

BALANCING NATIONAL ECONOMIC REFORMS WITH SOCIAL AND ENVIRONMENTAL GOALS

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Contents

1. Introduction
 2. The redemocratization agenda
 3. Urban-environmental management: an overview of its recent trajectory
 - 3.1. The military years
 - 3.2. Redemocratization
 - 3.3. The reforms of the 1990s
 4. The financing of urban-environmental programs
 5. Current stage of urban-environmental management
 - 5.1. Legislation
 - 5.2. Institutions
 - 5.3. Actors
 6. Conclusions
- Glossary
Bibliography
Biographical Sketches

Summary

This article shows how economic and fiscal reforms interact with democratization processes and may limit them. However well intended, the benefits of redemocratization can fail to be fully realized without appropriate support institutions. It matters less whether government or non-governmental organizations are expected to take the lead in proposing and effecting policies to mitigate urban-environmental problems than that the necessary formal institutions (such as local government organizations or community groups) are formed close to the problem and granted adequate resources. Brazil's redemocratization brought great expectations that new democratic institutions would be able to assuage many of the country's dilemmas. The people were persuaded that democracy would improve their living conditions, including urban and environmental issues. The economic reforms of the 1990s however, constrained the possibilities of fulfilling these expectations.

Redemocratization and decentralization have tended to pull in different directions with the result that little has been achieved in addressing urban-environmental problems. The source of this tension may be traced to the process by which the 1988 constitution was

constructed. As a result of the process design and within the historical context of the end of military dictatorship, the demands of many social groups became directly incorporated in the constitution, creating severe governance problems. Therefore, an analysis of the current features and prospects of urban-environmental management requires the understanding of a) how the issue was dealt with by the previous (military) regime; b) the decisions taken in the early stages of redemocratization; and c) the changes brought about by subsequent economic reforms. This is important because urban-environmental management is subject not only to incentives and constraints from governance institutions, but also to economics.

The institutional aspects of urban-environmental management in Brazil have changed in recent years. Three phases can be identified: the military regime; redemocratization after 1988; and the economic reforms of the 1990s. In this article, the latter is given particular emphasis. These reforms are causing considerable changes to the institutional features of all Brazilian public policies, including urban-environmental policies. Because of these reforms, the roles of government institutions and of civil society in urban-environmental management are changing.

Some positive factors of this transitional phase include the increasing participation of new social and political actors and new government institutions. However, the financing of urban-environmental programs and the capacity of these new actors and institutions to play their roles have been limited by the ongoing economic reforms.

1. Introduction

Economic development, citizen participation, and environmental conservation are conventionally considered incompatible goals. In the view of most development economists and rich country governments, development is the inevitable consequence of constructing the institutions necessary for a market economy and national democratic processes. Open economic borders, property rights and free markets, and elections 'cause' economic development. This model allows no room for environmental conservation: environment, it is implied, must be ignored in the race for development. Sustainable development incorporates environmental conservation and reduced political and economic inequality into this development model. In doing so, it radically changes it.

The Kuznets curve argues that social inequality inevitably increases as development takes off. The so-called 'environmental Kuznets' maps a comparable phenomenon with consumption of environmental resources. Development is expected to increase population growth by reducing death rates and industrialization begins with less environmentally-efficient technologies. Thus, natural resource consumption and pollution of environmental sinks increase rapidly. As development approaches the levels of the richest countries, businesses can afford more advanced technologies and governments can demand them. Strict and effective environmental regulation is supported by a citizenry that pursues non-economic values as strenuously as economic gain and is made possible by government institutions that efficiently collect tax revenues and manage enforcement.

In Brazil the increasing demand for federal resources to effect changes in economic structures conflicts with efforts to reduce urban poverty and pollution. Brazil's massive external and domestic debt and its need for continuing external loans and high interest rates have given significant leverage to the International Monetary Fund and commercial lenders. To better secure repayment, they have forced Brazil to reduce its national fiscal deficit and tighten monetary regulation. Because of the high scheduled interest payments on its external and domestic debt, the federal government's need for economic resources has increased while prior institutional changes generated by the 1988 Constitution have increased the proportion of its fiscal revenue that it must distribute to state and local governments (see 1.43.1.1).

The best efforts of governance institutions and civil society associations can be defeated by a lack of adequate resources. Efforts by grassroots organizations and subnational governments to improve urban-environmental management in Brazil often have been stymied by funding shortfalls generated by pressures on the federal government to reduce the national budget deficit and reduce poverty. These pressures have forced the federal government to reduce transfer to subnational governments as demanded by the 1988 constitution and to limit social investment and transfers to states and municipalities. Thus, the consequent limitation of subnational resources has significantly influenced the institutional structures of urban-environmental management.

This article analyzes the trajectory of the institutional aspects of urban-environmental management in Brazil in three different phases. The first phase is the military regime, which began in 1964. The second is related to redemocratization and to the related changes promoted by the 1988 Constitution. The third phase begins with Cardoso's Presidency which started a radical change in the governance institutions for all Brazilian public policies, including urban-environmental policies.

Although the institutional and organizational structures of urban-environmental management do not always come together, they now share a common characteristic. Unlike the military years, they are no longer under the main control of federal government. The reform of the Brazilian public sector and the economic changes brought by the 1994 stabilization plan, the *Real*, have constrained urban-environmental management quite unlike the largesse of central management during the military regime. Far from being a paradox, this situation reflects the consequences of the last decade's economic policies, pervasive social and regional inequalities, and unresolved problems inherited from previous political regimes. On the other hand, with the withdrawal of the federal government, new actors and institutions have become involved in urban-environmental policies. The emergence of these new actors and institutions has not meant, however, that Brazil has achieved a stage of urban-environmental sustainability. Rather, it is experiencing a transitional phase. After the breakdown of the military regime and the euphoria of the early years of redemocratization, the country has embarked on economic reforms in which social, urban, and environmental issues come second to fiscal ones.

This paper first provides an overview of the redemocratization agenda and of Brazil's return to democracy. It then describes urban-environmental management during the three phases. The following section analyzes the most important issue: the relationship between economic reforms, decentralization as part of these reforms, and their effect on

urban-environmental management. Finally, we describe the current state of urban-environmental management.

2. The redemocratization agenda

While formal democracy is now a reality in Brazil and it is the world's eighth largest economy, the country has failed to meet social demands in general, including urban-environmental demands. This apparent paradox can be better understood by examining the paths and processes of Brazil's redemocratization. They have been marked by two contradictions. On the one hand, important issues related to urban and environmental problems and goods were addressed in the 1988 Constitution. On the other hand, redemocratization was soon followed by deep economic reforms. Designed to integrate Brazil into the world economy, these reforms are proving to be irreconcilable with the demands for a broader governmental role on urban and environmental issues.

Brazil's redemocratization has received much scholarly attention. A great deal is known about the first stages of the political opening, theoretically and comparatively, as well as about the reasons for the demise of the military regime. These studies aid our understanding of the polity of Brazil specifically and of Latin America in general. They are mainly concentrated on electoral regimes, institutional design, and elite behavior. However, although they look at the political opening after the event, they do not mention the main issues, problems, and tradeoffs caused by redemocratization. In the late 1980s and in the 1990s, scholars began to focus on the new issues which arising out of redemocratization and on the prospects for democratic consolidation. This literature, however, does not explain some current cleavages in Brazilian politics and society: it does not (a) give enough attention to the conflicts between the provision of and the demands for public goods in a democratic environment; and (b) incorporate the importance of a few decisions taken at critical junctures, in particular those made in the period between the breakdown of authoritarianism and the re-introduction of democracy, especially the decisions made during the drafting of the 1988 Constitution. The urban-environment agenda introduced by redemocratization and adopted by the constitution is crucial for analyzing the current features and future prospects of urban-environmental issues.

An array of urban and environmental measures were introduced by the 1988 framers, in response to pressure from organized movements and progressive parties and groups. If social movements and progressive groups were not the main actors in the transition to democracy, they found ways to influence the drafting of the constitution. During that period they upgraded their position in the balance of power and managed to get approval for most of their proposals. Therefore, the transition itself was rooted in contradictory ideologies and views concerning the country's dilemmas. The actors and the ideology were tied to the previous regime in which economic performance was the main concern while social movements and progressive groups heavily influenced the design of constitutional rights and governmental obligations. There was also a general desire to introduce policies which moved away from the centralization of the prior authoritarian regime. Fifteen years after the promulgation of the constitution, the implementation of urban and environmental measures remains an unresolved problem that has become incompatible with economic reforms and economic constraints have

made it difficult to achieve the constitutional mandates and to trigger appropriate solutions.

Thus, the 1988 constitution both made possible participative responses to urban-environmental problems and prevented them from being effective. In retrospect, it is understandable that the framers included as many voices as possible in the drafting of the 1988 constitution. It was a remarkable effort to encourage participation and to demonstrably reject the prior military dictatorships. However laudable it was to open up the process, the result is dysfunctional.

A constitution is generally considered the guide to political processes that defines the balance of powers between defined institutions and ideally reflects a common ideology about those rules. It is a statement of the rules that define how the game of politics should be played, while leaving the choice of actual policies to be decided within the game. Like many constitutions recently adopted in other countries, Brazil's constitution of 1988 goes beyond general rules and begins to direct policy choices. As an indication of the scope of the issues mandated by it, Brazil's constitution has more than ten times the words of the US constitution of 1787. Some of those extra words reflect the concerns of the time in which it was written—for example, Brazil has a section on environmental protection—but many more reflect the historical context (the end of military rule) and the structure of the negotiation process that encouraged the framers of the 1988 constitution to attempt to satisfy the interests of multiple pressure groups.

3. Urban-environmental management: an overview of its recent trajectory

Urban-environmental management in this paper's context includes the content of national legislation, the governance institutions managing urban and environmental programs, and the activities of participating political and social actors (for example, elected politicians, practitioners, NGOs, and funding organizations) in urban and environmental policies and management.

Two important features have characterized urbanization in Brazil. First, it is the speed at which this took place. In 1940, the country's population was mainly rural, with only 31.2 per cent living in urban areas. Since then, the urban population has grown considerably, reaching 56 per cent in 1970 and 81.2 per cent in 2000. This urban growth is even more significant because, compared to previous periods, the annual increase in population between 1991 and 2000 was low (1.4 per cent, a figure close to that of many developed countries). Second, urbanization occurred throughout the country. From the 1970s to the late 1980s, most urban growth was in the metropolitan regions and in the early 1990s the highest rates of growth were in middle-size cities and the cities surrounding the metropolitan regions. Data collected in 1996, however, shows that metropolitan regions have regained their position as poles of growth.

Until redemocratization, environmental issues were treated either as peripheral concerns or as a matter of national security. In the late 1980s, these issues became more significant but were characterized more by rhetoric than by action. From 1994 onwards, environmental issues have gone into governmental limbo, along with most other policies not related to fiscal adjustment.

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Biographical Sketches

Celina Souza is a Research Fellow at the Centre for Human Resources at the Federal University of Bahia, Brazil. She is the author of *Constitutional Engineering in Brazil: The Politics of Federalism and Decentralization* (1997) and has written a number of journal articles as well as made contributions to edited books both in English and Portuguese. Her most recent publications in English are "Brazil: The Prospects of a Center-Constraining Federation in a Fragmented Polity", which was published in *Publius: The Journal of Federalism*, Spring 2002 and "Participatory Budgeting in Brazilian Cities: Limits and Possibilities in Building Democratic Institutions", which was published in *Environment & Urbanization*, April 2001.

Neil E. Harrison was born and raised in England, and educated there and in the United States. He has earned a doctorate in International Studies from the University of Denver and researches sustainable development. He is especially interested in how theories of complex systems can explain international

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He has taught at three universities, most recently at the University of Wyoming (with which he remains associated) and is Executive Director of the Sustainable Development Institute (SDI), a non-profit research institute. Current research projects at SDI include the effect of institutions on resilience in social-ecological systems and how businesses may aid sustainable development without giving up profits. Dr Harrison has consulted on many issues in Europe and North America and has traveled or worked in nearly forty countries on four continents.