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LOCAL GOVERNMENT
IN LATIN AMERICA
The struggle to overcome social exclusion

Andrew Nickson

Introduction

Latin America is the most urbanised of the developing areas of the world, with around 85% of its 604 million citizens (in 2017) living in cities. The region is marked by the most extreme variation in living standards in the world. Average per capita income in 2016 was US$7,954 but some 28% of the population were still living in multidimensional poverty in 2012. Latin American societies have historically been very exclusionary and are characterised by weak citizenship. The poor are often enmeshed in a subordinated relationship with local political elites through a mechanism of political co-option known as clientelism, under which the client bargains for resources in exchange for favours provided to the patron. There is a growing interest in the contribution that local government can make towards countering these obstacles to more inclusive societies, as exemplified by the promotion of ‘local democratic governance’ in the region by international development agencies. As in other parts of the world, stronger local government is seen as way to improve the efficiency, equity and effectiveness of public investment, to strengthen citizen trust in the state, and to promote democratic values.

This chapter examines the growing contribution that local government is making to the development process in Latin America and the extent to which it has served to counter social exclusion. It begins by reviewing the history of extreme centralisation of power during and after the colonial period. It then assesses contemporary local government in the region which is examined through seven key aspects of the decentralisation process that began in the late 20th century: size distribution; service delivery; finance; electoral system; political system; administration; and citizen participation. Finally, some conclusions are presented from the analysis.

The colonial legacy

The history of local government in Latin America has been romanticised by modern writers who have often attributed to it powers which it never possessed. Central to this process is the municipal administration during the colonial era, known as the cabildo. The heyday of the cabildo was in the immediate aftermath of the conquest and before the Spanish Crown imposed a highly centralist system of imperial administration. During this brief period, the new colonial possessions were effectively ruled by self-governing groups of Spanish conquistadores
who established cabildos on conquered territory as an administrative device to ensure a degree of legal protection for activities not specifically authorised by the Crown. The post of regidor (councillor) provided many opportunities for financial gain. The cabildo was responsible for distributing the land which the regidores, as settlers, craved, and influenced the administration of indigenous labour, on which they, as land-owners and mine-owners, depended. Before long the Crown began to exert control over its newly acquired territorial possessions, stripping the cabildo of most of its nominal powers.

The new administrative structures consisted of an urban centre and an extensive rural hinterland which invariably extended to the boundary with the adjoining body. This settlement pattern, and the territorial configuration of local government which would derive from it, mirrored the colonial relationship between the Spanish invaders and the indigenous people. In marked contrast to the English settlement of North America, the Spanish colonists congregated in the new urban clusters, and the rural population remained almost exclusively indigenous, providing cheap labour and sustenance for the new urban settlements. In practice, the actions of the cabildo were confined to the urban area of the municipality, where the Spanish resided. As a result, the view was soon established that local government could legitimately abdicate any responsibility for service delivery in rural areas – a perception that remains deeply ingrained in contemporary Latin America.

The essential features of local administration during the colonial era would have a major influence upon the municipal governments established during the post-independence period. The Crown greatly limited the cabildo’s powers of taxation and expenditure. But there was little pressure from the regidores to expand its limited functions. This absence of political assertiveness derived from the undemocratic composition of the cabildo. The public auctioning of the lifetime post of regidor and the bequeathing of such proprietary posts to their heirs upon payment of a special tax produced a legacy of graft and corruption that has endured to the present day. It strengthened the oligarchic nature of the cabildo, the membership of which became exclusively drawn from among the creoles, American-born Spaniards.

The overhaul of imperial administration carried out under Charles III (1759–1788), known as the Bourbon Reforms, introduced centralising forces designed to control and modernise the colonial bureaucracy and to increase revenues at the time of a growing threat to Spanish domination of the Americas. This led to a rapid decline in the participation of creoles in the higher echelons of the colonial administration. A system of intendancies was introduced, headed exclusively by Spanish-born peninsulares. The intendancies granted greater powers of taxation to the cabildo and pressured it to undertake its neglected responsibilities (Lynch 1958: 210, 211, 288). This produced a new lease of life for the cabildo. By the first decade of the 19th century most cabildos were in dispute with their intendants. The Reforms had provided a vista of economic opportunity through trade, stimulating a new interest for economic advancement and a measure of self-determination. The cabildos were also fast becoming the political conduit for the expression of creole frustrations. They resented their exclusion from high office and the exclusive reliance on Spanish-born administrators in the higher echelons of the colonial administration.

The cabildo had failed dismally as a breeding-ground for democratic values during the colonial period. Nevertheless, it was the only institution in which creoles were well represented, and the only one which retained a small measure of local autonomy. Hence, when the Spanish monarchy collapsed in 1808, separatist sentiments were first articulated through the cabildo, which soon became the midwife of the independence movement. In 1810 cabildos elected revolutionary juntas in towns throughout the sub-continent. The alleged democratic credentials of the cabildo were enhanced by the wider representation of interests through the cabildo abierto (open town meeting), which was introduced to garner support for the independence movement.
Post-Independence decline

Spain’s legacy to Latin America was a tradition of extreme centralisation in governmental decision-making and an elitist social structure that impeded the implementation of central government policies. Local government was grossly neglected during the post-independence period as governments throughout the region strove to ensure national consolidation. Local government was often suppressed altogether— for example in Argentina (1820–1853), Bolivia (1843–1861), Chile (1830–1861), Mexico (1837–1857) and Paraguay (1824–1882). The centralising tendency was so strong that the capital cities of most Latin American countries were governed directly by the President of the Republic, and two of them (Buenos Aires and Mexico City) still were so as late as in 1994.

From the late 19th century, the growing regional ascendancy of the United States led to the gradual receptivity to Anglo-Saxon liberal philosophy and in many countries idealistic constitutions were promulgated based on the North American model. Local government was granted formal autonomy and widespread powers which were either written directly into the constitution itself, or else were granted through separate municipal codes. Yet from the early decades of the 20th century, a yawning gulf began to emerge between this rhetoric of local government autonomy and the reality of local government’s gradual degeneration. Local government lacked the financial resources to implement the wide range of functions to which it was formally committed and the constant abrogation of municipal elections by central government curtailed its political autonomy. At the same time, clientelism and the ‘spoils system’ of recruitment greatly diminished its administrative capability. During the 1970s a swathe of military regimes came to dominate the political system of Latin America, and by the end of the decade most countries in the region were ruled directly by the armed forces. In fact, the military soon came to personify the centralist tradition, and proceeded to deny the most basic democratic rights to their citizens.

The Decentralisation Process

After more than a century and a half since independence during which local government had played a minimal role in the development process of the region, the democratisation process under way from the mid-1980s saw the emergence of uneasy domestic coalitions in favour of decentralisation and a strengthening of local government. Their main demands were greater political autonomy for local government, the devolution of responsibility for service delivery to the municipal level, and an associated strengthening of municipal finances. Three groups, with very different agendas, saw the decentralisation process as a means to advance their respective aims. First, there were neo-liberals who viewed decentralisation as an essential part of a wider strategy for reducing the role of the public sector as a whole within the economy. Second, there were radical reformers who saw decentralisation as a way of overcoming the non-egalitarian and undemocratic social structures inherited from the preceding period of military rule. Third, there were technocrats who viewed decentralisation primarily as a means to improve the overall efficiency of service delivery through better coordination at the local level. In virtually all cases, these pressures for decentralisation came ‘from above’ and not from sub-national bodies. The active encouragement of international development agencies was an important support for these domestic coalitions for change (Nickson 1995: 24).

As the influence of this powerful coalition in favour of decentralisation was felt in the public policy-making process, a change began to occur in the relationship of municipalities with both central government and with their own citizens. In 1978 only three countries (Ecuador, Colombia and Venezuela) had democratically elected mayors. By thirty years later, in 2008, all
countries in the region except Cuba had free and fair local government elections. This political democratisation was accompanied by the financial and institutional strengthening of local government. However, this reform process has been uneven. Among the federal nations of the region, in Mexico and Venezuela, the main thrust has been to strengthen historically weak state governments rather than local government, while in Argentina and Brazil the strengthening of historically weak local governments was accorded priority over state-level structures. Among the unitary nations, Bolivia, Chile, Colombia and Ecuador experienced considerable strengthening of local government through the transfer of service delivery responsibilities and accompanying fiscal transfers. By comparison progress was more limited and came later in Costa Rica, Honduras, Panama, Paraguay and Uruguay. Nevertheless, by the mid-1990s a clear regional trend had emerged to enhance the role of local government in the development process (Nickson 1995: 25).

The size distribution of local government

Despite the common heritage of Spanish and Portuguese colonialism, there is a surprisingly high degree of diversity with regard to administrative structures within the 19 nations, 350 states and regions and over 15,000 municipalities of the region. Municipal structures have failed to respond to the rapidly changing pattern of human settlement in the region. Rapid rural to urban migration since the 1950s has swelled the populations of historic urban centres while at the same time contributing to the stagnation, if not absolute population decline, of the vast majority of small, rural municipalities. As a result, while a small number of municipalities in the region are the largest cities in the world (e.g. Mexico City, 26 million inhabitants; São Paolo, 24 million inhabitants) around 90% of all municipalities in the region have fewer than 50,000 inhabitants. Yet municipal boundaries have not been reshaped to accommodate the rapidly changing pattern of human settlement.

This unwillingness to contemplate the territorial restructuring of local government in favour of amalgamation has undermined effective and efficient municipal service provision in both large and small municipalities. Most large conurbations in the region have long been formally designated as ‘metropolitan’ areas although very few have a functioning system of metropolitan government because of the alleged threat that it would pose to the autonomy of municipalities located within their boundaries. The absence of metropolitan government has been responsible for the lack of coordination, rivalry and duplication in service provision between municipalities within large conurbations. This is especially noticeable in the case of solid waste disposal, transportation, and urban planning.

On the contrary, there has been a significant rise in the total number of Latin American municipalities, rising from 13,951 in 1994 to 14,895 in 2008 and to 15,094 in 2017 (Table 10.1). This has been mainly explained by municipal fragmentation in rural areas as expanding colonisation led to the emergence of new urban settlements within the rural hinterland of existing municipalities. They usually lacked adequate political representation and were subordinated to political interests in the municipal headquarters. The prime motive for ‘breaking away’ has invariably been in order to obtain better access to central government fiscal transfers for basic rural services. The political momentum of this process remains strong. Its effect is to keep most Latin American municipalities well below the critical size needed in order to reap the economies of both scale and scope that would justify the trained personnel and capital investment necessary to provide adequate service provision to its citizens. Local governments in many parts of the region have developed forms of inter-municipal cooperation, known as mancomunidades. These voluntary associations seek to achieve economies of scale in service delivery through the sharing of scarce resources, especially for road maintenance, tourism development and environmental protection (Suárez 2014).
Local government in Latin America

Table 10.1 Number of municipalities in Latin America, 1994, 2008 and 2017

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of municipalities in 1994</th>
<th>Number of municipalities in 2008</th>
<th>Number of municipalities in 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>1,100</td>
<td>1,118</td>
<td>1,129</td>
</tr>
<tr>
<td>Bolivia</td>
<td>296</td>
<td>327</td>
<td>339</td>
</tr>
<tr>
<td>Brazil</td>
<td>4,974</td>
<td>5,562</td>
<td>5,570</td>
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<tr>
<td>Chile</td>
<td>334</td>
<td>345</td>
<td>345</td>
</tr>
<tr>
<td>Colombia</td>
<td>1,034</td>
<td>1,113</td>
<td>1,123</td>
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<tr>
<td>Costa Rica</td>
<td>81</td>
<td>81</td>
<td>82</td>
</tr>
<tr>
<td>Dominican Rep.</td>
<td>137</td>
<td>152</td>
<td>158</td>
</tr>
<tr>
<td>Ecuador</td>
<td>193</td>
<td>219</td>
<td>221</td>
</tr>
<tr>
<td>El Salvador</td>
<td>262</td>
<td>262</td>
<td>262</td>
</tr>
<tr>
<td>Guatemala</td>
<td>330</td>
<td>332</td>
<td>340</td>
</tr>
<tr>
<td>Honduras</td>
<td>291</td>
<td>298</td>
<td>298</td>
</tr>
<tr>
<td>Mexico</td>
<td>2,397</td>
<td>2,439</td>
<td>2,446</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>143</td>
<td>153</td>
<td>153</td>
</tr>
<tr>
<td>Panama</td>
<td>67</td>
<td>75</td>
<td>76</td>
</tr>
<tr>
<td>Paraguay</td>
<td>213</td>
<td>231</td>
<td>254</td>
</tr>
<tr>
<td>Peru*</td>
<td>1,798</td>
<td>1,834</td>
<td>1,851</td>
</tr>
<tr>
<td>Uruguay</td>
<td>19</td>
<td>19</td>
<td>112</td>
</tr>
<tr>
<td>Venezuela</td>
<td>282</td>
<td>335</td>
<td>335</td>
</tr>
<tr>
<td>Latin America</td>
<td>13,951</td>
<td>14,895</td>
<td>15,094</td>
</tr>
</tbody>
</table>

Source: Municipal data for 1994 from Nickson (1995: 32); municipal data for 2008 from Nickson (2009:82); municipal data for 2017 from author’s own calculations based on individual country data.

*Peru is the only country in the region with a three-tier local government system – comprising 196 provincial municipalities and 1,655 district municipalities, as well as 2,534 rural municipalities at the sub-district level that lack full legal status.

Local government service delivery

The uniform treatment before the law which characterises municipal autonomy in Latin America means that all local governments are granted the same legal mandate for service provision. Despite the enormous differences in population size, hardly anywhere are they classified into size categories, with corresponding differential powers and responsibilities. Yet the capacity of the vast majority of municipalities to carry out those functions mandated to them is severely constrained by lack of financial and human resources. In contrast, a few larger municipalities have far greater access to revenue. This leads, in practice, to enormous differences between large and small municipalities in the range of services that they actually provide (Bland 2011).

Municipal codes usually grant local government a general competence to undertake any service in its jurisdiction which is not assigned to another level of government or which it is not expressly forbidden to do. However, behind the rhetoric of this general competence lies the important legal distinction between so-called discretionary and non-discretionary functions. The point at which the line is drawn between the two is ultimately determined by central government, and reflects the self-imposed limits of its encroachment on municipal terrain.

Non-discretionary functions mandated to local government include few which central government has any interest in undertaking itself. It is these services that the vast majority of municipalities actually provide. But they are obligatory in name only, because no mechanism
exists to penalise local government for their non-delivery. These non-discretionary functions fall into four broad categories: (i) elementary powers of regulation carried out on behalf of central government, such as public order, justice of the peace, and civil registration; (ii) essential urban services, such as road maintenance, public lighting, street cleaning, solid waste management, parks and gardens, and basic land use zoning; (iii) essential revenue-generating public services, such as slaughterhouses, cemeteries, public markets and bus terminals; and (iv) basic social services, such as public hygiene, granting of commercial and industrial licenses, and weights and measures.

By contrast, discretionary functions are those which central government has an interest in undertaking. As a result, the role of local government in those functions for which it has been granted a discretionary mandate usually amounts to little more than serving as a junior partner in ongoing central government activities at the local level. In several countries, these concurrent powers have led to poor coordination in service delivery between central and local government, producing inefficient duplication in some areas and, in others, gaps where no tier of government takes responsibility for provision. These discretionary functions fall into three broad categories: (i) public utilities (water, sewerage and electricity supply), (ii) social services (primary health care and basic education), and (iii) planning (road transport, zoning) and environmental protection. This unrealistic uniformity in the legal mandate horizontally across municipalities, combined with the blurred allocation of responsibilities vertically between different tiers of government because of the legal ambiguity of discretionary and concurrent powers, has led to a bewildering variety in the range and level of municipalities’ service provision within each country.

As a part of the recent decentralisation process there has been a significant devolution of service delivery responsibilities from central to local government. However, its scale has often been exaggerated and in most countries its breadth and depth has not matched the concurrent process of fiscal decentralisation. The initiative for the transfer of new service delivery responsibilities has invariably come from central government and has often been resisted by local government. In the federal nations of Mexico and Venezuela, devolution of responsibility for basic education and health has been primarily from central government to state government. By contrast, in Brazil, health and education devolution has proceeded down to the municipal level, accompanied by a growing local government role in administering social welfare and poverty reduction programmes. In some Argentina provinces (states) municipalities share responsibility for basic health care. In almost all the region, local government plays a minimum role in the delivery of basic public services such as electricity and telecom. The major exception is urban water supply and sanitation, where there has been a devolution of responsibility in recent years in several countries from central government (in the form of state water companies) to municipalities.

Municipal services are delivered in one of four main ways. First, they may be directly administered through municipal departments which are directly subordinate to the executive. Second, they may be indirectly administered by municipally owned foundations. Although the chief executive is nominated by the mayor and staff are employed on the same terms as municipal officials, they do allow service deliverers greater budgetary independence. Third, they may be indirectly administered by enterprises which are wholly owned by municipalities or which are joint ventures with the private sector. As private companies, these operate with an even greater degree of flexibility with regard to pay and conditions of service, although their chief executives are still usually nominated by the mayor.

Finally, services may be delivered by private companies that have been granted a concession through a tendering procedure, which is formalised in a contract with the municipality.
This ‘contracting out’ of service delivery is a well-established practice throughout Latin America, especially for solid waste disposal and street-cleaning, and during the 1990s, under the influence of neo-liberalism, many countries extended the concession of local services, especially to urban water supply. However, the structural weaknesses of municipal administrative systems have militated against the development of the ‘relational trust’ required for success in private sector participation. Clientelism and corruption have led to a lack of transparency in tendering procedures as well as inadequate mechanisms for monitoring and regulating the performance of the service deliver (Nickson 2014).

Local government finance

The financial pattern of Latin American local government is similar to that found in many other parts of the world. Municipalities tend to be more important, when measured by their share of gross domestic product, as providers of public services than as collectors of revenues, and in all countries revenue raised by local government from its own sources falls far short of its expenditure obligations. The decentralisation process has had a major impact on strengthening local government finances in the region. The unweighted average of expenditure by regional and local government rose from 11.6% of total national government spending in 1980 to 17.8% in 2005–2013. However, this increase hides considerable intra-regional variation (Table 10.2).

<table>
<thead>
<tr>
<th>Country</th>
<th>Regional and local government (%)</th>
<th>National government (%)</th>
<th>Regional government (%)</th>
<th>Local government (%)</th>
</tr>
</thead>
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<td>Argentina (1980)</td>
<td>22.2</td>
<td>50.1</td>
<td>41.4</td>
<td>8.5</td>
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<tr>
<td>Bolivia (1980)</td>
<td>14.8</td>
<td>73.4</td>
<td>18.9</td>
<td>7.7</td>
</tr>
<tr>
<td>Brazil (1980)</td>
<td>32.4</td>
<td>50.7</td>
<td>30.0</td>
<td>19.3</td>
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<tr>
<td>Chile (1980)</td>
<td>3.7</td>
<td>87.6</td>
<td>12.4</td>
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</tr>
<tr>
<td>Colombia (1982)</td>
<td>26.3</td>
<td>73.0</td>
<td>8.8</td>
<td>18.2</td>
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</tr>
<tr>
<td>Dominican Republic (1980)</td>
<td>3.5</td>
<td>95.5</td>
<td>4.5</td>
<td></td>
</tr>
<tr>
<td>Ecuador (1980)</td>
<td>18.3</td>
<td>73.5</td>
<td>5.8</td>
<td>20.7</td>
</tr>
<tr>
<td>El Salvador (1978)</td>
<td>5.8</td>
<td>91.1</td>
<td></td>
<td>8.9</td>
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<td>Guatemala (1980)</td>
<td>4.5</td>
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<td>4.4</td>
<td></td>
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<tr>
<td>Honduras (n.a.)</td>
<td></td>
<td>95.5</td>
<td>4.5</td>
<td></td>
</tr>
<tr>
<td>Mexico (1980)</td>
<td>22.0</td>
<td>69.3</td>
<td>25.0</td>
<td>5.7</td>
</tr>
<tr>
<td>Panama (1980)</td>
<td>2.0</td>
<td>98.3</td>
<td>1.7</td>
<td></td>
</tr>
<tr>
<td>Paraguay (1980)</td>
<td>5.5</td>
<td>91.3</td>
<td>2.1</td>
<td>6.6</td>
</tr>
<tr>
<td>Peru (1990)</td>
<td>9.1</td>
<td>77.8</td>
<td>13.4</td>
<td>8.8</td>
</tr>
<tr>
<td>Uruguay (1980)</td>
<td>8.6</td>
<td>88.7</td>
<td>11.3</td>
<td></td>
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<tr>
<td>Venezuela (1979)</td>
<td>2.4</td>
<td>92.0</td>
<td>8.0</td>
<td></td>
</tr>
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<td>11.6</td>
<td>82.3</td>
<td>8.6</td>
<td>9.2</td>
</tr>
</tbody>
</table>

**Own-revenue sources**

The financial autonomy of local government is limited by the restrictions on powers of taxation, which are almost everywhere determined either by central government (in unitary nations) or by state governments (in federal nations) although municipalities usually retain the power to decide on the level of fees, user charges and betterment levies. In unitary nations, very few taxes are allocated to intermediate tiers of government. The local tax burden is relatively low throughout the region because of a combination of limited powers of taxation and weak tax administration. The major sources of municipal own-revenue are similar in federal and unitary nations, namely property taxation, vehicle road tax and business and commercial licences. Archaic and complex structures of local taxes influence the low level of tax collection.

In almost all countries, property taxation is the most important local tax. The tariff rate, expressed as a percentage of the capital value, is usually stipulated by municipal finance laws, and central government allows little discretion for municipalities to vary this. Property tax collection is limited by outdated property cadastres, inaccurate assessments, excessive exemptions and a widespread culture of non-payment (Sepulveda and Martínez-Vázquez 2011). Although municipalities in most countries are legally empowered to tax rural as well as urban properties, in practice the latter are usually exempt. This failure to harness a major potential source of locally generated revenue – property tax – is the overwhelming reason for the weak fiscal performance of the vast majority of small municipalities in the region. Because of much larger populations, higher per capita incomes, higher property values and better tax administration, income from own-revenue is much more important in the large urbanised municipalities of the region than in smaller rural municipalities. Consequently, the share of own-revenue in total income is typically above 60% for the former. By contrast, the latter depend heavily on transfers, which typically account for over 90% of total income.

**Fiscal transfers and revenue-sharing**

Until the 1980s, central government fiscal transfers to local government were on a small-scale, ad hoc basis, and were subject to unpredictable variation. The criteria for allocation between municipalities were shrouded in legal obscurity in order to mask the prevalence of clientelism. This arbitrary arrangement greatly inhibited planning of local service provision because municipalities had no way of forecasting total resources at their disposal over the medium term. The significant increase in intra-governmental fiscal transfers has been a major feature of the decentralisation process in the region (Rezende and Veloso 2012).

These transfers take three major forms – revenue-sharing, sector ear-marked transfers and funding for targeted poverty reduction programmes. Transfers from tax-sharing (either general revenue-sharing or sharing of proceeds from specific national taxes) are increasingly allocated on the basis of transparent formula that incorporate equity variables such as population size, poverty levels and access to services. Examples include Bolivia (20% of national tax revenue), Dominican Republic (10% of national budget) and Ecuador (15% of national tax revenue). Similar legislation exists for allocating a share of the national budget to municipalities in some countries of Central America, such as Guatemala (10%), El Salvador (7%), Nicaragua (10%), Honduras (5%) and Costa Rica (10%). However, governments have often failed to honour these stipulated shares.

Although fiscal resources from such tax-sharing have been allocated on a needs-based criteria rather than the previous origin-based (i.e. derivation) criteria, they have had very limited impact in reducing horizontal inequalities in well-being. This is basically because these transfers
Local government in Latin America

have not incorporated a formal equalisation mechanism designed to ensure a standard level of service provision in all municipalities by ‘topping up’ local revenues in areas of below average fiscal capacity. Instead, transfer formulas usually include equity considerations as only one among several factors in the overall weighting system. As a result, despite the increase in their scale and their greater transparency in recent years, transfers have not diminished the enormous disparities in municipal income per head. Furthermore, even the limited improvements in inter-jurisdictional equity which have taken place in some countries have done little to improve inter-personal equity. This is because the beneficiaries from expenditure carried out by small rural municipalities tend to be highly concentrated among households in mini urban centres.

The second form of intra-governmental fiscal transfer is the earmarked transfers that are used to finance newly decentralised responsibilities, particularly in education and health. The disbursement of these transfers is usually conditional on complicated systems of approval of investment projects. Because they are channelled through a diversity of central government programmes, in many countries it is difficult to estimate the real size and distribution of these transfers. In recent years targeted anti-poverty programmes have emerged in the region. They channel significant volumes of public investment into basic infrastructure and social services. Where conditional cash transfer (CCT) programmes operate through local government, such as Brazil, they may be considered as a third modality of intra-governmental fiscal transfer. However, in other cases, such as Peru, these special programmes have by-passed local government altogether and have led to failures in the coordination of local public investment.

Overall, the major thrust of fiscal decentralisation in the region has been an increased level of fiscal transfers via revenue-sharing mechanisms rather than the greater devolution of taxation powers to local government. Furthermore, there is strong evidence of the ‘disincentive’ effect of these increased transfers on local tax effort and in the smaller, rural and poorer municipalities of many countries in the region income from own-revenue sources has stagnated. Consequently, in the vast majority of municipalities, the annual increase in revenue from fiscal transfers has outstripped that from own-revenue. As a result, there has been a noticeable increase in the share of fiscal transfers in total municipal income in recent years (Martínez-Vázquez 2010).

The local electoral system

Strengthening of the political autonomy of local government has been a major feature of the recent decentralisation process. Until then, non-elected executive heads were the norm, invariably appointed on the basis of political patronage rather than professional competence. From the early 1980s central appointments were increasingly replaced by democratically elected mayors. In Colombia (1988), mayors were elected for the first time for over a century, and in Paraguay (1991) they were elected for the first time ever in the history of the country. In Peru (1981), Bolivia (1985) and Chile (1992), local government elections were held for the first time since 1968, 1950 and 1973 respectively (Nickson 1995: 67). By 2000 the democratic election of mayors had become the norm throughout the region.

The dynamics of the decentralisation process is increasingly understood as a form of political bargaining between presidents, national legislators and sub-national politicians. It has been argued that ‘the greater the sensitivity of central level politicians to sub-national political outcomes, the more the decentralised the system is likely to be’ (Willis et al. 1999: 9). These authors concluded that the nature of the party system has strongly influenced the pace and extent of decentralisation. Central government will retain greater control over resources in those countries such as Mexico with centralised political parties than in those with a highly fragmented party system such as Brazil. Evidence from Peru suggests that support for decentralisation is also
stronger when the parties in the national government believe that support at sub-national levels is more promising than their prospects in national elections (O’Neill 2005).

Throughout the region, the term of office of the elected mayor is now concurrent with that of councillors. Mayors are normally elected by separate election, and this reflects the growing influence of the United States’ ‘strong mayor’ model of local government. This has gradually replaced the ‘integrated’ French system of indirect election of mayors from among councillors. This system was once widespread in the region, but the method of election changed from indirect to direct in Nicaragua (1995), Venezuela (1989), Costa Rica (2002) and Chile (2004). Indirect election is now only retained in Bolivia and Mexico. Mayors are usually elected by a simple plurality, except in Brazilian municipalities with a population of over 200,000, where they must obtain at least 51% of the votes cast, if necessary by means of a second round run-off. Peru has a hybrid form of mayoral election which spans the ‘separate–integrated’ divide. Under this arrangement, the candidate heading the winning party list for council membership is automatically selected as the mayor. Voter turnout in municipal elections in the region is relatively high by international standards, although with some evidence of a decline in recent years. In Argentina, Brazil and Uruguay, where voting is obligatory, the turnout exceeds 80% of the electorate. By contrast, the turnout is much lower in the smaller Central America nations, falling to as low as 28% in Costa Rica in 2010.

The recent decentralisation process has made reforms to four features of the electoral system that still militate against accountability to the electorate, as follows:

**The democratic deficit**

The most striking feature of the electoral system is the very small number of councillors, which range from a minimum of five in most countries to a maximum of only 60 in the case of the Municipality of Buenos Aires. 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, this ‘democratic deficit’ has not been corrected through subsequent legislative reform. As a result, political decision-making is now highly concentrated and has led to gross political under-representation especially in larger municipalities where the ratio of citizens per councillor typically ranges between 20,000 and 100,000. North American and European municipalities have much lower councillor/citizen ratios (France, 1:110; Sweden, 1:270; Germany, 1:400; United States, 1:490; Spain, 1:602; Japan, 1:1,600; Britain, 1:1,800) and this gives far greater scope than in Latin America for the political representation of a diversity of interest groups (Norton 1994).

**The party list system and absence of territorial representation**

Throughout almost all of Latin America, councillors are elected at large rather than on a ward basis, a system which thereby minimises diversity of geographical representation. The only exception is Panama where councillors are elected by the ‘first past the post’ system based on electoral wards. Elsewhere, the D’Hondt system of proportional representation is the preferred electoral system. As such, elected councillors are not individually accountable to particular territorially defined groups of citizens. This is especially damaging to accountability because of the wide gulf that already separates civil society and the local state, as exemplified by the extremely high ratio of citizens per councillor (see above). Venezuela is the only country to move towards territorial representation as part of its decentralisation reform process, where the ‘party list’ electoral system was replaced in 1992 by a ‘mixed’ system, similar to the German
model, under which two-thirds of councillors are elected on a ward basis, and the remaining one-third according to party lists.

Furthermore, councillors are elected by party lists that are usually ‘closed’ (i.e. ranked) and also ‘blocked’ (i.e. denying the voter the right to select candidates from more than one list). The only exceptions are Brazil and Chile, where voters choose a single candidate instead of a list of candidates. In the Brazilian case, votes are recorded for each polling station so that the geographical locus of support for individual councillors is known. In several countries, notably Peru, the electoral system is not based on full proportional representation, but is according to the ‘majority-plus’ system, under which the party which wins most votes is automatically granted a majority of council seats and the remaining seats are distributed among other parties on the basis of proportional representation. In the extreme case of El Salvador, the party that wins most votes obtains all council seats and there is consequently no representation of minority parties.

The ‘closed’ and ‘blocked’ party list system greatly reduces political accountability to the electorate. Voters are denied the right to rank candidates from within the party of their choice according to their own personal preference. They are also denied the opportunity to select a mix of candidates from different parties. Both features have served to entrench the power of elites within political parties and have thus contributed indirectly to maintaining centralism within Latin American political culture. The system also ensures that intra-party bickering over position on the party list takes precedence over the cultivation of a strong personal relationship between candidates and the electorate. The ‘opening up’ of the party list system has been noticeably absent from the decentralisation reform process. Venezuela (from 1989) and Chile (from 1992) are the exceptions, where the ‘closed and blocked’ electoral system was replaced with an open and ‘non-blocked’ list, panachage, preference voting system.

The short term of office and prohibition on re-election

Until recently a short (2–3 years) term of office coupled with prohibition on immediate re-election of the incumbent mayor were common features of the electoral system that reduced accountability to the electorate. This happened because mayors who were elected for short periods without the possibility of re-election did not have the same incentive to maintain standards of probity while in office. The problem was compounded by the fact that where the simple plurality voting system operates, mayors may be elected with a relatively small proportion of the total vote. However, the decentralisation process has seen a significant increase in the length of the municipal term of office. In 1995 seven countries still had terms of three years or less. Yet by 2017 the vast majority had four year terms of office, five others (Bolivia, Paraguay, Panama, Peru and Uruguay) had five-year terms and only Mexico retained a three year term. By 2017 only two countries (Colombia and Mexico) still prohibited consecutive re-election of mayors. Most countries still impose a two-term limit and Chile and Ecuador are the only countries where the unlimited re-election of mayors is permitted.

Linkage with national elections

The practice of holding local government elections at the same time as elections to national political office was once widespread in the region. This meant that local government elections were overshadowed in importance by the national elections, distracting voter attention away from local towards national issues. It also effectively guaranteed that clientelist considerations prevailed in the selection of party candidates for municipal office. Selection was often determined by the electoral support which potential municipal office-holders could mobilise for the party’s national
politicians rather than by the personal capabilities of the candidates. In exchange for this support, they were ‘rewarded’ with municipal office. The decentralisation process has brought a gradual decline in this practice as countries such as Venezuela and Colombia have de-linked the timing of local government elections from that of national elections. In three countries (Honduras, Guatemala and Panama) the term of municipal office remains co-terminus with that of national political office and in these cases municipal elections are held concurrently with presidential and congressional elections. In two federal countries (Argentina and Mexico), local government elections usually coincide with the state-level elections (Nickson 1995: 61–68).

The political system of local government

The organisational culture of most municipalities in Latin America is still imbued with the centralist legacy of caudillismo (‘political bossism’), the ‘pork-barrel’ political culture whose lifeblood is the absence of job stability and the constant rotation of an overstaffed bureaucracy. In contrast to many parts of the world, municipal office-holders are normally paid salaries rather than attendance allowances. In many countries, financial gain is a major attraction for those seeking municipal office. For this reason, the municipal codes of several countries establish limits on the size of officer remunerations in relation to total municipal income. Despite this, such payments are often excessive in smaller municipalities, where they absorb a disproportionate share of total municipal revenue.

The executive head

Local government in the region has a marked tendency towards unipersonal leadership. This tradition is inherited from the colonial era, as well as from the twin influences of caudillismo and clientelism. It was reinforced by United States foreign aid programmes in the 1950s and 1960s, which transferred to Latin America the ‘strong elected, executive mayor – weak council’ system that is prevalent in US municipalities. The mayor is the chief executive officer responsible for the day-to-day operations of the municipal administration, determining broad policy and the functioning of municipal services and investment projects. The mayor formulates and controls the execution of the budget and usually initiates municipal legislation. The mayor appoints all confidence post-holders (senior executive assistants who head secretariats, departments and dependent agencies), and in most countries also has the authority to recruit, supervise and dismiss permanent municipal staff, although in some countries such decisions must be endorsed by the council. The mayor also acts as the general agent of central government. This role derives from the delegation of law and order functions but is far less pronounced now than in the past. The major responsibility of this role today involves coordinating local projects with agencies of central or regional government. The mayor is also the ceremonial head of the municipality (e.g. during visits by national political leaders). In the personalist political culture of Latin America, the high visibility of this role has enabled aspiring national politicians to use the mayoral office as an important stepping-stone in their career.

Even in the larger municipalities of the region, management tends to be highly personalised in the figure of the mayor. This style of management is reflected in the de facto nature of the organisational structure, which bears little relation to its de jure design as laid out in organisation charts and accompanying job descriptions. The lack of effective organisational norms and responsibilities means that functional delegation of authority is not complied with. Instead, there is a concentration of decision-making at the highest level and a corresponding lack of it at other levels. Because delegation of responsibility is so limited, a corporate management ethos
Local government in Latin America

is generally absent. Instead decisions are taken on the basis of ‘orders’ from the mayor, which, in the absence of any strategic plan, fluctuate wildly in response to the pressure of competing political interests. In turn, this breeds a lack of initiative within functional departments because of the limited delegation of authority and the absence of long term planning.

The municipal council

As noted above, the municipal council is extremely small by international standards. It elects its own president from among its members and has two major functions – budget approval and oversight. The council also enacts municipal statutes and internal administrative regulations, which are often proposed by the mayor. The other role is to supervise the municipal administration carried out under the executive authority of the mayor. The mayor depends on the council for the approval of key financial decisions such as local fee rates and the annual budget and expenditure program. In practice, however, legislative scrutiny of financial matters is greatly limited by the absence, even in the largest municipalities of the region except Brazil, of any technical support team to give advice to councillors. Instead, debate is often restricted to consideration of the legality or otherwise of budgetary proposals, leaving detailed financial investigation to the Comptroller General’s Office. In the larger municipalities, the small size of councils means that councillors are usually fully occupied on municipal business. A proper committee system is unworkable with so few councillors. Instead, individual councillors often oversee a particular area of the municipal administration. This highly personalised system of supervision, when combined with the tradition of clientelism, often gives rise to undue interference by councillors in day-to-day departmental management. In practice, the distinction between supervision and actual executive power is often so blurred that councillors have considerable de facto power to recruit, dismiss, promote and re-grade staff.

Executive–legislature relations at the municipal level have been strongly influenced by the deep-rooted personalist political culture of Latin America and in most countries, the power of the mayor far outweighs that of the council. This happens irrespective of the formal division of responsibilities provided for by municipal legislation. In the past, the power of the executive was such that the mayor often acted as leader of the municipal council, and chaired its meetings. Today that practice is increasingly rare although it is still followed in Chile, Guatemala, Honduras and Peru.

In practice, the power of the legislature vis-à-vis the executive is limited to that of either ratifying municipal legislation or not. In some countries the council even lacks effective power to reject executive action – the municipal codes of Brazil and Colombia still enable the mayor to veto council opposition to executive action. In others, the powers of the legislature are further diminished by the fact that the executive is answerable to it only for some functions and to central government for others. This arrangement derives from the long-standing identification of the municipal executive as the local representative of the president of the republic.

In very many municipalities, the power of the legislature is so weak that the council is often confined to surprisingly trivial matters while important strategic issues regarding the municipality are left in the hands of the mayor. This has contributed to the generally poor public image of the councillor compared with that of the mayor. The unequal power relationship between the executive and the legislature is reflected in the behaviour of individual councillors. Given the relative weakness of the council and the prevalence of clientelism, the power of councillors often derives primarily from their role as a ‘broker’ between interest groups and the mayor. Their prestige depends on their ability to act as a conduit for such groups to the mayor, and on their ability to obtain favours from the mayor.
The relationship between the executive and the legislature is also affected by the personalist political culture, which is especially strong in smaller, rural municipalities. Although the mayor is usually the party leader at the local level, factional opposition to this leadership usually gels around councillors of the same party. This factionalism often galvanises council opposition to the mayor and expresses itself by the refusal of the council to sanction executive proposals and attempts to use anti-corruption legislation to remove the mayor from office. Such ‘blocking’ behaviour is motivated by intra-party bickering rather than by the merits of the case and is a major reason for the inertia in municipal decision-making which is common throughout the region (Nickson 1995: 69–72).

**Local government administration**

The lack of a career civil service in Latin America is particularly pronounced at the local government level. Local government service commissions are absent in the region and the dearth of accurate data on the numbers employed in local government is a striking reflection of the weakness of human resource management. In most countries, the political appointment of senior and middle-management staff, referred to as ‘confidence posts’, remains the norm, with the resulting rapid rotation of staff as a result of both electoral change and intra-party factional disputes.

In most countries local government permanent staff, usually middle and lower level personnel, are formally covered by national ‘civil service career’ laws and even some cases by ‘municipal career’ laws. However, the application of the basic meritocratic norms embodied in these laws (open and competitive recruitment, promotion by performance, disciplinary and dismissal procedures) are rarely implemented. Even when implemented, career progression is usually truncated at the level of departmental head because posts above these are confidence posts. Clientelism ensures that local government personnel systems remain weak and highly fragmented throughout the region. There is no vertical integration between the personnel systems of central and local government. Neither is the local government system unified horizontally between municipalities. Instead each municipality has its own separate personnel system. This absence of vertical and horizontal integration greatly inhibits the mobility of local government personnel and is a major factor obstructing the introduction of a genuine local government career system.

As a result, the ‘institutional memory’ of local government is weak, as evidenced by the widespread absence of basic features such as open recruitment, job descriptions, filing systems and minutes of meetings. Although some progress has been made towards the introduction of a local government career service in Chile and the southern states of Brazil, the general situation remains woefully inadequate in spite of the recent decentralisation process. This is especially the case in rural areas of the smaller and less developed countries in the region, where the impact of rampant political interference still leads to administrative inefficiency.

Municipal legislation throughout the region almost always imposes a uniform organisational structure on local government and this does not take into consideration the enormous variation in the size of their populations. For the vast majority of small municipalities, each with less than twenty staff members, this structure invariably proves to be unrealistically elaborate. Implementation of the required number of departments presupposes a much larger number of staff, which most municipalities simply cannot afford to recruit. In practice, these organisational norms are ignored, the administrative structure remains very simple, and the mayor takes virtually all decisions.

When combined with the absence of a career-based senior administrative cadre, the highly personalised management style also produces a serious problem of administrative discontinuity.
A major feature of this discontinuity is the tendency for incoming mayors to embark on new, often prestigious, projects, and to reject the continuation of programs initiated by their predecessors, simply in order to stamp their own character on the municipal government. The lack of continuity in policy-making between successive administrations is common even when they belong to the same political party and this hinders strategic direction in municipal management. On the contrary, by making medium-term expenditure planning virtually impossible, it encourages an extreme ‘short-termism’ in local government and a ‘crisis management’ approach to day-to-day decision-making. ‘Quick yield’ projects are given priority because they are capable of delivering rapid political dividends by bolstering the immediate popularity of the mayor.

Overstaffing is a major consequence of clientelism in local government. Even in the larger municipalities of the region, staffing levels are high by international standards, especially in light of the relatively limited range of services that they currently provide. In the small and medium-sized municipalities of the region, wage costs typically absorb over 80% of total expenditure, leaving very little for non-salary recurrent expenditure and virtually nothing for capital expenditure. The accepted norm in many countries is that locally raised revenue is earmarked exclusively for the payment of salaries, leaving capital expenditure entirely dependent upon intra-governmental transfers. Nevertheless, in some countries attempts are made to control overstaffing through financial ratios. In Brazil, the share of salaries must not exceed 65% of total municipal expenditure (Nickson 1995: 72–79).

Citizen participation

The exclusionary style of development has been a major underlying cause of social conflict in Latin America, and opposition to authoritarian rule in the 1970s and 1980s was often expressed through the emergence of vigorous community organisations. These sought to serve as a counterweight to the centralist tradition, by making both national political elites and their clientelist counterparts at the municipal level more accountable to the local electorate. The newly established democratic governments established in the region from the mid-1980s sought to channel this community mobilisation by encouraging greater citizen participation in their own decision-making processes, and this was a major factor in the invigoration of local government in the region. The creation of participatory mechanisms for dialogue and consensus-building at the municipal level became ingredients for strengthening the long-term prospects of democracy and for containing social tensions. Citizen participation was also seen as a way of introducing greater ‘rationality’ into municipal resource allocation so as to reflect the broad interests of the population. This participation would confront the social problems generated by the exclusionary nature of the development process, in particular the weak access to health care, education and land for housing.

Inspired by the above arguments, the decentralisation process throughout Latin America has incorporated mechanisms for citizen participation in municipal legislation. The most common one is the legal requirement for the municipal executive to consult with citizen organisations and the general public through periodic open meetings, cabildos abiertos. While its use remains strong in small municipalities in parts of Central America, elsewhere in the region it has often become a formality with little effort made to publicise it. Legal provision has also been made for municipalities to undertake local referendums and plebiscites, and to accept popular initiatives and the recall of office-holders. However, the allegations of corruption and poor management necessary to trigger a referendum in order to revoke the mayoral mandate are usually so vaguely defined that the mechanism has become open to widespread abuse.
Reforms to promote citizen participation in local governance have been especially strong in Brazil. The 1988 Constitution enshrined the plebiscite, referendum, popular tribune, popular councils, and the right to popular initiative, with the signatures of 5% of those on the electoral register as a requirement to trigger such actions. The ‘participatory budget’ introduced in the Municipality of Porto Alegre from 1989 to 2004, has provoked worldwide interest as a novel form of citizen participation in the formulation of the municipal budget (Melgar 2014).

The long-term impact of the decentralisation process on the exclusionary nature of Latin American society is the subject of much controversy. International development agencies argue that the introduction of transparent systems of inter-government fiscal transfers, coupled with greater political accountability through electoral reform, will strengthen citizen participation and undermine the basis on which clientelism thrives. Instead, under a decentralised system of government, political elites will be measured by their success in service delivery, because they are now more accountable to the electorate. A contrary view asserts that the growth in central government transfers will unwittingly bolster clientelism and encourage corruption at the local level. According to this view, transferring financial power to local government may simply shift the canker of clientelism from the national to the local arena where it will be even harder to control because of the absence of the strong countervailing regional and sectional interests that are found at the national political level (Finot 2007).

In reality, the upsurge of community organisation in the 1970s and 1980s was intimately linked to the demise of military rule. By the 2010s, a wide gulf had emerged between the rhetoric and reality of citizen participation in local governance, and its impact on local governance was much less than originally envisaged (Rhodes-Purdy 2017). Lack of continuity became a notable feature of community participation throughout the region. Mobilisation was built around specific demands and once these were realised, participation tended to diminish. For this reason, the pressure for citizen participation in local governance may have been primarily a conjunctural phenomenon associated with the transition to democracy in the region (Nickson 2014).

Conclusions

The achievements of the decentralisation process under way in Latin America have contributed somewhat to countering the deep structural inequalities in the direction of greater territorial and social inclusiveness. Political democratisation at the municipal level has been the lynchpin of the process. This is helping to introduce programmatic politics into parties that were hitherto exclusively clientelistic. Constitutional and other legal reforms have transferred new competencies and financial resources to sub-national governments. Intra-governmental transfers have risen considerably and sub-national governments now typically account for around one-fifth of total public expenditure, twice the share in the mid-1980s. The new competencies of the local governments translate into progressive—though uneven—institutional development in which some municipalities stand out because of their capacity for innovation, while others still cling to their traditional practices. Nevertheless, following the euphoria of the 1990s when it became a sort of development ‘fashion’ in the region, by the 2010s there is evidence of a slow-down in the decentralisation process (Bossuyt 2013: 16; Carrera 2013; Tulchin 2012).

There is a rather sterile debate over the extent to which either ‘agency’ (i.e. political leadership) or ‘structure’ (i.e. pre-existing levels of social trust and/or economic development) is the major explanatory factor for the degree of success in decentralisation. In this regard, the recent decentralisation process in Latin America offers evidence that supports a more complex yet realistic argument—that the motivations for and outcomes of decentralisation are first and foremost the result of the dynamics of the interaction between local and national political economy.
Local government in Latin America

(Angell, Lowden and Thorp 2001; Bossuyt 2013; Eaton 2004; Goldfrank 2007; Montero and Samuels 2003; Nickson 2014). This is not to under-estimate the importance of the dramatic structural changes engineered from above that are profoundly altering intra-governmental relations through fiscal, political and functional devolution. Nor should it demean the importance of advances engineered by the charisma of individual mayors. Rather it is a recognition of the obvious fact that decentralisation ‘empowers’ local actors (politicians, business leaders and civil society) whose collective impact on local governance had remained muted under the previous centralised system of governance. Hence, as these local actors begin to exercise greater voice through the strengthened structures of local governance, the resulting outcomes necessarily depend – more than anything else – on their respective interests and objectives as well as the ‘correlation of forces’ between them. As Fauget (2006) shows from an examination of rural municipalities in Bolivia, differences in the local political economy are a major factor in understanding the considerable variation in the outcomes of decentralisation. Given that intra-country variation in the character of this ‘local political economy’ is so immense, it is therefore hardly surprising that we find such variation in the quality of local governance between municipalities in the same country, even when all have been subjected to the same deep structural reforms (legal, financial and functional).

Note

1 For the purposes of this chapter, Latin America refers to the following countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela.

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