

Democratisation and local government in Latin America

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1. INTRODUCTION

The 1980s has become known as the decade of democratisation in Latin America. This was most clearly expressed by the process of 'demilitarisation' — the rapidly diminishing role of the armed forces in political decision-making throughout the sub-continent. From the Southern Cone nations of the south to the Central American republics of the north, authoritarian military regimes gradually relinquished formal political power in favour of new civilian governments which were freely elected through the ballot-box. By the end of the decade, military regimes survived only in Chile and Panama, and these also disappeared shortly after. As a result, for the first time in the post-independence history of the sub-continent, the military had been largely "confined to barracks".

During the same decade a separate but inter-related political trend was observable. This may be described as 'municipalisation' — the gradual enhancement of the role of local government in the overall political system.¹ Despite evidence of such a shift towards local government in almost every country in Latin America during the 1980s, this process of 'municipalisation' has received scant attention.² Yet it is

arguably as important as 'demilitarisation' in strengthening the long-term process of democratisation in Latin America. This view may be supported by two arguments. Firstly, as has been noted in many countries, the formal transfer of political power from military to civilian rulers did not, in itself, brought about any 'democratic shift' in the distribution of economic power in favour of the previously disenfranchised poor majority of the population. Since local government is the tier of government which is closest to the population, increasingly it is seen as the most effective mechanism for channelling such demands for income redistribution. Secondly, in a minority of countries, such as Colombia and Venezuela, where demilitarisation had preceded the 1980s, the process of democratisation was as profound as elsewhere, yet focused on a radical reform of the state, in which the strengthening of local government assumed a principal role.³

Demilitarisation and municipalisation are two parallel and interrelated trends which together represent a major political shift towards democratisation in Latin America during the 1980s. This article attempts to redress the paucity of information on the second of these trends. It briefly traces the history of local government in the region, highlighting its decline and fall into a state of virtual abandon by the 1960s. The complex of factors which were responsible for the renewed interest in local government are then examined and the extent of resurgence of

1. This process is referred to as 'municipalisation' in preference to decentralisation. Prior to the 1980s, decentralisation was often a stated policy objective of Latin American governments, both civilian and military. However, in practice, this process was invariably confined to the deconcentration of central government decision-making to regional offices, and had the side-effect of further restricting municipal autonomy.
2. Surprisingly, the two foremost academic studies of the 'transition' in Latin America make no reference at all to the importance of enhanced local government powers in the process of democratisation. See: O'Donnell, G., Schmitter, P.C. and Whitehead, L. (eds.) *Transitions from authoritarian rule in Latin America*. Baltimore: Johns Hopkins University Press, 1986 and Diamond, L., Linz, J.J. and Lipset, S.M. (eds.) *Democracy In developing countries: Volume 4 — Latin America*. Boulder, Colorado: Lynne Rienner Pub., 1989. Furthermore, a study of decent-

ralisation from a geographer's perspective published as recently as 1992 makes minimal reference to the enhanced role of local government in the region during the 1980s. See: Morris, A. and Lowder, S. (eds.) *Decentralization in Latin America — an evaluation*. New York: Praeger, 1992.

3. For example, the *Comisión Presidencial para la Reforma del Estado* (COPRE) established in Venezuela in 1984, and the *Comisión Presidencial para la Reforma de la Administración Pública del Estado* established in Colombia in 1989.

the Latin American *municipalidad* is described. The article rounds off by looking at several issues confronting the future direction of local government, and advances some tentative conclusions regarding the relationship between democratisation and local government in Latin America.

2. A BRIEF HISTORY OF LOCAL GOVERNMENT

The history of the municipality in Latin America has been greatly romanticised. Contemporary writers have often attributed to it powers and features which it never had. This widespread image has served as a convenient justification in the popularisation of the case for municipalisation. Central to this process of mythologising the past is the colonial system of local government known as the *cabildo*. Although widely portrayed as representing a golden age of democracy, the reality was very different. The hey-day of the *cabildo* took place immediately after the conquest when the Spanish Crown had yet to impose the highly centralist system of imperial administration known as the *Consejo de las Indias* ("Council of the Indies"). During this brief period, the new colonial possessions were effectively ruled by self-governing groups of *conquistadores*, but this was soon terminated by the appointment of royal governors. Henceforth, laws made by the *cabildos* had to be ratified by the Crown, leading to its decline throughout the rest of the colonial period.⁴ The introduction of public auctioning of municipal posts in 1591 facilitated corruption and the formation of oligarchic councils, whose membership was drawn from among the Spanish élite, known as *peninsulares*.

During the late colonial period, the *cabildo* briefly regained its importance as the channel for the expression of a growing local demand for independence from Spain. The generally positive modern-day image of the *cabildo* largely derives from an over-concentration on its role during this final phase of its existence. Moreover, the democratic credentials of the *cabildo* were enhanced by its role as midwife of the independence struggle itself — revolutionary *jun-tas* were elected in 1810 by *cabildos* in Cara-

cas, Santiago, Buenos Aires, México and Bogotá. The institution of the *cabildo abierto* ("open meeting"), which was introduced to gather support for the independence movement, has today taken on a symbolic function and is being replicated by municipal authorities throughout the sub-continent as a mechanism for encouraging a participatory and accountable style of local democracy.

Following the euphoria of independence, local government rapidly became subsumed under the powers of the newly emerging nation states, whose leaders invariably replicated the centralising political tradition bequeathed to them by their colonial forebears. So strong was this city-state legacy that the capital cities of many Latin American countries are still today governed directly by the president of the republic.⁵

From the late nineteenth century, the growing regional ascendancy of the United States saw the introduction of Anglo-Saxon liberal philosophy into Latin America. This was reflected in the promulgation of idealistic constitutions in many countries which were based on the North American model. Local government was invariably granted widespread powers and formal autonomy. This was either written directly into the constitution itself, or else was granted through separate municipal laws.

However, with a few notable exceptions, the enduring centralist tradition meant that local government lacked the financial resources to implement the wide range of functions to which it was formally committed. The constant abrogation of municipal elections by central government curtailed its political autonomy, while clientelism and the 'spoils system' of recruitment greatly diminished its administrative capability. A yawning gap began to emerge between the political rhetoric and the economic reality of local government in Latin America. The cynical verbosity of speeches exalting the importance of the *municipalidad* and its predecessor, the *cabildo*, in the democratic tradition of Latin America masked a dismal reality of incompetence, immorality and impotence in municipal affairs.

The introduction of state-led strategies for import-substituting industrialisation and the associated rapid process of urbanisation from the

4. The Comuneros Rebellion in Paraguay between 1717–35 was a brief exception.

5. Examples of capital cities without directly elected mayors include Mexico City and Buenos Aires.

1940s revealed the dysfunctional nature of this weak local government system which was incapable of responding to the needs of the rapid inflow of migrants. Virtually every single government in Latin America reacted, not by strengthening local government, but by creating new parastatal bodies which stripped municipalities of their formal role as service providers at the local level. This manner of 'resolving' the problem reflected the post-war ideological attraction of centralised planning, one which dovetailed conveniently with the corporatist philosophy of the populist political regimes then in power. It also reflected the influence of the United States' foreign aid programme, USAID, whose technocratic managers invariably preferred to channel aid through these new parastatals which could "get things done quickly" by-passing the decrepit structures of local government. As a result, in the 1950s and 1960s, a widespread process of 'demunicipalisation' took place throughout the sub-continent as responsibility for the delivery of such important services as urban water supply, transportation, housing, primary health care and educational provision was transferred to central government.

By the 1970s, local government was in crisis in much of Latin America. The municipality had become reduced to a historical anachronism — a relic of a bygone era, often with purely 'ceremonial' functions. A vicious circle of lack of finance and the absence of trained manpower prevented it from carrying out even the limited range of activities to which it had been reduced. A highly negative image of the local government administration had evolved throughout the sub-continent — an image which was characterised by nepotism, corruption, administrative inefficiency, lack of public accountability and poor quality of service.⁶

Prospects for reform were equally dismal. A regional municipal study published in 1968 by the Organisation of American States concluded that

"... the economic dependence of local government upon national governments appears to be an undeniable fact, which makes any tendency to increase the political and administrative autonomy of municipal governments seem utopian".

6. In several countries, the name *funcionario municipal* ("local government officer") had become a term of abuse.

The study warned that in proposing possible solutions,

"... It is necessary to adopt a realistic position, viewing municipal government, not as an autonomous entity but rather as being autarchic, with decentralization taking place in the administrative instead of the political sense".⁷

3. FACTORS RESPONSIBLE FOR THE RESURGENCE OF LOCAL GOVERNMENT

By the end of the 1970s, the problems of local government in Latin America were well-rehearsed. A wealth of national and regional studies carried out over the previous twenty years had dissected the sick corpus of the *municipalidad latinoamericana* and had graphically described its ailments. These studies were invariably accompanied by prescriptions for recovery, but few of these reforms were ever implemented because of the lack of political will. However, during the 1980s a remarkable resurgence took place in the fortunes of local government, spanning virtually every country in the sub-continent. Two inter-related and mutually-reinforcing factors — democratisation and the debt crisis — were mainly responsible for generating the political will to bring about this resurgence.

The experience of harsh military rule had encouraged intellectuals to re-evaluate the traditional Latin American approach to democracy. On both the left and the right of the political spectrum this approach had tended to define democracy by reference to foreign rather than domestic considerations. For leftists, freedom from United States imperialism was paramount in the conceptualisation of democracy, while for rightists freedom from Soviet communism assumed paramount importance. Despite their differences, however, both sides of the ideological spectrum tacitly downplayed the importance of civil society, while endorsing the importance of a highly centralised state in order to 'defend' democracy. Furthermore, this approach positively stressed the contribution of the armed forces to the "defence of democracy" because of their initial identification with the independence movement and their subsequent self-assumed role as guardians of the na-

7. *The financial situation of the municipalities and the role of the central government in Latin America*. Washington, D.C.: Public Administration Unit, Organization of American States, 1968. pp. 11 and 21.

tional interest. As a result, a swathe of military regimes came to dominate the political system of Latin America, and in the 1970s most countries in the sub-continent were ruled directly by the military. In fact, the military soon came to personify this centralist tradition, while proceeding, in the name of democracy, to deny the most basic democratic rights to their citizens.

In country after country, the democratic opposition to military rule underwent a period of intense self-criticism during the heyday of military rule in the 1970s. The outcome was a political strategy which stressed that democratisation of the Latin American state was the most effective way to break the centralist tradition. In the process, it was believed that this would destroy the political, social and economic mechanisms on which military rule had been built. Since military rule had been facilitated by the weak power structures of civil society inherited from the centralist tradition, the construction of a strong and representative system of local government was now viewed as crucial to sustaining democracy in the future. There was also a growing recognition that greater municipal autonomy could help to reduce the centralist tradition by spreading the flow of rural-to-urban migrants away from a small number of 'hypergrowth' cities.

This reconceptualisation of democracy was particularly evident on the centre-left of the political spectrum. The "State can do it all" approach, encompassing central planning and the use of directives to lower tiers of government, although strongly influenced by the Soviet experience, had been firmly in keeping with the centralist tradition of Latin America. This approach was gradually abandoned during the 1980s, and while this process predated the demise of Soviet-style communism, it was speeded up by events in Eastern Europe during the latter part of the decade.

In its place, the role of locally-based community organisations in the development process was seen as positive as was their potential contribution to breaking the centralist tradition by strengthening local government. A more pragmatic consideration was the role of local government as a laboratory of resistance to military rule. In several countries, notably Brazil and Chile, popular resistance to military rule had first been expressed by community organisations at the local government level.

However, this growing popular demand for participation at the local level during the 1980s

was not simply a protest against military rule. Rather it represented the underlying forces of educational advancement and urbanisation, both of which had gained momentum since the 1960s. Between 1960—87, 90 per cent of total population growth in Latin America took place in cities,⁸ while levels of functional illiteracy fell dramatically in most countries over the same period. The emergence of previously marginalised or 'excluded' classes on to the political scene took place at the local level and the municipality gradually became a locus of contest between this invigorated civil society and the state. Through the formation of non-governmental organisations, which often depended upon foreign funding, centre-left political activists sought to put into operation a strategy of "rebuilding democracy from the bottom up" by providing technical and organisational assistance to these newly-emerging community organisations.

The impact of the debt crisis also contributed to the resurgence of local government during the 1980s.⁹ Starting with the Mexican default in August 1982, Latin American nations struggled to adjust to the lethal cocktail of a hike in real interest rates and a sharp deterioration in the terms of trade. Facing theoretical debt service ratios of over 100 per cent, country after country was forced to accept IMF-imposed structural adjustment programmes as the price to be paid for getting creditor banks to agree

8. Quoted in "The urban cleanup", *IDB News*. April-May 1989, p. 8.
9. Nine major studies of the Latin American debt crisis published between 1986—89 failed to make any reference whatsoever to its impact on financial relations between central and local government. Griffith-Jones, S. and Sunkel, O. *Debt and development crises in Latin America: the end of an illusion*. Oxford: Clarendon Press, 1986. Thorp, R. and Whitehead, L. *Latin American debt and the adjustment crisis*. Basingstoke: Macmillan, 1987; Pastor, R.A. (ed.) *Latin America's debt crisis: adjusting to the past or planning for the future*. Boulder: Lynne Rienner, 1987; Branford, S. and Kucinski, L. *The debt squads*. London: Zed Press, 1988; Roddick, J. *The dance of the millions: Latin America and the debt crisis*. London: Latin America Bureau, 1988; Kuczynski, Pedro-Paul, *Latin American debt*. Baltimore: John Hopkins University, 1988; Edwards, S. and Larrain, F. *Debt, adjustment and recovery*. Oxford: Blackwell, 1989; Brock, P.L., Connolly, M.B. and González-Vega, C. *Latin American debt and adjustment*. London: Greenwood Press, 1989; Stallings, B. and Kaufman, R. (eds.). *Debt and democracy in Latin America*. Boulder: Westview Press, 1990.

to debt rescheduling and refinancing packages.

This 'fiscal crisis of the state' as it came to be known, had major consequences for service delivery at the local level. The parastatal bodies created during the 1950s and 1960s had invariably operated on the basis of foreign commercial bank loans which were on-lent through the financial intermediary of a parent ministry or national development bank. These parastatals, which were notorious for defaulting on their repayment obligations, underwent a financial crisis during the 1980s as central banks refused to guarantee further foreign borrowing for fear of aggravating the debt burden.

In the face of the mushrooming demand for services because of the factors outlined earlier, national governments responded by gradually shifting responsibility for service provision from parastatals back to local government. At the same time, the capacity of local government to undertake these new responsibilities was strengthened by a major reform of local government finance. This involved both raising the real level of financial transfers from central government (through block grants and revenue-sharing) and the granting of enhanced powers for local government to raise its own revenue. The latter move reflected a recognition by national governments of the enormous untapped fiscal potential of local government in Latin America. This was because effective yields on most local government property taxes had fallen to derisory levels over the previous decades for the following reasons: the failure of cadastral surveys to keep abreast with rapid urban growth, the failure to adjust tax rates in line with high rates of inflation, and widespread administrative corruption arising from the system of self-assessment.

This move by national governments to strengthen the financial autonomy of local government in response to the debt crisis was actively encouraged by international development agencies. After two decades during which they had sought to by-pass local government in their lending programmes to Latin America, both the Inter-American Development Bank (IDB) and the World Bank (WB) suddenly rediscovered the virtues of municipal endeavour. This *volte-face* on the part of such international aid agencies, however, was more a reflection of their support for the harsh exigencies of IMF structural adjustment policy rather than any sudden conversion to the cause of democracy. In the early 1980s, the IDB launched a new

lending programme for municipal development. In order not to exacerbate the debt service problem, the municipalities became the final borrowers by pledging their revenues (or those generated by the project itself) as collateral for the credit provided to the central government which acted as financial intermediary. By 1990, the IDB was financing municipal development projects in virtually every Latin American country.¹⁰ The WB also began to show a strong interest in municipal institution-building during the 1980s. It allocated significant funding for urban management training and local government finance, through initiatives such as CELCADEL (the System of Support for Training and Management of Local Government in Latin America), which was set up in 1983, and the global Urban Management Programme established in the mid-1980s.¹¹

In addition to contributing to the resurgence of local government "from above" by influencing national government policy, the debt crisis also contributed to its resurgence "from below". The reductions in food and transport subsidies and the general cutback in recurrent government expenditure brought about by structural adjustment programmes had their greatest impact in the slums which ring the major cities of Latin America. The dramatic increase in absolute poverty which this brought about undoubtedly fuelled the rapid growth of community organisations. As the crisis deepened, many self-help groups arose which focused on *comedores populares* ("communal kitchens"). As they grew in number, it was not long before the need was felt for municipal-wide organisation of such community initiatives. The most striking example was the *programa vaso de leche* ("glass of milk programme"), initiated by community organisations in several poor municipalities in the Metropolitan District of Lima. In response to community pressure, overall responsibility for this programme was assumed by the incoming left-wing administration which won the local government elections

10. For a review of recent IDB policy towards local government, see "The urban cleanup. Needed: a new role for local government", *IDB News*. Washington, D.C., April-May 1989, p. 7-9.

11. For a detailed review of this change in World Bank policy, see Guarda, Gian Carlo. "A new direction in World Bank urban lending in Latin American countries", *Review of Urban and Regional Development Studies*, Vol. 2, N. 2. (July 1990), p. 116-124.

Annex 1: Municipalities in Latin America.

Country	Number of Municipalities	Population in millions (mid-1992)	Inhabitants per Municipality
Argentina	1,030 ¹	33,1	32,136
Bolivia	252	7,8	30,952
Brazil	4,495	150,8	33,548
Chile	334	13,6	40,729
Colombia	1,028	34,3	33,366
Costa Rica	81	3,2	39,918
Dominican Rep	99	7,5	75,758
Ecuador	162	10,0	62,196
El Salvador	262	5,6	21,611
Guatemala	330	9,7	29,394
Honduras	289	5,5	19,133
Mexico	2,378	87,7	36,888
Nicaragua	138	4,1	29,710
Panama	66	2,4	36,364
Paraguay	200	4,5	22,682
Peru ²	1,951	22,5	11,533
Uruaguay	19	3,1	163,158
Venezuela	269	18,9	70,260
Latin America	13,383	424,3	31,704

¹ In addition, there are 180 *comisiones municipales*, 37 *comisiones de fomento*, 160 *juntas de gobierno*, and 310 *comisiones comunales*, giving a total of 1,717 units of local government.

² Comprises 182 Provincial municipalities and 1,769 District municipalities.

in Lima in 1984. Jointly implemented by the municipality and a network of women volunteers organised in 7,000 committees throughout the city, at its height the programme provided a daily glass of milk to one million children under the age of six. The programme dramatically symbolised the new relationship between civil society and the state which was being created, to varying degrees, in Latin America during the 1980s.

4. THE CHANGING PROFILE OF LOCAL GOVERNMENT DURING THE 1980s

By mid-1992 there were approximately 14,000 municipalities in the whole of Latin America, with an average size of around 32,000 inhabitants (Annex 1). For the reasons outlined above, a growing number of these municipalities were undergoing a radical increase in both the scale of their operations and in the nature of their relationship with both central government and their own citizens. In many countries a wholesale reform took place of the legal basis on which local government operated. The most striking example was in Peru, where the *Ley Orgánica de Municipalidades* of May 1984 repla-

ced a body of municipal law which had been in force since 1892. Similar new municipal statutes were passed in Venezuela (1978), Bolivia (1985), Colombia (1986), Paraguay (1987) and Nicaragua (1988), while in Mexico in 1983 and Guatemala in 1986 reforms were introduced through articles in the national constitution which had the same effect.¹² The resurgence of local

12. Honduras is the only significant exception to this trend. At the time of writing, a municipal law passed in 1927 remains in force. A parliamentary bill first launched in 1972 to replace it has still not been passed. The use of this outdated law has hindered the development of local government for the following reasons.

i) The basic criteria for establishing a municipality is the existence of an urban centre with only 1,000 inhabitants. This has led to a long-standing process of splitting-up of municipalities, for political or status considerations, which in turn has weakened local government by creating municipalities which are too small to be viable. Municipalities with more than 1,000 inhabitants can elect one councillor for each 1,000 inhabitants but only up to a maximum of seven. This stipulation had led to gross under-representation in larger municipalities.

ii) The mayor is also the legal representative of the national executive and he is consequently responsible for ensuring local compliance with laws and decrees emanating from central govern-

Annex 2: Frequency and date of municipal elections in Latin America.

Country	Frequency	Next Election
Argentina	³	
Bolivia	Two years	December 1993
Brazil	Four years	November 1992
Chile	n/a	June 1992
Colombia	Two years	March 1994
Costa Rica	Four years	February 1994
Dominican Rep	Four years	n/a
Ecuador	n/a	May 1992
El Salvador	n/a	n/a
Guatemala	Five years	November 1995
Honduras	Four years	November 1993
Mexico	Three years	⁴
Nicaragua	n/a	n/a
Panama	n/a	n/a
Paraguay	Five years	May 1995
Peru	Three years	November 1992
Uruguay	n/a	n/a
Venezuela	Five years	June 1994

³ The frequency of municipal elections in Argentina varies according to the municipal law sanctioned by each province, as well as the municipal code of those municipalities where the provincial constitution permits such local legislation.

⁴ The date of municipal elections in Mexico varies according to the constitution of each State.

government associated with these legal reforms may be viewed in the light of three key aspects of municipal operations — political autonomy, financial independence and administrative competence.

The 1980s witnessed a dramatic resurgence in the political autonomy of local government in Latin America. The long-standing centralist tradition of mayoral appointment by central government was broken and replaced by the democratic election of local government representatives for terms of office which ranged from between 2—5 years (Annex 2). In Colombia (1988) and Paraguay (1991) mayors were directly elected for the first time in the history of

ment. As a result, this double role has seriously limited municipal autonomy. In practice, mayors have been forced to give priority to the latter role since most authority and resources have been controlled by central government.

iii) A departmental council must approve all municipal budgets and loan operations, all contracts with private companies and all changes in the rates charged for municipal services. Financial buoyancy is severely restrained by the use of *ad speciem* rather than *ad valorem* tax rates and the failure to categorise municipalities according to size.

Annex 3: Municipal Associations in Latin America.

Country	Title of Municipal Association and Date of Foundation
Argentina	⁵
Bolivia	n/a
Brazil	Confederação Nacional de Municípios de Brasil (1979) ⁶
Chile	n/a
Colombia	Federación Colombiana de Municipios (1989)
Costa Rica	Unión Nacional de Gobiernos Locales (1976) ⁷
Dominican Rep	Liga Municipal Dominicana (1938)
Ecuador	Asociación de Municipalidades Ecuatorianas (1964)
El Salvador	n/a
Guatemala	Asociación Nacional de Municipalidades (1969)
Honduras	Asociación de Municipios de Honduras (1960)
Mexico	n/a
Nicaragua	n/a
Panama	Asociación de Municipalidades de Panama
Paraguay	Organización Paraguaya de Cooperación Intermunicipal (1954)
Peru	Asociación de Municipalidades Peruanas ⁸
Uruguay	n/a
Venezuela	Asociación Venezolana de Cooperación Intermunicipal (1967)

⁵ There is no national association of municipalities in Argentina.

⁶ The CNM replaced the former *Asociación Brasileira de Municípios* which collapsed in the late 1960s under military rule.

⁷ Replaced the *Liga Costarricense de Municipalidades*, which was founded in 1954.

⁸ This association includes provincial councils, but excludes district councils.

these countries, replacing a system under which they had been appointed by central government. Meanwhile, in Peru (1980), Bolivia (1985) and Chile (1992), local government elections were held for the first time since 1968, 1950 and 1973 respectively. Associated with this move towards greater political autonomy was a revitalisation of the national associations of municipalities (Annex 3). Although many of these associations had been in existence for several decades, they had remained ineffectual in the face of the political dependency on central government. However, as their membership began to reflect the move to democratically-elected representatives, these national associations became a major political lobby in

favour of greater decentralisation from central to local government.

The single most important demand of all of these national associations became the transfer of greater financial resources to local government, either in the form of block grants from central government, revenue-sharing with central government, the transfer to local government of taxes previously received by central government, or the freedom to alter rates on taxes which local government was already legally empowered to collect. With the noticeable exceptions of Costa Rica and Paraguay, there was a significant improvement in the financial independence of local government throughout Latin America during the 1980s, as shown by the following examples from Brazil, Guatemala, Colombia and Venezuela.¹³

Local government in Brazil has historically displayed a degree of financial strength well above the norm for Latin America. During the military regime (1964—85), municipal income as a proportion of total public sector revenue nearly doubled from 12 % in 1964 to 21 % by 1986. However, this increase was only achieved at the cost of a growing dependence on financial transfers from central government. These

13. Local government in Costa Rica continued to languish in neglect, despite a new municipal code and the creation of the *Instituto de Fomento y Asesoría Municipal*, both in 1970. This was most clearly expressed by the lack of finance available to local government. While expenditure by central government rose by 137 per cent over the period 1970—88, expenditure by parastates by 216 per cent and that by non-financial public enterprises by 259 per cent, expenditure by local government rose by only 36 per cent. As a result, throughout the period 1981—89 local government contributed only 4 per cent of total public expenditure.

Throughout the 1980s, local government in Paraguay continued to operate on an extremely weak financial basis which severely limited its operational capability. In 1988 total expenditure by all municipalities comprised a mere 0.8 % of total public expenditure, by far the lowest share in the western hemisphere. Average per capita expenditure by local government was only US\$ 4.0. As a result, municipal activity was reduced to minimal functions such as essential street cleaning and road repair, and the operation of cemeteries and slaughterhouses. By far the main explanation for this extremely weak financial position is that, unlike in other Latin American countries, Paraguayan municipalities receive no block grant from central government. In addition, they receive virtually none of the proceeds from local property tax, which is administered and collected by the Ministry of Finance.

transfers were used by central government as a means of controlling local government autonomy.¹⁴ Following the return to democracy, the 1988 Constitution reversed this trend by increasing the number of taxes which municipalities can levy (eg. taxes on transfers of real estate and on the sale of liquid and gaseous fuels), by reducing controls over their application, and by an increase in revenue-sharing. Municipalities now qualify for 25 % of the proceeds of the state value-added tax, 50 % of the state tax on vehicle ownership and a share of the federal taxes on income and industrial production which is planned to rise from 20.5 % in 1989 to 22.5 % by 1993.

Although the overall impact will depend on the effort made to collect this new revenue and the extent to which federal government reacts to these changes by reducing its discretionary grants, estimates suggest that the net gain to municipal revenue will be in the order of 20—30 %.

In Guatemala, Article 257 of the 1986 Constitution stated that 8 per cent of the national budget would henceforth be destined for public investment projects at the municipal level. Prior to 1986 local government's own revenue was barely sufficient to cover recurrent expenditure and, as a result, hardly any capital expenditure was carried out. Since the size of the new block grant was equivalent to over twice the revenue from its own sources, local government soon acquired a new dynamism, to the point where municipalities now account for the bulk of public investment in Guatemala.

There has also been a strengthening of the fiscal autonomy of local government in Colombia. The share of the national budget directly transferred to local government increased from 18 % in 1982 to 24 % by 1984. Following a major revision of local tax rates in 1983, local government's own tax receipts also rose substantially in real terms. In 1984 the 10 per cent contribution from its property tax receipts that local government had to pay to central government for the service of the national cadastral survey was abolished, and in 1985 local government was empowered to levy property tax on public and mixed enterprises owned or controlled by central government. Furthermore, the share accruing to local government of revenue

14. See Batley, R. "Central-local relations and municipal government in Brazil", *Local Government Studies*, May-June 1984, pp. 51—67.

Annex 4: Municipal training bodies in Latin America and Date of Formation.

Argentina	Instituto para la Promoción de la Vida Municipal, Provincial y Regional — Civilidad
Bolivia	Servicio Nacional de Desarrollo Urbano
Brazil	Instituto Brasileiro de Administração Municipal (1952)
Chile	n/a
Colombia	Escuela Superior de Administración Pública
Costa Rica	Instituto de Fomento y Asesoría Municipal (1971)
Dominican Rep	Escuela de Administración Municipal (1988)
Ecuador	Instituto Nacional de Fomento y Desarrollo Municipal (1987)
El Salvador	n/a
Guatemala	Instituto de Fomento Municipal (1965)
Honduras	Banco Municipal Autónomo (1961)
Mexico	Centro de Estudios de Administración Estatal y Municipal (1983)
Nicaragua	n/a
Panama	Fondo para el Desarrollo Municipal (1983)
Paraguay	Instituto de Desarrollo Municipal (1971)
Peru	Instituto de Fomento Municipal (1983)
Uruguay	n/a
Venezuela	Fundación para el Desarrollo de la Comunidad y Fomento Municipal (1962)

proceeds from the national value-added tax rose from 26 % to a projected 50 % by 1992, with smaller municipalities receiving a proportionately greater per capita share than larger ones.

As part of the decentralisation process in Venezuela, provision has been made to strengthen the fiscal resources of state and municipal government. According to this legislation, 15 % of the fiscal revenue of the federal government must be transferred to state governments, with an annual one per cent increase in this share up to a maximum of 20 %. In addition, a compensation fund has been established as a redistributive mechanism between rich and poor states. In turn, state governments are legally obliged to forward 10 % of their own fiscal revenue to the municipalities, again rising by 1 % per annum to a maximum of 20 %. This block grant represents the most important source of income for most municipalities. Half of it must be spent in co-ordination with the

state government in accordance with the development plans of both bodies, while the remainder can be spent freely. The most important sources of own revenue for local government are the annual industrial and commercial licences, an urban property tax, and a vehicle registration tax. Unlike in most of Latin America, the municipality can now determine the level or rate of any of these taxes which it levies in the area under its jurisdiction.

Finally, the 1980s saw a noticeable resurgence of concern to improve the administrative competence of local government in Latin America. This concern was primarily channelled through national bodies responsible for the training of local government officers (Annex 4). Often founded in the 1950s and 1960s as the technical arm of foreign-aid financed municipal development banks, most of these training institutions had rapidly become ossified.¹⁵ However during the 1980s they began to receive a noticeable boost to their operations by way of increased funding from central government and foreign aid sources. One noticeable source of such help from within the region itself was the prestigious Brazilian municipal training body, *Instituto Brasileiro de Administração Municipal* (IBAM), which had been a pioneer in the field of local government training since its establishment in 1952. By the end of the decade, it was providing technical assistance to almost all other Latin American countries through a programme of consultancies and scholarships.

Two regional training initiatives made a significant contribution to this process of strengthening national training institutions. In 1981 a Latin American chapter of the International Union of Local Authorities (IULA) was established in Quito, Ecuador, with financial support from the Dutch aid programme. Through its training arm, known as CELCADEL, it has undertaken an extensive programme of region-wide

15. A study of municipal training institutions in Latin America carried out in 1983 revealed a dismal scenario. Most training programmes were still using traditional lecture methods and very few were experimenting with innovative training methods. In very few cases were courses linked to a career system and it was not possible to identify any training institute which was carrying out evaluation and follow-up of its own programmes. See: Jickling, D. "The IULA centre in Quito: the first two years", *Planning and Administration*. Vol. 12, No. 2 (Autumn 1985), p. 60–66.

courses, workshops, and seminars, backed up by a linked publication programme, designed primarily to strengthen and modernise national municipal training institutions through the introduction of participatory training methods. In 1989, IULA-CELCADEL sponsored a three-year experimental programme, known as SACDEL. Funded by the Federation of Canadian Municipalities, the Economic Development Institute of the World Bank and UNDP-HABITAT, SACDEL has pioneered an action-oriented approach to 'training of trainers', including both government and NGO staff, through a network of institutions in Colombia, Costa Rica, Ecuador and Peru.

The 1980s also saw a boost in the activities of the inter-governmental organisation, the *Centro Latinoamericano de Administración para el Desarrollo* (CLAD) which had been established in Caracas, Venezuela in 1972 with financial support from the Spanish aid programme. Although its brief covered public sector management training in general, CLAD began to emphasise local government training as part of its technical assistance programmes for reform of the state, reflecting the regional trend towards decentralisation. By 1990, CLAD comprised 21 member nations in Latin America and the Caribbean and was receiving financial support from UNDP.

The most striking evidence of the growing commitment to political autonomy, financial independence and administrative competence of local government was the gradual rise in the share of local government in total public expenditure in Latin America. With the notable exceptions of Paraguay and Costa Rica, where this share stagnated at a derisory 1 % and 4 % respectively throughout the decade, the share typically rose from 6–10 % in 1980–82 to 12–16 % in 1988–90, the exception being Brazil where it jumped from 16 % to around 25 %.

5. ISSUES IN CONTEMPORARY LOCAL GOVERNMENT IN LATIN AMERICA

Despite the recent upsurge of municipal activity referred to so far in this paper, several issues will, if they remain unresolved, continue to hinder the growth of local government and to cloud the prospects of continued democratisation in Latin America. Foremost among these are the need to confront the legacy of clientelism and the 'spoils system', to reform

the inherently unstable forms of local political representation inherited from the past, to resolve the growing conflict between participatory and representative democracy, and to counter the deep-rooted discrimination against rural areas in the local government system.

The 're-municipalisation' of service delivery functions now under way in Latin America will greatly enhance the demand for technically-qualified staff and skilled management in local government. Yet the organisational culture of most municipalities is still imbued with the enduring centralist legacy of *caudillismo* ("political bossism"), whose lifeblood depends on the absence of job stability and the constant rotation of an underpaid and overstaffed bureaucracy. This has led to a 'non-rational' personnel system under which recruitment and promotion are based on patronage instead of merit. Only a few countries have a semblance of a local government career system. And even in these countries the career path is usually truncated at the level of departmental head, because of the existence of *cargos de confianza* ("posts of political confidence").

In the absence of a professional municipal service, much of what passes for training is a symbolic posture divorced from the stark reality of municipal maladministration. Furthermore, it may justly be argued that the rate of return from new investment in modern management training will remain uneconomic until the countries of the region move towards a fully integrated municipal career system. Unless such a move takes place, there exists the real danger that the combination of greater political autonomy for local government and larger financial transfers from central to local government could actually strengthen *caudillismo*, in the process reducing even further the level of administrative efficiency of municipalities.

A second major area of concern is the need to reform the prevailing system of political representation at the municipal level which often diminishes accountability at a time when democratisation and decentralisation demand greater accountability to the electorate. This can be seen by reviewing two major features of the electoral system — the period of electoral office and the relationship between the councillor and the electorate. Firstly, the period of municipal office in Latin America is very short by international standards (Annex 2). It is also getting shorter. Two countries — Bolivia and Colombia — recently introduced two year

terms while in Venezuela terms were reduced from five to three years.¹⁶ When coupled with prohibitions on re-election to office, such short terms undoubtedly discourage personal accountability. Furthermore, in all countries municipal office-holders are all elected at the same time, with the exception of Argentina and Chile where a staggered system of re-election encourages a degree of continuity. In some countries, noticeably Guatemala and Costa Rica, municipal elections and municipal terms are concurrent with presidential and parliamentary elections. As a result, local government elections are overshadowed in importance by the national elections held at the same time. Furthermore, the selection of candidates for local government office is often determined by the electoral support which they can generate for candidates of the same party who are aspiring to congressional office, rather than by the personal capabilities of the candidates themselves.

The number of elected councillors in the largest municipalities of Latin America is usually very small and way below cities of comparable size in other parts of the world. Although this situation is often the legacy of outdated municipal codes promulgated at a time when urban populations were a fraction of what they are today, it is surprising that this 'deficit of political representation' has not been corrected through subsequent legislative reforms. For example, the maximum number of councillors per municipal council permitted (except for the capital city) is as follows: Honduras — 9, Costa Rica — 13, Ecuador — 15, Guatemala — 20, Nicaragua — 10, Paraguay — 18, Peru — 11, Venezuela — 17, Colombia and Mexico — 20, and Brazil — 55.¹⁷

Furthermore, in no country in Latin America are municipal councillors elected to represent a specific area of the municipality, although this vacuum in geographical representation is partially filled by the existence of a vigorous neighbourhood movement, known as the *Asociaciones de Vecinos*.¹⁸ Instead, councillors are elected by proportional representation ac-

ording to a list system. Almost always, this is a closed party list system which means that for candidates for municipal office, intra-party bickering to ensure a high position on the party list takes precedence over any personal relationship with the electorate. The recent innovation of an open list ("*panachage*") preference voting system in the 1989 municipal elections in Venezuela demonstrated high electoral support for political accountability through personalised voting behaviour. Even though the necessary legislation was passed by Congress only three months before the election and publicity about the new system was scarce, no less than 30 % of voters exercised preference voting instead of simply voting by list, and 25 % of councillors were actually elected on the preference vote, of whom 60 % represented intra-party defeats (ie. the displacement of a candidate who would have been elected on the basis of a pure list system by another placed lower in the list but who received more preference votes).¹⁹

A third major area of concern is the potential conflict between participatory and representative forms of local democracy in Latin America. To a large extent the emergence of participatory forms of democracy reflected popular disillusionment with the abject failings of representative democracy at the local level. Vigorous citizens' organisations served as a democratic counterweight to the centralist tradition represented by national government and its clientelist allies who controlled local government, forcing both to become more accountable to the electorate. The case of Nicaragua during the 1980s provides a striking example of this *poder popular* ("local power"), while in many other countries democratisation has seen the introduction of mechanisms for genuine popular consultation at the sub-municipal level.²⁰

COPRE, now advocates the replacement of the existing 'list' system of proportional representation by a municipal election system based on geographical or 'ward' representation as in Great Britain. See: "Pacto para la reforma", *Estado y Reforma* (COPRE, Caracas), No. 4, 1991, p. 19.

16. The only exception to this regional trend towards a shorter electoral term is in Honduras where the 1987 reform of the electoral law extended the term of office of councillors from two to four years.

17. Under the Somoza regime in Nicaragua which lasted until 1979, only three councillors per municipality were permitted.

18. However, the Presidential Commission for Reform of the State in Venezuela, known as

19. For a detailed examination of the impact of the reforms on the 1989 municipal elections in Venezuela, see Molina, J. *Beyond the party list: electoral reform in Venezuela*. Paper presented at the XVth World Congress of the International Political Science Association, Buenos Aires, July 1991.

20. For example, the *Juntas de Administración Local* ("Local administrative boards") established in Colombia in 1986.

However, the election of leaders of such citizens' organisations to municipal office during the 1980s has often led to an unresolved conflict of roles, in which the individual is, at one and the same time, making demands on the municipality yet responsible for its effective management. It remains to be seen whether the upsurge of participatory democracy in recent years will prove to be an enduring feature of the local political culture of Latin America, or whether it was merely an indispensable phase required to resurrect a truly representative form of local government, a phase which will wither away as the latter becomes institutionalised.

A fourth major area of concern is the need for local government in Latin America to combat the long-standing neglect of rural areas under its own jurisdiction. Reflecting the centralist pattern inherited from the colonial period, almost all municipalities consist of an urban centre and a surrounding rural hinterland. In several countries, a barely disguised racism was incorporated in municipal codes which made no reference to the rural hinterland, and whose legal jargon often used *municipalidad* and *cabecera municipal* ("municipal seat") interchangeably.²¹ The extreme concentration of municipal service provision on the urban centre to the virtual exclusion of the needs of the rural population has been a major factor contributing to rapid rural-urban 'step' migration in Latin America. The municipal authorities of the hypertrophied megacities of Latin America are today faced with the legacy of this historic neglect of rural areas — how to cope with the prospects of continued rapid urban growth, which is now largely explained by natural increase rather than by in-migration, in a context of growing environmental pollution, congestion and absolute poverty. The United Nations projects that by 2005 the urban population of Latin America will have reached 417 million, representing 77 % of the total, while the World Bank projects that by 2000, 90 % of the population in absolute poverty will be living in urban areas.²² Mexico City and Santiago are already among the ten

most polluted cities in the world. Rio de Janeiro has the highest crime rate in the world, while Bogotá has probably the highest rate of hard drug abuse in the world. Even if they continue to receive growing financial transfers from central government, it may be questioned whether municipal authorities will be able to cope with the enormous magnitude of the economic, environmental and social problems now engulfing the megacities of the region. Positive discrimination in favour of spending on the rural areas and the suburban areas of medium-sized municipalities may prove to be an emergency requirement in order to alleviate and even reverse continued population pressure on the megacities.²³

6. CONCLUSION

The current resurgence of local government in Latin America is a very recent and uneven phenomena. In many countries, the process is only just beginning, while in others, decentralisation efforts are still far from complete. It is therefore far too early to evaluate its lasting impact. Yet already the assumption that the delegation of greater administrative powers and financial resources to local government will necessarily strengthen democracy in the sub-continent is being called into question. Two main strands of opinion can be identified in this respect. Firstly, several writers have suggested that the decentralisation now underway could paradoxically be inimical to democracy. This is because the increased financial transfers may grease the wheels of clientelism, the 'pork-barrel' political culture of the *caudillo* system, which is still surprisingly strong, especially in the smaller municipalities of Latin America.²⁴

21. A striking manifestation of this neglect is that municipalities in most of Latin America today are still not empowered to, or do not bother to collect property tax from rural areas under their jurisdiction.
22. Quoted in *Nuevas estrategias municipales frente a los desafíos del desarrollo local*, Quito: IULA-CELCADEL, Cuaderno No. 8, 1992, p. 16 and p. 23.

23. For a review of this issue, see: Valanzuela, J. "La pobreza rural en la agenda del municipio latinoamericano moderno", *Democracia Local* (IULA-CELCADEL, Quito), No. 30, December 1990 — March 1991, p. 6—11, and Velasco, M. "Fortalecimiento municipal para al desarrollo rural: navegando contra corriente", *Democracia Local*, No. 31, April-June 1991, p. 34—36.
24. See, for example, De Mattos, C.A. "La descentralización, Una nueva panacea para impulsar el desarrollo local?", *Socialismo y Participación* (Lima), No. 46, 1989, p. 23—42, and Pérez, P. *Municipio, necesidades sociales y política local*. Buenos Aires: Instituto Internacional de Medio Ambiente y Desarrollo, 1991. Chapter V — Conclusiones.

On the other hand, a recent Central American study has argued the contrary, namely that the clarification of the system of financial transfers to local government, according to stable formulas, will serve to reduce the discretionary basis on which clientelism operates.²⁵

Secondly, others have questioned the financial viability of the decentralisation process in Latin America. For example, a recent World Bank study has suggested that it could lead to macroeconomic instability. This is because in several countries revenue transfers from central government have outstripped the transfer of specific functional obligations to local government. When coupled with two other considerations — the fact that much of this extra money is earmarked for capital investment and that local tax efforts have been enervated by the increase in financial transfers — the process “runs the risk of driving up total costs in the public sector”.²⁶ Given the strong fiscal con-

straints on countries throughout the region in line with IMF-imposed economic stabilisation programmes, these macro-economic consequences could indeed jeopardise the continuation of the process now underway.

Despite these serious concerns, there is still grounds for optimism with regard to the future direction of local government in Latin America. The key underlying force propelling the twin processes of democratisation and decentralisation remains the (re)emergence of civil society. These social forces are deep-rooted, slow in gestation, yet extremely powerful in the longer terms. The dark decade of authoritarian rule during the 1970s may have stunted their growth, yet the force of their resurfacing in spite of financial austerity during the 1980s suggests that we are dealing with a movement of considerable historic importance. It may indeed turn out to signal the death-knell of the “centralist tradition of Latin America”.²⁷

25. *Las transferencias gubernamentales en el financiamiento de las municipalidades centroamericanas*. San José, Costa Rica: Instituto Centroamericano de Administración Pública — Agencia Española de Cooperación Internacional, 1992.

26. Campbell, T. et al. *Decentralisation to local*

government in LAC: national strategies and local response in planning, spending and management. World Bank: Latin America and the Caribbean Technical Department, Regional Studies Program, Report No. 5, July 1991. p. 12.

27. Véliz, C. *The centralist tradition of Latin America*. New Jersey: Princeton University Press, 1980.