country. Decentralization was conceived as an administrative and not a political reform. As we will see further on, the governments of Miguel de la Madrid (1982-1988), Carlos Salinas de Gortari (1988-1994) and Ernesto Zedillo (1994-2000) tried to achieve increased levels of efficiency and efficacy in the provision of public services, but without losing the reins of political control.

The long-lived hegemony of the PRI left a unique imprint on the decentralization process in Mexico. Thus it was no surprise that as a result of the strengthening of the opposition since the mid-1980s, the drive for decentralization has acquired increased dynamism. In effect, once the opposition parties controlled various state governments,² the theme of federalism was converted into one of the most important public issues in the country. As we will see further on, both the opposition political parties and diverse non-governmental civil organizations strongly pressured the federal government to redefine intergovernmental relations in Mexico and revise the old subordination of states and municipalities to the central government, most of all in the area of fiscal activities.

The decentralization process that began top-down and with the intention of increasing the capabilities of the government and maintaining, at

the same time, political control, ended without achieving its objectives. In spite of the introduction of decentralization policies, during the last twenty years the quality of life of the majority of Mexicans has deteriorated significantly, the number of poor people has risen³, regional inequalities have continued and in some cases worsened, and the PRI finally failed to maintain its political control. In the year 2000, for the first time in history, the PRI lost the presidential elections.

In the following pages, we will describe the principal characteristics of intergovernmental relations in Mexico, analyze the different decentralization policies that have been introduced in the country, particularly since 1982, and evaluate their results.

CENTRALIZING FEDERALISM IN MEXICO

Mexico's political Constitution establishes in Article 40 that "the United States of Mexico is a federal, representative and democratic Republic." In practice the political system has been centralized, authoritarian and not very representative. To a large degree, the contradiction between the official federalism and the actual centralization is captured in the same constitutional text, since at the same time that the Constitution recognizes the federal pact, it grants to the executive power broad discretionary powers to intervene in a great diversity of public matters. According to Marván, the concentration of power and centralism "are not foreign to the design of federal institutions established in the Constitution.... Rather they result from the implementation of a combination of constitutional provisions that permit the centralization and concentration of power" (Marván 1997). According to the Constitution, the federal government has the power to intervene in matters of commerce (domestic and international), education, health, work, agriculture, energy, natural resources, and nutrition. Over the years, the federation has concentrated powers that originally were held jointly with or reserved for the states (Díaz Cayeros 1995). From an economic perspective, the federal government also has been centralizing fiscal powers: the federation has the exclusive power to collect income taxes, and, since 1980, also sales taxes.

In addition to its powers to intervene in these areas of public policy, the executive has the power to introduce legislative proposals in Congress and possesses an enormous influence in the definition of the federal budg-

et. The Constitution does not authorize the Senate of the republic to participate in the approval of the federal budget. The budget is discussed and approved only by the Chamber of Deputies, which prevents the states of the republic from participating – through their representatives in the Senate – in the decision of how much and how resources are spent within their state limits (Marván 1997).

Strictly local responsibilities are defined by exclusion: according to Article 124, all the powers that are not expressly granted to the federation are understood to be reserved for the states (Merino 1992). However, almost all of the constitutional articles contain restrictions that limit state authority. In fact, as Courchene and Cayeros affirm, “the Federal Pact of Mexico, mentioned in various articles of the Constitution, reflects certain distrust in the states.” And, they add, the references to federalism in the Constitution are more related to the division of power, and not, as in other federations, to the way that federalism improves the living conditions of citizens,” (Courchene and Díaz Cayeros 2000: 203).

Political centralization, nonetheless, also is explained to a large degree by political reasons: the prolonged hegemony of the PRI. Since its birth in 1929 and until the year 2000, the “official party” controlled the federal executive power without interruption. Until the middle of the 1980s, the PRI controlled the majority of municipalities in the country and governed in all the states of the republic. And until 1997, the PRI maintained an absolute majority in the Congress. As C.F. Friedrich suggests, given the absence of an operating political opposition, “federalism is condemned to remain on paper.” Federalism needs political plurality to be able to function. If the same political party controls all levels of government, and opposition political parties do not have real opportunities to “oppose,” the counterweights officially established in a federal system become inactive⁴ (Friedrich 1996).

The hegemony of the PRI permitted the federal executive to control and subordinate other levels of government, both in the political and economic realms. The president of the republic, who was the natural leader of the party, not only possessed the power to decide who ought to be the candidates to fill different offices in the popular election, but also had discretionary power to transfer resources to the states and municipalities. In spite of the existence of well-established formulas for transferring economic resources to the states and municipalities, the federal government

concentrates the largest part of public revenue and expenditures in its own hands and possesses a great amount of autonomy in spending and investing resources throughout the national territory.

The lack of political opportunities outside of the PRI gave rise to an important discipline within the party. Insubordination of the governors or municipal presidents to the executive had serious consequences, from financial strangulation to the removal of their public duties.⁵

Since the government of President Lázaro Cárdenas (1934-1940), Mexican federalism has taken on a “centralist” character (Hernández Chávez 1993). By expelling Plutarco Elías Calles from the country,⁶ Cárdenas was able to consolidate presidential power and subordinate the Congress and the Supreme Court of Justice to the executive. Using the broad discretionary powers granted by the Constitution, Cárdenas expropriated enormous tracts of land and carried out the greatest redistribution of agricultural land that has been carried out in the country since the Revolution. Faced with the fear of fomenting local despotism, and starting with the assumption that state and municipal governments lacked the capability necessary to organize and promote development, the federal government centralized the definition and implementation of social and economic policies in the country. Since then, power concentrated in the country’s capital and specifically in the presidency remained key to the stability of the country (Merino 1992).

Until the 1970s, the excessive economic and political centralization did not seem to overly concern the government. The country had grown at sustained annual rates of 6% and maintained low levels of inflation. In addition, the PRI maintained an almost absolute hegemony of power and until 1968⁷, political stability did not seem to be threatened.

The central idea of economic policies since the 1940s was import substitution industrialization. Although industrialization became the principal motor of the economy, it also was one of the factors that most contributed to the deepening of regional imbalances. Industrial activities were principally concentrated in the center and some states in the north of the country (Cabrero 1998a).

Toward the beginning of the 1970s, the Mexican “economic miracle” began to show signs of exhaustion. The economic deceleration, on one hand, and the excessive economic concentration in the center of the country on the other, motivated the government to seek solutions to

reverse these tendencies. It is in this context that decentralization began to be considered for the first time as a public policy tool to relieve the federal government of its excessive responsibilities and functions and achieve, in this manner, increased levels of efficacy and efficiency in public services and a greater equity among regions.

DECENTRALIZATION POLICIES IN MEXICO

The Rhetoric of Decentralization (1970–1982)

The government of Luis Echeverría (1970–1976) was the first to become interested in decentralization as a strategy to promote economic development in other regions of the country. Although the government promoted plans and programs that incorporated the idea of “regional planning” and carried out studies about the country’s different regions (Cabrero 1998a), its impact was minimal. However, since then, decentralization has remained fundamentally part of the government rhetoric.

In its first years, the government of López Portillo (1976–1982) confronted the worst economic crisis that the country had experienced in decades. With the goal of encouraging economic growth, the government took a greater interest in promoting public policies that fostered regional decentralization. During this administration, different incentives were used such as credits and subsidies to locate productive plants in other regions of the country. Perhaps the most important within the area of decentralization was the creation of planning committees for development (in Spanish, COPLADE) in the different states of the republic. Those committees, presided over by the governors of each state and composed of all of the municipal presidents, became official entities for planning public expenditures. For the first time, the state and municipal governments were taken into consideration in the planning and definition of public expenditures. Decisionmaking powers, however, remained concentrated in the federal government (Merino 1992).

With the petroleum boom, however, the priorities of the López Portillo administration changed. Instead of rationalizing expenditures and seeking greater efficiency and efficacy in the deliverance of public services, the government defined as the principal task the “administration of abundance.” The introduction of structural economic and administrative reforms was postponed. Among these was decentralization.

Normative Decentralization: The Six-Year Term of Miguel de la Madrid (1982-1988)

The fall in petroleum prices and the debt crisis plunged the country into the worst economic crisis in its history. The government of Miguel de la Madrid therefore considered urgent the introduction of structural economic and administrative reforms. In addition to reducing the participation of the state in the economy and promoting the opening of trade and direct foreign investment, the government deemed of fundamental importance the decentralization of national life. In effect, Miguel de la Madrid promoted the broadest decentralization policies that had been introduced up to that point. Three measures in particular were emphasized: reforms in planning processes, municipal reform, and financial reforms. Nonetheless, these policies had a normative-official character and in the majority of cases were not adopted in practice.

According to the National Development Plan 1982-1988, regional policies proposed to “decentralize and redistribute responsibilities among the three levels of government; relocate productive activities in the national territory; steer economic activity toward middle-sized cities; and form a transversal network of communications and transportation to reverse the imbalanced regional development” (Cabrero 1998a, 106). The decentralization and redesigning of responsibilities among the three levels of government rested in two entities: the COPLADES, which had been created by the previous government and were responsible for establishing the criteria and priorities of the states and municipalities, and the Unique Development Agreements (in Spanish, CUD), a new legal instrument established to coordinate the three levels of government. In the CUD, the amount of public resources that the states and municipalities received from the federal government and the conditions for using these resources were established.

Although officially the states and municipalities acquired a greater level of participation in the planning process, the CUDs became a new control mechanism. The federal government continued retaining control over the amount of, destination of, and the conditions on the resources that were distributed to the states and municipalities. In addition, the federal government retained the capacity to transfer additional resources in a unilateral manner, without consulting the COPLADES or the CUDs.

As Merino has affirmed, coordination among different levels of government is not synonymous with agreement. “Coordination assumes the

definition of objectives on the part of the federal government, which local entities join (1992, 57).

One of the most important administrative reforms carried out by the government of Miguel de la Madrid was the modification of Article 115 of the Constitution. This reform tried to strengthen the legal base of municipalities to clarify and make explicit their functions and responsibilities. The reform, introduced in 1983, gave municipalities a fundamental tool necessary to carry out their functions. However, many of the functions and powers established in the new Article 115 were irrelevant for the majority of municipalities in the country. As Merino affirms, the reform was formulated using the criteria of an urban municipality as a starting point (1992, 116). The reform authorized the municipal governments to charge a property tax, and specified in a detailed manner the public services for which they were responsible, but did not give municipalities greater margins of autonomy to promote social development and counter the burdensome weight of the state government in the decisionmaking process.

In spite of the introduction of these important reforms in the legal and normative field, the traditional pattern of intergovernmental relations was not substantially altered: the states and municipalities continued to be very much subordinated to the federal government. This was particularly evident in the financial area. In effect, in spite of the decentralization reforms introduced by the government of Miguel de la Madrid, the federal government continued concentrating public expenditures and revenue in its own hands. From a financial perspective, decentralization did not advance much.

The states' and municipalities' financial dependence on the federation has been traditional in Mexico. Nonetheless, this dependency increased considerably after 1980 with the introduction of a fiscal reform: the National System of Fiscal Coordination. With the objective of making revenue collection more efficient and achieving a better distribution of resources across the national territory, the sales tax was united with the creation of the Value Added Tax (in Spanish, IVA), and the federation was granted the exclusive power to collect this tax. Until then, the states had the power to charge a so called "tax on commercial income." Instead of renouncing their collection power, the states would receive transfers (*shares*) of the taxes collected based on preestablished formulas. Since

1980, state and municipal governments' revenues have depended almost exclusively on the transfer of resources that they receive from the federal government (Courchene and Díaz Cayeros 2000).

In 1988, at the end of the six-year term of Miguel de la Madrid, states' revenues depended on average on 61% of the resource transfers that they received from the federal government.⁸ For the municipalities, this percentage was 58% (Cabrero 1998a, 131). Financial centralization was also evident from the perspective of the management of total expenditures and the generation of total revenue by the different levels of government. In 1988, the federal government was responsible for 88.4% of all expenditures, while the states spent 9.8% and the municipalities spent 1.8% (126). With regard to revenue, in 1988, the federal government generated 84.1% of total revenue, while the states generated 13.3% of total revenue and the municipalities only 2.6%.

In spite of the introduction of the reform of Article 115 of the Constitution toward the end of the six-year term of de la Madrid, few municipalities had the real ability to increase their own revenues, and therefore, continued depending heavily on the transfers they received from the federation. The states, on the other hand, continued to lack the ability to generate their own revenues, given that since 1980, they only had the power to collect the so called "payroll tax" (a tax, certainly, that was a disincentive to job creation, and that some states could not even charge because they lacked the ability to collect it) and charge for some public services such as issuing drivers' licenses, automobile ownership and birth certificates.⁹

Finally, many of the economic resources transferred to the states and municipalities, such as the federal public investment (in Spanish, IPF) and the expenditure in regional development, continued being allocated discretionally by the federation. Frequently, the amount of these resources depended strictly on the personal relationship between the governor and the president of the republic. In addition, the majority of these resources came conditioned with a series of restrictions that left the state and municipal governments with little maneuvering room to define their own priorities and attend to local needs.

During the six-year term of Miguel de la Madrid, the most important legacy in the area of decentralization was the establishment of legal foundations to lay down the rules for intergovernmental relations. But the bal-

ance between different levels of government did not change. Perhaps the aspect that best reflects the persistent effort of the central government to maintain the reins of political control is its intervention in electoral processes throughout the country. Although Miguel de la Madrid promised to respect the popular vote when he came to power, during his six-year term various “electoral abuses” were committed that culminated with the now famous “fall of the system” in the presidential elections of 1988. Although opposition parties’ electoral victories were recognized in some isolated municipalities in the country, the government did not recognize any opposition victory in state elections. Without a doubt, the most controversial case was the election of the governor of Chihuahua in 1986 in which the PRI recognized its own victory after a fraudulent electoral process.

The uninterrupted control of the PRI over all of the state governments in the country explains much of the lack of dynamism in the decentralization process. The governors, being in fact representatives of the federation of the states, had few incentives to advocate for increased powers, resources and functions and confront the federal government. This situation changed radically during the following six-year term when the opposition for the first time succeeded in governing on the state level.

“Centralizing” Decentralization: The Six-Year Term of Carlos Salinas de Gortari

In the presidential elections of 1988, the PRI faced a serious and threatening opposition. On one side, Cuauhtémoc Cárdenas and a group of PRI dissidents organized a front on the left with great public appeal. On the other side, Manuel Clouthier with the PAN, organized the most aggressive and hardened political campaign that the PAN had organized up to that time. The elections were distinguished by a series of irregularities that ended with the “fall of the system”: computers turned themselves off and stopped transmitting electoral information that was flowing from all corners of the country.

Although the PRI officially won the presidential elections, for the first time it lost its absolute majority in the Congress. The PRI was weaker than ever before and needed the support of the opposition to be able to govern. The lack of legitimacy with which President Salinas de Gortari arrived in office left an important imprint in the design, formulation and

implementation of the government's public policies, including of course, decentralization policies.

The principal political objectives of President Salinas were to recuperate his legitimacy, retake political control within the PRI, and assure to the point that it was possible the continued hegemony of the PRI.¹⁰ Although the president was forced to recognize some triumphs of the opposition on the state level,¹¹ during his period in office, intergovernmental relations were characterized by a strong political and economic centralism.

Salinas de Gortari was the president who most abused the “metaconstitutional” powers by removing from their positions an unprecedented number of governors.¹² But perhaps where the strengthening of centralism was most evident was in his spending policies, and in particular, in his social spending policies framed within the National Solidarity Program (in Spanish, PRONASOL), the most important program of his government.

During the six-year term of Salinas de Gortari, the amounts transferred to states and municipalities grew significantly, which contributed to the decentralization of the management of public expenditures. While in 1988 the federation managed 88.4% of total expenditures, in 1993 this percentage dropped to 64.5%. The states, which only managed 9.8% of all expenditures in 1988, went on to manage 30.5% of total expenditures in 1993. In spite of this redistribution of expenditures in favor of states and municipalities, the most important decisions regarding how the transferred resources would be managed remained under the control of the federal government. Moreover, outside of the government shares, which continued to be allocated based on a pre-established formula, many of the resources transferred to the states and municipalities were allocated discretionally and based on political-electoral criteria (Molinar and Weldon 1994; Bailey 1994).

In the following section, I analyze the most important policies related to decentralization during the six-year term of President Salinas: policies aimed at community development and combating poverty, and the decentralization of health and education services.

Given the neoliberal economic reforms introduced by the government during the previous period, PRONASOL was designed to restore the social fabric and respond efficiently and efficaciously to the multitude of

unsatisfied social demands. As Cornelius, Craig and Fox (1994) state, PRONASOL “was designed to remind the population, and world governments, multilateral financing agencies and potential investors, that the technocrats that were leading the neoliberal economic revolution were not insensitive or irresponsible when faced with the social costs that were being incurred as a result of the introduction of these reforms.”

During the six-year term of Salinas de Gortari, decentralization disappeared from the government discourse as an important theme on the public agenda (Cabrero 1998a). In its place, PRONASOL was announced as the government policy aimed at promoting regional development, decentralizing functions to the states and municipalities, reducing poverty, and strengthening citizen participation. In effect, the most important innovation of this program was precisely that it required societal participation to carry out a wide range of social projects: schools, electricity, roads, hospitals, potable water, etc. The central idea behind this project was that traditional social programs introduced by the federal government to diminish poverty and promote regional development were inefficient because they lacked community support. Therefore, it was essential to promote the creation of new social leaders who would arise out of the communities and could serve as interlocutors between the government and society. Through the organization of the so called “solidarity committees,” PRONASOL was aimed at fostering a new form of citizen participation that would channel resources to the communities.

Although undoubtedly PRONASOL brought economic resources to thousands of communities that before had been ignored, this program to a large degree bypassed municipal and state authorities and ended up centralizing both the decisions of how resources would be allocated and the definition of projects in the federal government, particularly in the Ministry of the Treasury and the Ministry of Social Development.

In principle, the activities of PRONASOL were stipulated in the signing of the Social Development Agreements (in Spanish, CDS) that the federal executive signed with the governors of each state. In these agreements accords and commitments of joint investment were formulated. These accords ought to have come out of the COPLADES, the planning entities established by the previous government. In practice, PRONASOL operated directly through the delegates of the Ministry of Social Development (SEDESOL) who received proposals and petitions directly

from the communities organized in the Solidarity Committees. Many of the resources transferred to the states did not pass through the CDSs, but were allocated in a parallel manner and managed by the delegates of the federal offices in each of the states. Moreover, the delegate of SEDESOL reached the point of having more power than the municipal president or the governor both in reference to the amounts of resources allocated and the approval of projects. As Cabrero affirms, PRONASOL weakened the local levels of government by trying to establish direct contact with communities (1998a, 114). Finally, the distribution of PRONASOL resources in the federal entities was erratic and obeyed to a great extent political criteria. PRONASOL allocated important resources to areas in which the opposition had become strong (Cornelius et al 1994).

In spite of PRONASOL's good intentions to foster citizen participation and alter, in this manner, the traditional and paternalistic development model, PRONASOL ended without achieving its objectives. In the first place, the citizen participation fostered by this program was not channeled through institutions. The community participated in the start up of particular projects, but when the project ended, this citizen participation evaporated. Citizen participation through the solidarity committees did not contribute to the fostering of greater responsibility among municipal and state authorities as they related to their citizens. Second, generally poor people, for whom this program was destined, had few organizational skills. Many poor communities that were not able to organize themselves, were unable to obtain resources. Third, if PRONASOL managed to bring resources to communities that had never before been privileged, in many cases it did so by bypassing local authorities that had not had sufficient incentives or the pressure necessary to respond to the needs and demands of their citizens. That is to say that although PRONASOL served as an arm of the federal government to "bypass" local bosses, it ended up weakening municipal and state authorities in general and taking away from the most professional, responsible and democratic governments the ability to participate in the regional planning process and to develop a long-term vision. It is no surprise that in many poor states in the country, PRONASOL's resources have been used to construct basketball courts in place of hospitals and schools. Although those projects reflect what the community "decided" to build, they also reflect the lack of planning and the lack of a more rational allocation of resources. Finally, after six years of

operation, PRONASOL did not contribute to the reduction of regional imbalances nor to the alleviation of poverty. The clearest example is Chiapas, a state that received very considerable quantities of resources during the entire six years and that remained submerged in absolute poverty.

From the perspective of the decentralization of services that the state provides, since the 1980s, the federal government has manifested its intention to decentralize health and education services to the states. However, during the 1980s, it made few advances on this front. Although some legal modifications were made to facilitate the transfer of these services to the states, the operation of these services remained in the hands of the federal government.

Education

In 1992, the federal government signed with the state governments and the National Union of Educational Workers the *National Accords for the Modernization of Basic Education*. This Accord established that the federal government would transfer to the states the responsibility of operating the educational system, the financial resources necessary to operate the system, active students, and labor relations with the teachers (Ornelas 1998). A large part of the decision to decentralize the educational system was motivated by an intent to fragment and in this manner to limit the power of the National Union of Educational Workers, the largest and most powerful union in Mexico (Rodríguez 1997, 70). Without a doubt, the decision was also motivated by a need to relieve the federal government of its excessive responsibilities and improve the quality of educational services.

Critics of the decentralization of the educational system argue, however, that more than a complete decentralization, the process reflects a decentralization of functions, since the most important decisions, such as the allocation of resources for education, teacher salaries, curricula design, teacher training, and the evaluation of student performance, remained in the hands of the federal government (Cabrero and Martínez-Vázquez 2000, 153).

Many governors, above all from the opposition, complained openly about the way that the federal government had decentralized the educational system, because they stated that in reality what was decentralized

were the problems, without giving state governments the autonomy and the sufficient incentives to resolve them. By conditioning the transfers destined for educational services without giving the state governments the power to reward or punish teachers for their performance, the governors were converted into simple educational administrators and not people truly responsible for the promotion of better educational services in their states.

The National Accord also created confusion regarding the specific responsibilities of the three levels of government in the area of education. School construction, for example, is a joint responsibility of the federal and state government, while school maintenance is the responsibility of the municipality. The municipalities demand that more schools be constructed, while the state and the federation demand that the municipality improves its efforts to maintain its schools. The result, frequently, is that neither the construction of new schools nor the maintenance of existing schools takes place.

Finally, the distribution of educational transfers across the country has been unequal, since resources have been allocated for education without taking into account the expenditure on education that some states make out of their own budgets. In some states, such as Chihuahua, Baja California, Nuevo León, Coahuila, and the State de México, the governments destine a large part of their revenues to pay for educational services. While in other states, such as Oaxaca, the Federal District, Quintana Roo, Guanajuato, among many others, education is covered entirely by the federal government transfers. That is to say, in its allocation of resources for education, the federal government does not take sufficiently into account the effort that some states make to pay for and improve the educational services in their states.

Health

As in education, since the 1980s the government has manifested its decision to decentralize health services to the states. Until 1987 some responsibilities had been decentralized to 14 states. Similar to what was taking place in the area of education, the decentralization of health services during the 1980s was more a decentralization of functions, since the 14 states were under the firm control and supervision of the Ministry of Public Health (Cabrero and Martínez-Vázquez 2000, 160). However, in the 1990s (and already in the six-year term of President Ernesto Zedillo),

the decentralization of health services made significant advances that were actually more positive than those that were made in the case of the decentralization of education. In 1995 the National Health Council was created on which all the states and the federal government were represented. This council served as an entity for coordination, negotiation and the resolution of conflicts between different levels of government. On the other hand, the states had more autonomy to decide how to allocate resources destined for health services than in the case of education (Cabrero and Martínez-Vázquez 2000, 162). However, also in health policies, the federal government continued having large discretionary powers to allocate resources to the states, establish doctors' salaries, and establish quality standards. Finally, according to some studies, health services have not experienced a significant improvement as a result of decentralization. The quality of health services continues to be deficient, doctors continue to be insufficient in number and regional disparities persist. Moreover, as Cardozo Brum (1998) states, in states that have still not decentralized their health services, such as Zacatecas, important advances have been observed in their performance indicators, which indicates that there are ways alternative to decentralization to improve health services (Cardozo 1998).

The “New Federalism”: The Six-Year Term of Ernesto Zedillo (1994-2000)

The explosion of the guerrilla in Chiapas in 1994, the assassination of the PRI candidate for president, Luis Donaldo Colosio, the strengthening of the opposition in various states of the country and the brutal economic crisis unleashed in 1995, severely restricted the maneuvering room of the federal government to resolve multiple social, political and economic problems that the country faced.¹³ Although the federal government and in particular, the president, continued concentrating enormous discretionary powers in their own hands, for President Zedillo it was clear that the excessive political and economic centralism had constituted one of the most serious obstacles to reversing the problems of social inequality, regional imbalances, and the deterioration of the quality of life of the majority of the population. It was no surprise, therefore, that a few days after coming to power, the president had announced the “New Federalism” as a political priority of his government, and that decentralization had been converted into one of the core ideas of this project.

The “New Federalism” was announced as a project that intended to reform financial relations among the different levels of government, reduce the discretionary power of the president, strengthen state and municipal governments, encourage an effective separation among the executive, legislative and judicial powers, promote increased transparency in electoral processes, and contribute to the democratization of public life (Rodríguez 1997).

During Zedillo’s six-year term there actually were important advances in relation to decentralization: the amount of resources transferred to the states and municipalities increased significantly, most of all after 1997 when the midterm elections took place and the PRI lost its majority in the Congress. Given the pressure of the opposition parties, particularly the PAN, the PRI accepted an increase in the amount of resources transferred to the states and municipalities. Up until this date, 80% of all resources collected by the federation remained in the center, while 17% went to the states and 3% went to the municipalities. In 1998, the federal government reduced into share by almost 10 percentage points, reserving 70.9% of all resources for itself, and allocating 24.4% to the states and 4.7% to the municipalities (Martínez and Ziccardi 2000). In addition, the federal government introduced a series of rules that reduced the discretionary power of the federal government and made more transparent the process of distributing these resources. Outside of the fiscal realm, there were other advances during this six-year period: training programs for municipal authorities were financed, functions of sectors such as agriculture, environment, road construction and maintenance, and public security were decentralized to the states, and the new Article 115 of the Constitution was reformed to grant increased powers to municipalities.¹⁴

However, much of the inertia of the past continued. First, the majority of total expenditures continued to be managed by the federation, although the participation of states and municipalities in the management of the expenditures was increasing over the years.¹⁵

Second, the states and municipalities returned to being even more dependent on the transferred resources (*shares, transfers and allocations*) from the federation since they continued to lack the power to increase their own revenues through an increased collection of taxes. In 1996, the *shares* were almost six times greater than the states’ own revenues (Giugale et al 2000, 60). According to a study carried out by the Government of Nuevo

León, in 2000, states' revenues depended 91.4% on federal transfers, while municipalities' revenues depended 70.6% on federal transfers.¹⁶

Third, the majority of *allocations* and *transfers* that the states and municipalities receive come earmarked for specific projects, reducing considerably the autonomy of state and municipal governments to decide how to spend their resources. As Giugale, Nguyen, Rojas and Webb state, "it seems that the states receive more orders than funds," (2000, 62). The imposition of conditions in the transfer of resources reflects the distrust that the federal government continues to have in the states and municipalities.

Fourth, the majority of the "unconditioned" resources (the *shares*) are used to pay current expenditures, which leaves few resources available for investment expenditures. For the states that pay for educational services out of their own budgets, educational expenditures represent an enormous budget obligation. States such as Chihuahua, Baja California, and Nuevo León earmark around 90% of the shares to cover educational expenditures (Mizrahi 1996, Ornelas 1998).

Fifth, although the legal framework has advanced in the area of decentralization, ambiguities in the allocation of responsibilities among the three levels of government persist. This has a negative effect since each level of government can blame the other for not carrying out its responsibilities and hope, in this manner, that the other levels will grant more resources or resolve existing problems.

Sixth, although the transfers to the states and municipalities increased substantially, most of all since 1997, many of these transfers are allocated directly to the municipalities and not to the states. Since 1998, with the creation of the so called Section 33 (substituting for Section 26 which formed PRONASOL), many of the resources dedicated to regional development and combating poverty were transferred directly to the municipalities.¹⁷ This weakened the ability of the states to plan and make decisions regarding expenditures.¹⁸

Finally, the transfer of resources has not recognized municipal and state diversity. Not all states and municipalities have the same abilities to manage expenditures. In fact, while many municipalities do not know how to manage the resources that have been transferred to them, others believe that their efforts have not been rewarded with increased resources. There still do not exist effective mechanisms to ensure that the transfer of

resources is carried out according to performance indicators and that in this manner incentives are generated to encourage states and municipalities to become more responsible in the management of expenditures.

DECENTRALIZATION, DEMOCRACY AND REGIONAL DEVELOPMENT: AN EVALUATION

Since the 1980s, Mexico has been introducing important decentralization policies that have significantly increased both the resources available to states and municipalities and their power and responsibilities to provide public services. The final evaluation of the impact of these policies, however, should be measured with respect to their ability to respond to and resolve the problems that encouraged their creation in the first place: promoting more balanced regional development, reducing poverty levels, increasing the quality of public services, in summary, raising the quality of life of the population (Lafourcade 2000). And it is precisely here where in the case of Mexico, the evaluation is not completely positive. In effect, in twenty years, the economic and social reality of Mexico has not changed significantly, and in some regards, we could say that living conditions have worsened. Today there are more poor people in the country than there were in 1980, (Lustig 1999) inequalities between the north and south persist, and public services continue to be inadequate. Of course a large part of the situation is due to the different economic crises that the country has suffered in the last twenty years. But regardless it is worth asking oneself why decentralization has not contributed to the reduction in the gap between poor and rich, between prosperous states and states submerged in poverty. Without a doubt, the principal problem has not been a lack of economic resources. In the last twenty years, the government has promoted various programs and channeled large quantities of economic resources to promote regional development and combat poverty. How can we explain, then, the negative results?

Although decentralization can have important economic impacts, it is not a panacea. If decentralization offers the possibility of achieving better concordance between public goods provided by the government and the preferences of the population in order to achieve positive results, this policy ought to be accompanied by democratic institutions and mechanisms that permit citizen participation (Banco Interamericano de Desarrollo

1997, 176). Moreover as World Bank analysts state, “decentralization well done can have many economic benefits: producing increased efficiency, responding better to the population in the provision of public services. But poorly done, decentralization can have undesirable consequences: macroeconomic imbalance, the exacerbation of regional imbalances, and the reduction in the quality of public services” (Giugale et al 2000, 4). The success of decentralization depends, therefore, on the political institutions in which it is framed and the particular ways in which decentralization is introduced in each country.

In the case of Mexico, the precariousness of the democratic institutions and the fundamental objective of the federal government to assure the hegemony of the PRI explain to a large degree the forms that decentralization has taken and the results of the decentralization policies. Since the 1980s, decentralization was introduced by the federal government with the firm objective of not losing the reins of political control. If the distinct decentralization policies sought to relieve the federal government of responsibilities that it could not carry out efficaciously, they were not conceived as instruments designed to change the balance of power among the different levels of government nor to increase the accountability of state and local authorities to their citizens. Decentralization was conceived as an administrative policy aimed at maintaining the continuity of the PRI in power.

Many of the “errors” that supposedly could be avoided in the adoption of decentralization policies were committed in Mexico. According to World Bank analysts, although a uniform way of implementing decentralization in all countries in the world does not exist, there are certain errors that ought to be avoided: a) decentralizing resources without decentralizing responsibilities; b) allocating resources in a uniform manner without considering the diversity of size, population, and above all abilities that exist among distinct states and municipalities; c) not relying on normative and legal frameworks and organizations that are in charge of coordinating, negotiating, and resolving conflicts among different levels of government; d) not preparing and disseminating reliable and exact information about all aspects of decentralization; and e) decentralizing abruptly and uniformly (Giugale et al 2000).

From this long list of errors, we could say that in the case of Mexico, the first error is the most evident: the decentralization of resources with-

out the corresponding decentralization of responsibilities. The principal problem – with all of its variations – of decentralization in Mexico is that until 2000, state and municipal governments continued to lack the autonomy sufficient (and thus, the responsibility) to make their own decisions and foster economic development. The balance of power among the three levels of government continued to favor the center. Although resources were decentralized, state and municipal governments do not have sufficient maneuvering room to manage these resources nor adequate incentives to provide accounts of the management of their expenditures. By conditioning a large portion of the resources transferred to the states and municipalities, the federal government assumes that these levels of government are not sufficiently responsible nor capable of managing expenditures more autonomously. But without possessing more freedom to manage their resources, state and municipal governments can neither develop their abilities nor become more responsible. It becomes effectively a vicious circle. In addition, by conditioning and earmarking resources transferred to states and municipalities, the federal government privileges control *ex-ante* and not *ex-post* over the transfer of resources. Consequently, performance indicators that could serve as more efficacious instruments in controlling the management of the expenditure of the resources transferred by the federation have not been developed. States and municipalities that are more responsible and capable in the management of their expenditures could be rewarded with more resources when their indicators are positive. The federation could continue to have more direct control over resources in those states and municipalities with less capacity or responsibility to manage them. Moreover, efficiency and performance indicators could encourage states and municipalities to become more accountable and increase their governing capabilities since this would bring them not only more resources but also more autonomy from the central government.

The remaining errors pointed out by these analysts also resonate in the case of Mexico. Decentralization has proceeded effectively following uniform criteria. The great diversity of the population, abilities, and resources that exist among the different municipalities and states in the country has not been taken into account. The reform of Article 115 of the Constitution, for example, assumes that all of the municipalities can charge taxes and provide services such as road paving, street lighting, etc.

However, for rural municipalities, these reforms continue to be practically irrelevant. Moreover, the allocation of resources to states and municipalities in the country has also followed uniform patterns. Consequently, richer states feel that the transfer of resources are not just, since they do not take sufficiently into account their share of the gross national product and their ability to collect taxes. Poor states, on the other hand, feel that the transfers allocated by the federation are not sufficiently compensatory. Effectively, with the current system of economic transfers to the states, richer states continue to be favored by the federal government (Díaz Cayeros 1995, Cabrero 1998a).

In the legal and normative realm, decentralization has made great advances. However, some problems still exist. In various public policy areas, such as education, environment, highway construction and maintenance, there continues to exist confusion regarding the responsibility and powers that correspond to each level of government. In addition, although an institute that provides financial consulting to states and municipalities exists,¹⁹ what still does not exist is an intergovernmental relations office that coordinates, negotiates and resolves conflicts among the distinct levels of government and that has the capacity to respond to all matters relevant to intergovernmental relations: health, education, environment, regional development, etc.

Finally, regarding the production and dissemination of information, the balance in Mexico has been negative. A great vacuum in the production of information, most of all financial, exists. The National Institute of Geography and Statistics has information that analysts and even the government consider unreliable. States have very different abilities to produce financial information about themselves. And until recently, the federal government had not made a sufficient effort to publicly disseminate information that the different ministries of the government produced.

Once the PRI was defeated, the search for a new balance (less centralized) of power among the federation, the states, and the municipalities, is without a doubt one of the biggest challenges that the new government of Vicente Fox is facing. And this challenge is complicated enormously because democratization of political life in Mexico has not advanced uniformly across the national territory. In the Mexican “sea of democracy,” authoritarian islands continue to exist.²⁰ Giving greater levels of autonomy to governors or municipal presidents who govern in an authoritarian

manner would contribute to fostering local bosses, the same problem that created the excessive centralization of power after the Revolution. The challenge of decentralization in Mexico implies, therefore, not only the recognition of the economic, social and political diversity in the country, but also the deepening and consolidating of democracy in the country.

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NOTES

1. An expanded version of this chapter appears in Philip Oxhorn, Joseph S. Tulchin, and Andrew D. Selee, eds. *Decentralization, Democratic Governance, and Civil Society in Comparative Perspective: Africa, Asia, and Latin America* (Washington, DC: Woodrow Wilson Center Press and Johns Hopkins University Press, 2004).

2. Around the beginning of the 1980s, the National Action Party (in Spanish, PAN) began receiving strong support and mobilizing large contingents of people during its campaigns. However, for years the PRI and the federal government resisted recognizing the triumphs of the opposition. The pressure continued growing until the end of the 1980s when opportunities began to appear for the opposition. The National Action Party won for the first time in the history of gubernatorial elections in the state of Baja California in 1989. Two years later, the PAN also controlled the state of Guanajuato. In 1992, the PAN won the elections in the state of Chihuahua. The Party of the Democratic Revolution (in Spanish, PRD) obtained its first triumph in the Federal District in 1997. In the year 2000, the PAN controlled the governments in the states of Querétaro, Guanajuato, Baja California, Jalisco, Aguascalientes, Morelos, and Nuevo León. The PRD controlled the government in Zacatecas, the Federal District, Tlaxcala and Baja California Sur. In Chiapas and Nayarit the PRD and the PAN govern in coalitions with other parties not related to the PRI.

3. According to a study carried out by Nora Lustig for the Inter-American Development Bank in 1999, total poverty in Mexico increased from 28.5% of the population in 1984 to 42.5% in 1996. Nora Lustig, "La Superación de la Pobreza: Diálogos Nacionales" (Washington, D.C.: Banco Interamericano de Desarrollo, February, 1999).

4. Federalism, on the other hand, also generated conditions favorable to the development of opposition parties, most of all in undemocratic regimes. A political party can organize itself more easily on a local level than on a federal level, where it needs the support of a much greater quantity of resources and sympathizers. Likewise, for an authoritarian political regime, recognizing an opposition victory on a local level can be more tolerable than recognizing one at a national level. This point is further described below.

5. Party discipline was also strengthened by the introduction in 1933 of the clause prohibiting reelection to positions filled by public election. Municipal presidents and local and federal deputies have a mandate to serve for three years and can-

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not seek reelection for consecutive terms. Governors, Senators and the President of the republic have a mandate to serve for six years and cannot be reelected.

6. Plutarco Elías Calles had converted himself into the “supreme leader” of the Revolution in the 1920s. After founding the National Revolutionary Party (in Spanish, PNR), the “grandfather” of the PRI, Calles converted himself into the revolutionary leader who governed behind the scenes. Once Cárdenas had him expelled from the country, the president of the republic became – during his six years in office – the natural leader of the official party.

7. In 1968 the student movement was harshly repressed by the government. The famous “massacre of Tlatelolco” inaugurated a new, slow and very gradual period of transition in Mexico.

8. The resources that the federation transfers to the states and municipalities are apportioned according to different criteria. The *shares* of fiscal resources are allocated according to a formula that takes into account the amount collected in each state, the total population and the level of marginalization. These resources are not conditioned in terms of their use. The *transfers* (and since 1997, the contributions) on the other hand, are resources destined to compensate for regional imbalances and in the majority of cases, are distributed with more discretion. These resources are conditioned to be used for specific projects. In addition to these resources, the federation invests in the states and municipalities. The distribution of federal public investment is also discretionary. Until 1999, the federal government had an additional fund (called Section 23) for contingencies that also were distributed discretionally. This fund was eliminated in 1999. For a description of intergovernmental transfers, see Cayeros, *Desarrollo Económico e Inequidad Regional*, 1995; and Courchene and Díaz Cayeros, “Transfers and the Nature of the Mexican Federation.”

9. The states have the power to request credit from the national commercial bank. They cannot request credit from the international bank. The loans are guaranteed through federal shares and can only be used to cover investment costs and not operating costs. Although some states such as the State of México, Nuevo León and Jalisco acquired large debts during the 1980s and 1990s, the total debt of the state and municipal governments still represents a small proportion of the gross national product. In comparison with other countries in Latin America, the state governments’ debt does not represent a threat to the macroeconomic balance. See Marcelo Giugale, Fausto Hernández Trillo, and Joao C. Oliveira, “Subnational Borrowing and Debt Management,” in Marcelo Giugale and Steven Webb, eds., *Achievements and Challenges of Fiscal Decentralization. Lessons from Mexico* (Washington, D.C.: The World Bank, 2000): 239. During the 1990s, the federal government realized it needed to rescue various state governments, since with the increase in the interest rate in 1995 and 1996, they could not pay their debts. Since 1997, the states have also acquired the power to charge a gasoline tax, but many states have decided to not charge this tax either because they do not have the ability to collect it or to avoid discontentment among the population.

10. Salinas faced a serious opposition within his own party, given that since the government of Miguel de la Madrid antagonism had grown between technocrats and political elite. This antagonism was what gave origin to the split of 1987, when Cárdenas together with a considerable group of PRI supporters left the party.

11. In 1989, the PAN had its first victory recognized in the state of Baja California. In 1991, the PAN rose to power in Guanajuato, although after a large post-electoral confrontation. Given the evidence of fraud, the PAN organized an important mobilization that forced Salinas' government to cancel the elections that the PRI had officially won. Although an interim governor from the PAN was named, Vicente Fox, who was candidate for governor in 1991 and one of the strongest critics of Salinas' government, he could not take power until after the next elections in 1995. Finally in Chihuahua, the PAN won the elections for governor in 1992. The PRD did not have any state-level electoral victories recognized during Salinas' government.

12. Salinas dismissed 10 governors from their offices and removed five to grant them positions in the federal government (Hernández, 1993).

13. Perhaps the episode that most clearly reveals the limitations of presidential power is the difficulty that President Zedillo had dismissing (following the traditional scheme) the PRI governor of Tabasco. The election for governor in this state was highly fraudulent, and the PRD, the principal opposition party in the state, had documented proof of the fraud. Although President Zedillo "negotiated" the resignation of the governor with the PRI in exchange for which the party would support the electoral reforms proposed by the government, the governor of Tabasco rebelled against the federal government and refused to resign. Until the last day of his government, the governor of Tabasco, Roberto Madrazo, represented one of the strongest opposition forces to the president within his own party. The case of Tabasco has been splendidly analyzed by Todd A. Eisenstadt, "Electoral Federalism or Abdication of Presidential Authority? Gubernatorial Elections in Tabasco," in Wayne A. Cornelius, Todd A. Eisenstadt, and Jane Hindley, eds., *Subnational Politics and Democratization in Mexico* (La Jolla: Center for U.S.-Mexican Studies, University of California, San Diego, 2000).

14. Some of the most important points of this reform are: the municipality's power to govern and not just to administer through the municipal council was recognized; powers exclusive to the municipality that before were held concurrently with the state, such as public works, the preventive police, and potable water, were recognized; limitations were eliminated so that the municipalities of different states could work together in the provision of services; the municipality was guaranteed the right of initiative in the area of a taxation base (Guerrero and Guillén 2000).

15. There are no figures available after 1996. In addition there are inconsistencies among different databases that are available. But according to Cabrero and Martínez-Vázquez 200:143, from 1994 to 1996, the share of the federal government in the management of the total expenditure was reduced by two percentage points.

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16. This information was given to me directly by the treasurer of the government of Nuevo León, who designed a study and proposal about the new national system of governmental transfers. The dependence of the states on the federation is greater than that of the municipalities because the municipalities have greater powers to generate their own revenues by charging property taxes. This is the most important independent revenue source for the municipalities.

17. (Guerrero 2000, 729). Together with the dismantling of PRONASOL, the government of Zedillo introduced a new program to combat poverty that was much more focused on individuals who ranked among the poorest of the poor. PROGRESA was the most important program aimed at combating poverty of his six-year term and its operation remained in the hands of the federal government. Although these resources were spent in the municipalities, contrary to other earmarked programs, PROGRESA was a completely centralized operation. For a description of PROGRESA, see Martínez and Ziccardi 2000.

18. The reaction of the PRI governor of Puebla, Manuel Bartlett, against the federation is symptomatic of this situation. Bartlett promoted state legislation that established that projects financed by resources transferred to the states and municipalities ought to be approved by the Municipal Planning Committees, in which in addition to the municipal presidents, other civil society groups participated. Given that the majority of urban municipalities in Puebla were controlled by the PAN, Bartlett opposed letting the municipalities be the recipients of the resources without having the resources also pass through the control of the state. Although Bartlett's rebellion against the federation was announced as a rebellion of the traditional "political elite" of the PRI against the "technocrats" led by President Zedillo, many PAN governors supported – silently – the stance of the PRI governor. For them as well the allocation of resources earmarked for the municipalities took from them maneuvering power in planning and deciding how to spend resources in their states.

19. The Institute for the Technical Development of the Public Treasuries (in Spanish, INDETEC) depends on the Ministry of the Treasury and Public Credit. In 2000, the federal government created a Decentralization Committee within the Ministry of the Treasury, which has as its objective to coordinate intergovernmental fiscal relations. Outside of the fiscal realm, however, an office does not exist that can respond to issues such as education, environment, highways, etc.

20. The clearest example without a doubt is of the governor of Yucatán, Víctor Cervera Pacheco, a governor clinging to the old boss-like practices.

Decentralization and Democratic Governance in Mexico¹

LETICIA SANTÍN DEL RÍO

C current politics in Mexico are characterized by an expression of plurality, competition and political succession for the integration of powers and the representation of authorities in the three levels of government: federal, state and municipal. This new map is an expression of a long process of democratization that has been manifested in diverse areas modifying the relationship between society and government. This relationship has changed rapidly and substantially in the last few years. This is particularly notable when living conditions of many groups of Mexicans have deteriorated because of difficulties in the national economy. Over the course of the last three decades, a series of reconsiderations regarding the orientation of governmental policies manifested in decentralization processes have been presented. And in a parallel manner, there has been an increase in activities and new forms of participation of civil society groups that have demanded better conditions for economic life and the opening of social, legal and political spaces.

Since the six-year term of Miguel de la Madrid (1982-1988), the country has begun to put into practice decentralization policies. This has resulted from the pressure of the external debt and the drastic reduction in public spending destined, among other line items, to assistance, health and social security. These line items were inherited from the long period of stabilizing development (1934-1981), which modified the supposed pact of social justice that had existed since the revolution. Mexico felt itself obligated to define a new development model, especially in three aspects: the openness of the domestic market, the control of the deficit and fiscal moderation, and the privatization of the economy. This forced the state to transfer its role as motor of growth to other agents: international capital, private domestic businesses and civil society. This effort,

initiated in the context of a system that was federal in form, but centralized in practice, did not combine economic transition with a clear political transition favoring a political party system and, consequently, a broader distribution of power outside the center.

The process of adjustments mandated by the economic reforms had a high social cost due to its exclusion of millions of Mexicans in middle and urban sectors, uniting them to the marginalization of the rural sector of the country. The tensions that they generated faced obstacles such as the inertia of an authoritarian political system that, in operationalizing decentralization policies, limited institutional and administrative changes within state and municipal governments. However, this decentralization was also limited by the traditional remnants of a rigid municipal control exercised by state governments that, with difficulty, warned against the importance of incorporating *bottom-up* efforts. These efforts were shown in the strength of the municipal governments and local social participation to confront the challenges of social, economic and political development, bringing together their efforts to establish democratic governance.

This top-down decentralization promoted by the federal government could not alone resolve the problems inherited from a centralized *presidencialista* (presidentialist) system and corporative political pacts through a small circle of the Institutional Revolutionary Party (in Spanish, PRI) with a political culture permeated by despotic and clientelistic practices. Nevertheless this process has required, throughout the most recent decades, the building of a democratic relationship between the government and society. This transformation has been manifesting itself in municipal spaces and through social participation, through the establishment of diverse enterprising dynamics that have served to pressure the other levels of government both state and federal.

It can be stated that decentralization and democratization in Mexico have taken parallel paths. Commonly it has been thought that decentralization has had a positive and direct impact on the processes of democratization in centralist countries with authoritarian regimes. This can be seen in the construction of electoral coalitions at the national level or in the impulse to create institutional structures that promote citizen participation. However, the relationship has been characteristically the inverse in the case of Mexico. That is, the strengthening of an opposition political party, on one hand, and the active work of social movements, non-gov-

ernmental organizations, civil society groups and networks, as well as the pressure of principally urban municipal governments on other government entities, on the other, have pressured the federal government to carry out farther reaching reforms not only as part of the decentralization process, but also aimed at the demands of more defined democratic policies. Among these demands are the claims for legal and legitimate recognition for the participation of numerous social and political organizations.

Even if in Mexican history the Constitution had conferred upon municipalities the right to play a role in the federal state during the twentieth century, municipalities did not have the power, resources nor indispensable political strength to convert themselves into local spaces for decision making and management as a level of autonomous government (Cabrero 2000). The other road had been embarked upon by civil organizations, whose emergence began in the 1960s and lasted until the late 1980s. In the beginning they started with a series of short-term efforts which demanded high levels of specialization and were focused on serving popular sectors, workers and rural populations and relied on European financing. This dynamic was modified later once the economic crisis of the 1980s began. It reoriented itself toward the establishment of better articulated projects through the formation of networks of civil organizations for the promotion of social development (in Spanish, OCPDs) or non-governmental organizations (NGOs),² through the alliance of diverse groups whose experience was based on a notable trajectory.

SOCIAL INITIATIVES, CITIZEN PARTICIPATION AND DEMOCRACY

As we have mentioned, the participation of organized civil society, before the economic crisis and the reestablishment of the model of stabilizing development in Mexico, undertook notable efforts during the 1960s, 1970s and a large part of the 1980s. What motivated them to undertake their work during this time period? Fundamentally, they oriented their labor toward marginalized classes: working class, rural and popular sectors, according to a logic of fieldwork clearly defined as small-scale, which meant that these were isolated and fragmented efforts. They did not establish, among the diverse movements and organizations, many

nexus of collaboration for social development. Their origin was as much Christian as based in revolutionary theories aimed at supporting the proletariat in alliance with development promoters. We can locate this social action in the framework of assistance and promotion as “two paradigms of intervention of the society to attend to social demands” (Reygadas Robles Gil 1998, 8). Even when citizen responsibility and participation had isolated repercussions, it had positive outcomes, accumulating experience related to marginalized social sectors both of Christian base groups and of groups representing the political left. These latter groups were convoking, in a progressive manner, the existing civil organizations to discover more advanced ways to come together in networks of social work.

Over the course of thirty years, the diverse social and popular movements achieved a higher level of maturity in the face of the hardness and authoritarian inertia of the regime, while the channels of expression of plurality opened with difficulty. But, starting with one of the most important social movements of this period, the student movement of 1968, a parting of the waters was achieved. It was a social movement principally of the urban middle classes, a product of the efficacy of revolutionary politics, but also a group conscious of its rights and interested in promoting the modernization of the country. They were critical of the country's economic policies, even when they were the beneficiaries. They oriented their struggle toward the opening of new spaces for participation. As we know, the response of the Mexican political system to the demands of the movement of 1968 acquired, in addition to the repressive offensive, a typical populist tint, since the “opening” was channeled directly toward the co-optation of the dissidents within the political networks that supported the PRI, and an open battle against those who stayed outside the limits of the system. Nevertheless, after this political event, the concept of civil society began to be used in Mexico as a consequence of what in practice had been put into play by the organized society demanding space for independent and socially and politically free decisions.

By the end of the 1980s, the logic of the system reached its limits - having increased public spending, the vice of indebtedness and the protection of the domestic market. Under these circumstances, it was difficult to sustain the political pact and the traditional control imposed by the regime. The authoritarian and excluding practices of the government and the politics of harassing civil organizations caused the civil organizations

to search for a way to construct and strengthen a distinct civic identity. From there arose with more impetus the *networks* of civil organizations with a critique of the dominant mechanisms of corporativism and co-optation and authoritarian *presidencialismo* (presidentialism). With difficulty, this struggle could be channeled directly toward the authoritarian institutions and practices of the two-pronged game of the state-*presidencialismo*, since this acted under a contradictory dynamic. This is to say, the government manifested an open and progressive discourse toward the organizations and the citizenry in general, convoking in practice citizen consultations and specific social projects. Yet, at the same time, it regularly harassed the organizations and citizenry through fiscal control mechanisms imposed to force their submission to the corporative system and in open opposition to the autonomy of civil organizations, or publicly disregarded whatever social identity was at the margin of its control. In the face of this ambiguous dynamic, the initiatives to construct networks of citizen organizations for the promotion of social development were concentrated on bringing together efforts, experiences and interests, joining together numerous men and women to struggle for “democracy, dignity, peace and the public recognition that not all social life needed to pass through the spheres of government, political parties and for-profit businesses” (Reygadas Robles Gil 1998, 13).

Phases of citizen organization

Once economic crisis had begun, the two significant awakening periods of the networks and citizen alliances to work for the construction of democratic governance could be divided in the following manner. The first period lasted from 1988 to 1994, during which time groups demanded and manifested fundamentally a struggle for democracy, against fraud, against the economic deterioration of the population, and for the power to influence as a citizenry the design of public policies. It was characterized by the emergence of large numbers of groups or networks. A second phase from 1994 to 2000 was marked by networks joining together around the deepening of electoral reforms to guarantee truly free, autonomous and clean elections. In addition, they wished to influence the area of democratic *municipalismo* (municipalism), since it was converted into fertile ground for the exercise of citizen power bound to daily life and public power.

Since the 1990s, faced with government control mechanisms, both civil organizations and diverse political and social actors on the local level began to struggle together for the transfer of federal resources and transparency in the allocation of the same. That is to say, they took an open stance for deepening the weak processes of decentralization that had been put into motion since 1982 and presented themselves to the government as entities capable of mature responsibilities. Both phases are important for the process of joining together actors and interests with national influence.

In fact, the complexity of the forms of organization of civil society was characterized by two elements: the *first*, for being defense forces against the system seeking legitimate access to spaces for social participation, and *second*, as offensive instruments that seek to broaden the capacity of the society in a variety of levels of government and to establish mechanisms of control over the same system, that is to say, to introduce elements that allow the rendering of accounts to the public powers, a system better known as *accountability*. Civil society, as it struggled during this long period from the end of the 1980s through the 1990s for basic civil and political rights, came to realization that its area of action was not only restricted to the public arena but also to certain areas within the private arena. However, at the same time, it must be emphasized that this development of civil organizations and non-governmental organizations through networks and alliances did not, in all cases, turn out to be congruent with a spirit of participation for the establishment of democratic dynamics. There were tendencies and temptations to reproduce the interests of dominant groups or authoritarian practices, maintaining the logic of social exclusion. Therefore, some of them distanced themselves from a planned fight for projects characterized by broad and inclusive social politics.

MUNICIPAL STRENGTHENING AND CITIZEN PARTICIPATION

As we know, in the process of top-down decentralization, one of the most important administrative reforms of the government of Miguel de la Madrid – states Mizrahi (chapter 5) – “was the modification of Article 115 of the Constitution. This reform tried to strengthen the legal base of the municipality to clarify and make explicit its functions and responsibil-

ities.” The reform, which was introduced in 1983, gave municipalities a fundamental tool for carrying out their functions. However, many of the functions and capabilities established in the new Article 115 were irrelevant for the majority of municipalities in the country. As Merino states, the reform was created based on an urban criteria of municipality (Merino 1992, 116). The reform authorized the municipal governments to collect a property tax and specified, in a detailed manner, the public services for which they were responsible, but did not give the municipalities greater margins of autonomy to promote social development and counter the burdensome weight of the state government in the decision-making process.”

Although the municipality was a key entity in the promotion of social and political organization, the reform of 1983 tried to grant it only a role as provider of urban services with relative autonomy. Because of the limited functions granted, many civil organizations dedicated themselves to the task of converting the municipality, gradually, into an entity able to attack the central problems of the country in two regards: 1. The municipality could constitute itself as an entity promoting the creation of conditions that would help the country transition toward a true democracy of political parties, and thus, strengthen democracy. 2. Municipalities could convert themselves into essential agents of social development, on one hand, attacking the problem of poverty through the implementation of social policies, and thus strengthening their capacity to design government plans and programs. On the other hand, they could modify the relationship between the government and local society, providing advice on government tasks as well as supporting the population through citizen education programs designed to convert them into local social subjects able to request accountability from their authorities regarding municipal management. They could also create educational and training strategies for political leaders, municipal assistants and presidents, as well as develop new relationships and instruments of democratic government to be able to redefine relationships between authorities and local society, thus strengthening participative democracy.

Before 1988, the line of work of the OCPD’s had been the education of popular leaders. However, opposition parties began to establish their own strategies to compete politically and win spaces of power on the municipal level. On one had, once the Party of the Democratic

Revolution (in Spanish, PRD) was established as a result of the National Democratic Front, it organized an electoral strategy through alliances with popular and rural sectors to begin winning municipalities and increase its political presence principally in the south of the country. On the other hand, the National Action Party (in Spanish, PAN) also carried out a much more aggressive action to win and position itself particularly in semi-rural and urban municipalities in the north of the country.

In this manner, by the end of the 1980s and the beginning of the 1990s, the civil organizations for social development (OCPD's) operating on the municipal level planned to work directly with local governments won by the opposition. Initially, they worked with rural municipalities, but rapidly extended their work to municipalities with small cities.

In this context, a *municipalista* (municipalist) movement began in diverse states through which numerous actors began joining together and projects arose with the goal of strengthening the movement. In 1989, ten civil organizations began to form the Inter-institutional Network for Civil Initiatives for Development and Democracy (in Spanish, Red INCIDE). Among other tasks, it functioned as a pedagogical manager for strengthening the political education of the local population and for the education of functionaries better trained in local management.

Starting in 1990, the Center of Municipal Services "Heriberto Jara," A.C. (in Spanish, CESEM) was constituted and since then has had a fundamental task centered in multiple municipal services. It has converted itself, also, into an articulator of diverse groups of civil society (the academic sector and political representatives of entities of national and local legislative powers) around the theme of municipalities. CESEM and other civil organizations made a qualitative turn toward learning about the management of municipal power within a democratic logic, and trying to reduce the vices of the authoritarian temptation of *presidencialismo* at the local level. They increased their participation in advising, seeing themselves obligated to clearly define their *municipalista* project. In that manner, they extended their networks to be able to become familiar with other Latin American experiences, as well as to stimulate the community imagination for projects dealing with indigenous autonomy.

In 1992, within the context of the commemoration of 500 years after the Discovery of America and in the framework of the preparations for the 500 years of Indigenous, Black and Popular resistance, the OCPD's

were invited to present workshops to members of indigenous communities about the role of the municipality and its importance as a central institution for the development of relationships between a more democratic society and government.

Together with these experiences, the civil organizations focused their work on citizen education, particularly offering a change of mentality in which the core of citizen participation in public in the management and co-management of government and the design of public policies would begin to be a more daily undertaking. Regarding work in the *municipalista* field, numerous non-governmental organizations joined themselves and turned this area of work into one of their most important specialities. Among these groups, it is worth mentioning, is the Network of Democratic Authorities (since 1994, comprised of political leaders), and Equipo Pueblo, with a presence in the states of Veracruz and Chihuahua. Later there was also Citizen Action for Education, Development and Democracy, A.C. (in Spanish, ACCEDDE) in Jalisco, together with the Mexican Institute for Community Development, A.C. (in Spanish, IMDEC).³

The *municipalista* movement consolidated itself in response to increased demands on the OCPD's for education and training, in the sense that neither state nor federal governments had had large contributions in this area or that they did it through very bureaucratic means. Today, their participation and intervention in the municipal realm continues to be essential, as it has been since its beginning.

The Municipalista Associations

On the other hand, given the lack of efficient public entities in the area of training and educating municipal public servants and the difficult job of confronting the vices of the clientelistic and authoritarian political system of many local governments, the climate was favorable for the exchange of experiences among those municipalities that were receiving training from the OCPD's. In this sense, in the *municipalista* movement, *municipalista* associations, beyond the citizen networks, articulated themselves among the political parties.

In 1994, the Association of Municipalities of Mexico, A.C. (in Spanish, AMMAC) emerged, fundamentally linked to the municipal governments of the PAN, although plural and inclusive of municipal govern-

ments of other parties. Its fundamental objectives have consisted in turning into a reality the concept of “Free Municipality,” strengthening municipal life and political space, encouraging democratic life within municipalities, and establishing solidarity and subsidiarity as governing principles of government.

From nineteen founding members (mayors), today they have more than 200 members that together govern 35 percent of the national population. It has been the first *municipalista* organization in the history of Mexico, motivated to join together to break away from the vices and limitations of centralism in relation to the municipal arena. Among their contributions, the members of this association have participated actively in:

- Assisting in obtaining a new reform of Article 115 in 1999;
- Urging the creation of a new framework for the distribution of resources through the Law of Fiscal Coordination, in collaboration with the Commission for Municipal Strengthening of the Chamber of Deputies;
- Struggling for a productive and respectful relationship with other government entities;
- Tightening links with international *municipalista* organizations for the exchange of innovative experiences;
- Organizing fora, workshops, congresses and courses to support professionalization in the municipal arena and increase the efficiency and efficacy of local public administrations in order to obtain the simplification of administrative processes.

AMMAC has had an active and proactive position in the *municipalista* debate. In addition to developing research on municipal themes, its principal themes of interest today basically are: decentralization and deconcentration, organizational re-engineering, strategic planning, transparency and accountability, total quality, management and human resources, professionalization of public servants, intergovernmental relations and modernization.

Given their affiliation with the PAN, the profile of the municipalities governed is principally large cities, although they also govern some rural municipalities. Thus, they have a vision of government that has received the name enterprise municipality. Given that the PAN has continued to govern in the state of Guanajuato and in half of its municipalities, accord-

ing to this logic of municipalization that has been designed with two principal tacks: understanding the diversity of municipalities in the state, and accepting that there cannot be one unique rhythm in the process of devolution and/or transfer of functions, given that each municipality has its own modalities and timing. For them, the decentralization of resources, functions and responsibilities is not feasible without establishing a permanent dialogue with the municipal entities that receive and the state government that gives up resources, functions and responsibilities (Cabrero 2000, 16).

On the other hand, local governments run by the PRD took the initiative to create their own Association of Local Authorities of Mexico (in Spanish, AALMAC) in October 1997. Thus, they committed themselves to struggle for municipal development and democracy, creating programs based on their basic normative foundations: honesty, solidarity, respect, mutual support and social justice. It was born with the representation of 81 municipalities in the states of Morelos, Hidalgo, San Luis Potosí, Michoacán, Veracruz, Tamaulipas, Oaxaca, Chiapas, Guerrero, México, Hidalgo and Nayarit.

Among their principal objectives can be found the promotion of exchanges of experiences with mayors from diverse Mexican and foreign municipalities to improve the functions and the exercise of municipal management; strengthen democratic political culture among municipalities in the country; promote before the local and federal congresses legislative initiatives to encourage the development of municipalities; and negotiate with fiscal authorities from higher levels of government and the private sector for the investment of resources, among their most important goals.

To strengthen federalism, they have proposed seeking solutions that improve the distribution of public powers and functions, as well as the redefinition of intergovernmental relations in order to achieve the balance of powers and their separation. They also struggle for the inclusion of indigenous peoples through a new relationship with the state, as well as for the reevaluation of the principal core ideas of economic and productive activities in the country to obtain a more equitable redistribution of revenues to correct existing social inequalities.

The AAMLAC has also encouraged the reform of Article 115 of the Constitution in order to recognize the municipality's character as a gov-

ernment more than as an entity that administrates services. This effort was successful in 1999. In addition, they have successfully achieved an agreement of multiple collaboration between their association and AAMAC in February 1999, a relation that has been fluid and enriched by the exchange of experiences and the joint tasks of encouraging municipal development.

The relationship of these two *municipalista* associations has implied on many occasions bringing face to face their postures with those of the PRI, particularly in diverse *municipalista* projects. Until the year 2001, they have not encountered a response for collaboration with the organization of the PRI-governed municipalities. According to the new correlation of strengths, this rapprochement begins to take its first steps, since local government and federalism are themes of the first order in the national agenda.

In the case of the association of PRI-governed municipalities, the National Federation of Municipalities of Mexico (in Spanish, FENAMM) originated in 1997. This association has had as its goal to work for *municipalismo* in the country, to encourage institutional, juridical, treasury and administrative modernization in the municipalities. In reality, it is the largest organization of municipalities in the country, since it is comprised of 1,788 municipalities (74 percent of the total) of the 2,443 that currently exist. During its short period of existence, it has encouraged the process of organizational consolidation and reached a consensus on a platform of reforms in favor of municipalities that are considered urgent. It created its own municipal training school to achieve those ends.

DILEMMAS AND CHALLENGES FOR BOTTOM-UP DEMOCRACY IN MEXICO

In spite of the great changes in Mexico that have been defended by the *center*, many of them have begun *outside of the center*. The society as a whole, social and citizen mobilization and participation and the processes of modernization of local entities of power have been fundamental actors in the transition to democracy, as well as in pressuring for the acceleration of the weak impulse of the decentralization process.

In this manner, in its beginnings the so-called administrative decentral-

ization did not have the political character it required, given that the core of *presidencialismo*—party power, desiring to continue having central control of decisions, only deconcentrated and decentralized the problems but not the power of decision-making. In this manner, parallel to this process, the profile and features of Mexican democracy have been mobilized by diverse political processes: citizen mobilization, organization of civil networks for the promotion of social development, participation in political competitions by the opposition political parties, and the municipal entity that, little by little, has taken on a natural role in the national arena in favor of the organization and social development of Mexican society from below.

In the 1990s, the structural limits that the institution of local government confronted stopped it from making more qualitative leaps. These limits resulted from the inertia of the problems of political culture that authoritarian local bosses and *presidencialistas* reproduced within local governments and the legal and administrative difficulties that were far from the description “democratic.” However, this dressed-up context has slowly begun giving way in the national conscience regarding the importance of carrying out in the framework of a state reform a reform of the municipal arena. Joining this change, the struggle of civil organizations and their qualitative leap through the formation of networks of OCPDs increased the organizational capacity of the same civil society, making possible its legal recognition and social legitimacy. At the same time, networks oriented their actions under themes jointly coordinated, which allowed them to struggle more consistently for democracy in various areas.

The *municipalista* movement and the mobilization in networks of civic organizations have been struggles that can locate themselves in the following large areas: democracy and economic rights (against marginalization and for the implementation of social policies, decentralization with the power of decision making, allocation of resources and external financing), democracy and political rights (democracy on the three levels of government: federal, state and municipal), democracy and respect for legality (the search for legal reforms to obtain recognition and social legitimacy, state follow-up of municipal reforms and legislative proposals from the local arena for local and national citizen participation); democracy, *municipalismo* and local power (municipal associations, networks of researchers, municipal governments, citizen participation, dialogue with the state and local congresses).

According to the fields of action mentioned in the struggle for democracy, a series of dilemmas and challenges are presented for deepening this political transition. In the sense that the political part moves as the core seed, other economic processes and processes that seek solutions to large social remnants can be accelerated. Among them, we can consider the following:

1. For municipal democracy, reforms with greater reach are needed. To establish a dimension of relative autonomy of the municipal institution thus implies encouraging decentralization and economic strengthening policies from below.
2. It is necessary to carry out a broader political reform that includes municipalities and addresses how they interact with local society.
3. It is necessary to strengthen the municipal apparatus in its administrative dimension.

Currently, tensions between states and the federation in the debate over municipal autonomy and the state, as related to the federation, have begun to broaden according to the organizational capacity and the possibilities of local space including citizen participation. Nonetheless, the substantive advances have concentrated on urban municipal governments encountering spaces for action and relative autonomy to carry out their projects and interact with state governments in an atmosphere of greater respect and intergovernmental collaboration. Still pending is the strengthening of spaces of action and relative autonomy for the majority of semi-urban and rural municipalities in the country, as well as the task of resolving structural remnants in order to redesign the structure of the municipality politically and economically, as well as in its fundamental democratic relationship with the society.

To understand the reforms of Article 115, it is important to consider that this reform fits within the old customs of the practices of the political system. Although there have been advances in the content of the reform, there still exist old forms of authoritarian power in the states and municipalities that can slow the possibility of structural change. But at the same time, municipal reform is not only a concept, but is fundamentally a process that ought to succeed in each of the states of the federation through their local congresses. This constitutional reform in the federal

context will take form according to the internal conditions of each state. Each state will assimilate the reform, to a greater or lesser extent, depending on if the old customs or interests persist that do not allow the reform to advance in a more dynamic manner according to the changes that the reform establishes around the municipal institution, converting it into an essential entity of government.

Although today there is a broad consensus on the place that municipalities should play, the pending reforms ought not be valued at the margin of all other processes that are related to democracy. Indeed, it is important to continue establishing normative and legal instruments and those related to institutional design so as to deepen the changes toward democratic governance as a process of putting down roots starting with the local society.

Now that a succession at the presidential level has taken place, the setting is more favorable so that these instruments and new designs of institutions and intergovernmental relationships can be introduced in the federation's state constitutions. The problems can remain if centralist inertia is repeated and the federal law (municipal reform) copies the states, or even if the federal copy is added and elements of local solutions are added that do not affect the root of the issue. The *municipalista* movement should include, therefore, political, social and municipal actors and institutions with popular representation, such as the Chamber of Senators and the Chamber of Deputies and local congresses to discuss the instruments and the reforms to legislation and the Constitution of the country.

Non-governmental organizations and their networks, academic sectors, *municipalista* associations and national political associations are a fundamental counterpart to the legal reforms and the process of democratization, since they represent the connection between citizen initiatives and initiatives of local, state and federal government. Collective organized citizen action has been maturing through learning about conflict and negotiation, serving as a core seed of the political process. In the future, the acceleration of pending challenges ought to be established through short and medium-term efforts in order to be able to agree to institutionalize and give permanency to participative dynamics.

The municipalities have a capacity for limited self-reform, so they ought to sustain themselves with social and citizen participation in order to achieve integral social development at the local level. However, in

addition to these important actors, both the organized society and the municipalities have to better manage their connections with central actors in the process of democratization and institutionalization of participative dynamics through umbrella organizations. Such organizations include the Federal Congress and local congresses, since they are the builders of the municipal institution.

In the same way, local institutional design ought to contemplate institutionalizing participative entities, taking advantage of the experience of the community histories of participation in networks and civil organizations, since it is these formations that tend to induce social organization. Such action is about constructing democratic relationships between society and government. In sum, the actors in this construction must learn that the risks and successes of projects of social development can be shared by the participative society and its government, so as to give rise to bottom-up dynamics of citizen and government co-partnership.

APPENDIX

Table 6.1: Number of NGOs registered with the Ministry of the Treasury and Public Credit, 1999

State	Number of NGOs	State	Number of NGOs
Aguascalientes	45	Nayarit	12
Baja California	115	Nuevo León	268
Baja California Sur	23	Oaxaca	77
Campeche	11	Puebla	129
Coahuila	125	Querétaro	95
Colima	29	Quintana Roo	33
Chiapas	169	San Luis Potosí	91
Chihuahua	169	Sinaloa	61
Distrito Federal	1,352	Sonora	87
Durango	19	Tabasco	24
Guanajuato	158	Tamaulipas	89
Guerrero	30	Tlaxcala	19
Hidalgo	55	Veracruz	105
Estado de México	222	Zacatecas	17
Michoacán	159	Total	4,162
Morelos	65		

Source: Data obtained from *Diario Oficial*, 1999; and Serfio Aguayo, ed., *Almanaque Mexicano*, Grijalbo/Hechos Confiables, México, 2000, p. 310.

Table 6.2: NGOs by federal states, 1995-2000

State	1995-2000	2000	Increase
Aguascalientes	27	91	237.04%
Baja California	66	304	360.61%
Baja California Sur	12	56	366.67%
Campeche	7	119	1,600%
Coahuila	39	418	971.79%
Colima	23	47	104.35%
Chiapas	42	148	252.38%
Chihuahua	44	231	425%
Distrito Federal	1,182	1,930	63.28%
Durango	20	56	409.09%
Guanajuato	97	235	142.27%
Guerrero	11	56	409.09%
Hidalgo	25	63	152%
Jalisco	229	491	114.41%
Estado de México	81	309	281.48%
Michoacán	65	156	140%
Morelos	32	171	434.38%
Nayarit	5	21	320%
Nuevo León	27	538	1,892.59%
Oaxaca	37	192	418.92%
Puebla	55	150	172.73%
Querétaro	25	135	440%
Quintana Roo	4	59	1,375%
San Luis Potosí	24	103	329.17%
Sinaloa	24	103	240%
Sonora	53	146	175.47%
Tabasco	12	40	233.33%
Tamaulipas	19	102	436.84%
Tlaxcala	7	25	257.14%
Veracruz	45	203	351.11%
Yucatán	6	28	366.67%
Total	2,364	6,887	191.33%

Source: CEMEFI, 1995-1996 and 2000; and Sergio Aguayo, ed., *Almanaque Mexicano*, Grijalbo/Hechos Confiables, México, 2000, p. 311.

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NOTES

1. An expanded version of this chapter appears in Philip Oxhorn, Joseph S. Tulchin, and Andrew D. Selee, eds. *Decentralization, Democratic Governance, and Civil Society in Comparative Perspective: Africa, Asia, and Latin America*, Washington, DC: Woodrow Wilson Center Press and Johns Hopkins University Press, 2004.

2. The concept of non-governmental organizations was established at an international level. It was born in the United Nations (UN) a few years after the Second World War. These organizations were considered independent of governments and permanent international associations dedicated to promoting cooperation mechanisms for development between Western European countries and the countries of the so-called Third World. In Mexico, thanks to the work of Rafael Reygadas: *Abriendo veredas. Iniciativas públicas y sociales de las redes de organizaciones civiles*, Convergencia de Organismos Civiles para la Democracia, México, 1998, we have a serious work that systematizes the history of civil organizations. The author prefers that, in the Mexican context, that they be called: “civil organizations for the promotion of social development” (in Spanish, OCPD’s), so as to give them greater concordance with their origin, context and fundamental identity in the country. This is in place of a generic reference established at the international level. In this document, we use interchangeably the terms non-governmental organizations (NGO), civil organizations for the promotion of social development (in Spanish, OCPD’s) or simply civil organization of civic society.

3. IMDEC is a civil association founded in 1963. It offers professional services in the educational areas of communication and organization. Currently, it is a member of the Forum of Civil Organizations (in Spanish, FOCIV), which comprises more than 30 collectives in the metropolitan area of Guadalajara, Jalisco.

Decentralization and the Restructuring of Politics in Venezuela

ROSA AMELIA GONZÁLEZ AND CARLOS MASCAREÑO

The process of Venezuelan decentralization at the end of the twentieth century cannot be understood without exploring both the federalist traits that have been present in the country's two hundred years of republican history and the centralism that has dominated the political scene. Because of these factors, the process of decentralization in Venezuela is marked by a permanent federalism-centralism tension that is still present today. The introduction of direct election of territorial authorities, such as governors and mayors, has introduced marked alterations in the political system while also partially reconstituting the political process and state-society relations in Venezuela. Nonetheless, the country remains highly centralized in fiscal terms, and there are increasing signs under the current government of a possible return to a more centralized regime.

In this chapter, we first explore this tension between federalism and centralization and seek to explain the present-day process of decentralization. We then address the real performance of political and institutional actors from the onset of decentralization while also discussing the nature of fiscal arrangements within the decentralized regime. We then address how this process has influenced the development of civil society, and finally we offer a few necessary comments about current political tendencies in Venezuela in relation to the political change that arose with the rise of Hugo Chavez to power. We especially stress the centralist characteristics of the present administration and the constitution of 1999, which may serve to reverse the process of decentralization of the country.

FROM CENTRALIZED FEDERALISM TO DECENTRALIZATION

The Venezuelan Constitution of 1947, which is the result of an agreement among the first modern-day political parties, breaks with the tradition of authoritarian centralism that began at the beginning of the twentieth century by proposing direct elections for governors. Although this proposal did not materialize because of the overthrow of President-elect Rómulo Gallegos in November 1948, the Constitution of 1961 again addresses the same underlying federalist principles and establishes the possibility of direct election of governors and mayors, as well as the future transfer of responsibilities or obligations to the states and municipalities. However, such underlying principles were never implemented, since the 1961 Constitution also formalized the centralized-federalist system already in place by giving a central role to the political parties, which assumed a monopolizing role within the political system. As a result, the federal system was left as a mere token, and subnational governments in turn had limited functions (Brewer 1994).

In 1978, the central government took the first steps towards decentralization by passing the Organic Law of Municipal Administration (LORM), a legal document in which the responsibilities or obligations of the municipality were defined and in which new schemes of territorial political participation were introduced. In spite of this reform, centralist and party predominance continued; in light of this situation, municipal authority represented no counterbalance to central authority.

In the 1980s, however, a severe crisis in the Venezuelan political system took place and transformed the debate on federalism. Economic crisis, social tensions, and the consequent loss of legitimacy of the political parties led dominant party leaders to believe that urgent measures were necessary to relaunch Venezuela's democracy. What they failed to realize, however, was that they were dealing not only with a much deeper crisis of governance, but also with the erosion of the national model of conciliation as well. As a result, the government sought new initiatives to reform the state and regain legitimacy, and in turn created the Presidential Commission for the Reform of the State (COPRE) in 1984. The idea of a major decentralization of the state first arose in the negotiations carried out among the actors that constituted the COPRE, which included representatives of political parties, academia, the church, civil society, business, and regional leaders.

In this context, decentralization emerged as a strategy to respond to the dysfunctions of the political system through the creation of new channels for citizen participation in public affairs by bringing the government closer to the governed as well as through the generation of greater efficiency and efficacy in the public sector by increasing the responsibilities of the subnational levels of government. According to the Commission:

From a political perspective, the objective [which] decentralization seeks is to promote the political development of society in a progressive manner which permits not only greater efficacy in the functioning of the public sector, but also will contribute to the broadening of legitimacy of the political system.... Decentralization, before being a technical operation . . . is a political process that seeks the redistribution of authority within society . . . As a political process, its goal would be the generation of societal controls over their heads of state and representatives and with respect to the administrative procedures in territorial governments. (COPRE 1987, 3, 12, and 14)

The implicit strategy was to use decentralization to undermine the clientelistic practices, corruption, and inefficiency associated with the political parties that had favored centralization. Many people believed that decentralization would introduce substantial modifications in the life of the political parties, which would lead to a greater democracy, given the close relationship between centralization of public authorities and the concentration of power in the hands of national political leaders.

Venezuelan decentralization arose as a consequence of the profound political and social crisis. However, this process was also influenced by the structural adjustments that occurred at the time throughout Latin America which sought to modify the relationship between state and society. Indeed, there is a marked coincidence in time between the approval of the Venezuelan reforms (1988-1989) and the macroeconomic adjustments in the region. The negotiation of a structural adjustment package between the Venezuelan government and the International Monetary Fund (IMF) at the beginning of the presidency of Carlos Andrés Pérez led to violent reactions on the part of the public during the well-known case of the “Caracazo” on February 27, 1989. This situation placed additional pressure on the government to pursue the definitive adoption of the

decentralizing reforms suggested by COPRE. These were implemented in 1989 with the first direct elections for governors and mayors in the history of the country.

Formal rules that regulate the process of decentralization

The fundamental principles paving the way for the process of decentralization that Venezuela experienced from 1990–2000 were originally established in the Constitution of 1961. Article 22 anticipates the future election of state governors, while article 137 addresses the assignment of matters of national responsibility to states and municipalities. It should be noted that both measures, however, required a vote of two thirds of the members of the Congress of the Republic to go into effect. The first step towards such approval was the Organic Law of Municipal Administration (LORM), passed in 1978. This was followed by a new generation of reforms, as detailed below:

- **First phase: The initial steps (1988–1989)**

The Law on the Election and Removal of State Governors (August 1988; reformed in April 1989); The Law on the Period of Public Authority in the States (April 1989); Reform of the LORM for the creation and election of Mayor (June 1989); Organic Law of Decentralization, Delimitation and Transfer of Responsibilities of Public Authority – LODDT- (December 1989).

- **Second phase: Fiscal strengthening (1993–1996)**

Decree-Law regulates the mechanisms of the Participation of the States and Municipalities in the amount of Value Added Tax collected and the Intergovernmental Fund for Decentralization – FIDES – (November 1993); the Law of Special Assignations for the States derived from Mines and Hydrocarbons – LAEE – (November 1996).

- **Third phase: New rules (1999–?)**

Constitution of the Bolivarian Republic of Venezuela (December 1999); the Law of Partial Reform of the Law that created the FIDES (August 2000); the Law of Partial Reform of the LAEE (August 2000).

The Political Arena and Legal Reform

On a political level, the law that regulated the election of governors during the 1989-1999 period established (in Article 2) that each state would elect a governor by universal, direct, and secret vote. At the same time, these governors could be reelected in the same jurisdiction for the period immediately following the one just served (Art. 7), although they could also be removed from office by the state legislative assembly. The law also incorporated a set of norms about the substitution of governors due to total and temporary absences, which generated diverse conflicts in federal entities as a result of discrepancies in its interpretation. The Law on the Period of Office of Public Authorities passed in 1989 established a three-year period of office for governors and legislative assemblies.

The reform of the LORM made the creation of the mayor as public figure possible and established that the mayor would have the authority to direct the executive branch of the municipal government (Art. 50). Furthermore, the office was open for reelection with the duration of the term of office being three years. These changes created new spaces of political legitimacy and unleashed important changes in the logic of the Venezuelan political system at a time when its legitimacy was being questioned.

In the 1999 Constitution, the state and municipal levels of government have been maintained, as has been the direct election of governors and mayors, with the terms increased to four years with the possibility of one reelection. The 1999 Constitution substituted the much-criticized state legislative assemblies with regional legislative councils, withdrawing in sum their authority to reject the mayors' reports and accounts. The function of revocation of office was assigned, on this occasion, to the comptroller's office of the respective federal entity, thereby transferring administrative negotiations to the governor and the comptroller. The mayor is also subject to the above-mentioned rules of revocation by the municipal comptroller, thereby diminishing the authority of the municipal council.

The Scope of Mandated Responsibilities

The LODDT, in Article 3, reassumes the traditional exclusive responsibilities that had already been assigned in the Constitution of 1961, establishing in Article 4 the list of subjects that are henceforth considered concurrent responsibilities. This last article establishes an explicit recognition of

the type of centralization in force until that moment, while at the same time referring to issues that, constitutionally, belonged as much to national authority as to state and municipal levels of authority, but had been concentrated at the national authority level (Brewer, 1994). The LODDT, with a basis in article 137 of the Constitution, established the rules for federal entities. Within the first set of rules, the concurrence of important services such as health, education, housing, environment, and the protection of family/ minors/the elderly were established. In the second case, exclusivity was associated with the administration of highways, roads, ports, airports, salt mines, non-metallic minerals and a share of taxes on consumption.

A substantive part of the planned process of transfer was constituted by the agreements on transfer regulated by Article 6 of the Law. This article established that an agreement would be made between the Republic, represented by the Ministry of Foreign Relations (MRI), and the governor of the respective state. The agreement should contain the description of the transfer program with a detailed account of the goods, personnel, financial resources and method of supervision; also, the transfer of the ownership of the goods and the specification of personnel to be transferred and the assigned financial resources should be detailed.

In another aspect of responsibilities, it is important to note that in the reform of the LORM (1989), the transfer to municipalities was not anticipated, while the responsibilities of this territorial level had been clearly established in the Law of 1978. In article 36, the LORM contemplated municipal responsibilities in terms of aqueducts, sewers, drainage and treatment; electricity and gas; urban development plans; housing, parks, plazas and beaches; decoration; urban transit; public transportation; the supplying of consumer products; entertainment; environment and security; popular markets; urban and domiciliary cleanliness; civil protection; cemeteries; the patrol of municipal services; cultural activities and sports and all those that are proper to local life.

In the local area, there is ample space for functioning when all issues related to local life are attributed to the municipalities. For this reason, when the reform was approved in 1989, there were no pressures evident as far as the transfer of new services or responsibilities from national authority toward the municipalities. In any event, it was to be the very process that would indicate the convenience or not of assigning new areas

of municipal action, and for which it would be necessary to reform the LODDT or create a new law. Neither of these things occurred in the 1990–1999 period.

The Constitution of 1999 maintained along general lines the rules for exclusive responsibilities, thereby eliminating the interference of states in the taxes on consumption. As a result, these tax possibilities are remanded to national provisions. The concurrent responsibilities continue to be those that were originally established in the LODDT. Additionally, it should be noted that they remain subject to basic laws dictated by the national authority and to the laws of execution approved by each state in particular. In any case, it is clearly stated that the services assumed before the new Constitution took effect are not to be reverted. The administration of municipal responsibilities was extended to a number of subjects defined as concurrent for the states, such as the cases of primary health care, preschool education, sports related activities and care for infants, adolescents, and the elderly.

Fiscal Scope and Decentralization

In discussions held prior to the legal reforms that opened the way for the process of decentralization, it was maintained that the Venezuelan states were like empty shells, part of the centralized federation imposed on the country. In effect, federal entities, aside from not having a definition of their responsibilities, did not have the possibility of obtaining income greater than the traditional Constitutional Assignment established (with a basis in prior texts) in the 1961 Constitution. In article 229, the constitution established an annual budgetary assignment for the states in the realm of 12.5% and 15% of the total ordinary revenue of the nation.

For their part, the municipalities did have an explicit definition of their own revenue in said Constitution, aside from having a quota or share of the Constitutional Assignment. In article 19, the Organic Law of Coordination of Investment of Constitutional Assignment (1974) established an annual budgetary assignment for municipalities of not less than 10% nor greater than 15% of that portion of the Constitutional assignment of the states not subject to the coordination of administrative plans developed by the national authority. In a partial reform of the aforementioned law (1980), the limits of the range were established between 12.5% and 20%.

Between 1989 and 1998, the framework of tax matters underwent important modifications. The institutional base for these modifications can be summed up as follows:

- a) *Constitutional Assignment*: Article 13 of the LODDT determined that for the year 1990, the Constitutional Assignment would be equivalent to 16% of ordinary revenue of the national budget, and would increase by 1% annually until reaching a 20% maximum. Article 14 established that the Municipal Assignment for 1990 would be equivalent to 10% of the ordinary revenue of the federal entity (no longer of the fraction of the Constitutional assignment not subject to coordination); this percentage would increase by 1% a year until reaching 20%.

- b) *Revenue derived from the participation of the states and municipalities in the proceeds of the Value Added Tax (IVA) and the creation of the Intergovernmental Fund for Decentralization (FIDES)*: As previously mentioned, taxes on consumption were catalogued as the exclusive jurisdiction of the states. However, in a discussion with national authority, it was finally established that the IVA would be established as a national tax with a centralized system of collection. States and municipalities would have a certain share of the revenue collected. Decree-Law No. 3265 (November 1993) passed by the period of transition president Ramón J. Velásquez, determined that the territorial entities would have a maximum 30% share that would be reached by the year 200, starting from 4% in the year 1994. A particular characteristic of this new tax transfer is that the resources would be used if and when projects were presented and the respective funds would be administered by a institution of intergovernmental character: the Intergovernmental Fund for Decentralization (FIDES). In this manner, a method for the assignment of territorial funds under a system conditioned by projects was established for the first time.

In May of 1994, the government of President Caldera approved a package of tax laws, among which was a law that substituted the Value Added Tax with a Tax on Sumptuous Consumption and Wholesale Sales (ICSVM). During this presidential administration, there were often complaints made by sub-national governments with

respect to the difficulties they had to confront in order to accede to these FIDES resources. In 1995, the Regulation on the Municipalities' Share of the FIDES Revenue was approved. This policy tool corrected an error in the original decree-law that impeded municipalities' use of the Fund's revenue. In 1997, the National Congress approved a Law for the Creation of an Intergovernmental Fund for Decentralization that increased the possibilities for the states to use the Fund's revenue.

- c) *The Law of Special Assignations for States derived from Mines and Hydrocarbons*: The Constitution of 1961, in Article 136, anticipated the possibility of a law like the one mentioned above. At the behest of the Venezuelan oil companies and with the support of the legislators of the province, this document was approved on November 26, 1996. It was established therein that of the total amount of revenue collected by the nation as payment of the taxes established in the hydrocarbons law and the mining law (having reduced the amount correspondent to the Constitutional assignation in 1998), 20% would be earmarked for the states. Additionally, it was established that by 2000 the proportion earmarked would reach 30%. The law provided that the municipalities' share would reach 20% of the amount to be distributed in the year 2000. It also determined the transfer of revenue to the states that did not participate in mining or drilling for oil. The coordination of this new legal document would be the responsibility of the MRI.
- d) *Transfers for obligations undertaken*: As has been previously pointed out, the states should receive the revenue assigned by national authority for the provision of the transferred services; this is the amount that the national entity spent until the moment it offered the service in question. The first allocation of funds should be annually adjusted according to variation in ordinary revenue.
- e) *The states' and municipalities' own revenue*: Compared to tax transfers, the revenue that belonged to states turned out to be meager. In effect, these funds were limited to what was collected for the administration of stamped paper, non-metallic minerals, salt mines, roads, highways, bridges, airports and ports. On the other hand, municipalities count

on a greater variety of other sources of income or revenue, all enumerated in the Constitutional text of 1961 and specified in the LORM. Municipalities have had the opportunity to exploit taxes on industrial and commercial patents, city buildings, vehicle licenses and public performances, as well as their common lands.

In the 1999–2000 period, with the installation of the new government of President Chavez and the process of constitutional reform, new elements were introduced into the tax organization of decentralization. Still more can be expected since legislation in this subject matter will proceed in the future to adapt itself to new principles established by the Constitution of 1999. These new elements are :

- a) *Constitutional Assignment*: the Constitution of 1999 (article 167) defines this share as equivalent to a maximum of 20% of total ordinary revenue estimated annually by the Internal Revenue Service. In the case of municipalities, it is established that they shall receive a share no less than 20% of the assignment and of the ordinary revenue collected in the respective state.
- b) *The Treasury*: the new constitutional text (article 167) establishes that the states' revenue is comprised of taxes, fees and contributions that are assigned by national law, with the aim of promoting the development of state treasuries. Paragraph 6 of the Fourth Transitory Disposition points out that the National Assembly in its first year of sessions shall approve a law to develop state treasuries.
- c) *Fund for Inter territorial Compensation*: the Constitution also indicates (article 167) that the revenue that comes from the Inter Territorial Compensation Fund, an instance that is to be based in the future Federal Government Council, are state resources.
- d) *Intergovernmental Decentralization Fund*: in August of 2000, the National Legislative Commission – a temporary body that replaced the National Congress – approved a Law of Partial Reform to the FIDES Law. Among other changes, it is important to note: the introduction of incentives in the system of co-financing for certain types

of projects; chosen sectors, determined geographic locations, etc. (article 5); the increase in the number of members on the board to nine (article 7), five of whom are representatives of the national government (before there were eight members, four representatives for the national government and four for sub-national governments); the possibility of assigning the Fund's resources to projects that are promoted by organized communities, by neighborhood associations and non-governmental organizations (article 19).

- e) *The Law of Special Economic Assignations for the States derived from Mines and Hydrocarbons*: likewise, in August of 2000, the National Legislative Commission approved a new LAEE that among other innovations requires that municipalities receive no less than 40% of the special economic assignations of each state; said percentage is to be distributed according to that established in the Organic Law of the Municipal System (article 3). It is also established that governorships and mayoralties must destine at least 20% of the amount assigned in order that communities, neighborhood associations and non-governmental organizations that meet the requirements established in the regulations of the Law can present projects to which the funds must be applied. If the established timeframe expires and the governor's office or the mayor's office has not issued an answer to the soliciting organizations, these organizations may present the project to the MRI. If the MRI approves the project, the governor or mayor will be obliged to proceed with the respective hiring (article 20).

A quick look at the changes recently registered demonstrate a dual posture in the face of decentralization. Proposals such as those from the Treasury and the Inter-Territorial Compensation Fund seem to be oriented toward stimulating and deepening the process, while the recent reforms to the FIDES Law and to the LAEE diminish the autonomy of sub national governments in the matter of the assignation of resources.

Organizational Structure of Decentralization in Venezuela

At the organizational level, the process of decentralization in Venezuela exhibits very peculiar characteristics. Indeed, one could say that this process has developed in the absence of a guiding or coordinating instance

at the national level, and this has conferred a certain degree of singularity. Even though the LODDT raised the possibility that the transfer of obligations toward the states could be initiated at the behest of any of the parties (i.e. the corresponding state or national government), the truth of the matter is that in practice, the first method prevailed. As a result, this brought a great degree of heterogeneity in the rhythm and number of responsibilities or obligations assumed by the different states, since much depended on the disposition of the office of governors to accept the new functions. Given that the MRI acted as the representative of the Republic in transfer agreements, while also being responsible for the administration of the funds allocated through Constitutional Assignment, this organization became, in effect, responsible for the process.

This situation had an interesting but ephemeral break during the transition government of President Ramón J. Velásquez (June–December 1993). When he took office, Velásquez directly confronted the slow pace of the decentralization process and the lack of a normative framework to harmonize the interests at stake. The LODDT had been in force for more than three years, and not one of the national services that had been anticipated in the aforementioned law had been transferred to the states. At this point, the decision was made to create an office at the highest level of government whose task it would be to accelerate, organize and deepen the decentralizing process (Brewer, 1994).

A State Minister for Decentralization was appointed (Decree 3032, June 1993) whose responsibilities included the elaboration and formalization of decentralization programs, as well as the arrangement and coordination of the execution of these programs. This Minister of State for Decentralization prompted various initiatives of an organizational nature, among which was the formal outlining of the regulations of the LODDT that were necessary in order to implant mechanisms for intergovernmental regulation such as the Territorial Council of Government.

In January of 1994, Dr. Rafael Caldera assumed the office of President of the Republic. The government of President Caldera demonstrated from the onset a centralist tendency, and for this reason the reforms prompted by his predecessors were not continued. Although towards the end of his administration a major degree of openness toward decentralization was observed, a true commitment to the process was never fully reached with this government.

In January of 1999, a new period of government was initiated after the electoral triumph of Hugo Chávez. Just as he had promised during his electoral campaign, the first priority of the new government was the reform of the National Constitution. In December of the same year, a new text was approved that reiterated in Article 4 the federal character of the Venezuelan State and added the qualifier *decentralized*. This character is reinforced in article 158 when notes that “. . .decentralization, as a national policy, must deepen democracy, bringing authority closer to the people and creating better conditions, not only for the exercise of democracy but also for the effective and efficient provision of state responsibilities/obligations.” The new Constitution also created the Federal Council of Government, a figure much like the Territorial Council of 1993, that would fill a vacuum in matters relating to the coordination of intergovernmental policies and the harmonization of criteria vis-à-vis the progress of territorial process. The Council was to be presided over by the Vice President of the Republic – a new figure of Venezuelan public administration of a designated nature– and was to be integrated by the ministers of government, governors, one mayor for each state and representatives of civil society. In the future, this Council will be responsible for the bulk of the negotiations in the process of decentralization and, in large part, may regulate intergovernmental relations.

It is necessary to point out that the absence of effective coordination in the process of decentralization gave rise to the emergence of a sort of parallel unconstitutionality that attempted to provide a solution to these problems. Several examples of this type of organization are to be found in the State Reform Commissions that were created in various state entities since 1990, such as the Venezuelan Association of Legislative Assemblies (1991), the Governors’ Association of Venezuela (1993), the Association of Mayors of Venezuela and the Associations of Mayors created in the majority of the states. These organizations always suffered from an excessive dependency on the leader (the governor or mayor in office at the time), which worked against them and made them particularly vulnerable to political cycles.

Citizen Participation in the Process of Decentralization

In Venezuela there is no State System Law regarding the matter of citizen participation. As a result, the territorial mechanisms are those that are

established in state constitutions and other state laws. These are expressed in provisions such as the following:

- Promotion of participation: an explicit call for citizen participation in various activities (for example, program management, programming processes, supervision and following, etc.)

**Chart 7.1:
Mechanisms of participation provided for by state constitutions**

States	Promotion Of participation	Consulation	Referendum	Legislative Assembly Assistance	Legal Initiative	Constitutional reform	Other mechanisms
Amazonas (1993)	X	X	X	X	X	X	
Anzoátegui (1993)	X			X	X		
Apure (1998)	X		X	X	X	X	
Aragua (1995)	X		X	X	X		X
Barinas (1990)	X		X	X	X		
Bolívar (1986, Reforma 1989)				X	X		
Carabobo (1990)	X		X	X	X		X
Cojedes (1990)	X		X		X		
Delta Amacuro (1993)	X		X	X	X		
Falcón (1997)		X	X	X	X		
Guárico (1990)	X				X		
Lara (1990; Reforma, 1996)				X	X		X
Mérida (1995)	X		X	X	X		
Miranda (1984)				X	X		
Monagas (1984)					X		X
Nueva Esparta (1993)	X		X	X	X		
Portuguesa (1993)			X	X	X		
Sucre (1988)				X	X		
Táchira (1993)	X	X	X		X		X
Trujillo (1993)	X	X	X	X	X		X
Yaracuy (1993)	X			X	X		
Zulia (1990; Reforma, 1993)							

Source: COPRE-PNUD, 1998.

- Seeking advice or consultation: submitting to public consideration or opinion certain matters indispensable for decision making
- Referendum: collective decision making by way of popular vote
- Legislative Assembly Assistance: participation in Assembly meetings with the right to be heard
- Legal initiative: the authority to introduce legal projects before the Legislative Assembly with the support of a specific percentage of the voters in the jurisdiction
- Other mechanisms: different forms of participation contained in laws and decrees

As can be observed in Chart 7.1, the process of decentralization brought a certain degree of openness – at least in formal terms – to regional governments. In fact, one can observe that the constitutions with the poorest opportunities for participation are those approved before 1989. However, there are not many laws at the state level that develop constitutional principles; an isolated example in this sense is the Law of Planning and Participation of Civil Society in Public Administration of the State of Lara that the Legislative Assembly of this federal entity approved in 1996.

At the municipal level, the Organic Law of the Municipal System (LORM) established various forms of citizen participation in different areas of local interest. In this sense, one can highlight the creation and participation of the Neighborhood Associations in local public affairs. Furthermore, this neighborhood initiative established the creation or fusion of municipalities (Article 20), the modification of the Law of Politico-Territorial Divisions of the State (Article 22), the creation and demarcation of Parishes (Article 33) and the creation of Metropolitan Districts (Article 25). These measures were accompanied by the possibility of carrying out open councils (Article 171), a community legislative initiative for presenting projects of Municipal Ordinances (Article 174), a request for reconsideration of Ordinances (Article 176), and a referendum for the consultation on Ordinances and other affairs of collective interest (Article 175).

Finally, other national laws also regulate citizen participation in specific matters such as postulation, election and revocation of the terms of Judges of the Peace (Organic Law of the Justice of the Peace); consulting

with the public on the Local Urban Development Plan and community participation in the defense of urban planning through the Neighborhood Union (Organic Law of Urban Planning); and the referendum of approval for the location of casinos, bingo halls, and slot machines (Law for the control of casinos, bingo halls and slot machines).

With the new Constitution of 1999, new means of citizen participation have been introduced, such as a referendum of revocation for elected offices (governor and mayor), the referendum for consultation in specific matters of state with the municipality or the parish, and the creation of the state Council on planning and coordination of public policy and the Local Council on public planning.

BEHAVIOR OF THE DECENTRALIZATION ACTORS

As was affirmed beforehand, the process of decentralization introduced a new dynamic among the levels of government, affecting in turn the political system and various social actors from different jurisdictions (“territorialized” social actors). In this sense, multiple actors have arisen which have assumed different positions, depending on the incentives that the institutional arrangement in force provided.

The decentralized political system and political actors

Undoubtedly, Venezuelan decentralization has introduced alterations in the dynamics of the political system. The election of governors and mayors and the transfer of obligations and resources has caused changes in the concentration of power, creating a tendency for this power to disperse on a territorial level. This is much different from the prevailing one in which all negotiations converged on one point: the central government and the heads of national parties (Arenas and Mascareño, 1996). In this perspective, it is necessary to point out that when the governors were designated by the President of the Republic, for the most part they belonged to the parties Democratic Action and COPEI – depending on who was in power at the time.

In the new political reality, the elected governors have been distributed among various political organizations. This has resulted in a rupture in traditional bipartisanship in the elections of 1998 and 2000, in which the V Republic Movement – the government’s principal party – obtained the new majority. The details of each election can be observed in the following ..

Chart 7.2:
Distribution of elected governors by political groupings

POLITICAL FORCES (PARTIES)	1989	1992	1995	1998	2000
Acción Democrática (AD)	11	7	11	7	2
Partido Socialcristiano (COPEI)	6	9	4	4	1
Movimiento al Socialismo (MAS)	1	4	4	3	4
La Causa Radical (LCR)	1	1	1	1	
Movimiento Quinta República (MVR)	*	*	*	3***	11
Proyecto Carabobo-Venezuela (PROCA)**	1	1	1	1	1
Convergencia	*	*	1	1	1
Patria para Todos (PPT)	*	*	*	3	2
Un nuevo tiempo****	*	*	*	*	1
Total	20	22	22	23	23

* These organizations did not exist when these elections took place.

** Carabobo Project was created after the 1992 election.

*** The number of governors after new elections had taken place in the state of Apure and Nueva Esparta, where the candidates backed by the MVR won the election.

**** This organization won the elections in the state of Zulia, and was created with this goal in mind.

Sources: (a) Molina and Pérez B., 1996; (b) Maingón, and Sonntag, 1999; (c) Elections 2000: national press.

In relation to the mayoralties, the phenomenon of AD-COPEI bipartisanship managed to exist until the 1995 elections, when these parties won the elections in 89% of the municipalities. However, in the elections held in the year 2000, the panorama changed substantially; a more even distribution could be observed among the traditional parties (AD-COPEI) with 44% of the mayoralties and the government coalition (MVR-MAS) with 31% of the same (chart 7.3).

The political effect of decentralization on the party system was produced by two mechanisms: (1) the increase of electoral obligations within the democratic system and (2) the possibility of reelection in both the cases of mayors and governors. Previously, the areas of electoral responsibilities or obligations were relatively scarce: concurrent elections for President and for Congress occurred every five years and elections for municipal councils immediately followed national elections. Since 1989, however, political parties such as AD and COPEI with internal structures of a hierarchical and not very flexible nature, had to adapt to a process of electoral jurisdiction in more than 300 municipalities and twenty states which required that these parties begin to relax their internal structures.

Gradually, changes have been in the origins of power at the heart of these groupings, to the extent that regions acquire greater importance

Chart 7.3:
Distribution of elected mayors by political groupings, 1995 and 2000 elections

POLITICAL FORCES (PARTIES)	1995(1)		2000(2)	
	Número	%	Número	%
Acción Democrática (AD)	194	59,2	105	31,3
Partido Socialcristiano (COPEI)	99	30,2	44	13,1
Movimiento al Socialismo (MAS)	9	2,7	28	8,4
La Causa Radical (LCR)	7	2,1	10	3,0
Movimiento Quinta República (MVR)			76	22,7
Proyecto Carabobo-Venezuela (PROCA)	3	0,9	12	3,6
Convergencia	13	4,0	9	2,7
Patria para Todos (PPT)			16	4,8
Others	3	0,9	35	10,4
Total	328*	100,0	335	100,0

* There were 300 mayors.

Sources:

(1) Maingón and Patruyo, 1996

(2) Consejo Nacional Electoral (National Electoral Council), Elections 2000.

Chart 7.4:
Alliances in governor's offices

	1989		1992		1995		1998	
	Average Alliance	Prime Alliance	Average Alliance	Prime Alliance	Average Alliance	Prime Alliance	Average Alliance	Prime Alliance
AD	2,18	0,67	7,13	2,50	5,41	4,43	7,50	6,76
COPEI	5,57	7,07	14,42	7,83	10,33	6,93	9,00	20,60
MAS	6,00	1,72	7,83	11,08	9,00	21,83	9,00	32,69
LCR	1,00	0,00	1,00	0,00	2,00	2,84	-	-
Proyecto Venezuela	-	-	-	-	5,00	-	3,00	15,64
Convergencia	-	-	-	-	7,00	7,79	9,00	4,65
MVR	-	-	-	-	-	-	8,25	18,27
MERI	-	-	-	-	-	-	9,00	36,61

Source: Penfold, 1999.

(Guerón and Manchisi, 1996). On the other hand, those political parties that lost elections at a national level may now have the possibility of opting for public positions on regional or local levels. Decentralization permitted emergent political parties, such as La Causa R, Proyecto Venezuela (Project Venezuela), and MVR, to take advantage of these arenas in order to burst onto the Venezuelan political scene. Other more established par-

ties like the MAS were able to achieve a greater presence at the local and regional level than at the national level (Penfold, 1999). Additionally, the traditional political parties like the AD COPEI, and MAS, became more dependent on the system of alliances in order to protect their regional leaderships (see Chart 7.4).

The presence of reelection at the regional and local level generated changes in the professional careers of Venezuelan politicians. Before, politicians opted to build their careers inside the party and, as such, they sought to keep their places within closed lists in order to maintain their seats in Congress or on municipal councils. After the onset of decentralization, various politicians opted to build their political careers from different localities and regions until they obtained public positions at the national level. In other words, political careers were beginning to invert themselves. Politicians, in order to be successful, first had to demonstrate their abilities as mayor or governor. It is for this reason that governorships, and even some mayoralties of the metropolitan area of Caracas, were perceived to be trampolines for the presidency. Proof of this is the proliferation of candidates for the Presidency of the Republic in the names of past regional and local leaders: Claudio Fermín, Oswaldo Alvarez Paz, Henrique Salas Römer, Andrés Velásquez, Irene Sáez.

As a counterpart to the aforementioned reality, Venezuelan political parties had to address the tension that the centralization-territorial autonomy dilemma caused. The tension in question obliged partisan organizations to mobilize and to search for readjustments in order to confront potential internal conflicts. For example, Acción Democrática (Democratic Action) undertook a statutory reform in the years 1995-96, though maintaining unscathed the principle of democratic centralism that characterized the party throughout its history. In turn, the attempted reform was not able to resolve the dilemma that the new political reality placed before them.

The centralization-territorial autonomy dilemma does not escape the party now in government, the MVR, a party that advocates citizen participation as its ideological base, but whose leadership, according to facts, has been making decisions that resemble those of the so-called traditional parties. This will be taken up again when the subject of certain tendencies in the Venezuelan process of decentralization is discussed, following the approval of the 1999 Constitution. For now, it is necessary to insist that

this dynamic that is part of the dilemma under discussion is not an easy one to resolve, and it requires profound adjustments in the ideology and practice of all the actors in the political system.

Decentralization and intergovernmental coordination

The possibilities of intergovernmental coordination in the process of decentralization entail action with a high degree of complexity. The horizontal and vertical relations of the different levels of government require a plan with an institutional base that can make effective communication possible. On this point, the principle characteristics of these relations will be presented in the hopes of highlighting the presence of the institutional actors of decentralization in Venezuela.

The structures for the coordination of the process until 1999 were derived from the norms established in the Constitution of 1961, in the LODDT, and in a collection of national decrees associated with the administration of decentralization. To begin with, Article 190 of the constitution anticipated the creation of the Governors Pact, and was additionally taken up in Articles 29 and 30 of the LODDT. The Governors Pact was presided over by the President of the Republic and was implemented by governors. In general terms, the Pact became a formal tool of legitimization for a few administrative acts, but it never worked as an organizational body capable of resolving controversies at different levels of government. Indeed, because of the latter, it had scarce impact on the direction of the decentralization process.

For the purpose of coordinating the mandate of the LODDT, the national executive for its part was to act through its intermediary, the MRI. This office, in turn, was to preside over the National Commission for Decentralization created by Partial Regulation No. 2 of the LODDT; this Commission would be comprised of the Minister of State for Decentralization, the General Director of Regional Development of the MRI, the General Director of Decentralization for the CORDIPLAN, the Executive Secretary of the COPRE, and the General Directors in charge of the process of transfers to the respective ministries. However, judging from the true-life experience of the decentralization process, the National Commission did not turn out to be an efficient body. It actually met very few times and when it did actually meet, it did not fulfill anyone's expectations – especially those of the governors.

Also linked to the Commission was another body anticipated in partial regulation No.3 , which ideally would serve as a forum for the discussion and approval of central lines of decentralization. This body was known as the Government Territorial Council and was formed by the President of the Republic.the Council was comprised of ministers and one person designated by the executive who were supposed to act as supporters in the decentralization process. In order to strengthen ties with mayors, a presidential decree was issued that created the National Council of Mayors, in which mayors for every federal entity participated.. In the above cases, initiatives were created that languished in the face of the lack of effectiveness and the lack of results.

Another integrating mechanism for actors in the process of decentralization, in this case territorial actors, was the State Planning and Coordination Committee, as anticipated in articles 25 and 26 of the LODDT. This Committee was to be presided over by the governor of the state, his executive following, the mayors of the entity, the chiefs of national offices of each entity and regional organizations. Being that its fundamental mission was to coordinate public action in the territory or district, it is necessary to note that the Committee never had the necessary effectiveness to articulate public policies in the respective territories or districts.

In short, the institutional relationship between the formal actors of decentralization has proven to be weak and inefficient. From this verdict, only experiences such as that of the FIDES escape, one of the few organizations that succeeded at integrating the three levels of government (national, state, and municipal) on its board of directors with the incentive of approving projects that would be financed. It is also important to point out the work of Commissions and other bodies in charge of the reform of the State; such entities played a stellar role during the 1990-1998 period. They helped to coordinate the participation of local actors in the discussion, design, and approval of the principle legal documents for the transfer of responsibilities or obligations, as well as in the legislative dialogue required for decentralization.

On the other hand, it is also important to emphasize that territorial institutions such as the Legislative Assemblies and the Municipal Councils have proved to be inactive players in the process of decentralization. Without labeling as unworthy the individual conduct of regional representatives or

council members, the effect of these organizations on the transformation of the juridical-normative bases of the districts (territory) has left much to be desired. In a similar manner, one could affirm that the role of the National Congress as a fundamental national actor also turned out to be passive and attached to the revision and approval of the requests for transfers that came from federal entities. There were various proposals presented for the reform of the LORM in order to modernize this level of government, and others that referred to the updating of the LODDT in order to perfect the fiscal mechanisms and the mechanisms for responsibilities/obligations; nonetheless, little echo was found in Congress for the ideas that sprang forth from among the diverse civil, academic and political actors in the country.

If indeed the principle institutional actors of Venezuelan decentralization will continue to be governors, mayors, ministers, congress persons and the President of the Republic, the new Constitution of 1999 has introduced a set of new mechanisms of interaction which may serve to influence and bring about change in the different levels of government and as well as civil society

THE BEHAVIOR OF THE VENEZUELAN TAX ARRANGEMENT

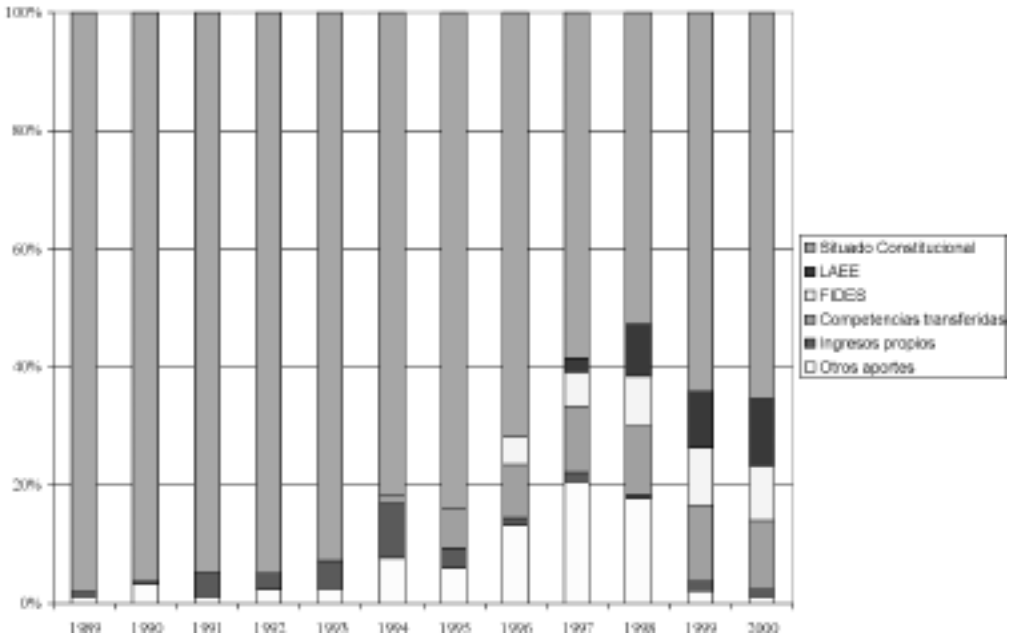
Having described in general terms the institutional arrangement or set-up of decentralization in Venezuela, another indispensable element for understanding the scope and depth of this process is the evaluation of the actual degree of autonomy of sub-national governments. This depends in large part on the financial autonomy of regional and local entities, i.e. the degree to which access to resources is under their control or, on the contrary, to what degree is it subject to the discretion of national authorities.

The financial structure of the states

The income structure of the states during the 1990-2000 period did not change in any substantive way, since the absolute dependency on transfers from the national government is still firmly in place. What did vary during this period is the share of income allotted to regional governments in proportion to the total revenue of the government sector; this share went from 13% in 1989 to 18% in 1999² (Mascareño, 2000).

In 1989, the revenue collected by the states represented a bit less than 1% of total income. During the 1991-1994 period a modest increment

Graph 7.1
Structure of state revenue
1989-2000



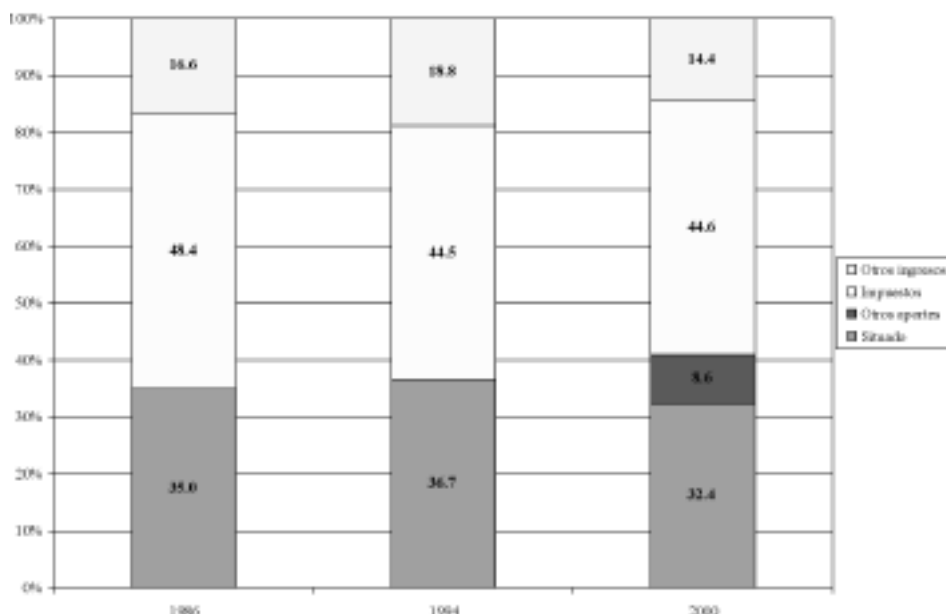
Source: Our own compilation of data supplied by the Central Office of the Budget (Ocepre).

was noted, the result of the start of operations in ports, airports, roads, etc. in various states; however, in 2000 the same initial pattern of behavior is observed. While in 1989 only one transfer – the Constitutional Assignment – represented 98% of the total revenue of the states, in the year 2000, a system of intergovernmental transfers a bit more complicated – comprised of the Constitutional Assignment, the FIDES, the LAEE and the contributions made by transferred obligations – represents almost the same percentage (see Graph No. 7.1).

The financial structure of the municipalities

Although in principle the municipalities have access to a large and diverse list of possible sources of revenue, in practice this revenue comes principally from two sources: the Municipal assignment and local taxes (the

Graph 7.2
Structure of municipal revenue
1986, 1994, 2000



Source: Our own compilation from the data provided by González (1998) and Ocepre.

Certificate of Industry and Commerce and the Urban Property Tax). Local taxes have traditionally been the major source of municipal finances, just as is indicated in Graph No.7.2 in which the financial structure of the municipalities at three different points in time is revealed.

From a point of view similar to that observed in the case of the states, the financial structure of the municipalities has not registered any significant changes, although one can appreciate a fall of 6% in their sources of revenue between 1986 and 2000. If indeed the proportion that corresponds of the Municipal assignment suffered a decrease, this was more than compensated by the appearance of new intergovernmental transfers: the FIDES and the LAEE. Municipal revenue also increased its share of the total revenue of the government sector, increasing from 4% in 1989 to 9% in 2000 (Mascareño, 2000).

Chart 7.5:
Comparison of the structures of municipal revenue or income, 1986, 1993-1995 and 2000

	Taxes			Diversified base			Assignment		
	1986	1993-95	2000	1986	1993-95	2000	1986	1993-95	2000
Taxes	62,6	65,2	63,9	32,1	34,7	22,8	11,6	11,1	5,9
Assignment	18,4	16,5	18,2	36,0	36,5	36,2	72,2	74,6	75,2
Other contributions			3,9			19,7			7,6
Patrimonial revenue	0,7	4,1	0,4	3,2	2,0	0,6	2,0	1,2	0,5
Fees	4,9	2,9	1,4	8,2	5,7	3,4	4,4	2,9	1,3
Other ordinary inc.	9,9	6,5	7,2	9,7	12,6	2,9	3,7	6,3	0,8
Extraordinary inc.	3,5	1,6	3,7	10,8	6,9	6,9	6,1	2,4	3,9
Non specified inc		3,2	1,3		1,6	7,5		1,5	4,8
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
% of municipalities in each typology	9	8	8*	44	18	28*	47	74	64*

* In a sample of 177 municipalities.

Source: González (1998), own calculations based on Ocepre data.

In the case of municipalities, the aforementioned figures only represent part of the story. In effect, an individualized examination of the structures of revenue or income of Venezuelan municipalities demonstrates the marked contrasts between both. It is possible to identify at least three different patterns: municipalities that depend almost exclusively on the assignment, municipalities that depend on a more or less diversified base of income, and municipalities that depend almost solely on taxes. In Chart 7.5 one can observe how these patterns have varied over time.

Examining this data one can appreciate that the intermediate typology has significantly diminished its share of the total, a loss that has been capitalized by the group that depends on the Assignment. In the year 2000 there seemed to be a recuperation, but it is only attributable to the important increase of other contributions such as the FIDES and the LAEE, at the expense of the share of taxes and other income. These changes are consistent with that which is suggested in literature dealing with public finances: as intergovernmental subsidies increase, the incentive for carrying out a true tax effort disappear. This can be observed as well, in the group that depends fundamentally on assignments and where a significant decrease in the percentage of revenue collected from taxes is registered.

Tax autonomy and subnational policy development

In order to determine the degree of true autonomy of the sub national governments in Venezuela, one would have to ask if they are in capacity to establish and instrument their own policies or, on the contrary, if they act as simple executors of policies developed at a national level. As inferred from the previous analysis, the states and municipalities are very dependent on transfers made from the central government; in the end, this could diminish their autonomy since the control of the resources is without a doubt a very powerful weapon if the central government decides to use it at its own discretion.

The unfolding of decentralization during the 1990–2000 period can be characterized as a process of moving forward and backwards. Although considerable advances were made, it cannot be said that the central government made things any easier. Both the executive branch of authority (by committee of the distinct ministries involved) and the National Congress hindered the signature of transfer agreements and, on various occasions, the resistance on their part to transfer greater amounts of resources to the states and municipalities became quite obvious. Notwithstanding, in spite of the obstacles, it is possible to affirm that the sub-national governments have enjoyed a relative degree of autonomy in their actions.

Perhaps one of the most illustrative experiences is that of social policy.³ Even though in Venezuela the national government has not dictated as an explicit and dominant policy the process of decentralization of social services, the change in political incentives has created a de facto modification in relation to those that make social policy, to which programs and groups the resources should be channeled and just how these social services are administered (Navarro, 1998). Decentralization has brought:

- An increase in the resources destined to social sectors, as much in global terms as per capita.
- An increase in the relative importance of sub national social expenditures in relation to total social expenditures in the country.
- A wave of very significant program innovation and sectorial reforms. This process has extended not only to the creation of new programs, but also to the promotion of various organizational models (that reflect the search for better incentives for the more efficient provision

of services), the participation of the community and its associations with the organizations of civil society.⁴

- A better alignment of social policies with the characteristics and necessities of the citizens of each jurisdiction.

What remains to be seen is if in the future the process will keep moving in this direction or if the national government will attempt to oblige the states and municipalities to execute policies developed at a national level. For example, the Ministry of Planning has formulated a policy labeled “Diffused Decentralization” whose purpose is to revert the excessive concentration of population and activities in the northern coastal zone of the country; in order to achieve this goal, three axes of development have been conceived: the Orinoco–Apure axis (in the central area of the country), the Occidental axis (in the border zone with Colombia) and the Oriental axis (that extends from the State of Bolívar to the island of Margarita), and they have been called on to concentrate their investments in infrastructure and the promotion of development. This vision of territorial development stands in frank contradiction to the plans of a good number of governors and mayors in the rest of the country, and so it is possible that the national government will be tempted to exercise some sort of pressure on the sub national governments that do not follow these plans.

CIVIL SOCIETY AND DECENTRALIZATION IN VENEZUELA

The impact of decentralization on the organizations of civil society is perhaps one of the least investigated aspects of the Venezuelan case, with the exception of the documentation of certain experiences of association between the states/municipalities and distinct organizations with the purpose of providing services to the population. As far as citizens are concerned, the results of some opinion polls⁵ reveal that a favorable attitude toward decentralization dominates among Venezuelans. This is expressed in a positive evaluation of the results, the disposition to deepen the process (assigning greater responsibilities to sub national governments and permitting these to administrate their own taxes), and a greater level of confidence in the governorships and mayoralties than in other institutions in the country, including the national government (González, 2000).

This positive attitude toward the process seems to have found a medium of expression in the vote at a regional level. In this manner, the voters opted to consolidate a significant number of regional leaderships at a time when those at a national level were being harshly questioned. As can be seen from the analysis of the election results, each region chooses its political option with independence from that which occurs in other entities and, up to a certain point, with independence from that which occurs at other levels of government. On the other hand, the population has opted for the reelection of governors, and voter participation in elections is even greater when that possibility exists. Finally, evidence exists that in the election of governors, the work carried out by the regional government carries significant weight (if that government opts for reelection), as does the program of government presented by the candidate, while personal characteristics are much less significant. All these elements indicate that a very important political change has been effectively generated: the regional leaders are loyal to their voters and these voters do not hesitate when it comes to rewarding or punishing, as the case may be, the administration of their governors.

Even though one could conclude that a very large proportion of Venezuelans supports decentralization and expresses as such by vote, it is no less certain that this process faces today its most difficult challenge. In the last decade, decentralization has unfolded during a very turbulent political scene at the national level and under a very weak leadership in the central government. Even though there have been serious attacks on the process, especially during the Caldera administration, these were counteracted with great vigor by regional and local leaders who enjoyed high popularity and legitimacy ratings. Today, however, the situation is different: the regional and local governments must interact with a central government that is not necessarily strong from an institutional point of view, but it is in terms of its legitimacy and power to invoke popular response. Just as the opinion polls also indicate, President Chavez' followers share with him a critical attitude of decentralization and they are in a better position to accept certain measures that could hinder its future development.

However, it is necessary to remember that decentralization is also the result of a demand from organizations of civil society. Although it is true that since 1958 neighborhood associations and community groups promoted and controlled by political parties were constantly being formed,

toward the end of the seventies these organizations started to operate with a greater degree of autonomy – of thinking, action and organization – giving rise to increasing questioning and discomfort on the part of the citizens when faced with governmental conduct and the meddling of political parties in all facets of social life. The first proposals these organizations made, led by the Federation of Urban Communities (FACUR), were directed towards the outlining of the municipal government⁶, with a strong emphasis on the mechanisms of participation and direct access to local governments. Subsequently, in the eighties, organizations such as *Queremos Elegir* (We Want to Choose) and the *Escuela de Vecinos de Venezuela* (the School of the Neighbors of Venezuela) began to exert pressure and influence on the political scene, mobilizing and creating a current of opinion in favor of the changes in voter legislation (personalization of the vote, direct election of mayors and governors) and decentralization.

There are numerous experiences of collaboration between organizations of civil society and governorships/mayoralities for the providing of services to the population (Gómez and Others, 1999; Mascareño, 2000). Nonetheless, it is difficult to know until what point decentralization has been the determining factor in the expansion and strengthening of this sector. Indeed, it is important to remember that this process occurred parallel to the adoption of a plan of macroeconomic adjustment on the part of the national government in 1989. This plan was accompanied by a social strategy that attempted to compensate the undesired effects of the adjustment through programs aimed at satisfying the essential needs of the population, especially those of the most vulnerable groups. The execution of these programs corresponded to the State institutional network and – by delegation – to the organizations of civil society. And so, between 1989 and 1998, the increment in the participation of private initiatives was promoted and made possible by the central government by way of a transfer of economic resources to the organizations, so much so for the execution of social programs as for its institutional strengthening. Today, the situation is different; while the will of the regional/local governments and civil society to collaborate remains (although with fewer resources in relative terms), the same is not true at the national government level. At this level, with the exception of the case of education⁷, the national government has cut all programs previously underway.

This situation seems to indicate that, just as the organizations of civil society contributed to making the process of decentralization viable at the end of the eighties, it may now be the decentralized governments that will be called upon to provide the necessary support in order for the organizations to survive. On the other hand, what the empirical evidence clearly demonstrates is that the rapprochement between civil society and the State in matters such as the alleviation of poverty and law enforcement makes the citizens feel more satisfied with government action and it improves the effectiveness of public policy. In this sense, several favorable experiences are analyzed ahead.

Citizen safety and participation

When the process of decentralization began in Venezuela, one of the most urgent demands of the population – especially in urban areas – was the improvement of the conditions of citizen safety/security. A study on the phenomenon of violence in Venezuela concludes:

The analysis of the police statistics presented (...) permits the proof that criminal violence is an important problem in the country and particularly in the Capital Region. The study of victimization proved that the distribution of violent crime in Caracas especially affects the inhabitants of low-income neighborhoods and that, within these neighborhoods, the major part of the homicides are committed on the weekend and among young men. The analysis also demonstrates that the costs that Venezuelan society pays for criminal violence are very high (Briceño-León and Pérez Perdomo, 2000, pp 285).

This situation has pushed the state and municipal governments to get involved in the solution of this problem through the creation of their own police forces. In these police forces, one can observe a transformation directed by a new model based on prevention and a better police-community relationship. The goal is to break with the repressive and controlling stereotype linked to the military tradition prevailing in the national forces in order to give way to a police service provided by professionally-trained civilian personnel structured in a hierarchical manner (Article 3 of the Police Ordinance of the Chacao Municipality of the State of Miranda).

- These safety brigades or safety forces were able in a short period of time to change the perception that residents had of policemen, thanks to a new profile of agents and their behavior. These brigades, through a constant presence in the streets, were able to reduce certain types of crimes as they established bases for attending to neighborhood problems that previously had lacked response (Briceño-León and Pérez Perdomo, 2000). However, the problem of citizen insecurity has not been fully resolved due to a number of reasons:
- Problems of coordination among these safety forces, particularly in metropolitan areas, with other national security forces are present. These safety brigades furthermore do not have the authority to intervene in matters such as criminal investigations, intelligence services, etc since state and municipal police have jurisdiction in preventive-administrative duties.
- The solutions that have been put forth in order to clarify the problem of responsibilities that pertain to these above forces correspond to two different visions. The first is to create a coordinating law or a governing body for the different forces (National Police Law Bill) and the second proposal is for a united effort. Both proposals are difficult to orchestrate: a coordinating law or a governing body could limit the innovative action of the state and municipal brigades, while a united effort presupposes the willingness to share information and to work as a team, elements that until now have been absent from police doctrine.
- Problems of financial sustainability are also present. A police force represents a heavy financial load in terms of salaries, other benefits, and social services. With the passing of time, this service has become “unviable” for certain entities, especially the municipalities.⁸
- There is an insufficient presence of force in the “barrios” as well, areas in which the major number of violent crimes occur.

Alleviation of poverty

During the decade of the 90's, various compensatory programs of a national character were started in order to mitigate the impact of the structural adjustment plan approved in 1989. These programs suffered from deficiencies and restrictions that diminished their impact on the population they were intended to benefit. The programs lacked clear

objectives and specific goals, they presented deficient levels of focalization on groups in conditions of poverty and they doubled the benefits offered to the population (Mascareño, 2000). In order to overcome this situation, two alternatives were offered: decentralized administration of some of the national programs and the creation of a proposal of social programs created by the states and municipalities that would benefit from the same. Both strategies had their advantages and limitations.

As was previously mentioned, one of the problems of administering social programs from the central government is the realization of focalization. In this sense, the municipalities turned out to be the ideal level of government for carrying out programs such as the Maternal Children's Food Program (PAMI) of the Ministry of the Family, the Strategic Food Program (PROAL) of the Ministry of Agriculture and Breeding, the School Food Program and School Transportation of the Ministry of Education, the Training and Youth Job Program of the Ministry of Youth, as well as other diverse programs in charge of the Institute of Educational Cooperation (INCE) (PNUD/BM/BID, 1999). However, the proliferation of initiatives directed by different national organizations – with no coordination among them –, the deficiencies in the diffusion of the programs and the institutional weakness as much on the part of the national government as on the part of local governments made it impossible for these entities to carry out their objectives with any success.

On the other hand and undoubtedly in response to the growing demands of the population, the states and municipalities opted to create their own proposal of programs. This new source of responses has the qualities of innovation, focalization, and the adaptation to the necessities of the population; however, it also has important limitations. On the one hand, there are the problems of the administrative capacity of regional and local governments – especially in the matter of following up and evaluation of the impact of the programs – and on the other hand, the difficulties related to financing.

If a municipality or state carries out a successful social program, this can generate the incentive for the poor population of other neighboring states or municipalities to move to that state or municipality in order to receive its benefits. If said program is financed with the taxes that their taxpayers pay, there is the risk that these taxpayers could be overcharged in an unjustifiable manner. This circumstance makes it clear that for pro-

grams of this type, even if the need for a decentralized administration makes sense, another source of financing at a national level needs to be guaranteed.

Citizenship and Health

From the mid-80's, Venezuela has demonstrated a significant deterioration of health indicators in the population, a situation associated with political, economic, social, environmental, and demographic conditions, as well as deficiencies in the delivery of health services. This has translated into a high degree of dissatisfaction in the population due to problems of availability, access, effectiveness, and quality of services (Mascareño, 2000).

In this setting, the decentralization of health was converted into one of the axes of the reform of the sector. Following the transfer of the services to various states, the existence of certain achievements stimulated by new models of administration adopted by federal agencies was noted, but the incapacity of the Ministry of Health and Welfare to direct the process of decentralization was evident.

Even though it is very difficult to carry out an exhaustive analysis of the results of the process of decentralization of Venezuelan health services in terms of the changes in health indicators – because of the recentness of the experience and the serious deficiencies in the way relevant information was handled –, various analysts coincide in pointing out that there are some encouraging signs. One study carried out in eight states that have received the transfer of health services (González, 1997) indicates that the decentralized states have a tendency of showing a positive variation in the provision of services in the 1990-1996 period, something that does not occur in the non-decentralized states.

...[I]t is possible that the differences are related to the advances experienced by states in the development of institutional processes. Decentralized states are incorporated in the task of defining priorities and planning to a greater degree than non decentralized states. Even though it is true that limitations in the processes of planning, following and evaluation can be observed, it is possible to affirm that many conditions for improving the institutional performance in the short term have been established (González, 1997: 123).

On the contrary, what does exist is a profusion of publications about successful cases and experiences in the administration of decentralized health services that indicate that this process has contributed to the improvement of institutional performance in this sector in several states.

In federal entities such as the state of Lara, in primary health services that have been decentralized, there is a marked presence of civil groups in the administration of these services. In effect, through the foundation of Lara Health, more than 350 organizations participate and these groups administer programs of the ambulatory network, of the network of ambulances, social pharmacies, environmental drainage or attention to the elderly, among others. It is easy to observe the intense relationship between the intermediate and grassroots organizations with the regional government since the onset of decentralization in 1990 when there were only about three organizations carrying out these activities. This tendency is also appreciable in the state of Sucre where nuclei of health care were created (NAS), in the state of Aragua that maintains a network of primary care with the participation of civil society or in Carabobo, an entity in which the governing body of the services has been incorporating more than one hundred grassroots organizations in the primary network. Local governments such as the municipality of Los Salias, in the center of the country, maintain a management policy with local civil groups and these groups directly administer the network of ambulatory services in the area. Various municipalities in the country, especially the smaller ones, have had a tendency of making inroads into new modalities of primary health care administration with the growing presence of civil society.

Education

The decentralization of educational services, when compared with the case of health care, has proven to be, in the first place, a much slower process (only three states have transfer agreements signed) and in the second, it is somewhat separated from the process contemplated in the LODDT. In spite of the fact that some of these states simultaneously requested education and health services (for example, Falcón in 1990), the first transfer agreements in the matter of education were signed several years later – in 1995 – with the states of Lara and Aragua. By mid-1997, the Ministry of Education conceived a strategy for stimulating the process of decentralization in states through the development of programs of co-

execution and co-management with the governorships. The emphasis was placed on actions destined to improving the quality of education, the strengthening of intergovernmental coordination in the area of finances, in the execution of plans and projects and the development of management capacity.

As things were, it is not strange that if the process of decentralization was able to exhibit some success, this was not to be found in the opportune functioning of the transfers that had been outlined in the LODTC, but rather in the initiatives taken by some of the state governments in the matter of reform of the educational systems that were under their responsibility from before 1989. Several examples that may be cited in this sense are the educational reforms undertaken in the states of Aragua, Bolívar, and Mérida. It is important to mention that some of these educational reforms encouraged at a state level have served as a model for reforms implemented at a national level. This is the case of the model of the Integral Schools created by the Governor's Office of the State of Mérida that has been adopted by the national government under the title Bolivarian Schools; i.e., full day schools – in place of the half-day schools typical of the public school system in Venezuela –, in adequate installations, located in popular sectors and with food service (breakfast and lunch) for the children.

In the case of educational decentralization, the problems encountered in measuring the impact of the efficiency of the service are greater yet than in the case of health, due to the delays registered in the process of transfer. However, if the reform and strengthening of the state educational systems is considered as one of the axes of institutional change, as effectively it is, then it is possible to reach some conclusions. In a study that compares three educational systems in the state of Mérida – the schools of Fe y Alegría (Faith and Happiness – a non-governmental organization), the Integral Schools, and the schools dependent on the Ministry of Education – one can conclude :

With a lesser degree of centralization, lesser influence of unions and a lesser degree of contractual over specification, there is evidence of better goods, a greater degree of discipline in the work force and greater motivation of the teaching staff. In turn, a greater closeness and participation of the community seems to be associated with better

‘intermediate results’, as we have called them” (Navarro and de la Cruz, 1998: 197).

These encouraging signs reinforce the theory that decentralization can effectively be a process of institutional change with which society as a whole can benefit in terms of efficiency. In this sense, civil society is linked to decentralized educational service through various modalities: one, by way of the schooling communities that make an active life out of the management of schools; two, through social programs that provide meals and supplies for schoolchildren; and three, through projects financed by multilateral banks, which motivated the creation and presence of civil groups in school administration. All in all, the development of the relationship of civil society with educational services from the onset of decentralization demonstrates levels inferior to those obtained in the area of health services, which could be related to the minimum degree of formalization of transfers in this subject matter.

Civil organizations in housing administration

One could say that housing is a concurrent responsibility among the different levels of government. Housing has not been the object of effective transfer in any federal entity of the country; however, state governorships and several large mayoralties have actively incorporated the administration of this service in their government plans. The reason for said advances has to do with the implementation of a national public policy that since 1990 has motivated the incursion of states and municipalities in the execution of housing programs, coinciding with the beginning of the first administration of elected governors and mayors.

The Law of housing policy established that, by way of a national financing fund, it was possible to transfer a certain amount of appreciable resources to sub-national entities under two conditions: the creation of instances responsible for the administration of the policy in its respective entity and the explicit development of forms of civil organization for its incorporation in the co-management of housing programs. In this manner, the creation of Community Housing Organizations (OCV) is begun and these are incorporated into the planning and administration of the programs established by governors and mayors in the framework of

national policy. In federal entities such as the state of Sucre, more than 70 OCV's have proliferated, succeeding in making it possible for about 10,000 families to enjoy the benefits of the program. This is an example of an unprecedented apprenticeship that even though it was started from sectorial national policies, it found fertile ground in decentralization to appease the State-society link under new administrative parameters.

Addressing the weaknesses of civil society in the process of decentralization

Although there exists a relationship between the process of decentralization in Venezuela and the presence of civil organizations – above all grassroots organizations –, studies conclude that there is a set of limitations that must be overcome in order to strengthen the performance of civil society on a sub-national level. Some of the restrictions found are as follows (Mascareño, 2000):

- a) The participation in the administration of decentralization rests, in general, on a leader group that becomes the intermediary functionary with the state or local government. As a result, inequities may be created in the distribution of resources in light of the greater contact of the leader group with the administrative entities.
- b) The functionaries of different territorial districts voted into office do not fulfill, for the most part, their campaign promises. Among other reasons, this situation is a result of the weak mechanisms of control exerted by civil society.
- c) Most of the civil organizations depend on government resources. Only those with a national scope are able to diversify their sources of income or revenue.
- d) The rhythm of administrative relations is determined by the changes of those who govern. For this reason, clientelist links prevail between the State and society at the level of civil group interaction.

It is not easy to overcome restrictions of the type pointed out. They are rooted in the predominant political culture of the country and they are not an exception in Latin America. For this reason, initiatives made in the direction of sustainability of administration through civil society appear to be necessary in order to underpin the process of decentralization. It is worth noting, among others, that the cornerstones for this process are

broad, constant and vigorous leadership training programs for citizen participation.

Furthermore, what also becomes fundamental is the development of mechanisms for accountability as a method for increasing confidence and transparency regarding the relationship of local society and local governments. It is also necessary to create programs that generate effects that can be used to demonstrate the results of relevant experiences of decentralized administration with the presence of civil society. In Venezuela, there are more than 300 registered cases where the State-society relation has been a key factor in the improvement of decentralized services. Such cases need to be publicized and made known to the public as decentralization progresses.

RECENT TENDENCIES OF DECENTRALIZATION IN LIGHT OF THE NEW CONSTITUTION AND GOVERNMENT ADMINISTRATION

In 1999, after the first ten years of decentralization, a new Constitution was approved in Venezuela. In this document, central elements that had been established in the reform of 1989 were included, while new expectations were also introduced in hopes of deepening the decentralized nature of the state. However, it would not be enough to limit ourselves to constitutional text in order to visualize the tendencies through which the Venezuelan territorial process would develop; it is also necessary to be aware of the positions of those who make decisions today.

From the onset of the mandate of the Venezuelan government now in office, there were clear signs of the worsening of federalism-centralism tensions. In effect, the new regime, through the President of the Republic, assailed the state governors in criticisms of the administrative disorder and the existence of corruption and “caudillismo”. This tension continued until recent elections were held in states and municipalities in which the local administration was favored. Thus, today we find ourselves in a stage in which dominant forces should comply with the constitutional content mediating matters of decentralization, among other matters of state interest. With this framework in mind, it is possible to address certain realities as described in the following closing points:

- 1) The representatives of the central government will eventually deepen their centralism through the control of public finances. A demonstration of this is the modification in the law of the FIDES and the LAEE by the parliamentary regime of transition, which occurred without negotiations or consultations with governors and mayors.
- 2) The Federal Council will begin operations, finding itself with an accumulation of pressures and expectations on the part of different regions. Since such operations will be influenced by ministers, governors and mayors, the positions that the territorial officials adopt will have to be closely followed since there a large part of the group supports and backs the central government. The group is not homogeneous and it can be expected that the governors of the MAS – an organization that has traditionally defended decentralization – will adopt a position of advance guard in this matter. Moreover, the governors and mayors of the MVR may turn out to be a sort of Pandora's box, since the majority of them managed to win elections under the shadow of President Chávez. In any case, the harshness and severity of the demands of the population are indeed beginning to be felt; for this reason, there may be possible tensions around the issue of the transfer of resources.
- 3) A critical subject will be the definition of the Regional Treasury. The Constitution established its creation, at the latest, by the month of August 2001. Negotiations have still not concluded. However, the Venezuelan fiscal panorama, along with a tendency of falling oil prices, makes it possible to foresee tough positions on the part of central authority to the detriment of fiscal autonomy of federal entities.
- 4) The ideologically centralist positions of the present regime portend a difficult situation for decentralization. The President, evidently, does not trust regional and local leaders. Nevertheless, in spite of this, he must resolve how he will govern in order to respond to the gigantic expectations his electoral triumph have created. It is possible that he will lean on his governors and mayors, in which case he will have to make concessions to states and municipalities. An additional path to follow would be the reinforcement of organizations and central programs that could carry out the government's work, just as it has effectively been doing through the Single Social Fund, the Fund for Urban Development and the Bolívar Plan 2000 (this last administered by the Armed Forces).

The future of Venezuelan decentralization, judging from the circumstances mentioned, will play a crucial role in fulfilling social demands on the agenda. The population in states and municipalities has traveled a road for almost twelve years linked to governors and mayors. This developing culture may soon enter into open conflict with the centralist aspirations that appear among the traits of the present regime. With all this, Venezuela has initiated the millennium with a newly renovated Centralism-Federalism tension whose resolution is not easy to foresee.

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NOTES

1. The average of the alliance is calculated depending on the number of parties that integrated the alliance in those states where the alliances won the elections. The prime is the average percentage of votes contributed by the alliance in those same states.
2. This percentage includes the amount transferred to local governments as part of Municipal Assignment.
3. This includes the sectors of health, education, culture and programs directed to specific vulnerable groups (such as children, mothers, unemployed, adolescents with no schooling and elderly citizens).
4. A recent study completed by the IESA (Gómez and Others, 1999) documents more than one hundred cases of decentralized administration in different sectors: education, health, housing, transportation, etc.
5. Polls carried out by the University Network of Political Studies (REDPOL) in 1998 and 1999.

6. Even though the National Constitution of 1961 included a mandate for the promulgation of a Law of Municipal Administration, it was not until 1978 that the law was finally enacted.

7. The national government still maintains the agreement signed between the Ministry of Education and the Venezuelan Association of Catholic Education that provides a subsidy for the operation of administrative establishments for diverse organizations of civil society.

8. For example, the previous Mayor of the Sucre Municipality, Raoul Bermúdez, was close to requesting the transfer of the municipal police force – created in 1990 – to the Governorship of the State of Miranda. Due to the proximity of municipal elections, the decision was postponed and now it corresponds to Mayor José Vicente Rangel Avalos (MVR) to determine the future of this service.

A General View of the Institutional State of Decentralization in Guatemala

JESÚS PUENTE ALCARAZ AND LUIS FELIPE LINARES LÓPEZ

DECENTRALIZATION AND THE ROLE OF THE CONSTITUTION

The Constitution in force today was enacted on May 31, 1985 by a National Constituent Assembly. This Assembly was the result of free elections that were held within the framework of a process of democratic transition, a process that evolved from the military coup of 1982. This period was characterized by an increase in the intensity of armed conflict after almost three decades of formally democratic regimes that were, for the most part, of an authoritarian nature and the result of electoral fraud. The Constitution is a social pact, the result of a consensus that was achieved between the three most important political parties represented in the Assembly and the military high command. It was reformed in 1993 during the course of a partially-completed purge of state organisms, shortly after a coup attempt by the subsequently-deposed president Jorge Serrano.

The main provisions contained in the Constitution that refer to the issue of decentralization are the following:

- a) It is the obligation of the State “to promote administrative economic decentralization in a systematic manner in order to achieve adequate regional development in the country” (Article 119).
- b) The administration shall be decentralized and certain areas or regions of development shall be established (Article 224).
- c) The creation of a National Development Council to organize and coordinate the entire area of public administration and to formulate urban and rural development policies as well as that of establishing

territorial boundaries (Article 225), and the creation of Regional and Provincial Councils of Urban and Rural Development (Articles 226 and 228).

- d) *Municipal autonomy*, a concept that assigns to town councils¹ the functions of electing officials, obtaining and disposing of their resources, attending to local public services, and establishing territorial boundaries for their jurisdiction and the fulfillment of their own goals, with the capacity or authority to issue ordinances and regulations (Article 254).
- e) The allocation of a contribution of 10% of the State's estimated ordinary income or revenue to town councils (Article 257).
- f) The town council or municipality, and autonomous and decentralized entities, have the power to act due to the delegation of authority by the State. Among the least of their obligations is the need to coordinate their policies with that of the State and, when need be, with that of the specific branch these policies relate. In order to create decentralized and autonomous entities, the favorable vote of two thirds of the members of Congress is necessary (Article 134).
- g) The recognition of autonomy in the case of eight institutions: The National Central School of Agriculture (Escuela Nacional Central de Agricultura) (Art. 79), the University of San Carlos of Guatemala (Universidad de San Carlos de Guatemala) (Art. 82), the Autonomous Sports Confederation of Guatemala and the Guatemalan Olympic Committee (Confederación Deportiva Autónoma de Guatemala y Comité Olímpico Guatemalteco) (Art. 91), the Guatemalan Social Security Institute (Art.100), the Banco de Guatemala (Art.132), the Office of the Comptroller (Contraloría General de Cuentas) (Art.232) and the Public Departments (Ministerio Público) (Art.251).
- h) Other constitutional elements related to decentralization: the administration of the educational system shall be decentralized and regionalized (Art.76); the State must organize and promote literacy by means of a Committee composed of both the public and private sectors (Art.14 temporary); communities have the right and the obligation of participating in the planning, execution and evaluation of health programs (Art.98); there is a need to provide electricity throughout the entire country during a national emergency based on

plans elaborated by the State in conjunction with town councils or municipalities (and in which private enterprise could participate) (Art.129).

Temporary Article 11 of the Constitution further dictates that during the first year that the Constitution is in effect, the President of the Republic must send to Congress a bill of Executive Organization (the law that was in effect dated from 1945). Congress examined a number of bills, but it was not until November of 1997 that it issued the law now in effect (Decree Number 114-97). In one of the clauses of this bill, decentralization is defined as “the process through which the central government delegates the execution and administrative control of certain functions to different government institutions or to autonomous and decentralized government entities, but retains the regulatory, normative and financial functions that are subsidiary in nature and of control.” Article 3 states that “the functions of administrative management and of the execution of public works could be delegated to third persons, committees, associations or entities when the executive branch of government so determines, in order to achieve a greater degree of efficiency and efficacy in the fulfillment of its functions. The manner, the material scope and the type of delegation shall be established by governmental agreement (...) The functions that are normative, regulatory and are related to subsidiary financing are not delegable functions.”

Additionally, the Constitution notes that the functions of the Executive Administration should be carried out in agreement with the principles of solidarity, subsidization, transparency, integrity, efficacy, efficiency, decentralization and citizen participation (Article 4). In the document, the general attributes and substantive functions of the different departments of the State or government are also defined. Among the general attributes are:

- a) To exercise governance of those areas that are related to their branch of the government and to plan, execute and evaluate the public policies of their area in a manner coherent with that of the general policies of the government.
- b) To disperse and decentralize those functions and public services that correspond to their branch, and to propose mechanisms in order that

the Government of the Republic assumes as a subsidiary plan the financing of said services when it so corresponds. In this manner, the government delegates the functions of administrative management, execution and supervision according to this law.

- c) In the execution of the general policies of the Government, to coordinate the efforts of those administrative agencies under their responsibility with those of local governments, town councils, the productive sector, private entities and the community, thereby respecting the autonomy of the local authorities (Article 27).

Constitutional law also regulates all that is related to local government.² A governor is in charge of local government, and he or she is appointed by the President of the Republic (Art.41). The law also provides that governors and vice-governors are to be appointed taking into consideration the candidates that have been nominated or proposed by non-state representatives of the Departmental Council of Urban and Rural Development (Art.42).

Finally, with reference to the role of Constitutional design, Article 53 modified the procedure by which the legal status of non-profit civil associations was recognized, a procedure that until then had been centralized in the Ministry of the Interior. Under this reform, recognition of legal status is obtained when the association is inscribed or registered in the civil registry of the town council where it has been established, in accordance with the requirements laid out in the Regulations that govern the inscription of non-profit associations (Governmental Agreement No. 512-98).

The Regionalization Law and the Urban and Rural Development Councils Law

In order that the constitutional mandates relating to the establishment of areas of development and the creation of development councils could become effective, the Preliminary Law of Regionalization was issued in 1986 (Decree Number 70-86). This law determined that eight regions were to be established and that each one of these regions was to be under the oversight of one (Metropolitan Region and Region VIII-Petén-) or various departments. In 1987, Congress issued the Urban and Rural Development Councils Law (Decree Number 52-87) in order to carry

out the constitutional mandates relating to the organization of public administration, the formulation of development policies, and the establishment of territorial boundaries. More generally, the law attempted to promote the organization and participation of the population in the integral development of the country, creating a *National System of Urban and Rural Development Councils* (Article 1).

The above system is comprised of four different types of councils: national, regional and departmental, as already indicated in the Constitution, and a municipal council made up of the same town council. The first three types of councils are made up of the ministers or representatives of the ministries that the President considers necessary: the Office of the Secretary of Presidential Programming (SEGEPLAN), town mayors, and representatives of non-governmental sectors (business organizations, unions, cooperatives and non-governmental organizations). In departmental councils, representatives of political parties also participate. The National Council is presided over by the President of the Republic, the regional council by a coordinator appointed by the President, and the departmental council (where all the mayors of a certain department or province participate) by the Departmental Governor. The regional and departmental councils meet regularly, but the National Council has only met on three occasions since it was created.

Municipal Code

The Constitutional norms that relate to the municipality are to be found in the Municipal Code (Decree Number 58-88) issued in October 1988. Both the administration and management of municipalities is carried out by an autonomous corporation (town council) presided over by the municipal mayor and made up of community representatives and council members all voted into office by popular election. The mayor is the executive agent of the municipal government and head of the administration.

The Constitution and the Municipal Code do not define municipal autonomy nor do they define their functions, but rather limit themselves to stating that municipalities are autonomous institutions. They do establish various responsibilities, in addition to mentioning that they also possess all the other authorities inherent to the autonomy of the municipality (Art.40). The responsibilities that the Municipal Code and other laws

expressly assign to municipalities are quite broad. These can be grouped in 5 large areas, mentioning some of the responsibilities as an example:

- a) Responsibilities in the area of government: issue regulations; organize municipal policies; promote citizen participation.
- b) Responsibilities in financial matters: establish fees for services and revenue from municipal properties; approve and execute the budget; approve loans; adjudicate contracts in order to obtain goods and services.
- c) Responsibilities in the area of administration: create all necessary agencies, companies and technical corps; approve plans, programs and municipal projects.
- d) Responsibilities in the area of urban planning and establishing territorial boundaries: approve urban and rural development plans and territorial ordinances; regulate land use; authorize and supervise constructions and urbanizations.
- e) Responsibilities in the area of public services: markets, slaughterhouses, urban transport of passengers, urban thoroughfares and neighborhood streets, street lighting, street cleaning, garbage collection and final disposition of solid waste matter; cemeteries; parks and areas for sports and recreation and the civil registry (Linares, 1977b). These services can be provided by the municipalities directly or by way of a concession granted to private persons or entities (Art.31).

Additional Laws Influencing Decentralization

The Electoral and Political Parties Law regulates all that is relative to the functioning of political parties as well as electoral authorities and agencies (Law Decree Number 1-85 of December 3, 1985), and establishes the number of community representatives and council persons that, in conjunction with the mayors, integrate the town councils. This number depends on the number of inhabitants in each municipality or district. In this manner, municipalities with more than 100,000 inhabitants have a council made up of three community representatives and 10 council members in addition to one “substitute” community representative and four substitute councilpersons. In smaller municipalities, with 20,000 inhabitants or less, the town council is comprised of two permanent community representatives and four permanent councilpersons, and one substitute community representative and one substitute councilperson (Art.206). Municipal

authorities' terms last four years (Art.207). The offices of councilperson are distributed by way of a system of proportional representation of minorities (Art.203).

The Law of National Education (Decree Number 12-91) establishes that the National System of Education is comprised of the Office of Education, the educational community and educational centers. The characteristics of this system are that it is participatory, regionalized, decentralized and diffused (Art.4) and its primary function is to investigate, plan, organize, direct, execute and evaluate the educative process (Art.5).

The Health Code (Decree Number 90-97) defines the Health Sector as a grouping of public institutions (including municipalities or town councils) and private institutions and community organizations, whose objective is the administration of health policies (Art.8). The leadership of this sector belongs to the Ministry of Public Health and Social Welfare which means that it is responsible on a national level for the management, regulation, vigilance, coordination and evaluation of all work carried out by all health institutions (Art.9). This Code points out that the organization and administration of health programs (promotion, prevention, recuperation, and rehabilitation) are to be dispersed and decentralized according to the necessities of the population and according to the needs of the process of modernization of the sector. It also states that the institutions of this sector are to establish areas of influence in order to attend to the population, and that these areas should preferably coincide with the territorial spaces (districts or zones) of the different departments and municipalities (Art.11). Moreover, it is the duty of the municipalities, in coordination with other institutions of the sector, to participate in the partial or total administration of the provision of health programs and services (Art.9). They are also responsible for the provision of drinking water to all the communities in their jurisdiction (Art.79); the provision of systems and the control over the elimination and disposal of excrement and sewage (Art.92); and the provision of trash removal services, treatment and disposal of solid waste (Art.102).

The following lists additional laws of interest with reference to decentralization:

- a) The Literacy Law (Decree Number 43-86): this law regulates the organization and the functions of the National Committee on

Literacy (CONALFA), created according to constitutional mandate (provisional Art.14). One of the criteria that orients literacy activity is that the process should be carried out by a local entity with legal status and that this entity be responsible for the technical-administrative execution of the programs as well as the management of financial resources. Until the year 2000, CONALFA had signed contracts and agreements with more than 1300 public and private institutions, including NGO's, churches, and municipalities in order to carry out training activities (Funcede, 2000).

- b) Transit Law (Decree Number 132-96): the Executive Agency, by way of a governmental agreement, could transfer the responsibility or jurisdiction of the administration of transit to those municipalities that are in a position to assume said administration and that formally solicit it. This transfer shall not include those issues related to driver's licenses, license plates, insurance, the registry of drivers and vehicles and other issues of general observance (Art.8).
- c) Organic Law of the Budget (Decree Number 101-97): both State agencies and decentralized and autonomous entities are subject to the provisions of this law (Art.2). Amongst its provisions are those that oblige all public servants that manage funds or State securities to render accounts during their term of management of said funds at least once a year to their immediate superiors (Art.4). In relation to municipalities, this bill provides that all annual budgets of both income and expenses should be adjusted to the budgetary methodology used by the public sector (Art.46).
- d) Law of Woodlands (Decree 101-98): one must pay 10% of the value of the timber still standing (before any logging is done) in order to obtain a permit for logging and 50% of this total belongs to the municipality where the forest/woodland to be cut is located. The municipality shall destine the funds for the control and care of its forests (Art.87).

Issue Initiatives and Legal Reform Related to Decentralization

Municipal Code: in the Agreement on the Identity and Rights of Indigenous Peoples (1995), that is part of the peace agreements, the government agreed to promote reforms to this code in relations to aspects concerning the status and judicial capacity of indigenous communities

and their authorities; the definition of forms for the respect of common law; the definition of the manner in which to promote a fair or even-handed distribution of public expenditure, including the percentage of the budget transferred to municipalities amongst both indigenous and non-indigenous communities. Said reform shall be promoted according to the conclusions of the Equal Commission on Reform and Participation, comprised of representatives from both the government and indigenous organizations.

In the *Agreement on Socioeconomic Issues and Agrarian Condition* (1995), there is another agreement to promote modifications to the Municipal Code in order that auxiliary mayors (representatives of the municipality in urban and rural communities) be designated by the municipal mayor taking into account the proposals put forth by interested neighbors.

The commission, established in September of 1997 (Government Agreement No. 649-97), developed a project of reforms to the Municipal Code that was delivered on December 13, 2000 to the Commission for the Following of the Peace Accords. On January 31, 2001, the commission was to officially deliver this document to the Executive Agency in order that it be transferred as a legal initiative (a bill) to Congress. In this agency, the discussion of the project of reforms presented by the National Association of Municipalities in 1997 (see 2.5) is still pending. Another recent proposal was elaborated in May 2000 by a collective of non-governmental organizations, led by Judicial and Social Services (SERJUS), titled *Decentralization, local authority and participation: a proposal of reforms to the Municipal Code for the recognition and participation of community authority*.

The Law of Urban and Rural Development Councils: the government accorded, in the Agreement on Socioeconomic Issues and Agrarian Condition, to promote a reform to this law in order to reestablish local development councils, given the fundamental role that the development councils play in guaranteeing the participation of the population in the identification of priorities, the definition of public programs and the integration of public policy in development. The goal of this reform was to increase the spectrum of sectors participating in regional and departmental councils and to assure adequate financing for the system of councils.

The Equal Commission on Reform and Participation elaborated a project of reforms to this law that was presented along with the reform to

the Municipal Code. Moreover, there is also a project of reforms elaborated by the Civil Society Following Collective to the proposal of reforms to the Councils of Development Law of 1998 that the University of San Carlos presented to Congress as a legal initiative (a bill).

Electoral and Political Parties Law: in the Agreement on Constitutional Reform and Electoral System (1996) it was agreed that a request should be made to the Supreme Electoral Tribunal (TSE) to establish and preside over an Electoral Reform Commission that would elaborate a set of recommendations about electoral reform and the corresponding legislative modifications. At the very least, the agenda proposed for by the commission included issues such as: documentation, registration on the electoral roll, voting, transparency and publicity, information campaign and institutional strengthening. In June of 1988, the commission, integrated by judges of the TSE and representatives of the 7 political parties that are represented in Congress, presented their report. The proposals contained therein have been discussed in Congress but no agreement has been reached until now.

In August of 2000, the Civil Consensus for Political Reform, comprised of a group of social organizations and research centers, among them Citizen Action, ASIÉS, and the Mayan Defense Fund published a Proposal for the Reforms of the Electoral and Political Parties Law based on the report of the abovementioned commission.

General Law of Decentralization: in his inaugural speech (January 14, 2000), President Alfonso Portillo announced his commitment to promote “the creation of a Framework Law for the Decentralization of Public Authority and the Modernization of the State.” Congress, at present, actually has 3 draft bills: “General Law of Decentralization and Citizen Participation,” elaborated by the Presidential Commission for the Modernization of the Executive Agency and public administration; “Framework Law for Decentralization,” presented by the Office of Executive Coordination of the Presidency (SCEO); and the “General Law of Decentralization,” presented by the Congressional Committee on Decentralization and Development.

The first of these draft bills contemplates four different types of decentralization: local (a territorial unit or district smaller than a municipality), municipal, departmental and regional. This draft bill also points out that in order to better achieve the objectives, it should be preceded or accom-

panied by actions that seek to diffuse or disperse power. It is deemed that decentralization shall be a gradual, integral and simultaneous process of a political, fiscal and economic nature and of services. The municipality will have priority as the executor of decentralization and of the universalization of services, enlarging its scope of obligations or responsibilities. It also proposes the creation of a departmental government led by a popularly elected governor and a departmental council of government comprised of the members of the Departmental Development Council. The third draft bill was elaborated based on the modifications to the second draft bill and proposes the delegation of the execution of projects and programs to the Executive Agency through agreements or contracts that are to be signed with the municipalities.

FISCAL AUTONOMY

Among the decentralized institutions, only municipalities have fiscal autonomy, an autonomy understood as the right to obtain and utilize their own resources or, as indicated in article 84 of the Municipal Code, the “free administration of their goods and securities without further limitations than those established by law.” The municipal treasury is made up of, among other items, the income that the State transfers according to constitutional disposition; the product of federal taxes, of municipal taxes, fees, contributions, patrimonial goods and the revenue derived from said goods (Art.82). The autonomous capacity for tax collection is detailed in the following mechanisms.

Fees and income: a fee is a payment made by a private citizen in order to enjoy the benefits of a public service. The Municipal Code contemplates two other types, administrative fees (for construction permits and certifications among others) and the fees charged for public services (water, drainage, street lighting, garbage collection, public parking, etc.) (Art.82). Revenue are those payments that the municipality receives for the utilization or exploitation of its patrimonial goods by private citizens, such as the rent for a space in the plaza or of a stall in a municipal market. The creation or modification of fees and rents is the responsibility of the Town Council.

Taxes levied for improvements: municipalities can charge taxes to proprietors of real estate that have benefited from urbanization works or

projects that improve the areas where the property is located. The Town Council establishes the amount of the tax, but in no case can the amount of the tax to be paid be greater than the amount of the cost of the project (Art.86).

Municipal taxes: according to the Tax Code,³ these are taxes decreed by law in favor of one or various municipalities. This means that the municipal tax is different from the federal tax because of its destination (DEMUCA Foundation, 1998). Article 239 of the Constitution establishes that the imposition of ordinary and extraordinary taxes, municipal taxes and special taxes or contributions are the sole responsibility of Congress. This constitutional provision has been widely discussed since it is considered a serious limitation to municipal autonomy, as it impedes the imposition of municipal taxes on economic activities that are carried out in their jurisdictions and which would allow the municipalities to be more self-sufficient in financial terms, apart from the fact that the procedure for the imposition of these taxes by Congress is very slow. On the other hand, it is alleged that fiscal policy should be administered or managed in a centralized manner in order that it be both coherent and integral.

At present, the municipal tax of greatest import is that known as the Boleto de Ornato (Ornamental Ticket) (Decree Number 121-96). All persons, older than 18 years and less than 65, residing in the municipal jurisdiction, pay this once a year. The amount to be paid is calculated in relation to the monthly income of each person and varies from US \$0.50 for a monthly income less than US \$ 65.00 to US \$ 19.00 for monthly incomes greater than US \$1,500.00.

One Time Tax on Property: established in 1987 by the Law of One Time Tax on Property (Decree Number 62-87), as part of tax reform. Its collection was in the hands of the Ministry of Finance and the amount collected was shared by the central government and the municipalities. In 1994 a reform to this law was introduced (Decree 57-94) enabling municipalities to collect this tax directly. This provided them with 100% of the amount collected, but during the first ten years they had to destine 25% to a municipal development fund for those municipalities with greater financial problems.

In 1997, in order to comply with the commitments that dealt with the issue contained in the *Agreement on Socioeconomic Issues and Agrarian Condition*, Congress approved a new law, Decree 122-97, that established

a complicated system for determining the tax to be paid on properties in urban, suburban and rural areas. This decree was only in effect for three months, since due to popular protests, especially those of the peasants, Congress was motivated to substitute it with Decree 15-98, a decree whose content was almost identical to Decree 57-94.

The program “Municipal strengthening for the administration of the IUSI,” pertaining to the Ministry of Public Finance, trains municipal personnel that wish to take part in the collection of taxes. Once training has been completed, the Town Council requests that the ministry transfer the collection of taxes to the council and the ministry issues the corresponding agreement. The municipality must destine 70% of the amount collected to investment in basic services and public infrastructure works and the remaining 30% to administrative expenses.

As of January 25, 2001, 125 municipalities has signed agreements that allowed them to directly collect the taxes. In 1999, revenues derived from the IUSI of 65 municipalities (those that collected the tax that year) rose to US\$ 10.2 million. Of all existing taxes that favor the municipalities, the IUSU is the one with the greatest collection potential, and this means that in the near future this can become the principal source of direct collectable revenue for municipalities.

Shared taxes: the central government tax administration shares diverse taxes with the municipalities. The most relevant are the following:

- a) Value Added Tax: Decree Number 60-94 reformed the law that regulated this tax, thereby establishing that from the date of the signing of the Firm and Lasting Peace accord on February 1, 1996, the tax tariff would go from 7% to 10%, but that the additional 3%, known as IVA-PAZ would be destined to the financing of peace and development. In 1998, by way of Decree 142-98, it was determined that the additional 3% would be distributed in equal amounts among the municipalities, the Development Councils (forming the Solidarity Fund for Community Development) and the National Fund for Peace (FONAPAZ). The part that corresponded to the municipalities is distributed according to the criteria that are used for constitutional interests and can only be used for infrastructure and services projects.
- b) Tax on the circulation of land, maritime, and aerial vehicles: established by Decree Number 70-94, 50% of the tax paid by land vehicles

corresponds to the municipalities and 20% of the tax paid by maritime and aerial vehicles. The amounts are distributed to the municipalities using the criteria of constitutional interests and the resources should be destined to construction and the maintenance of roads and highways and for electrification and drainage projects.

- c) Tax on the distribution of crude oil and fuels derived from oil: Decree Number 38-92 imposes a tax of US \$0.26 per gallon of gasoline, and of this US\$0.20 corresponds to municipalities. The funds received by the imposition of this tax can be used freely and they are distributed according to constitutional interests.
- d) Other taxes: the central government shares with the municipalities the funds collected from other taxes (aguardiente, beer, coffee exports, and fish among others), which because they were established in the decade of the 1960's on a fixed base, are of little import these days as a source of revenue. In 1997 these taxes represented an income of US \$1.3 million. The resources they generate are transferred to municipalities by way of the Institute of Municipal Promotion (INFOM).

Constitutional income: Since the reform of 1993, Article 257 of the Constitution establishes that the Executive Agency will annually include in the General Budget of Ordinary Income of the State, 10% that will be distributed to municipalities, destining at least 90% of that total to education and preventive health programs and projects, infrastructure works and public services that improve the quality of life of its inhabitants, and that the remaining 10% should be earmarked for operating expenses. Originally, the Constitution established a contribution the equivalent of 8% of the budget which was dedicated exclusively to infrastructure works and services.

The criteria for the distribution of this income are established in Art.23 of the Development Councils Law (modified by Decree Number 49-88) and are as follows:

- 25% in equal parts to all municipalities
- 25% in proportion to the total number of inhabitants in each municipality
- 15% in proportion to the number of villages and hamlets

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- 25% in proportion to the ordinary per capita income of each municipality
- 10% in proportion to the inverse of the ordinary per capita revenue of each municipality

These criteria set out to find a more balanced distribution between the most heavily populated municipalities, those with a greater number of rural communities, those with a greater capacity of collection (the relatively well-off) and those of a minor capacity (poorer municipalities). The constitutional income and the IVA-PAZ are the principal source of financial income for the municipalities. As one can observe in the following table, individually, both are superior to the amount of revenue that is obtained through local collection which totals only US\$83.5 million a year, and of which almost 25% corresponds to the revenues of the municipality of the city of Guatemala.

Solidarity Fund for Community Development (FSDC): The resources for this fund are transferred to the municipalities and are earmarked for the execution of infrastructure and services projects through the SCEP, all on the basis of the investment plans elaborated by regional and departmental councils. The creation of the FSDC in 1993 permitted the activation of the aforementioned councils and allowed the municipalities access to more resources for investment, thereby strengthening their position as decentralized instances of government (Burgos, Amílcar, 2000). From 1996 to 1999, the FSDC executed projects in the amount of approximately US\$ 230 million. In the year 2000, the allocation of funds was US\$ 88 million.

The major problem with the functioning of the FSDC is the pressure exerted on the various mayors by functionaries of the SCEP, the coordi-

**Table 8.1 Municipal revenues 2000
(estimated in Q./US\$ millions)**

Own recollection*	Constitutional interests	IVA-PAZ	Other taxes**	TOTAL
Q.651.8	Q.682.2	Q.686.8	Q.138.2	Q.2,159.0
US\$ 83.5	US\$ 87.5	US\$ 88.0	US\$ 17.7	US\$ 276.7

*Corresponds to the year 1999. **Taxes on the circulation of vehicles, gasoline and IUSI.

Source: our own numbers using data provided by INFOM and the Ministry of Finance

nators of the regional councils and departmental governors, and also, representatives from Congress when they impose political conditions on the assignation of projects. This is due to the lack of procedures that would permit projects to be assigned according to priorities and goals established in regional, departmental and municipal development plans, according to levels of development and other criteria that would permit the distribution of resources based on transparent and previously established rules and regulations. Another problem is the preference that often exists in many councils for certain contractors and as a result, in order to obtain approval for a project, it is often the case that what carries most weight is the political affiliation of the mayor and the person who will execute the project rather than the needs of the community or the nature of the project.

Fiscal or Tax Pact and its Repercussion on Municipal Autonomy

In this document we have, until now, maintained that both the process of decentralization and local administration confront various difficulties when attempting to fulfill their functions of service to the community. Just as the peace accords and those groups of friendly countries that supported their realization requested, a process of national discussion about fiscal issues began at the onset of 1999 and was called the “Tax Pact.” The aim of this pact was that both civil society and the public sector reach an agreement on a framework for tax regulation that would permit Guatemala to maintain and complete the social reforms contemplated in these accords. In this manner, the country would not have to depend on external cooperation in order to achieve these goals. We should recall that Guatemala’s revenues from the payment of taxes does not surpass 10% of Gross Internal Product and this means that it ranks among the lowest levels in Latin America. Organizations from civil society (NGO’s, unions and business organizations) and the government participated in this pact for the first time in the history of the country.

Notwithstanding, the achievements have been scarce and the sole agreement reached was that of increasing the tax on airport departures. At present, the debate centers on whether or not to increase the Value Added Tax (IVA). This framework for negotiations could be a fabulous forum for improving, simplifying and providing a greater degree of autonomy for the municipal tax system, but unfortunately this has not been the case. The final conclusions of the Tax Pact Commission are limited to recom-

mending that the INFOM adjust the system of loans made to municipalities to market prices and that all decisions be made with a greater degree of technical expertise rather than political considerations, thereby avoiding over-indebtedness of the communes. We could allege that the municipal tax model coincides with the following evaluation made by the CEPAL: “The regional experience indicates that an excessively rigid [fiscal or tax] system in which territorial entities and the direct provider of services do not possess the necessary degree of autonomy in either the administration of resources nor in the labor market, does not permit the attainment of the advances that one expects from decentralization in terms of efficiency.” (CEPAL, 1988 I:27) Guatemala finds itself within these experiences.

THE SCOPE OF CITIZEN PARTICIPATION

System of Urban and Rural Development Councils

We observed in paragraph 1.1.3 just how this System of Councils that was opening possibilities of citizen participation was questioned by the constitutional court in that which referred to local development councils. The core of the debate centers around the fact that the Local Councils, as they are discussed in the law, diminish and question municipal autonomy. The creation of these councils dissipates municipal power, it duplicates the government of the municipalities and it permits an unequal relationship with the Municipal Councils since the Local Councils can discuss the problems of the municipality but the municipalities do not have the option of participating in the discussions.

The Council of Development Institutions (COINDE 1997), comprised of representatives from more than 50 NGO's in Guatemala, recognize that for these purposes it is necessary to change the regulation and adapt it to legislation now in force in order that the underlying principles of the Local Councils not be lost.

This system of Councils is consistent with the declaration of the Central American Alliance for Sustainable Development, created during the XV Ordinary Meeting of Central American Presidents which took place on August 20, 1994 in Guácimo, Costa Rica and must be defended. According to this agreement, the outline for this process of Sustainable Development that is so necessary for Central America must be able to

count on the strengthening of citizen participation in hopes of attaining full participation of all citizens. And in the concrete case of Guatemala, the ethnic diversity makes it much more important to create participatory bases within the local setting in order to collect or gather all the necessities of the ethnic groups that are habitually separated from the centers of political decision-making and that could find in the Local Development Councils a way to change this tendency. This concept has already been included in the peace accords.

In 1997, COINDE published a proposal that basically proposes not to create political rivalry with the municipality in the configuration of Local Councils. It anticipates the coordination of these councils with the municipality at all times and it suggests specific reforms in the Municipal Technical Units where it is considered that the participation of NGO's would be of great help, since the lack of trained technical personnel at the municipal level impedes that these councils function properly. So far, they only function at the departmental and regional level. These Local Councils adopted the name of Communal Development Councils. The reform proposal to the constitution contemplated this possibility, but the "no" to reforms given by popular vote in the 1999 referendum closed the door to this particular instance of participation. On the other hand, Nelson Amaro considers that the institutional structure of the Councils as it has been developed until now, is complex and not very operative and it creates centralized dynamics in a scheme that aspires to decentralization. (Amaro 1998).

Lastly, it is necessary to comment that another of the limitations on the System of Councils is the controversial figure of the governor. This political post is the representative of the central government in the department and presides over the departmental Councils where local development is mapped out and from where the different sources of aid from the FSDC are channeled. The distribution of this aid is questioned by various sectors (fundamentally by municipal mayors) given that the governor exercises a great degree of discretion in its adjudication and, habitually, these funds have been used for attending to the municipalities of the same political party in power and to the detriment of the municipalities under the control of different political parties. This supposes a partisan political control that discredits the decentralizing discourse of all governments that have been in power since the constitution of 1985 and demonstrates a degree of supervision over municipalities that severely curtails their autonomy.

Municipal Governments

In Guatemala, as we have previously seen, citizen participation is legally recognized in the Electoral and Political Parties Law, in the Urban and Rural Development Councils Law and its corresponding Regulations and in the Municipal Code. This code establishes two types of participation: the Municipal Development Councils and the District Council. These last two would be protected by the Town Council and civil society organizations. Rarely have they been able to overcome a merely formal scope appearing to have been created mainly to cover administrative obligations and not as a forum for participation.

Nonetheless, we can point out two initiatives that are derived from these councils and that take on different forms: the Municipal Technical Unit and the Municipal Multisectorial Instance. The Municipal Technical Unit or Municipal Planning Unit (UTPM) is legally considered the advisory tool for the distinct levels of the System of Urban and Rural Development Councils, among which is the municipal level, and this level should have a Technical Unit.⁴ Even so, this focus on aid to the municipal development council has been pushed beyond the limit due to the municipalities' need to have a technical planning unit whether or not the council exists. In fact, the few municipalities that implement this system do so by placing these units in the municipality's internal operations flowchart even if there is no Municipal Council.

The UTPM, as contemplated in the proposal for a new Municipal Code,⁵ avoids an important aspect of the functions that it can accomplish. It is given a merely technical and promotional character, but does not take into account one of the most interesting duties from a citizen participation point of view which is what interests us in this work. In the gestation process of local planning, the UTPM can maintain a contact and dialogue beforehand with the distinct municipal organizations and communities in order to carry out a participative diagnosis of the detected necessities. This diagnosis will serve as the basis for elaborating a portfolio of projects prioritized according to technical viability criteria and, once politically approved by the Council, becomes an investment plan approved by consensus and for which joint financing can be sought. This model of management makes it possible for the affected population to participate in their own development.

In municipalities where there is no technical capacity to establish a UTM, the alternative is the creation of a Municipal Multisectorial

Instance.⁶ This instance functions by way of an Operating Plan that is designed by the participants. They elaborate a chart of necessities and priorities and they establish a timetable for carrying out what needs to be done by way of a “logical solutions tree.” This Multisectorial Instance usually is comprised by the Mayor, the Municipal Secretary and the Municipal Treasurer on behalf of the local government and by diverse local NGO’s, by Pro-improvement Committees in the communities, various associations and even the Center for Health and for the Supervision of Education.

The open Municipal Council in another possibility that town councils have for opening up to neighborhood communities, and for being able to inform and make decisions that are participatory in nature. However, in its actual state, the open municipal or district council has some faults. Firstly, there are no well-defined rules and regulations as to what the mayor or the municipal government should do in response to the petitions presented in open municipal councils. The suggestions are only inputs to the actual process of municipal decision making and are dealt with when the mayor deems convenient to do so. Budgetary limits are rarely transparent in these discussions and are often convoked by the mayor when a problem reaches its maximum point of conflict, at which point they end up in a sort of political lynching used by the opposition.

Equal and Multisectorial Commissions

Without a doubt, the peace accords assumed a fundamental basis for the search of a functional and participatory democracy in Guatemala. Both in the background of the accords and in the search for their fulfillment following the signing in 1996, the mechanism for the functioning of the accords has promoted the creation of spaces open to the public in order that said public, the citizens, discuss the different issues under debate.

We could place the origin of the open negotiating process in the National Committee of Reconciliation (March of 1990) that from the days of Esquipulas created the figure of “conciliator” – a character that from that point on would have the difficult task of sitting all the parties that had confronted one another for decades at the same table in order to reach agreements approved by consensus. This opened a new way of negotiating in Guatemalan society. After many years of negotiations and partial agreements, the Peace Accords were signed in 1996 (Díaz, 1999).

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From that moment forward, diverse Committees were gradually created until a total of 19 had been established and these would have to develop the distinct agreements assumed by the State. Of these 19, we could make a brief reference to four: the Equal Committee on educational reform; the Committee for the officialization of indigenous languages; the Committee on the strengthening of justice; and the Committee for electoral reform. The social sectors affected by the subject matter participated in all of these committees, although the participation of the organizations of indigenous peoples was highlighted since they were finally being incorporated into the decision-making processes in the country after centuries of being considered outcasts and excluded from society.

The committees results were formalized in proposals and recommendations that were transferred to both the legislative and executive branches in order that the objectives of the Peace Accords be achieved. Notwithstanding the opportunities generated within these committees, there are certain aspects that coincide and diminish their effectiveness as spaces or forums for reaching agreements. Firstly, a decisive lack of participation in the process was evident; that is to say, participation was limited to consultations and presentations without leading to any effective decision making. Secondly, none of the discussions held on the inside of the committee were made public – not to the citizens nor to any interest groups. Furthermore, certain tensions were manifest among the Mayan groups that integrated the committee and the government. Many of them could not understand the need for government representatives to influence conclusions and proposals. Lastly, what also became evident was the lack of general criteria on the inside of the corresponding organizations, to such an extent that when a representative was substituted by another, the continuity of his or her position was lost if not totally contradictory to that of his or her predecessor (Diaz, 1999).

Collegiate Committees of Decentralized Entities

The Constitution or the organic laws of various autonomous and decentralized institutions establish the participation of representatives of non-governmental sectors and/or representatives of municipalities to their respective boards of directors according to the particular case. To mention a few examples:

- a) The University of San Carlos of Guatemala (USAC): the Superior University Council (CSU) is made up of the deans of different faculties and student representatives, as well as professors from each faculty and professional associations.
- b) Guatemalan Institute of Social Security (IGSS): six principal directors and substitutes each designated by the President of the Republic, the CSU of the USAC, the Medical Association, employer's associations and workers unions.
- c) Federal Reserve: the President of the Bank of Guatemala, three ministers, a member elected by Congress, business associations, private banks and the USAC.
- d) Technical Institute for Training and Productivity (INTECAP): three government representatives, three representatives from worker's organizations and six from among businessmen.
- e) National Institute of Electrification (INDE): three government representatives, one from the National Association of Municipalities (ANAM), and one from the business associations and one from the workers' associations or unions.
- f) Institute for Municipal Promotion: a representative of the President of the Republic, one from the Federal reserve and another from the ANAM.
- g) Fund for Lands: the Minister of Agriculture and five principal directors and substitutes designated by the Minister of Finance, the National Farming and Livestock Development Council, the Chamber of Farmland or Farming, indigenous organizations with legal status and the federated and non-federated cooperative movement.

Regional and Departmental Areas: COREDUR and CODEDUR

The *Agreement on Socioeconomic Issues and the Agrarian Condition* points out that in order to deepen a real, functional and participatory democracy, the process of development should be democratic and participatory and embrace the following concepts: agreement and dialogue among the agents of development; the agreement among these agents and the instances of State in the formulation and application of strategies and acts of development; the effective participation of the citizens in the identification, prioritization and solutions of their needs.

The urban and rural development regional councils (COREDUR) and the urban and rural development departmental councils (CODEDUR) are considered the most ideal forums for making agreement and dialogue possible, as well as guaranteeing the participation of organized citizens. Until the creation of the FSDC the activities of the regional and departmental councils were limited to monthly meetings of an informative character, without placing any attention on the great or little importance of the issues. Once said fund became operative, the mayors are the most active participants in the councils, due to their interest in obtaining financing for the execution of projects from the fund.

In more recent years, there has been a concerted effort to provide the councils with the technical and executive personnel required for the efficient functioning of the fund. But the fundamental problem facing COREDUR and CODEDUR in their desire to become forums for agreement and coordination of public and private actors, for formulating public policy and for orienting social investment, is not to be found in the provision of human and material resources, but rather in the establishment of work procedures that eradicate political and economic clientelism.

It is for this reason that “in terms of the process of decentralization, the System of Development Councils has not been able to channel the expression of different points of view and the interests of the municipalities and those of civil society, as much in the formulation of public policy as in the elaboration of development plans.” This is, without a doubt, a cause for the “disinterest that social sectors demonstrate at making their representation effective” in the councils (Burgos, 2000).

DIFFERENT TENDENCIES AND ASSESSMENTS OF THE PROCESS OF DECENTRALIZATION

Principal Actors at the National, Regional and Local Levels

In the 15 years that have passed between the election of the National Constituent Assembly (1984) and the last general elections (1999) there have been four general elections, three intermediate municipal elections, one extraordinary election of representatives (congressmen), one of the constituent assembly and two popular referendums. A common denomi-

Table 8.2: Indigenous and female members of Congress

	PERIOD 1996 – 2000		PERIOD 2000 -2004	
	Number	%	Number	%
Congresswomen	11	14%	8	7%
Indigenous congressperson	8	10%	13	11%
Total congresspersons	80	100%	113	100%

Source: ASIES, 2000.

nator in all these processes is the widespread certainty about the cleanliness of the election results. Another trait that characterizes this political process is the weak institutional nature of the political parties. Since 1985, there have been 48 parties, and of these, the majority have disappeared after their first electoral participation. For example, in 1995, of 29 registered parties, 26 participated in the elections and 14 were abolished because they did not obtain 4% of the valid votes or parliamentary representation.⁷ In 1999, of 18 registered parties 14 participated in the elections and eight were abolished for the same reasons. Of the 10 parties that exist at present, only six obtained parliamentary representation: FRG, 63 representatives, PAN 37, URNG-DÍA 9, DCG 2, PLP 1, and LOV-UD 1 (ASIES, 2000). In June of 2000, 16 congressmen separated themselves from the PAN and formed the Unionist bloc. Then, in January of 2001 this group suffered a split, losing three congressmen that proceeded to become members of the Democratic Solidarity bloc.

The flight or rush of congressmen to declare themselves independents or to integrate other blocs is a characteristic trait of the Guatemalan parliamentary system. It is estimated that in the last 15 years, 25% of elected congressmen have abandoned the party that won them the election. Another feature that stands out in the formation of legislatures is the weak presence of indigenous representatives and women, as can be observed in the following table:

Among the most relevant results of the 1999 elections is the consolidation of electoral democracy; the increase in the number of voters, that in the first round of the election reached 54%⁸ of the registered citizens; and the consolidation of that which has been labeled bipartisanism *sui generis* (ASIES, 2000), given that this results from the presence of two political parties situated on the right of the political spectrum, even though the

proposals of the FRG in the course of the electoral process were of a marked populist tenor.

For the elections of 1999, 8 parties and coalitions elaborated government programs which they presented 40 days or less prior to the elections, except for the case of the URNG-DIA coalition that presented its proposal in the month of may. The lateness of its presentation and the limited revelation of the proposals is evidence of the little importance that the parties devote to government programs as a means of capturing votes. This is due, in part, to the scarce degree of interest and confidence that voters have in programmatic issues. The proposals that the parties that occupied the first three places in the election presented in relation to the subject of decentralization are summarized as follows:

- a) **Guatemalan Republican Front (FRG):** the fundamental objectives presented in this proposal are the consolidation of the democratic system, the strengthening of State Law (judicial system) and the decentralization of the exercise of public authority. The three primary actions are: to rescue the judicial system and citizen safety; to revert the economic crisis; and to guarantee the access of the population to basic social services such as health and education. The global strategy for dealing with the short and long term problems facing the nation is the Governance Pact. The social and human development strategy has two basic challenges: the reduction of poverty and the achievement of higher rates of human development (FRG, 1999).
- b) **Party for National Advancement:** to strengthen and increase the participation of the different sectors of civil society within the councils of development; promote participation in public administration or management; strengthen open district (municipal) councils as a mechanism for discussion and exchange of information on the subject of public administration at the local level; foment open debate about the proposals dealing with public administration and government programs of action; the modernization of regulatory frameworks and that of sectorial institutions; the decentralization of services via distinct innovative modalities of participation on the part of families, organizations, communities, municipalities and businesses (PAN, 1999).

- c) **New Nation Alliance (Guatemalan National Revolutionary Unit –URNG-DIA):** Three strategic priorities: the consolidation and deepening of the peace process, to facilitate the access of the majorities to the benefits of development, and to integrally attack the problems due to lack of citizen safety and organized crime. They propose five general objectives: 1) Consensus, a project of the nation; 2) To deepen the process of democratization (this includes the democratization of municipal governments, the strengthening of their autonomy, and the decentralized functioning of the municipalities); 3) Democratic reform of the State (including administrative and financial decentralization of the State); 4) Economic growth with fairness and social development; 5) A dynamic foreign policy (ANN, 1999).

As a highly relevant item for discussion, electoral legislation nevertheless permits the functioning of civic committees of a temporary nature for the purpose of presenting candidates to offices filled by popular vote in district or municipal councils. The primary requirement is to have a minimum number of members, which in the municipality of Guatemala is 1000, 500 in departmental capitals, and 100 members in the rest of the municipalities. Fifty percent of the members must be literate, except in the case of departmental capitals where it must be 100%.

Civic committees are a form of political organization that expresses, on the one hand, the special interest of the citizens for the level of government that is closest to them and, on the other, the weakness of political parties in carrying out effective and credible mediation and establishing solid and permanent bases in local circles. Since 1985, as can be seen in the following table, the number of civic committees that participate in elections is on the rise, even when the number of mayoral offices won has decreased due, in all likelihood, to the difficulties that an organization of a temporary and local nature confronts when competing with the propagandistic apparatus of the national parties.

When the FRG came to power in January of 2000, the process of decentralization in the country was resumed again with a certain degree of confusion at the beginning of this new mandate. Shortly thereafter, it was easy to make out at least two different currents of thought on the inside of the government. The first current was headed by the Secretary for Executive Coordination (SCEP), Harris Whitbeck, and the other was

Table 8.3 Civic Committees 1985-1999

	1985	1988	1990	1993	1995	1998	1999
Municipalities participating in the elections	325	273	300	276	300	30	330
Municipalities in which committees participated	n.a.	39	n.a.	n.a.	113	16	132
Participant civic committees	53	42	84	101	159	19	174
Mayoralties won by civic committees	8	12	8	19	23	1	25

Source: ASIES, 2000.

headed by the Presidential Commission for the Modernization of the Executive Agency and public administration, created specifically by President Portillo to be directed by Rocaél Cardona.

The President, from the beginning, assumed the commitment to establish a “governance pact” for the purpose of coordinating all administrative levels, from the local to the regional, including the municipalities, in the search of a model of development approved by consensus by all the member parties. This initiative recalled a proposal that at one point had been aspired to with the Urban and Rural Development Councils (see above) in the hopes of finding a model of fair and participatory development in Guatemala, but it never made it past the point of mere discussion and was never spoken of again. The main activity of the Commission has been the elaboration of a proposal known as The General Decentralization and Citizen Participation Law and the onset of conversations with different social groups and municipalities in order to outline the project. The SCEP also elaborated at the same time another initiative known as the Framework Law for Decentralization which produced a duplication of efforts and an apparent contradiction in the two positions.

The climate of confrontation between the two different positions got worse and worse until it almost put both proposals at risk. The President made the decision to establish a “gentleman’s agreement” between both positions and to divvy up the political scene. As a result, all that corresponded to the municipality and moved toward the central state passing by way of the department and the region would be directed by the Secretary of the Presidency and all that arose from the municipality and was directed to the communities would be planned by the Presidential Commission.

Of course this model did not last very long and in the end, the FRG bloc proposed a General Law of Decentralization that established a middle-of-the-road position between both tendencies. This once again casts doubt on the willingness of the central government to grant autonomy to the municipalities since this is yet another instance that will pilot the process of decentralization, but directed by the central government.

Groups of opinion and citizen participation

The current Municipal Code now in force was written and approved in 1988. The peace accords of 1996 recommended that it be improved in certain aspects related to citizen participation and with respect to the rights of indigenous peoples. From then on there have been various proposals presented to society and to Congress for its reform, but so far not a one has been approved. The proposal that stands out is that of the ANAM and of the Congressional Commission on Decentralization during the last legislature, commented above.

Today, the subject has been taken up once again and those that have had the greatest capacity for proposal are several organized groups and NGO's whose major preoccupation has been facilitating the creation of participatory instances for rural community populations in matters of municipal affairs. In Guatemala, one of the administrative and territorial problems that exists is the fact that after the municipality, there is no inferior territorial organization or institution and consequently, the inhabitants of many communities (villages, towns, cantons, etc.) spend hours traveling to the seat of the municipal government. This has repercussions in things that are as vital as the difficulty in voting in elections since the ballot boxes for depositing one's vote are only available in the municipalities, or the attention to the demands of the population in terms of infrastructure and service, due to the dispersal of the population. All this makes not only decision making more expensive but the execution of those taken as well.

The decision of the constitutional court declaring Local Development Councils illegal and the "no" vote in the popular referendum on constitutional reform that impedes the formation of Communal Development Committees leaves the problem at hand as of yet unresolved. SERJUS and the Center for Legal Action on Human Rights (CALDH) propose that the new Municipal Code, in conjunction with the implementation of the

peace accord recommendations, establish the creation of Community Auxiliary Mayoralties. These entities would fuse the notion of the need to strengthen the figure of auxiliary mayor, especially in the Mayan communities, with the necessity of counting on a deliberative institution in the local infra municipal space. This proposal must be watched closely in order to analyze its political and legal viability, but we must point out that this makes very clear the importance of continuing to debate the issues of citizen participation in the process of decentralization in Guatemala.

The National Association of Municipalities (ANAM) was created on October 19, 1960, it underwent reforms in 1969 and in 1992 it adopted its legal articles of association that are still in force (Governmental Agreement 899-92). “It is a private entity with a Legal and Patrimonial status, non-profit, apolitical and not religious, whose mission is the strengthening of municipal governments, integral development, and municipal social service.”⁹

In principle, this institution should be a forum where mayors and municipalities in general, over and above partisan interests, should be able to lobby in defense of the demands and needs of local government, but since the decade of the 1970's, this entity has been operating under the supervision of the INFOM, an organization that had no idea an association of mayors would face up to it.¹⁰ We could say that the INFOM still operates as the central government's instrument of control over the municipalities.

The ANAM, only since 1997, has physically separated or removed itself from the INFOM premises, but it continues to be quite dependent given its economic insufficiency and, most importantly, institutional insufficiency. The first weakness, the economic one, can be appreciated in its financial report. In 1997, it was still dependent on the transfers made by the INFOM respective to the paying municipality members (those that first pay the INFOM and then later receive the transfers) and those members with no resources (those that the INFOM supports). As a pressure or lobbying group, the ANAM does not yet count on any successes. “The ANAM did not exert any influence on the government when the government ceased, in 1990, to turn over the constitutional 8%. Neither did it play an important role in the discussion of an additional 3% to the value added tax” (Amaro 1998).

With respect to the Municipal Code, the ANAM proposes its own modifications. These reforms are directed at the placing the election of

the Auxiliary Mayor closer to the communities. It puts forth possible candidates to the Mayor in an open municipal session, and of these, the Mayor may elect one for the position of Auxiliary Mayor in an open municipal session. Moreover, the ANAM also proposes Sectorial Municipal Boards, entities that the population, if they so desire, can integrate in order to take part in the work carried out by municipal commissions. At the same time, a committee to foment citizen participation, as well as deal with safety and human rights issues, is to be established. The function of authorization for community organization also falls on the Municipal Council. The opening toward common law in local forms of organization endemic to Mayan municipalities constitutes an important additional step in these reforms.

Apart from all that is mentioned above, there will be subjects such as the increase in the social auditing of the communities; the validity of “bridges” between the municipal authorities and the communities, including the private sector, for an effective co-partnership with the municipality; the tax on real estate; the law on water; and the broad subject of decentralization that include fiscal components that seek a greater authority for approval of taxes by the municipalities.

During the 1995–1996 period, two indigenous organizations were created in order to provide support to municipal strengthening, these being the Maya Foundation (FUNDAMAYA) established on December 28, 1995 and the Association of Indigenous Mayors and Authorities (AGAAI), created on March 9, 1996. The Maya Foundation (FUNDAMAYA), is “a non-profit organization, created to provide advice, support and technical following, whose ultimate purpose is to serve that sector of Guatemalan society that is for the most part indigenous, through the correct and efficient functioning of the Municipal Councils.”¹¹ Within the obligations of FUNDAMAYA are to collect, systemize and contribute from the perspective of the Maya cosmovision, to a new form of Municipal administration, by way of a technical institution that formulates projects and seeks the participation of indigenous peoples in local development.

The AGAAI was born in 1996 in order to provide support and advice to the mayors elected by the government of official mayoralties, directed by indigenous Guatemalan citizens. The framework of reference for its creation is as follows: it is established in the years 1995–1996 when the

peace accords were signed and it is through this process that spaces are opened for indigenous peoples, facilitated by the *Agreement on the Identity and Rights of the Indigenous Peoples*. The role of the AGAAI has recently been reinforced by a high percentage of indigenous mayors, that constantly demand greater action and institutional intervention towards actions of assistance and dialogue on national agendas. Within its membership are mayors that are located in 10 of the country's departments,¹² and a total of 46 town councils of an equal number of municipalities. The aforementioned statistics demonstrate a participation in 13% of the country's municipalities (331 town councils on a national level).

Within the limitations and risks that confront the AGAAI we can mention the lack of a strategic Institutional plan in which the objectives, mission and institutional vision are clearly defined and also, the lack of long and short term work strategies. On an internal level there is not much staff and as far as levels of participation and representation are concerned, there are 11 active associates, but little participation on the part of indigenous mayors and authorities. All this leads one to believe that the AGAAI maintains a poor capacity for political and economic negotiation which in turn reduces the fulfillment of its mission.

THE POTENTIAL FOR DECENTRALIZATION IN GUATEMALA

One of the principle commitments of the *Agreement on the Strengthening of Civil Authority and the Function of the Military in a Democratic Society* (1996) on the subject of security and safety was the restructuring of police forces and the creation of a sole National Civil Police (PNC) under the responsibility of the Ministry of Government (Department of the Interior), the entity with responsibility for public order and internal security. The main objective of this new police force, even though it is not expressly stated in the agreement, is to put an end to the control that the military had over internal security, especially over its intelligence apparatus. The PNC was created by Decree 11-97 on March 11, 1997. Toward the end of that year, the force had 3,357 members and that number increased to 16,614 toward the end of the year 2000, deployed throughout all 22 departments (Portillo, Alfonso, 2001). In the aforementioned agreement, the government committed itself to increasing the number of agents to 20,000 by the end of 1999.

Social funds and local infrastructure

In order to face the problems generated by the structural adjustments applied at the onset of the eighties, the World Bank and institutions such as the PNUD supported the creation of Social Emergency Funds (FSE) that would later adopt the title Social Investment Funds (FIS). These funds were comprised of donations and low interest loans made to “compensate” popular sectors for the harshness of the economic measures adopted. The FIS’ mission, since its creation in Bolivia in 1985, is to act as a mechanism to alleviate the harshness of monetarist measures implemented during the decade of the eighties throughout Latin American. In the face of the traditional role of the different Ministries, this new fund agency acts as a mechanism of finance and not as one of implementation (Parish, 1996).

The FIS in Guatemala fulfill the same characteristics as those applied in the Central American and Latin American regions in general; these funds have been conceived principally as a mechanism for alleviating rural poverty. Given the small volume of urban population affected by the crisis and the results of the economic adjustments, poverty is concentrated in rural areas where the population finds itself at the edge of subsistence. These funds also spring from the idea of supporting local groups such as NGO’s, which have implications for the future of social policies in State-civil society relations.

The FIS in Guatemala function on a rigid menu of proceedings based primarily on investments in infrastructures: sanitary infrastructure, educational infrastructure, water and drainage infrastructure, civil constructions and productive activities. These last-mentioned items include communal banks, self-employment, and micro business projects. Theoretically, the selection and approval of projects is based on a prior election made by the beneficiaries of the program selected: they select those projects that they determine are most important from within the menu of proceedings. However, from the discussion maintained with a few organizations, one can discern that the greatest demand is for projects that involve productive activities. However, this sector is the one least developed by the FIS. The leaders of this area argue that the same donors demand that the investments not be made in productive sectors but rather “in bricks” (Maldonado 1995).

Since investment participation on the part of the governments does not surpass 10%, the margin for maneuvering to direct them to the pro-

ductive sector is scarce. Not only do the donors demand this investment profile, the World Bank also demands as such (one of the most important donors and driving forces of the FIS). This coincides with the philosophy of the same since these are not instruments for promoting development, but only conceived as a “security network or system” (Alvarado, 1993). The Fund for Social Investment (FIS) has interpreted service to the rural communities of Guatemala as a privilege and a mandate. They carry out projects where, besides the direct benefit of the work, for example a road or a school, there are organizations that are created or strengthened where people are fulfilled as people and they learn to work in groups that are self-organized.

Notwithstanding, the mayors come across as ambiguous when it comes time to evaluate these projects. On the one hand, they recognize the importance of the works carried out in the municipality, but on the other hand they say that these works have not been coordinated with the town council. This converts the FIS into “not solicited aid”. The system of financing for these funds is, for the most part, an unknown for the municipalities. Just like the resources for the FSDC, these are managed in a tripartite manner: central – local – neighborhood governments.¹³ Many times the municipal governments come to solicit aid for infrastructure projects and they find that the FIS only contributes 20-25% of the total amount of the project, apart from “unexpected expenses”. This demonstrates the scant knowledge on the Mayors’ part of the sources for financing for investments in infrastructure (Gálvez, 1998).

The main priority given to the funds in attending to the necessities of infrastructure infers a lesser assignation in relation to covering the needs of the most vulnerable groups in the matter of social services. However, the growth of the funds has been largely disorganized and there exists ample evidence of duplications, inefficiencies and inappropriate competition among them.

The government health program proffered by PAN has maintained, in a manner coherent with the peace accords, that it is necessary to establish a new model for health care that would favor primary health care and enable popular access to health services, extend coverage, and promote family responsibility and community responsibility in the provision of services. The goals were defined in *The Agreement on Socioeconomic Issues and the Agrarian Condition* where the commitment was established of des-

ting at least 50% of public health spending to preventive care and to reducing the 1995 rate of infant and maternal mortality by 50% before the year 2000. The system in force until then needed to be redesigned in order to achieve these goals, especially in light of the fact that the Ministry of Public Health as it had been organized, had very large institutional limitations especially determined by a marked tendency toward centralism and bureaucracy.

The strengthening of primary attention and care needed a change in the manner in which public sanitary attention or care was applied. In order to achieve these earmarked objectives the SIAS was created, a system that seeks to interlace the three levels of sanitary attention or care in a single coordinated structure. The greatest effort, however, is currently centered on the First Level of Attention or Care and this is supported by strategic alliances with governmental organizations and in community organizations for their full participation, in health problems, in decision making to overcome these problems and in the inquiry into basic health services (SIAS, 1999).

According to official data, in June of 1999, through an extension in the coverage of health care, the number of inhabitants covered by said care had grown to 3,534,521 in 25 of 27 health areas in the country, thereby providing health care services to 76.8% of the population that had not had health coverage in 1996. Independent consultants are more moderate in their statistics and they place coverage at the end of 1999 at 2.7 million people distributed in 20 health areas that before did not have access to these services (Garcés, 1999).

In any event, the increase is considerable, given the fact that it has been only three years the system has been operation. Success lies in the incorporation into the system of a large number of community volunteers, the contracting of new health personnel for community care, such as ambulatory doctors and institutional facilitators and the alliances with 78 NGO's and other institutions by way of the subscription of 123 agreements. Besides these, cooperatives, municipalities, the IGSS, churches and other service institutions have begun to provide health services directly, as health care providers, or simply support the Health Districts as Health Service Administrators.

The Department of Education proposes that its administrative approach and introduction of services throughout the territory, via the

supervision of classical education and the recent creation of the National Program of Self-Management for Educational Development (PRONADE) in 1994, has entailed an increase in the coverage of education in communities and in population centers that beforehand had not has access to education through the Educational Committees (COEDUCA).

This model, along with the creation of boards of educational, inspired in educational reform that has been discussed since the peace accords, attempts to bring parents closer to the educational structure from a participatory perspective. At the same time, it seeks to increase educational coverage in a rapid and agile manner at a moderate cost. Coverage has increased considerably in the first four years of operation, above all in those regions with greater needs, however, weaknesses have been noted that could hinder the model's efforts to prosper and consolidate.

First of all, the introduction or establishment of service depends in large part on the will of the parents, there is no concerted design, nor is there a plan for seeking total coverage for the system in a specific time frame that would propose to achieve the maximum schooling coverage for all Guatemalan boys and girls. For these reasons, where community organization is not sufficient, there is a risk that the service will not arrive.

On the other hand, the process of educational dispersion or diffusion is running way behind schedule of prior plans. Imagine that the law creating departmental management is written and approved in 1992 and in 1999 the installations have only recently been completed and the service has only just begun. The PRONADE was created as a temporary system until the greatest degree of educational coverage at the primary level had been achieved, however, the tendency seems to point toward a permanence in time. If this is indeed the case, its insertion in the flowchart of the Department would need to be defined, along with its budget and its labor policies in order to avoid friction between the teachers of both models (the classical and the COEDUCA model). An example of the lack of cohesion is that the PRONADE system depends directly on central administrative structures, while departmental ones only govern those aspects related to registration. Because of this deficit, the autonomous capacity of departmental boards is scarce. Until now, the operation of the system is a mere "counter" approach made to the user. There is no budgetary autonomy and the management does not have the capacity of decision adapted to the needs of the population of the Department and of the

municipalities that are part of the department. In spite of all this, the possibilities of improving the educational system in the country utilizing a decentralizing strategy for services are quite high.

Municipal Conflicts

The problems of access to and the right to own a piece of land is a fundamental problem in Guatemalan society. On the one hand, colonial agrarian policy explains the origin of the great concentrations of land translated into latifundios and the judicial insecurity of land ownership for small producers. On the other hand, the indefinite nature of boundaries between municipalities is a recurrent cause for conflicts that are very often bloody.

In this last case, the explanation can be found in the fact that municipalities, throughout the course of history, have undergone segregations and unifications that have not been clearly marked on the land, rather they have been established in an arbitrary manner and with no criteria or specific and clear geographical reference. The most recent conflict arose in the department of Sololá, where the difficulties encountered when attempting to verify boundaries between Nahualá and Santa Catarina Ixtahuacan led to an open war between the two communities.

The weakness of local governments at confronting this type of land conflict negatively affects their capacity for governing. While there be no law of land registry nor a Land Registry in existence, in which to record basic elements of decentralization of the registry, information and administration of landmarks, boundaries or borders, and municipal limits, there will be no solution to this problem. The lack of resources for managing these conflicts on the part of the municipalities makes this situation even more complicated.

From 1991 until May 1993, the press informed of the occupation of municipal installations by neighborhood groups that called for the destitution of municipal authorities. More than 40 municipalities were called into question, some being occupied pacifically in order to seek a dialogue while others were looted and burned. In the municipal elections of 1995 40 electoral conflicts occurred and the immediate causes of all these conflicts are related to deficiencies in electoral norms or in their application. In 1997 the press reported 25 municipal conflicts and 96 incidents in the entire country. In the 1999 elections, conflicts arose in 25 municipalities

and some were extremely violent, practically all 330 municipalities suffered some form of protest more or less violent during the past decade (FUNCEDE 1997/Flores96/Luján 97).

But the most common cause is the power struggle among local rival groups that via the ballot box either maintain themselves in office or displace their adversary, which denotes an incapacity to resolve controversies without the use of violence, in all likelihood, the fruit of decades of the lack of rule of law (judicial system) and the cultural fragility of the practice of democratic and civic behavior.

The provision of services, tied to financing, or better yet, the irregular financing of the same, is that which provokes 55% of the conflicts and crises of government in the municipalities (FUNCEDE, 1997). Both variables are usually the most common detonator in conflicts over the course of a local government term. The origin is to be found, on the one hand, in the economic and administrative difficulties that the Guatemalan municipality undergoes (see above) and this leads the local administration to not be able to comply with the minimum services desired by the population. One of the most frequent causes for the immediacy of the need that cannot be postponed are the deficiencies in the supply of drinking water (URL, 1999). The lack of communication channels between the town council and the population, just like the traditional lack of confidence the local population has for local authority when it comes to the handling of public funds complements the ideal panorama for the appearance of conflicts.

A Closing Thought: Lynchings and the Challenge of Peace

Since the year 1996 numerous cases of lynchings have been recorded in the country (defined as the execution of prisoners or crime suspects without due process and in a tumultuous manner) and these have taken place with a growing degree of cruelty and impunity for those responsible. The lynchings are characterized by generally being carried out in rural, isolated communities and with the participation of many people (sometime entire communities), that initially appeared as spontaneous occurrences, the result of a lack of confidence in the functioning of the judicial system. However, each time there are more cases that are planned and led or tolerated by local authority, where supposed suspects are interrogated, judged, tortured and finally killed (often burned alive). MINUGUA has verified in

many cases the participation of persons that belonged to political and social structures of control (volunteer civil defense committees – PAC – and military commissioners) during the counterinsurgency struggle.

From 1996 to 2000 the MINUGUA report recorded 176 assassinations and 161 attempts (often with extremely serious injuries). The year in which most cases were recorded is 1991 when there were 71. The departments with the largest number of lynchings are Quiché with 64 and AltaVerapaz with 54, and these are the departments that were most affected by the armed conflict and where the militarization of communities and the destruction of social fabric and their own normative institutions was more notorious. These facts, as demonstrated by MINUGUA, seriously compromise the responsibility and capacity of the State to guarantee people their fundamental rights, to exercise the legitimate monopoly of force, and to prevent, persecute and penalize these crimes, placing at risk the central fruit of the peace process: a culture of peace with respect for the dignity and rights of each person, things that permit the validity of a legal state (MINUGUA, 2000).

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NOTES

1. 331 town councils or municipalities exist. Of these, 22 have more than 100,000 inhabitants; 116 more than 20,000 and less than 100,000; 96 more than 10,000 and less than 20,000; and 95 less than 10,000 inhabitants (System of the United Nations, 1999).

2. The territory of the Republic, for administrative purposes, is divided into 22 departments and these each have town councils or local governments (Article 224 of the Constitution).

3. Article 13 of the Tax Code, Decree Number 6-91.

4. Government Agreement Number 1041-87. Regulations of the Urban and Social Development Councils Law. *Article 10.-The different levels will be able to count on a Technical Unit or Office that will take charge of providing the Councils and their respective commissions or work groups, with the technical and administrative support necessary to carry out their functions.*

5. In the Proposal for a Municipal Code that is paralyzed in Congress at present, the UTPM are to supposedly be regulated in Art.76.-the Municipal Technical Planning Unit. The Municipal Council will be able to count on a Municipal Technical Planning Unit that will be under the direction of a boss who will be in charge of elaborating diagnosis, plans and municipal development projects.

6. Data collected in an interview with the Mayor Mr. Manlio Lec and the records of the formation of the Instance that the mayor so kindly made available.

7. Article 93, clause b) of the Electoral and Political Parties Law.

8. In the first round of the elections, 2,397,212 voters participated out of a total of 4.45 million registered citizens. The winning candidate obtained 1,045,820 votes in the first round (48% of the valid votes) and 1,185,160 in the second round (68% of the valid votes).

9. Declaration of principles laid out in the Magazine "Autonomy, April 1998". Among the objectives emphasized the one which stands out, apart from the generic objective of strengthening municipal management, is that of representing the association politically and legally, defending their associates before the political, economic, and judicial instances of State agencies or institutions and also to represent them on a national level; to provide administrative and judicial technical assistance to all associates; and to participate in National Agendas that implicate the municipality.

10. For example, there was not meeting of mayors from 1974 until 1987. it was not until 1992 that the dependency of the ANAM on the Municipality of the City of Guatemala came to an end. Before then, the President of the ANAM was automatically the mayor of the capital.

11. From documents of the organization.

12. The ten departments, where the associates of the AGAAI are located, are the following: AltaVerapaz, Baja Verapaz, Chimaltenango, Quiché, Huehuetenango, Quetzaltenango, Retalhuleu, Sacatepequez, Sololá and Izabal.

13. These last, the neighborhoods, contribute their part through contributions in labor which seriously questions the creative calling for job positions of the Fis that not only do not create these job positions, but the obligate the neighbors to abandon the jobs that provide them their life sustenance without receiving anything in return.

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