

THE EMPOWERMENT OF SUBNATIONAL GOVERNMENTS AND LOCAL COMMUNITIES IN A DECENTRALIZED AND UNEQUAL POLITY

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Summary

This article shows that decentralization of governance, considered by many to be essential for sustainable development, is fraught with pitfalls and many largely defeated by inequalities between regions within countries. As well, decentralization can even contribute to increasing inequality that can, in turn, reduce sustainability of regions and municipalities. It certainly reduces the ability of national government to equalize incomes and capabilities between regions.

Throughout the 1990s, Brazil adopted several mechanisms allowing greater participation of local citizens. Initiated by the redemocratization agenda that cumulated in the 1988 Constitution, these changes brought greater participation and political and fiscal decentralization. Since 1988, the Brazilian Constitution has ordained that more of the resources collected by the federal government be distributed to states and municipalities. This decentralization has empowered subnational governments and their political elites. In contrast, the empowerment of citizens has varied between local governments from increasing the voice of citizen's representatives to a broader view of participation as empowering people to change social and political institutions and ameliorate inequalities. Although inconsistent and incomplete, the efforts of local governments to increase participation and suggest that the country could be on the way to the bottom-up decision-making is generally considered necessary for sustainable

development.

Like many developing countries, Brazil has deep-rooted social and regional inequality. This inequality relates to both state and local resources and the ability of governmental organizations to implement sustainable policies. It also explains why participation and the effects of decentralization vary across the country. Furthermore, the results of decentralization are contradictory. On the one hand, decentralization has made subnational governments more involved in the delivery of policies with the participation of local citizens. This has reduced 'top-down' policymaking and management and, thus, increased the prospects for sustainable development. On the other hand, Brazil is a good example of the constraints on decentralization and citizen participation in countries with deep-rooted regional, social, and political heterogeneity.

1. Introduction

The World Commission on Environment and Development argued that "even a narrow notion of physical sustainability implies a concern for social equity between generations. . . a concern must logically be extended to equity within each generation." This connection between equity and sustainability is now widely accepted. Its consequent implication is that environmental conservation can best be achieved by increasing participation in decision-making. Equity is promoted when political choices about the distribution of resources is equally open to all concerned. A corollary to this argument is that decision-making should be decentralized, permitting more active participation by the people most affected by those decisions. Thus, it is now well accepted that sustainability is directly linked to decentralization.

While accepting the importance of equity in sustaining development, many developing country governments also note the evidence of the 'environmental Kuznets curve' that social inequality and environmental destruction are an inevitable consequence of development until high levels of development are obtained. These problems, they believe, will be automatically rectified when their country reaches much higher levels of economic development and a better educated citizenry. They hope that the destruction of their dash for growth is reversed by wealth. But if development is to be sustained over the long-term, environment must be conserved in the present. As investors in technology stocks learned when the stock market bubble burst in 2000, large early losses may never be recouped. Once tropical forests are destroyed, it may take a century for them to naturally regenerate. Many never do. Environmental capital, once consumed, can never be rebuilt. Because early, rapid development is highly environmentally destructive, governments in developing countries need to emphasize environmental conservation to prevent excessive consumption of environmental capital.

Because environmental conservation requires equity that is in short supply during mid-levels of development, developing country governments must act early and with resolve to reduce inequality. "Communist" China, the world's fastest growing developing country began its movement to a market economy with a high level of social equality. After more than a decade of rapid growth it now faces increasing social and economic inequality and severe environmental problems from reduced agricultural demand to dangerously polluted water and air. It has begun to address the environmental problems

even while inequality is increasing from expansion of its market economy. Brazil has faced a much greater problem. When China was egalitarian and beginning its economic revolution Brazil had one of the highest rates of economic inequality in the world. Thus, it has had to reduce inequality while the forces of economic growth are pushing hard in the opposite direction, toward greater inequality and higher rates of resources consumption.

Institutions can preserve inequalities or they can reduce them. This paper examines how changes in the institutions governing the allocation of economic resources among Brazil's regions have interacted with efforts within the regions to devolve political power closer to the people.

Since the 1988 Constitution was ratified, the distribution of political and fiscal resources in Brazil has become highly decentralized. The Constitution resulted from a national commitment to democratic values implemented through political and fiscal decentralization, an expanded governance role for local and state governments, and support for grass-root movements and local participation. Because sustainable development demands greater participation at all levels in the polity and less 'top-down' management, the potential for effective sustainable development policy is increased by decentralization that strengthened the role and the power of state and local governments and of grass-root movements. However, participation may have several different meanings. For example, it can mean the voice of the people as one among many voices. But it also can mean empowering the people directly, and especially the poor, to become aware of inequalities and to reform political and social institutions through collective action. The election in 2002 of Luiz Inácio Lula da Silva as president has been interpreted as partly reflecting the increased political influence of the poor and previously powerless.

Participation as empowerment demands resources. The 1988 Brazilian Constitution redistributes fiscal resources to states and municipalities and away from the federal government. Despite this change in the allocation of resources the federal government's role in evening out Brazil's deep-rooted regional, social, economic, and political inequalities remains largely undiminished. The federal government's policies to tighten fiscal control in response to the demand of the International Monetary Fund and the country's creditors and its attempts to re-centralize fiscal resources to effect economic reforms limit the potential for state and local government support of sustainable development.

This paper argues that if sustainable development demands participation as citizen empowerment and not only as one collective voice among many, it demands devolution of real political power and substantial economic resources to subnational governments. Participation, decentralization, and sustainable development can be constrained in countries with high regional and social inequality. Although Brazil has made a greater effort than many developing countries to redistribute fiscal resources from the federal to subnational governments, this redistribution is not sufficient to achieve empowering participation necessary for effective sustainable development policy. Participation as empowerment demands a more equitable distribution of economic resources to all local participating governments and movements. Therefore, the experience in Brazil of

decentralization and participation suggests that however well-meaning, structural and even constitutional changes intended to distribute fiscal resources can be ineffective and/or by-passed when inequalities are very high. In addition, this paper shows that differences between states in their capacity to handle greater fiscal resources and to organize devolution and local participation can be large obstacles to increasing equality and sustainability.

The lessons of Brazil's experience of increasing participation while decentralizing resources within a context of globalization and pressure from external creditors may be applicable in other developing countries. In particular its general lesson is instructive: well-meaning efforts to redistribute political and fiscal power may be not enough when inequalities are high and some states and municipalities are less capable than others. Thus, describing the Brazilian case can contribute to the understanding the difficulties of empowering people to reduce inequalities and participate in sustainable development in countries that, like most developing countries, suffer from high levels of regional and social inequality and large external and domestic debt.

This article first provides an overview of the conventional wisdom on participation and decentralization with some data on Brazil's regional inequalities. It then discusses results on the participation of society at the local level in order to provide a context within which to study decentralization. The penultimate section analyzes the main dimensions of the decentralization process in Brazil after redemocratization. Finally, it presents some data and results related to fiscal and political decentralization focusing on some aspects of sustainable development.

2. Participation and decentralization: a brief theoretical review

In many developing countries, participation and decentralization have become "elective affinities." Although they are being implemented in a number of countries, their concepts are vague since they are used in different ways in different contexts.

The meaning of participation is a great divide in the literature and in participation itself. For some, participation may mean a way of improving efficiency. To others it is a way to promote enhancements in social justice, meaning the improved access of people and social groups historically excluded from the decision-making process. For many the benefits of participation are limited to "instrumental" ones, improving policy effectiveness, promoting consensus on state actions and gaining access to detailed information about policies and the real needs of ordinary citizens. But for others the principal goal of participation is the empowerment of the social groups that have typically been ignored by social and economic development policies.

Decentralization has many meanings and can be implemented in different ways. It may imply anything from administrative de-concentration to political decentralization, in which decision-making authority is transferred to previously underrepresented groups. These groups might range from the private sector to subnational governments, nongovernmental organizations, and grass-roots movements. It also has different meanings according to ideologies and a wide appeal regardless of ideology and implies discussion of power relations and conflicts. In developing countries, decentralization

often is ideologically attractive, especially in reaction to previous processes promoting centralization.

The literature on development - and on sustainable development in particular - has imparted enormous importance to decentralization as a key tool for development. At a theoretical level, several issues not generally addressed in this literature can be raised. First, the advantages and limitations are seldom discussed. Rationales or promises of participation and decentralization are usually expressed in normative terms without relating them to the broader political and economic context. Second, it treats participation and decentralization as policies granted from central to subnational units. Finally, it has been generally recognized that there is no guarantee that benefits will be distributed equitably by decentralized and participatory structures. In the following discussion of the case of Brazil we consider the political and economic context in some detail, we show that decentralization was, in part, wrestled from the center by subnational institutions, and we demonstrate that the benefits of decentralization were not evenly distributed.

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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 environmental policy and illuminate the path of sustainability. His book *Constructing Sustainable Development* (SUNY Press, 2000) showed how current thinking about sustainable development is incomplete and often dangerously misguided and how effective integrated strategies for sustainable development must emerge from a complex systems theory of social and political systems. With Dr Gary Bryner he co-edited *Science and Politics in the International Environment* (Rowman & Littlefield, 2004) that investigates how international environmental policy emerges from the interaction of science and politics. His book on the application of complex systems theory to international relations is in production at SUNY Press. He has published technical papers, articles, and chapters on sustainable development, technological innovation, international environmental policy, and the politics of climate change.

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.