Chapter 13
Local Governments in Brazil: Are They the Hub of the Brazilian “Welfare State”?

Celina Maria de Souza
Federal University of the State of Rio de Janeiro, Brazil

ABSTRACT

Brazil is a federal country in which local governments have become the main providers of universal social services funded by the three tiers of government. The chapter presents the general characteristics of the country’s local governments and its position in the federal system, describes the distribution of revenue and governmental functions, shows the incremental increase in local resources and their earmarking for social policies, the complex system of funding and regulation created and discusses the role of local governments in the provision of universal social services. The argument put forward is that local governments have become the hub of the provision of universal social services while the federal government is in charge of policies targeting the poor. Local governments, however, are dependent on funding from other levels of government raising concerns about the sustainability of the provision and the expansion of universal social services as well as concern about improving their quality.

INTRODUCTION

Brazil is a federal country with a presidential system which it has had for over a hundred years since it became a republic. The federal government has always been the leading actor in the federation throughout both authoritarian and democratic regimes. Throughout its history and until the 1990s, Brazil has had a history of economic boom and bust and its development has been hampered by high inflation, excessive indebtedness, political turmoil and two long periods of authoritarian rule. The federal system has also experienced periods of centralization followed by decentralization.

Redemocratization in the mid-1980s, the approval of a new constitution in 1988 and of several constitutional amendments after 1996 were the main events that explain the leverage of local governments both financially and as the main provider of universal social services. Restoring democracy meant, among other things, a commitment to improving the role of local government and of local financial resources.
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together with the empowerment of local communities. Local governments are now accountable for the provision of basic health care, pre-school and fundamental education and social assistance to the destitute together with other functions such as urban development and local public transport.

The drawing up of the 1988 Constitution was met with enthusiasm and optimism for the country’s future. For twenty months Congress and Brasília were the centre of Brazilian life, a visible exercise in democracy and political participation. Among the most powerful lobbies one was led by mayors demanding financial decentralization. The mayors’ plea had many supporters among constitutional drafters given that 54% of them had previously been either a mayor, a local councilor, a governor or a state lawmaker, hence their close ties with local and state constituencies (Souza, 1997). However, and as argued elsewhere (Souza, 1997; 2002), the 1988 Constitution did not mark the beginning of fiscal and political decentralization and a stronger commitment to local government. Several other measures and events prior to 1988 were signals that financial decentralization would be one of the most likely outcomes of the constitution. The importance of the 1988 Constitution rests on the fact that the decision to upgrade the financial and the political role of the municipalities and of local communities was not taken by the government and/or by pressure groups but rather by the constitution-makers themselves. The decision to decentralize and to change the system of local governance was therefore a political decision. If not, why would elected representatives acting as constitution-makers bother with it?

After almost twenty years of military regime, Brazilian political elites drew up a new federal and democratic order in which financial resources for local and state governments increased vis-à-vis the federal government. As well as this, constitution-makers made Brazil a three-tiered federation by incorporating municipalities as part of the federation together with the states, reflecting a tradition of municipal autonomy and little state control in municipal matters. This means that Brazilian municipalities are no longer a creation of the states. Furthermore, since the new constitution, municipalization is not limited to the transfer of responsibility for policy implementation to local governments. It also gives local communities a share of decision-making responsibility regarding the provision of local public services. The 1988 Constitution contains several mechanisms enabling grassroots movements to participate in certain decisions and to oversee public matters, particularly at the municipal level. Participatory forums stimulated by the 1988 Constitution, federal legislation, federal programs, multilateral organizations and municipal governments themselves are now widespread in Brazil’s local communities in an attempt to increase local democracy. The decisions taken by constitution-makers are explained by the fact that democratization and decentralization were seen as synonymous.

In the mid-1990s, however, a consensus was reached about the need to control Brazil’s long-lasting inflation. The strategy taken was to decrease public spending as a whole but also increase federal revenue vis-à-vis sub-national revenue. With the success of the stabilization plan in 1994 and the consolidation of the new democratic regime, since 1996 the federal government has started to submit for congressional approval a series of constitutional amendments with rules about the financing and the provision of universal social services, the latter granted to local governments, as well as restoring local resources previously withdrawn for inflation control. Later, in the 2000s, federal regulation also made local governments the main providers of care for the elderly, disabled, children and adolescents in need.

Local governments, however, face complex challenges. Firstly, Brazil’s 5,570 municipalities are extremely uneven in their technical and financial capacities and the federal mechanisms to decrease inequality are insufficient. Furthermore, institutionally, each constituent unit has the same powers, i.e. Brazil has adopted symmetrical federalism in a socioeconomically asymmetrical polity. Secondly, the provision of social services by local governments are mainly financed by resources from state and federal