

**To Cooperate or Not:
Local Policy Responses in São Paulo and Buenos Aires**

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To recommend that the provision of welfare should be locally controlled and its marginal cost borne by state and local taxpayers is to recommend that the poor be all but abandoned

-Paul E. Peterson 1995

Introduction

During the past two decades a plethora of nationally based non-contributory social protection programs emerged in many decentralized countries—north and south alike. Taking the form of Conditional Cash Transfer Programs (CCTs), this policy innovation became the key instrument promoted by International Organization (IOs) to reduce poverty and prevent its intergenerational transmission. According to the neoliberal hypothesis, these ‘new’ programs intended to compensate for where economic liberalization of the 1980s and 1990s had failed. Although this macro-level hypothesis can explain how CCTs came onto the national political agenda in many developing countries, it does not elucidate on the factors that shape local policy responses in this issue area, an area that has been traditionally within their jurisdiction. In contrast to what functional federal theory predicts, namely, that states and municipalities will reduce their responsibility in a policy area where the central government expands its involvement (Peterson 1995, 119), I find the opposite in the following two city cases in Argentina and Brazil. Indeed here, there appears to be evidence of a ‘race to the top’ in the provisioning of social protection goods.

Using field-study evidence obtained from the cities of São Paulo (SPM) and Buenos Aires (CABA), this article will assert from an institutional approach that neither the hypothesis that asserts “under neoliberal governance, governments at all scales mobilize their efforts toward business recruitment, cut the social service net, and allow public jobs and services to be cannibalized by the private sector”. (Harvey 2005) nor the intergovernmental displacement hypothesis (Peterson 1995) can fully explain the local policy choices evident in each case. Each case will be explored within case by tracing first, the evolution of city politics, and second, by analyzing the politics of social inclusion and the development of local poverty alleviation initiatives. Specific emphasis will be placed on how each city’s involvement in this issue area interacts with national poverty alleviation strategies. In the final section, the cases are framed in comparative perspective. The main conclusions are that in some institutional configurations local policy responses contribute to a vicious circle of intergovernmental competition, while in others, they contribute to a virtuous circle of intergovernmental cooperation. This article suggests that the main determinants of these local policy responses were not rational political economy or substantive policy concerns but rather, they were conditioned by the politics of intergovernmental relations and local political dynamics—dynamics that cannot easily be captured by broad predictive theories.

For this paper, I have chosen to use two large urban capitals, São Paulo (SPM) and Buenos Aires (CABA), to analyze local policy responses in the area of social protection. These two cases provide an ideal opportunity to relax the explanatory value of both fiscal incentives and constitutional variables because both cases are relatively equal across these two alternate explanatory factors that I have used in previous research (Fenwick 2010). These two cities are extremely comparable because of their large size, economic

wealth and electoral weight. First, both SPM and CABA have high own-source revenue capacity. Second, both cities are constitutionally autonomous with powerful mayors who can utilize the position as a trampoline to presidential office, which controls for another alternative explanation—political career making. Each city is responsible for a wide range of governing functions. Interestingly in both cases the expansion of national involvement in this issue area does not lead to a contraction of local policy retrenchment as the schools of political economy and functional federalism would traditionally predict. This fruitful ‘tale of two cities’ contributes to the intended contribution of this article, which is that federalism does not necessarily lead to a vicious race to the bottom in public goods provisioning, but it does distort the equity principle.

The Autonomous City of Buenos Aires (CABA)

Intergovernmental relations (IGR) between the national government and the city of Buenos Aires have moved between cooperative and conflictive throughout Argentine history. Since 1996, when the historic *Capital Federal* became the Autonomous City of Buenos Aires—IGR became more conflictive between these two levels of government. This section will first explain how the city became politicized subsequent to the 1994 constitutional reforms which granted autonomy to the city, second, it will show how exogenous circumstances created political openings for the development of new localized parties, and third, why the city chose to develop local CCT parallel to the national government expansions.

The CABA is situated among 24 urban municipalities in the Province of Buenos Aires. When these municipalities are aggregated, they geographically create *Gran Buenos Aires*. The city itself straddles four different political jurisdictions: National, CABA, Province of Buenos Aires, and GBA. The CABA is 200 km² and has 3.1 million residents, surrounded by 3,680 km² of urban municipalities containing the remaining nine million residents of its total metropolitan area (INDEC 2001). As the fifth largest urban area in Latin America, GBA represents over 90% of Argentina’s total urban population. The 12.1 million inhabitants of GBA represent 37% of the nation’s total population, 30% of its entire electorate, and approximately 50% of the nation’s total GNP. For this and many other political reasons, the metropolitan area of Buenos Aires (GBA) as an entirety has no specific political or administrative status. Quite simply, it would be too powerful and result in an extremely asymmetrical federation.

The City of Buenos Aires has had the status of national capital since 1880, when it was formally separated from the Province of Buenos Aires. It has always had a rich “city” identity. Following Argentina’s most recent transition to democracy in 1983, the city found itself increasingly in a localized political crisis. The city’s political erosion climaxed under the *Jefe de Gobierno*,¹ Carlos Grosso (1989-92), a delegated mayor who was heavily involved in a series of corruption scandals surrounding there development of the city’s port area, known as *Puerto Madero*. Known as “professionals of patronage”, Grosso and his affiliates generated political support using a system of paid activism (Levitsky 2003, 126). This patronage system continued under successive mayors (Saul Bouer, 1992-

¹ The mayor of the CABA is officially the “head of government”

94 and Jorge Domínguez, 1994-96) after Grosso was forced to resign in 1992. During the early 1990s, the city's 400 Peronist base units (neighborhood branches of the party out of which activists operate) were run by powerful PJ party affiliates with jobs in both the city and the federal government (Levitsky 2003). The forced imposition of Peronism as a political force and its pervasive patronage networks located within the city were gradually dismantled when the Federal Capital achieved its new constitutional status as an autonomous city--CABA. From here forth, policy collaboration between the city and the federal government could no longer be based on forced inclusion.

City Politics CABA 1994 - 2003

The top-down manner in which the city obtained its autonomy is a key factor in understanding how political circumstances outside of the city, created a political vacuum within it. The city's new administrative and political status juxtaposed with a period of national political change and instability began a decade of gradual muddling beginning in the early 2000s. This process, inclusive of high levels of party fragmentation, overlapping policy jurisdictions and incomplete reforms, is not dissimilar to the process Brazilian municipalities embarked in 1988 following the promulgation of its new constitution. It is a process of gradual incremental change that is not characteristic in other Argentine jurisdictions.

The CABA is the only local territory below the level of the provinces that is recognized in the Argentine Constitution (1994) as autonomous. The city's autonomy was the product of an informal agreement known as the *Pacto del Olivos*, officially signed on 14 November 1993 between President Menem (PJ) and the opposition leader Raúl Alfonsín (UCR). Its impetus came from two factors: President Menem wanted to reform the Constitution to permit his re-election in 1995, and ex-President Raúl Alfonsín wanted to regain control over the city, a locality that was traditionally *Radical* but had been overrun by Peronist machine politics. The evident trade-off in this deal is a textbook example of what Ordeshook et al. call the "without approach" — when federal representatives bargain outside of the national legislature, as if they were some sort of external force (2004, 119-122). Such bargaining resulted in an asymmetric outcome (autonomy for one city, but not for all), and an open door to future bilateral negotiations with the president. It also made the city vulnerable to changes in the political system outside of its borders, because of the absence of a process of bottom-up democratization and civil society representation within its formation. In essence, the city's autonomy was used as a bargaining chip in a game in which it did not have a hand.

These circumstances contributed to transforming the city into a counterweight to PJ-based national power — but not quite as intended. The *Olivos* Pact was an informal deal made between two national party leaders that resulted in them signing an agreement to mutually support a package of "twelve basic coincidences". As the two parties together would hold a majority during formalized negotiations, the deal was made before it even reached the Constituent National Assembly of 1994. One of these basic coincidences was Menem and Alfonsín's wish to grant fiscal, political and administrative autonomy to the City of Buenos Aires. According to Aníbal Ibarra, the city's future elected mayor and a

member of the Constituent National Assembly (CNA), “it was created purely out of electoral necessity”.² The second largest national party in Argentina, the UCR, needed the city’s votes to survive nationally, although its intention of controlling the city ultimately failed.

Several of the 1994 constitutional reforms that pertained to the CABA were never implemented, but political decentralization did create openings for new citizen demands and greater electoral competition—and this was an unintended consequence. The CABA became a crucial electoral district that frequently determined the framework of the nation’s presidential race, producing highly competitive local electoral politics that did not follow Argentina’s traditional bipartisan dynamics. No single bloc has held a majority in the city since the first direct local legislative elections that occurred in 1997. It was in this way that local political and civil society actors who had been excluded from the top-down political negotiations during the establishment of the city’s autonomy in 1996, found an alternative strategy to push for their representation. Post-2000, the electorate’s support for either one of the nation’s two traditional parties dramatically decreased—particularly following the 2001 political and economic crisis.

Shortly before the unfolding of Argentina’s fiscal implosion in 2001, which to a great extent took place on the streets of the CABA, the city held its 2000 local elections. The competition was between a left-of-centre FREPASO candidate, Aníbal Ibarra, who ran on the *Alianza* ticket, versus the PJ-*Porteño*’s candidate, Domingo Cavallo (Menem’s ex-economics minister), who ran under the party label *Encuentro por la Ciudad*. Ibarra won with a clear majority of 49%, against Cavallo’s 33%. The next third party achieved a mere 4.6%. Ibarra’s first term involved the challenge of managing the unfolding national economic crisis that peaked one year after he took office.

Following Argentina’s 2001 fiscal implosion, however, the CABA fragmented politically, particularly because it was no longer controlled by a traditional PJ party machine, as was still the case in the neighboring Province of Buenos Aires under its governor-soon to be interim national president Eduardo Duhalde. The national political forces with which both local candidates Cavallo and Ibarra had aligned with since 1996 had been discredited during the national crisis. A political vacuum was created in the CABA before its territorial autonomy had even been firmly institutionalized. This unique context provided an opportunity for new political actors to emerge. Subsequently, the 2003 local elections would be a radical turning point for the CABA representing an intense localization of party politics that would shape the city’s future and the behavior of its political actors.

During the 2003 city elections four candidates emerged under four new local party labels—Macri’s, *Compromiso por un Cambio*; incumbent Mayor Ibarra’s, *Fuerza Portena*; Luis Zamora’s, *Autodeterminacion*; and Patrich Bullrich’s *Libertad y Union par Recrear Buenos Aires*. The novelty of these elections was that even though all the candidates except Zamora were loosely aligned with national presidential candidates, there was an evident independence in their campaigns from national politics. The CABA was a territory with new ‘bottom-up’ electoral forces supporting outsider candidates at the

² Interview, 2006.

national level. As noted by Cherny and Natanson (2004), for the first time in the history of the CABA the electoral supply was based on local characteristics, with a differentiation from national parties and their referents.

Following these elections was yet another novelty in Argentine politics, the emergence of interparty coalitions in the city, by contrast with a relatively stable system of multipartism throughout the rest of Argentina.³ For example, in 2003, the effective number of parties competing for local legislators was 8.91 in CABA, versus 2.66 in the neighboring Province of Buenos Aires. There was also no majority legislative bloc in the city. Ibarra's bloc held 20% of the seats, Macri's 17%, and the local *Frente Para La Victoria* (PJ) 10%, the rest being dispersed among other actors. Within this new context of highly competitive and fragmented party politics, Macri's association with the PJ in the working-class southern areas of the city was not sufficient to sustain his position in the second round. Interestingly, Cherny and Natanson hypothesize that party resources that had been distributed to PJ organizations for the first round within the system of closed-list legislative nominations had been conclusive in the first round, whereas in the second round three weeks later PJ *punteros*⁴ could not mobilize the same votes or resources to support Macri's victory. Ibarra defeated Macri marginally in the southern working-class neighborhoods in the second round and hence secured his re-election. His successes within these neighborhoods that traditionally identified with Peronsim, created an electoral incentive to provide constituency services for which he could personally credit-claim in these popular areas. In order to implement his policy preferences however, he would have to govern Brazilian-style to pass any proposed legislation. To govern successfully in a city with over 16 local parties represented in the city's unicameral legislature, Ibarra would have to use his leadership skills (and charisma) to create coalitions for every law he passed, one by one.

The Politics of Social Inclusion and local CCTs 2003 - 2007

The ability to govern broad coalition cabinets such as the one Ibarra formed in 2003 requires integrating numerous parties. During his campaigning, he created a coalition of four parties, the ARI, the Socialist Party, *Frente Grande*, and Kirchner's FPV, whom rallied together under the premise of eliminating poverty and defending social rights. Social justice was a priority on the city's agenda because much of the violence, protests and urban unrest that characterized the 2000-2001 crisis occurred in and around Greater Buenos Aires. By May 2002, household poverty around the first peripheral band of the GBA had reached 36.8%, compared to 13.4% within the CABA. In the second band of the GBA that surrounds GBA 1, poverty peaked at 51.7% of total households in 2002. During this emergency situation, the CABA had a clear and distinct advantage over other urban municipalities because of its autonomous status and fiscal wealth.

³ This stability is more notable at the subnational than the national level post-2003

⁴ *Punteros* are local party brokers, not full time party activists, who maintain personal ties to informal party networks (Levitsky, 2003, 62).

Unlike other municipalities in the GBA that were dependent on the continual support of the Province of Buenos Aires and the national government, the CABA decided to launch a self-financed CCT to alleviate poverty in the city in 2004. It was similar to the goal of the national CCT *Programa Familias*, which was re-implemented that same year. The city's poverty alleviation initiative, called *Programa Ciudadanía Porteña*, (CP) was said to be the policy idea of the minister of human and social rights, Jorge Telerman, an outsider from the arena of culture. Ibarra supported the bill presented by Telerman to create the program and included it in his 2004 budget. Following its successful implementation, in 2006, the city issued a report alleging that the policy intention of CP was to guarantee a basic income to all households within the city's borders. Nevertheless, they stated that doing so would require "a profound reform of the social security system of the country and its imposed structure that exceeds the action areas of the CABA government" (Gov. Bs. As. 2006, 10). At this conjunction, the city could have counterfactually opted to retrench social services in reaction to national expansions. Instead, the city chose to design its own poverty alleviation program based on an already existent food program called *Vale Ciudad*. Experts estimated at the time that CP's target population would be around 80,000 families, and that it would not be incompatible with the two existent federal social programs *PJJHD* (a workfare program for unemployed heads of households) and *PF* (the national CCT)—both of which had been launched prior to the city's initiative.

By September 2006, the CABA had issued 58,908 electronic bankcards from the *Banco de la Ciudad de Buenos Aires*. This program transfers a monthly amount of \$ 225 pesos to each receiving household. Although it is designed as a CCT, these bankcards can only be used in the city's 1,600 designated grocery stores located in local and peripheral neighborhood within the city's limits to buy food, cooking-gas or cleaning goods. The city actively audits how much of the money is spent per month. It estimates that 94.91% of total monies transferred per month are spent within the same month. They even estimate that the average family uses the card 24 times a month, making an average purchase of \$ 36.57 pesos per use. Similarly to other non-contributory social protection schemes throughout Latin America, the cash transfer is conditional on the family providing health and education certificates for children under 18 years old. The monetary amount transferred by the city's program, \$225 pesos, was exactly equivalent in 2006 to the amount transferred to the household under the federal program, which puts the city's program in direct competition with the national CCT.

Why did the city increase its involvement in this issue area simultaneous to national expansions? According to official legislation, the local program was not designed to replace the national program and the two are considered compatible. However, the federal CCT was not implemented in CABA from 2004 to 2007. Both the deputy minister of the National Ministry of Social Development and the director of PF offered no indication as to why the CABA was not included in the program — although both denied the reasons were political.⁵ From a fiscal perspective the city is extremely wealthy, with an annual budget in 2006 of \$7.5 billion pesos a year for a population of 3.1 million (compared to, for example, to the nation's largest municipality of *La Matanza*, located on

⁵ Interviews, 2006.

the south-west frontier of the CABA, which has a budget of \$300 million pesos a year for 1.6 million residents).⁶ Should they want to, this own-source wealth enables the CABA to run its own social programs that could ideally complement national policy objectives. However, from an economic perspective this would hardly seem rational particularly given the high levels of poverty on its borders would transform the city into a poverty magnet.

Within this research and based on the qualitative and quantitative information available, it is still unclear whether elite political actors decided to expand the local CCT because they were aware that the national CCT would not be implemented in the city, or, whether they intentionally expanded CP to compete with PF and thus, delay its implementation. Based on the politics of social inclusion in the CABA presented above, CP is most probably an example of a sort of “boundary control” which Gibson (2008, 108), characterizes as when local incumbents maximize their influence over local politics to deprive the opposition of access to national allies in resources. In this policy-specific example from the CABA where majoritarian politics are less prevalent, this boundary control can be characterized as local politicians who are maximizing their influence over social protection policy to deprive the city’s residents of access to national allies and resources—in order to protect the city’s political and administrative autonomy. Consequentially, the desire of the city to directly compete over the provisioning of social services with the nation is that it produces “malevolent variations between the services received by citizens according to where they live (King 1996, 218). On all accounts, it clearly distorts the equity principle of democracy.

Conclusions Regarding the CABA

The case of CABA provides three interesting insights and lessons. First, it provides qualitative evidence that the CABA policy responses did not lead to social service retrenchment, but actually led to local innovations. Politically competitive IGR create competitive poverty alleviation strategies. The city’s local politics post-2000, created an electoral incentive to deliver locally made constituency services—this is an example of a political constructed reform imperative. As a positive consequence, the local CCT has now been maintained over four varying administrations.

The CABA has not been officially politically aligned with the Peronist centered federal government since 1996 and it has extremely localized politics. Within this political context, local social service retrenchment would equate to succeeding its policy autonomy. The existence of what Gibson and Cao identify as a “federalized party system” where the logic of electoral competition is distinct at one level of government from another, clearly determined local policy responses in the CABA in this social policy area and constrained the ability of the federal government to realize its own objectives, namely, to promote the normative values of the social rights of citizenship nationwide.

⁶ Government La Matanza and Buenos Aires (2007)

The second lesson is that decentralization has in this case had a positive impact on the ability of this city to realize its own policy objectives, which runs counter to the neoliberal hypothesis (Harvey 2005). By 2006, the CABA was providing the monetary equivalent of a basic basket of food to 34% of the total amount of households under the poverty line resident within its territory.⁷ Fiscal incentives aside, the institutional factors that enabled the CABA to expand its involvement in this issue were facilitated by the same factors that can be identified in Brazil's successful *Bolsa Família*. Executive-coalition style governance enabled the gradual progression in this issue area to continue once a locally created political incentive for developing a strategy for poverty alleviation was visible.

Finally, the CABA case shows that, although decentralization enabled the city to carry out innovative policy objectives towards its residents based on the autonomy principle, this local policy response contributes to vicious intergovernmental relations because the city's local CCT essentially isolated the city from national poverty alleviation strategies. The political isolation of the CABA, as both the only city recognized as a level of government distinct from the provinces and also the only city moving in a consensual direction, creates a race-to-defraud the top in non-contributory social protection policy within the city. The price the city has paid for its local policy choices is that it has become a welfare-magnet to citizens living outside of its boundaries that have no (or little) alternate access to the city's quality of social protection. Therefore local policy responses cannot be explained from a rational perspective. Consequentially, they have made the city more protective of both its boundaries and its autonomy, which reinforces territorial inequality and further isolates the city's residents from the rest of the country.

The Case of SPM

The states and municipalities cannot replace the Brazilian National Government
-Patrus Ananias, National Minister of Social Development (2006)⁸

The City of São Paulo is the biggest municipality in Latin America, with a population of 10.9 million people within an area of 1,509 km² (2007). In 2007, it had a stagnant annual demographic growth rate of 0.55% per year, due to its already high level of urbanization (92%). As noted by Souza (2005), "decentralization *per se* does not automatically evolve into a virtuous cycle of better, efficient, equitable, and cooperative policies" (364). It took over seven years for SPM to decentralize and cooperate with other levels of government in the area of social protection. Nevertheless, in contrast to the CABA, analyzed previously, there exists evident inter-governmental policy-based cooperation within the local policy responses of the SPM.

Initially, SPM's political dynamics prevented local level experimentation and decentralization in the area of social assistance/protection even though both were constitutionally feasible and socially demanded. In 1985, the first free and direct elections

⁷ This has been achieved in just over 24 months.

⁸ Interview, 2006.

for the city's mayor were held in SPM, four years before direct elections for the president. Numerous civil society organizations within the city that had participated in mass social demonstrations were a driving force towards Brazil's transition to democracy, which climaxed in 1989 with the first free and direct elections for the presidency since the military coup of 1964. This very progressive civil society in SPM had a significant impact on city politics when, in 1988, left-of-centre Luiza Erundina (PT) was elected mayor with a small plurality. As Erundina had always been the opposition within the city's politics and was heavily supported by these civil groups, she chose to govern using a strategy of confrontation (Abrucio and Couto 1995, 62). This caused her great difficulty due to the fact that she did not have a majority in the city's 51-member council. The city therefore remained largely divided between 'conservatives' and 'progressives' from 1985 to 2000, with political ideologies switching from right to left-of-centre from term to term.⁹

The city's administrative decentralization which was initiated nation-wide in 1988 was thus considerably delayed from 1992 to 2000, because SPM was ruled during two consecutive terms by the PDS/PPR, now called the PP (2003), a populist-conservative right-wing party with origins in ARENA, the official military party that existed from 1964 until 1985. This conservative political influence over the city, which is identified with the political figure of Paulo Maluf (Mayor of SP 1968-71; Governor of SP 1979-82; and Mayor of SPM 1993-1996), was strong and initially difficult to disperse and this maintained the *status quo* of local social protection policy.

The city's revenue base is made up predominantly of the service tax "ISS", the merchandise tax "ICMS", and its own-levied property taxes "IPTU". Like all municipalities in Brazil, it is subject to the federal Fiscal Responsibility Law (LRF); unlike other municipalities in Brazil, however, it is extremely wealthy. The SPM has one of the highest "Municipal Human Development Indexes" in the country, 0.841 (1 being the highest), with per capita salaries averaging to R\$ 20,000 a year (SEADE 2008). The municipality's enormous population size, coupled with a municipal GINI co-efficient of 0.62 (2000) means that aggregated data, even when using the municipality as a unit of analysis, cannot demonstrate quantitatively the levels of urban chaos, poverty and violence that exist within this state capital.¹⁰ From a civil society perspective, there was a clear social mandate post-2000 for political reform to address the deterioration of the city's conditions, a reform that had not been beforehand politically feasible.

The Politics of Social Inclusion and local CCTs in SPM 2000 – 2006

From 2000 to 2006, electoral politics shaped local policy responses in key social areas. With both a Worker's Party (PT) mayor and a national PT president from 2003 to

⁹ Quadros 1985 (Right); Erundina 1988 (Left); Maluf 1992 (Right); Pitta 1996 (Right); Suplicy 2000 (Left).

¹⁰ GINI co-efficient (1= total inequality, 0=equality) calculated by IPEA (www.ipeadata.gov.br/, accessed 10 July 2008).

31 December 2004 (and a centrist opposition state government in between the two), the city of São Paulo was inundated with social programs designed to alleviate poverty during these two years. The twin concerns of universalism and uniformity, enshrined in the 1988 Constitution that proposed a decentralized social policy framework, meant that powerful urban centers like SPM played an administrative role for the central government post-1988, while simultaneously forging their own local autonomy. Therefore although policy ideas could flow downwards, there was also a societal-state impetus to locally innovate in key policy areas. This socially constructed imperative was now politically feasible during this ideal period of IGR.

In the municipal elections of 2000, SPM elected Marta Suplicy (PT). In the same elections, the Social Democrat Party (PSDB) led by Geraldo Alckmin would also make inroads within SPM. As the third most voted party in the first round it achieved 17.21% of the valid vote, narrowly following Maluf's (PPB) second place finish with 17.35% (SEADE 2008). Suplicy (PT) won the first round with 38.01%. There was no polarization in the second round of voting based on socio-economic indicators in this highly unequal electorate for the following reasons.

First, the popularity of the right was declining within powerful sectors of organized civil society who wanted a change. Second, as will be analyzed within the policy sector of social assistance, powerful organized civil and state policy networks had been frustrated by the lack of willingness of the two previous right-wing administrations to adhere to national level decentralized policy initiatives—although decentralization in Brazil was initiated top-down it had to be implemented bottom-up, a characteristic that is often overlooked. Third, (and perhaps most important) both the state's governor PSDB and the national president of the same party, Fernando Henrique Cardoso discreetly pledged their support and "sympathy" for Marta's candidacy (Fleischer 2002, 92) because all the centre-left parties had a desire to oust *Malufismo*.

Consequentially, Suplicy won decisively in all 41 electoral districts of SPM, with a total of 58.51% of valid votes versus Maluf's 41.49%. This collaborative behavior between the PT and PSDB was not repeated after the 2000 elections. Mayor Marta Suplicy, the ex-wife of long-time municipal and federal politician Senator Eduardo Suplicy (SP) who is also a profound defender of basic income programs, had a polemical personality. In her 2000 electoral campaign, she promised a transformation of the city that would include decentralization, civic participation, greater transparency and representative civil-state councils. Her administration from 2001 to 2004 accomplished many of its radical electoral promises: the city's system of transport was improved—the *Bilhete Unico*¹¹ was highly evaluated by residents), urban facilities such as the central bus station and downtown urban areas were revitalized, and rapid public transit lanes were built. In the areas of education and social inclusion, the mayor's more personal benchmark programs, such as the *Ceus* exclusive schools located in poorer areas, and her local CCT program *Renda Mínima*, were received with mixed opinions by the local press and public opinion.

¹¹ The 'single ticket' is an electronic card that allows a user to use public transport multiple times with a single electronic card.

Marta Suplicy accomplished post-2001 within this social policy area what should have occurred post-1993,¹² but had been delayed by seven years for political reasons. This seven years delay created a political opportunity for the formation of a strong interest group, a factor that was related to Marta's strategic decision to split the cash transfer programs of social development and social assistance into two separate municipal secretaries. This action allowed her to make considerable headway, implementing 'new' local social programs such as her benchmark CCT *Renda Mínima*.¹³ In essence, through bureaucratic reshuffling, she found a way to bypass the involvement of the social assistance lobby which points to a political construction of local poverty alleviation strategies and not a social one.

When President Lula (PT) took office at the national level in 2003 the SPM consolidated a municipal plan of social assistance involving a plethora of local actors and organizations. In terms of political alignments, January 2003 to December 2004 was an ideal time to consolidate the changes and advance the progress made to date in this policy area. What becomes very evident during this period of Lula and Marta alignment is that the State of SP was being eased out of this specific policy area. Post-2003, the State of SP redefined its role as one of technical and financial support. The integration of the SP State database that registers the details of socially vulnerable families, *Cadastro Pro-Social*, with the federal government's *Cadastro Único* in 2004, indicates the depoliticization of central-state (SP) relations within the administration of CCTs. Of some interest, the municipal database was never integrated from 2001-2005, not even between the two secretaries, which means that although SPM controlled the process of registration and promoted three levels of CCTs, the higher levels had little information about the beneficiaries of the "local executive programs".

The 2004 municipal elections in SPM marked a turning point for the city's politics, much like Buenos Aires in 2003. The long-dominant ideological right was discredited because of accusations of corruption and clientelism during Maluf and Pitta's administrations from 1993 to 2000.¹⁴ For the first time in SPM local elections, a polarization in voting patterns throughout the city between these two parties, the PT and the PSDB, became visible. Specifically at the district level, there was a distinct variation in voting patterns from the previous local elections in 2000. The PSDB, led by José Serra, a long-time political figure and key health-sector actor, won the first round against Marta with 43.56% of the valid votes versus her 35.82%, with Maluf reduced to 11.91%. Marta and Serra proceeded to a second round, where Serra won with 54.86% of the valid votes.

Many unexpected factors worked against Marta Suplicy's bid for re-election, including her electoral platform for alleviating poverty that had taken place simultaneously to national expansions in this issue area. In 2004, the PT-SPM lost five of the 21 electoral districts that Lula (PT) had won in the second round of 2002. In 2002, Lula had won in these five middle-class electoral districts that Marta lost in 2004. This signifies a change in

¹² 76.6% of Brazilian municipalities established municipal councils 1995-1998 (CNAS 2005, 43).

¹³ In total, she created nine cash-based programmes administered with SDTS.

¹⁴ Both Pitta and Maluf have faced criminal charges in recent years.

the socio-economic background of the city's electorate who supported the PT in local elections. It also points out that among the city's middle-class residents, they were supportive of benchmark social policy reforms nationally, but not local policy responses that campaigned on further expansions in these same issue areas.

Income Programs and Multi-Level Governance in SPM

The importance of national-local policy collaboration and the policy response of the State of São Paulo points in the direction of a virtuous circle of IGR. Even though a strong interest group formed in the city around the area of social assistance, CCTS were largely insulated from civil society participation. This makes them the product of a political imperative more than a social imperative. There are three major CCTs delivered to socially vulnerable families by municipal agencies within the SPM, and all emanate from the same policy innovation. Each program delivers benefits directly to beneficiaries using an electronic bank card with the logo of the level of government (not party) by means of three banks: *Caixa Federal* (BF), *Nossa Caixa* (SP) and *Banco do Brasil* (SPM). The three programs officially, are meant to complement each other.

The city CCT *Renda Mínima* has the greatest impact on the beneficiaries, because it offers the largest amount of money. According to Ana Fonseca (PT), who worked in developing both *Bolsa Família* nationally and *Renda Mínima* locally, the municipal program has a far greater impact on alleviating poverty within the city, because “the small cash transfer of national programs makes a greater difference in small municipalities and poor states that cannot offer local alternatives”.¹⁵ It is important to remember that, unlike the Mexican program of a similar design, *Oportunidades*, neither *Bolsa Família* nor *Programa Familias* (Arg.) are regionally indexed. This means that their economic impact is reduced in large metropolitan cities where the cost of living is considerably greater.

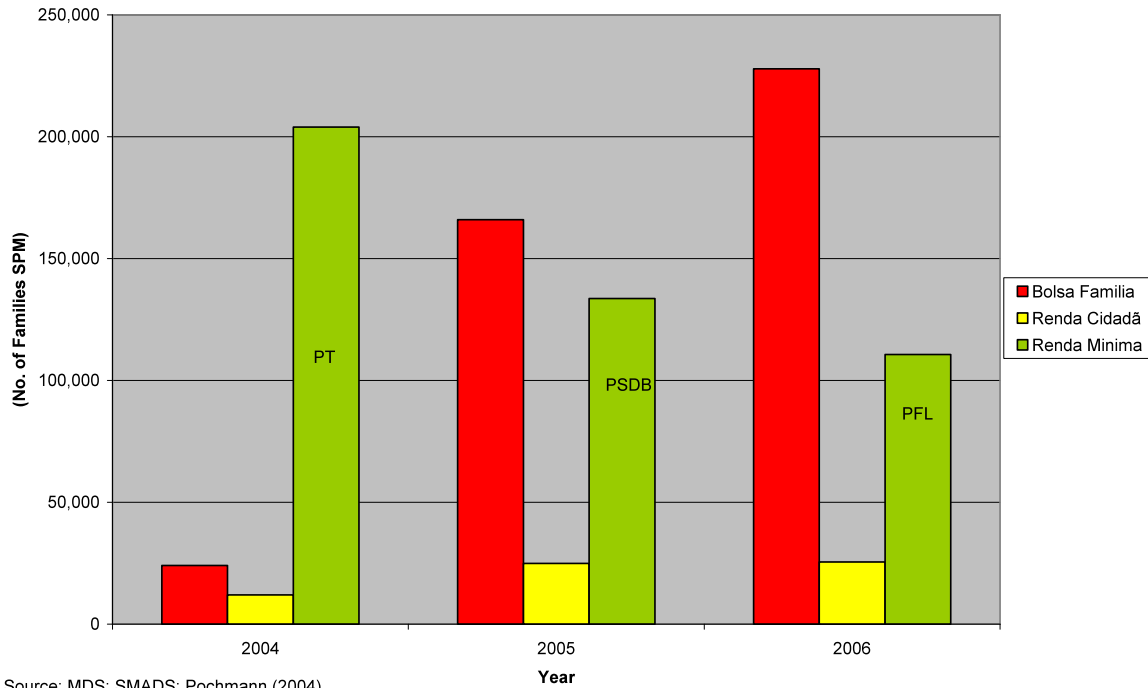
The average delivered values in 2006 were R\$ 112 per month (*Renda Mínima*), R\$ 60 (*Renda Cidadã*) and R\$ 67 (*Bolsa Família*). Since the PSDB took over the city's administration from Marta in 2005, the number of beneficiaries of the city's income program that she created has slowly declined in comparison to *Bolsa Família* (see Graph 1). The SP State program, *Renda Cidadã*, has only increased slightly within SPM, although within the state it tripled post-2005; it is predominantly concentrated in smaller municipalities that have few resources with which to create local programs and families are targeted through areas where they reside and door to door registration.¹⁶ In 2006, there were 885 extremely poor families in SPM receiving all three programs (approx. R\$ 239), 5888 families receiving both the municipal and the state program (approx. R\$ 172), and 60,764 families receiving the municipal and national program (approx. R\$ 179).¹⁷

¹⁵ Interview Ana Fonseca (2006).

¹⁶ Beneficiaries SP 2004 54,854 – beneficiaries SP 2006 160,285 (SEADS, 2008).

¹⁷ Banco de Dados do Cidadão (BDC) – Prodam. November 2006.

Graph 1: Number of Beneficiaries in each Income Program, SPM 2004-2006



Conclusions Concerning SPM

The case of SPM provides three interesting insights and lessons. First, it provides some qualitative evidence that SPM continued to cooperate with the opposition based federal government after PT Mayor Suplicy vacated the post (2001-2004). Within a two-party political system we would have expected IGR to become “bad”. Both Brazil and the city of São Paulo are predominantly driven by a presidential-coalitional governing logic that pushes in a consensus direction. Post-2005, it is evident that the city was politically willing to carry out and complement national policy objectives and previously institutionalized local programs. It is essential to remember that neither the federal program the city was carrying out, nor the local program that was intended to complement it, were created by the political party in power in the city during this period. The city’s administration post-2005 until today, have essentially opted to maintain the *status quo* in this issue area.

As already mentioned, many of the poorest families within the city receive from more than one program, which represents multiple social service expansions. As the municipalities are responsible for administering all CCTs within their territory, they allow this to occur, and control it. For example, in November 2005 a socially vulnerable family was 2.6 times more likely to receive a cash transfer from the federal government than from the state government, yet only 0.8 times more likely to receive a federal benefit than a municipal benefit. Moreover, a family in November 2005 was 68.7 times more likely to receive a benefit from both the federal and municipal programs than from a federal and state program, and 10 times more likely to receive a federal and municipal benefit than a

state and municipal benefit. This provides empirical evidence that the two major providers of poverty alleviation goods in SPM are the municipality and the central government.

Of the one million families resident within SPM estimated to be earning up to half of a minimum salary,¹⁸ the three programs together still only managed to cover 19% of these socially vulnerable families in 2006. If using extreme poverty, which represents up to a quarter of a minimum salary (the priority target group), the three programs cover 36.2%, equivalent to what the CABA covers on its own. This strengthens the value of a using a utilitarian argument to explain local policy responses.

The second lesson, decentralization, has had a positive impact on the ability of this local unit of government to respond to its local needs. In 2005, SPM was providing 30% of the total benefits to socially vulnerable families, of whom 31% were receiving a *de facto* index value in addition to the small cash transfer amount from the federal level. The initial “good” intergovernmental relations between an aligned central and municipal government and high levels of municipal autonomy allowed SPM to expand its involvement in this policy area in 2004, efforts which an alternate administration chose to maintain.

The final lesson from an institutional perspective is that the SPM case shows how the dynamics of a three-level federal game enabled the city to extend the provision of social goods based on its local needs (higher cost of living), while facilitating simultaneously the ability of the federal government to promote social inclusion as a universal right nationwide SPM did not undermine the success of the federal government’s poverty alleviation initiatives by deliberately opting-out or impeding program implementation with policy apathy. In contrast to the CABA, the principle of local autonomy can be combined with the maintenance of nationally valued rights of citizenship.

SPM and CABA in Comparative Perspective

In contrast with the expectations of Peterson (1995) and Harvey (2005), neither city reduced their policy responsibility or cut social services in the area of social protection, even though from 2004 to 2006 both federal governments expanded their efforts in this policy area. In both cases, local political dynamics shaped local policy responses and local policy development.

In each city there appears to be a race to the top in public goods provisioning. Utilitarian motives to create local poverty alleviation strategies are present in each city, but the actual imperative to reform social protection strategies was politically constructed and deeply intertwined with each city’s political dynamics. The CABA’s programs displace national ones and forge the city’s autonomous identity, while the SPM’s initiatives are more complementary to national programs that do not threaten local elites. Brazil’s presidential-coalition model of governance lowers the importance of partisanship in the electoral arena and also for policymaking. However, even though the SPM had a utilitarian motive to cooperate with top-down poverty alleviation initiative because of the

¹⁸ SEADE (2004).

extent of the city's problems, complementary local solutions were still not feasible until a political alignment created an opportunity for their construction.

Local solutions in the CABA were also dependent on a politically constructed imperative, but they were not designed to be complementary. In the case of the CABA, local political dynamics superseded utilitarian motives to cooperate with higher levels of government. The existence of a federalized party system in the city itself contributes to vicious IGR and competitive policymaking. This does not mean however that the city's political autonomy motivates service retrenchment. Instead, the city's unique political dynamics in the early 2000s motivated the pursuit of local strategies like CP, a program that has been since 'locked in' because of a presidential-coalition model of governance that is present within the city. By contrast, SPM local initiatives contributed to a virtuous intergovernmental circle because broader Brazilian political dynamics enabled the city's last two administrations to access the benefits of participating in national strategies while simultaneously forging local strategies.

Local political dynamics have played a major role in each city's narrative. Both the history of the CABA and its political identity would be undermined if it complemented the policymaking work of a PJ-dominated federal government. Nevertheless, local policy strategies have advanced progressively and the city has provided many examples of good governance over the past decade. In the case of SPM, local political dynamics certainly slowed down administrative decentralization and limited local experimentation. Without a doubt however, the formal political alignment between the federal government of Brazil and the municipal government of SPM during the last two years of Marta's administration (2002-2004) created an opportunity to end a seven-year period of administrative paralysis that contributed to the city's future good governance.

Conclusions

Brazil and Argentina are the two most decentralized federations in Latin America, with varying political institutional designs. Each country has three levels of government: national, state/provincial and municipal, as well as bicameral national legislature elected by proportional representation, and an executive presidential system. From a federal perspective both of these countries are classified as strong federal systems. They do, however, have inherent dissimilar institutional characteristics. Where they most stand apart from a functional perspective is in the variation that can be found by disaggregating the subnational layer into two separate players – the *meso*-level and the local level.

Municipalities in Brazil, because of a unique historical trajectory and the dynamics of the 1988 constitutional reforms, play a considerable role within Brazilian federalism as autonomous actors who have produced powerful local innovations during key moments since democratization. In Argentina, local governments are extremely heterogeneous in terms of political dynamics, fiscal wealth, and institutional design—producing examples of successful local innovations in policy and governance like in the City of Buenos Aires and also more traditional examples of governance where citizens remain beholden to a patronage based party machine such as in the largest municipality in the country, La Matanza.

From a political economy perspective, both countries have faced persistent problems of emerging poverty resulting from a decade of macroeconomic policy experimentation that left each government in a situation of social deficit towards its citizens. Addressing this deficit was confronted in similar ways by both central governments, primarily through the development of targeted social spending. Since the late-1990s, each country has experimented with various conditional and unconditional cash transfer programs (CCTs), designed and financed at all level of government, with varying success in alleviating poverty. Although two decades of economic restructuring and liberalization can explain how these social programs were placed on the political agenda, rational motivations cannot easily explain why actual policy outcomes and subnational policy responses have been varied cross-nationally, particularly within a region where economic liberalization and policy contagion has been so widespread.

The local policy responses that are analyzed herein did take place in the context of government decentralization in both cases. First however, there is no evidence in the area of non-contributory social protection of the federal government off loading their policy responsibilities towards lower levels of government. In fact, it was the central government in both cases that took the initiative to implement massive cash transfer programs to alleviate new poverty, Brazil in 2001 with *Bolsa Escola*, and Argentina in 2002 with the *Program for unemployed heads of households* (PJJHD). Second and because of mass national initiatives, we would expect to see from both a functional and neoliberal governance perspective service retrenchment at the local level. However, in neither case was this confirmed. Therefore, I suggest in this article that the main factors that shaped local policy responses in the area of social protection policy were politically determined. Local strategies, whether they were designed to complement or challenge national initiatives, were the product of endogenous political processes and local political dynamics that created an imperative to deliver social services to alleviate poverty.

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