



Brazilian Municipalities and Metropolitan Regions: Economic and Institutional Obstacles to Cooperation

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Brazil is a federal republic composed of 26 states, a federal district and 5,564 local governments. The municipalities became full members of the federation in the 1988 Constitution. Brazil's population of 184 million people is irregularly spread throughout the country, with more than 81 percent living in urban areas. With a per capita Gross Domestic Product (GDP) of US\$ 8,561 (Purchase Power Parity), Brazil is ranked among the countries with the highest degree of inequality of income distribution. The country also suffers from huge regional economic imbalances. In 2004, around 77 million people or 43 percent of the population lived in the four states of the Southeast Region, where 55 percent of total GDP was generated. In contrast, only 14 percent of GDP was produced in the Northeast, where 28 percent of the Brazilian population lived. The per capita income of the Northeast was just 39 percent of the wealthier region.

Like the states, Brazilian municipalities are very heterogeneous. They differ not only with regard to economic and social indicators, but also from the point of view of their fiscal and technical capacity to manage tax collection and to provide municipal goods and services to the population. Although lower income implies a smaller tax base, differences in tax collection among regions may also be due to deficiencies in tax administration: a lesser effort given to collecting taxes with similarly low priority given to improving the technical capacity for tax collection.

The importance of municipal governments in providing public goods and services to the population increased during the 1980s when, because of decentralization, they assumed complex and diverse responsibilities. Despite the unstable economic environment, characterized by high inflation and even occasional GDP decline, federal transfers to municipalities

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increased, allowing them to assume the initiative in urban development, although under a non-coordinated process. Notwithstanding the growth in revenue since that time, financial resources available to the municipalities are clearly inadequate to meet the needs of urban development. Meanwhile, problems caused by accelerated urbanization are worsening. In 2005, almost 80 million people lived in metropolitan regions in an environment of blatant inequality. In the major cities, the general indicators currently used do not show the extent of the contrast in standard of living. The core cities in the metro-

politan regions are the richest areas of the country, but they are also where intra-urban inequality is greatest.

Among the institutional difficulties of Brazilian federalism, a lack of coordination and the absence of mechanisms for cooperation are sources of continued inefficiency in financing public investment. An increase in intergovernmental transfers resulting from the new rules in the Constitution of 1988 may have strongly reduced the vertical imbalance, but a huge horizontal unevenness still persists. As a result, the mechanism of sharing revenues is not used as an instrument for financing expenditures consistent with the geographic location of the demands for public services.

The institutional environment is a major obstacle to the development of public policies for the solution of metropolitan problems. Metropolitan regions were formally created by the authoritarian central government in 1974-1975, in conformance with the Constitution of 1967. With political crisis in the military regime that oversaw the dynamic of metropolitan activities, focus on planning was lost and funds for urban areas became increasingly scarce. In fact, those regions, as well as the structures created in the states for their administration, had entered into crisis mode from

1979 onwards. In 1988, the new federal Constitution made an attempt to define an institutional basis for dealing with those highly urbanized areas. By means of legislation complementary to states' constitutions, the states were allowed to establish metropolitan regions to integrate the organization, planning and operation of public functions within the common interest of the state and the respective municipalities. Nevertheless, the initiative suffered from legal and administrative difficulties, as it was politically inconsistent with the new status of the municipalities as members of the federation. In fact, one of the basic reasons for the institutionalization of metropolitan areas is the need for coordinated investments and the integration of the provision of public services within these regions. Without effective means to enforce coordination, state governments cannot lead the effort to avoid conflicting and overlapping policies. The lack of conditions for coordination is exacerbated at times. For example, when the governor and the mayor of the core city have different political affiliations, both will compete for greater influence in the whole region.

To the initial nine regions created by the federal government in 1974-75, the states added another 20 new regions. If the Integrated Development Region of the Federal District is included, there is now a total of 463 municipalities. The criteria adopted by the states to define those regions were not uniform and were often driven by political motivations. The result is that most of the present regions vary greatly and include everything from municipalities with a very low degree of integration to those with real metropolitan dynamics. This creates obstacles to the development of governance structures that could drive collective action aimed at solving problems for these areas.

Successful federalism entails a commitment to partnership and to co-operation. Alternating periods of explicit centralization with periods of decentralization and considerable administrative freedom, Brazil has not been able to create autonomous yet interdependent centers.

Notwithstanding the huge regional inequalities, Brazilian federalism was not conceived with the guiding principle of citizenship rights, assuring each individual access to basic public services. Although adequate funding has been secured for certain social services, this does not generally apply to urban development. The development of projects in areas such as transport, housing and sanitation require substantial and timely amounts of funds as well as strong structures of coordination and cooperation, a major difficulty in intergovernmental relations in the country.