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Theorizing institutional changes:  
understanding decentralization and  
federalization in Brazil, Spain, and South  
Africa

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# Theorizing Institutional Changes: Understanding Decentralization and Federalization in Brazil, Spain, and South Africa

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## Abstract

In light of the existing theories about institutional change, this paper seeks to advance a common framework to understand the unfolding of decentralization and federalization in three countries: Brazil, Spain, and South Africa. Although in different continents, these three countries witnessed processes after their respective transitions to democracy that transferred administrative and fiscal authority to their regions (decentralization) and vertically distributed political and institutional capacity (federalization). This paper attempts to explain how institutional changes prompted a shift of power and authority towards regional governments by looking at internal sources of change within the intergovernmental arena in the three countries. This analysis is organized around two propositions: that once countries transit to democracy under all-encompassing constitutions there are high incentives for institutional change, and that under a bargained intergovernmental interaction among political actors subnational political elites are able to advance their interests incrementally. In short, through a common framework this paper will explain the evolving dynamics of intergovernmental dynamics in three countries.

## 1. Introduction

Institutional change is an increasingly explored topic in social sciences, yet there is little theoretical agreement on how institutions change. Despite the lack of a comprehensive theory of institutional change, the burgeoning literature on institutional theories has been providing additional propositions on how to understand changes. However, notable problems such as how strategic actors and institutional arrangements interact to produce changes remain unanswered. With the attempt to improve our understanding about the relationship between agency and institution, this paper focuses on the outcome of bargained interactions among actors pursuing the strategic advancement of their interests are in greater need to be put to test. With this goal, this paper examines the process of decentralization and federalization in democratic Brazil, Spain and South Africa.

There are two main propositions that will guide the institutional analysis in this paper. The first proposition predicts that after the enactment of all-encompassing democratic constitutions national and subnational governments have incentives to advance their own interest in the implementation of constitutional provisions. The second proposition expects that subnational political actors incrementally advance their interests in the implementation of constitutions in a growing institutionalization of intergovernmental structures.

These propositions will be assessed under the assumptions that bargaining interactions among actors with divergent interest lead to change and that these changes occur over time as a result of an incremental advancement of the actors' interests. Drawing on these central propositions and assumptions, I will explain the process of the changing balance of power in Brazil, Spain and South Africa after their respective transitions to democracy. As the analysis in this paper is grounded on the experiences of three countries at three different continents, which increase the confidence of the findings, it is possible that similar conditions are applicable elsewhere. However, the goal of this research is not to generalize the above prepositions to every federalizing and decentralizing polity. Instead, the aim of the paper is to pinpoint conditions under which the propositions advanced above can be applied.

Brazil, Spain and South Africa belong to a small group of countries that experienced a process of decentralization and federalization after a transition from an authoritarian regime to a democratic one. Each of these polities witnessed important transformations in the political, administrative and fiscal realms changing the dynamics of intergovernmental relations under the newly established democratic regimes. Indeed, the way in which these polities have been governed in the wake of new democratic institutional arrangements is the reflection of systematic changes in intergovernmental relations that tilted the territorial balance of power and authority towards subnational governments.

The adoption and revitalization of federal dynamics together with the implementation of policies of decentralization can be considered the main motors behind the emergence of intergovernmental dynamics in Brazil, Spain and South Africa after their respective transitions to democracy. These dynamics are characterized mainly by a tendency to disperse the locus of power and authority towards territorial units and by the establishment of less-hierarchical interaction in decision-making processes.<sup>1</sup> Current events in these countries confirm that gradual relationship of mutual reliance among different levels of government have become a norm rather than an exception.

Recent scholarship, nonetheless, indicates that empowering subnational political elites is not necessarily a natural consequence of decentralization and that it can be used to favor the centre vis-à-vis subnational units (Falleti 2003; Eaton 2004; Dickovick 2007). Similarly, in federalized polities empowerment of subnational governments cannot be taken for granted, as there are dangers of encroachment of power from the central government (Bednar 2009; Qian and Weingast 1997). I contend that the conflicting conclusions reached in terms of where the real power and authority in a decentralizing polity rests is the result of two factors: the failure to identify causal mechanisms linking the process of transfers of power and authority with the observed outcome,<sup>2</sup> and the lack of conceptual distinction between the different but related processes of decentralization and federalization, which could enlighten any analysis on how

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<sup>1</sup> These defining characteristics of the new modes of governance follow the interpretation advanced by Treib et al. (2005) who makes a distinction between three dimensions of governance —polity, politics and policy— and define the polity dimension in terms of hierarchy, locus of authority and forms of interactions.

<sup>2</sup> I define causal mechanism as an agent driven action favored by structural circumstances and shaped by specific context that accentuate the original dynamics of an already occurring process.

the locus of power and authority shifts in a polity. Assessing the consequences of decentralization and federalization without accounting for the normative differences between both terms and paying little attention to causal mechanisms had an important consequence: the neglect of structural and contingent factors leading to the vertical shifts of power and authority in a polity.

By paying special attention to the difference between federalization and decentralization, and to the causal mechanisms driving these processes, I propose a framework to understand the retreat of the central state through the following questions:<sup>3</sup> Are subnational political elites able to translate their political and policy preferences into authoritative actions (subnational autonomy)? How federal arrangements protect subnational entities from authority encroachment (institutionalized authority)? Where is the locus of authority and power (hierarchy)? All these questions are interconnected. Depending on the ability of subnational political elites to transform their preferences into actions and on the institutionalization of transactional relations to minimize an eventual counter reaction of the national political elites, the locus of power and authority in a polity can be determined. Guided by these questions the paper looks at some structural aspects and strategic interaction among actors behind the processes of federalization and decentralization.

The remainder of the paper will be organized as follows. In section two I review the literature on institutional change. The subsequent section defines decentralization and federalization. Section four explains the selection of the country-cases. Section five identifies and analyzes the evolution of the national and subnational strategies in Brazil, Spain and South Africa. The following section traces the main measures behind the advancement of decentralization and federalization in the three country-cases. The last section concludes with across-country comparison and with the specification of conditions under which the balance of power has shifted in democratic Brazil, Spain and South Africa.

## **2. Institutional Changes and Federalism: State of the Art**

With the more recent attempt to explain changes in institutions, the vast literature on institutional theory left behind its initial concern in explaining stability of institutions. However, elucidating the evolution of institutions faces many challenges. The main challenge consists of understanding, on the one hand, how actor's preferences and strategies change under certain institutional arrangements, and, on the other hand, how these changes affect the overall institutional dynamics over time. One of the fundamental assumptions of theories of institutional change is that institutions and actors' expectations are not static.

Methodologically the analysis of institutional changes can be placed mainly on three axes: structure vs. agency; reinforcement vs. evolution; and endogeneity vs. exogeneity. In the first axis, the main question evolves around the issues of

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<sup>3</sup> These questions are formulated around some traits of federalism that Weingast (1995) considers in the characterization of the ideal-typical federalism. The main traits: hierarchy, subnational autonomy and institutionalized authority.

how structures influence actors and how actors can influence structures. The literature belonging to the second axis focus on questions of how institutions survive/fail, and how institutional adaptability takes place. The third axes deals with the source of change, whether it is internally or externally generated. As several of the predictions proposed under these axes have been put to test, it has become clear that the dynamics of institutional change is complex, calling for a symbiosis of approaches.

Attempting to overcome these dichotomies along each of these axes, Thelen (1999) suggests, in terms of the dichotomy structure versus agency, that interaction among actors can be contextualized in such a way that actor's preferences and actions can be associated with the contingencies of events and institutions. In terms of the maintenance and continuity of institutions, it is important to identify the mechanisms behind the institutional dynamics in order to determine the fate of institutions. After all, as Greif and Laitin (2004) observes, the change and maintenance of institutions are related to the origin of institutions and the reinforcement of parameters. Lastly, in regard to the endogenous or exogenous source of change, H eritier (2007:27) emphasizes that any model that attempts to explain change cannot exclusively rely on endogenous or exogenous factors, but on both.

Under the new institutionalist approach, which predicts that institutions shape interactions among political actors, there is a conflict among actors to influence the evolution of institutions (Thelen and Steinmo 1992:27). Fundamentally, this means that there is a structure of incentives that influences actors' behavior and that there are divergent interests among actors. Despite these normative contributions to interpret institutional changes, Olsen (2009) emphasizes that the relationship between agency, institutional arrangements and change remain largely unexplained. He contends that the inability of the institutionalist approach to explain change rests on the little importance that this approach assigns to the involvement of political actors in the process of change. Beckert (1999) concurs with the inability of institutional theories to grant a careful attention to actors, and proposes that explaining institutional changes calls for an analysis of the dynamics between strategic actors and institutions under uncertainty.<sup>4</sup>

Even when an agreement is reached over the need to understand institutional changes by assuming that strategic actors interact in an institutional environment full of uncertainties, the complexities of the institutional environment are too great to determine with precision what accrues to institutional changes. Several variables such as internal dynamics, hierarchy among actors and institutions, incentives for cooperation and/or conflict could be exercising an influence in the process of institutional change. Under the complexity of institutional environments, where several factors could account for change, it is important to identify the context and conditions under which institutional variables operate. For example, Knight (1995) observes that rules have different distributional outcomes in different contexts. Similarly, Ostrom

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<sup>4</sup> Beckert's (1999:782) notion of uncertainty is related to the inability of strategic actors to calculate the final outcome of embracing a strategic position.

(2005) identifies the importance of institutional contexts in the process of institutional change.

A possible source of change is the conflictive interaction among actors. This possibility is likely to hold if one adopts Knight's (1992:14) view that social outcomes are the result of conflict among actors with diverging preferences, and that conflicts can propel change. For this reason, as Elster (1989:135) notes, bargaining becomes a mechanism for possible cooperation. Through bargaining, actors become strategic in a sense that they realigned their preferences in accordance to each other. The intergovernmental arena is a good example of how central and subnational political elites become strategic actors in their interaction.

This bargaining interaction becomes more complex when the very design of institutions is the aim of the bargaining. It is worth mentioning that political actors are well aware of the impact of their actions on institutions (Thelen and Steinmo 1992:9). When bargaining includes the very institutions that regulate such interactions, the possibility of institutional changes increases. Tracing the evolution of preferences helps to understand the source of institutional change. And as bargaining and changes are closely related, actor's preferences over institutional designs can reveal the incentives for bargaining and the evolution of choices.

The temporal dimension becomes relevant for bargaining interaction when the focus of analysis is the evolution of actor's strategy. Time as an explanatory variable contributes to explain change by showing how events can create opportunity for change and how the sequence of events leads to certain institutional outcomes. Sequencing historical events can provide important clues about the causal relationship in a chain of events (Falleti and Lynch 2007). Sequence is equally important to understand how an early historical context set a course of action that can be reinforced over time (Pedriana 2005:360). However, path-dependence theories have been used to justify institutional stability rather than change (Gorges 2001:138, Boas 2007:34) as these theories use time as an institutional constrain. Despite all, it is worth noting that mechanisms of path-dependency, when properly identified, can be useful to understand change.<sup>5</sup> Under rare moments of history, such as critical junctures, when there is as relaxation of institutional constraints (Capoccia and Kelemen 2007:343), political actors have incentives to create new institutions and a path-dependent mechanism might be triggered reinforcing the initial conditions of change. Even with the inclusion of temporality in analysing changes, the structure of incentives behind actor's actions remains critical.

Under democracy, as Olsen (2009:24) argues, institutional complexity is particularly high. Three characteristics of democracies add to the complexity of their institutional environment. First, the constellation of governmental and societal actors that influence decision making processes is broad. Second, the interaction among governmental and societal actors, as well as among

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<sup>5</sup> Pierson (2000) explains that path-dependence is observed when the costs of exiting the current path are higher than continuing it. Changes only occur when past patterns of behavior are not able to reinforce existing institutions (Greif and Laitin 2004:634).

intergovernmental actors is less hierarchical. Third, the possibilities of contestation of decisions taken are high (e.g., elections, judicial review processes). With the complexity of institutional environment under democracy, observers of institutional change have created normative and methodological devices to understand change. Kingston and Caballero (2009) suggest after comparing the different models of institutional change that political outcomes should be analyzed under the “hierarchy-of-rules” approach, which allows one to interpret the different bargaining strategies among actors within formal institutional constraints. Lindner and Rittberger (2003) in their analysis of institutional changes draw a distinction between phases of creating institutions and operating institutions.<sup>6</sup> This distinction allows the identification of different incentives behind the interaction among actors.

Adding to the already complexity of democracies, federalism creates further uncertainty due to the existence of institutions that recognizes the existence of different levels of government and enshrines the right of existence of subnational governments. This means that in federal democracies the balance of power between national and subnational governments makes the institutional environment uncertain. Conflict between the different levels of government is the underlying cause behind this uncertainty. For example, Filippov et al. (2004:40) considers the conflict as a constant element under federal dynamics and define federalism as a “potentially conflicting interaction” between levels of government. In effect, in federations there are opportunities for different levels of government to pursue their interest in detriment to other levels. Bednar (2009) analyses several transgressions that actors at the different levels of government can incur under federal arrangements. These transgressions are encroachment of power from the central government in subnational affairs, the shirking of responsibilities from the part of subnational governments as well as the shift burden between subnational governments. According to Bednar, these transgressions can never be completely resolved under federalism, even if federations are robust enough to create safeguards against these dangers.

In spite of the potential for conflict, the institutional uncertainty of federalism can also be the source of cooperation. Rector (2009) shows that cooperation makes economic and military assets more valuable and cooperation will exist among states as long as the bargaining interaction among states avoids power asymmetries. According to him, unequal relationships among actors might prevent states entering cooperation. Despite the opportunities for cooperation the balance of power that fosters it is weak, if federal actors loose bargaining power. Kincaid (1990) shows by using the evolution of intergovernmental relations in the American federalism that the incentives for cooperation among levels government can change over time due to economic, electoral and structural reasons giving birth to a coercive federalism in which the central government has an upper hand.

The fragile balance of power in democratic federations shows the importance of the bargaining interaction between national and subnational actors in striking

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<sup>6</sup> In the creation phase, as there are important issues at stake (high level concern) general rules governing actors’ interactions. In the operating phase, the nature of bargain changes as there is a conflict over on the outcomes of institutional choices made in the previous phase.

an intergovernmental power balance. In studying the origins the institutional choices behind the establishment of different systems of government in Germany and Italy in the 20<sup>th</sup> century, Zyblatt (2006) demonstrates the relevance of subnational actors that have administrative capacity to forcefully shape the territorial institutional arrangements. In addition of administrative capacity, federal actors must show the ability to commit to agreements reached. The question of credible commitment is central to Qian and Weingast's (1997) analysis of how federalism is maintained. They claim that credible commitment to non-power encroachment fosters an environment that nurtures economic prosperity under federal institutions.

In the light of this brief review, mapping changes in democratic federations requires the identification of actors and their arena of their interaction it provides clues about the structure of incentives); actor's preferences and strategies; the broader context of actor's interaction; and the parameters that actors build their expectations. These elements are fundamental to understand the micro foundations of institutional dynamics.

### **3. Defining Decentralization and Federalization**

This section provides the conceptual underpinning of this paper. Far from trying to solve the main ambiguities contained in the broad concepts of decentralization and federalization, I seek to advance minimal definitions that intend to give clarity to this paper's comparative framework.

One important aspect of the analytical framework advanced in this paper is the normative distinction between decentralization and federalization. This differentiation as it is adopted in this research is not very common, even though the need of differentiation is addressed in some studies (e.g., Bednar 2001; Blanchar and Shleifer 2000; Remmer and Wibbles 2000). Often these concepts are interpreted as being the same, or when some differentiation is made, they are understood as being subcategories of each other. For example, some analysts consider decentralization as a dimension of federalism (e.g., Lijphart 1999), while others regard federalism as a dimension of decentralization (e.g., Livingston 1952; Riker 1964; Osaghae 1990; Treisman 2007). A plausible explanation to this can be found in Remmer and Wibbles' (2000:30) words: "The neglect of institutional issues is reflected in the ongoing conflation of decentralization and federalism."

The distinction between decentralization and federalization is grounded on the observation that while the former pertains to specific rules determining distribution of resources and responsibilities, the latter concerns meta-rules governing how the system of government should function. More specifically, decentralization is a policy process that transfers of resources and responsibilities from the central government to subnational governments. Federalization, instead, is a statehood process that consists of establishing rules about organization and structure of the state with the purpose of intermediate intergovernmental relations in a context where subnational governments have the constitutionally enshrined right of existence. In a nutshell, by decentralization I refer to the realm of policy (e.g., policies that transfer



responsibilities), while by federalization I allude to the realm of statehood (e.g., structural changes in the state apparatus). Below I provide a more detailed definition of these concepts.

Considering the observations above, I define decentralization as *a downward process of transfer of responsibilities and resources from central to subnational governments through a set of measures taken on the fiscal and administrative dimensions*. I borrow this definition from Falleti (2005:328) who underlines the sequential evolution of a set of policies in a multidimensional space.

The multidimensionality of decentralization is well documented in the field. Eaton and Schroeder (2006:7) identify as one of the most important developments in the recent literature the recognition that decentralization is multidimensional. Though there is a growing convergence in the literature towards three dimensions – political, administrative and fiscal –, there is no unanimity on the division between these dimensions, and their precise boundaries.<sup>7</sup> In rare occasions decentralization takes place concurrently in all of these dimensions (Manor 1999). Usually decentralization varies across these different dimensions, sometimes leaving certain dimensions centralized.

Taking these observations into account, *fiscal decentralization is defined as the process of assigning responsibilities over raising revenues and spending resources to subnational governments*. On the other hand, *administrative decentralization is defined as the process of assigning planning and management responsibilities for the delivery of services (i.e., health, education) to subnational governments*. As far as the latter is concerned, it is important to say that, implicit in this definition, is the notion that administrative decentralization encompasses decentralization of functions.

To anticipate the upcoming discussions on democratization, I consider decentralization at the political dimension as belonging to the democratization process. This dimension is absent from my conceptualization of the process of decentralization, which will mainly encompass the fiscal and administrative dimensions.<sup>8</sup> However, I consider political decentralization as a prerequisite for

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<sup>7</sup>Also there is little agreement on the taxonomy and classification of the different types of decentralization. Bird and Vaillancourt (2006) identify three types of decentralization: deconcentration, delegation and devolution. According to this typology, under devolution only responsibilities are transferred, while under delegation only functions are transferred to subnational governments though the responsibility remains in the hands of central authorities. Under deconcentration, which is the most aggressive type of decentralization, decision-making power is transferred. For Manor (1999), in turn, the three types of decentralization are deconcentration/administrative decentralization, fiscal decentralization and devolution/democratization. In all of Manor's decentralization types, power and resources are transferred. However, little is mentioned about the decision-making and policy discretion of subnational governments. Prud'homme (1994) suggests a different classification, namely: spatial, market and administrative decentralizations. The former two do not have any direct implications to intergovernmental relations but the latter has an intergovernmental nature, and is subdivided into deconcentration, delegation and devolution.

<sup>8</sup> Political decentralization can be understood as the electoral reforms that devolve political authority to subnational governments (Falleti 2005; Grindle 2006; Cai and Treisman 2008; Kim 2008). One of the goals of these electoral changes was to create a prospect for effective political participation. As Grindle (2006:7) explains, "political decentralization, referring

the bargaining interaction between central and subnational governments, and believe it is an essential element of the events leading to fiscal and administrative decentralizations.<sup>9</sup>

As far as the definition of federalization is concerned, I conceptualize it as *an ex post constitutional process of developing the rules and mechanisms to mediate central-subnational relations*. I interpret federalization as a process of bargaining over, and agreeing upon, the creation and the reform of intergovernmental institutions under the principal of shared rule. This definition entails that the national and subnational political elites possess willingness and ability to negotiate in order to find a balance between national and subnational interests. As a result of the negotiations and the exchanges between political elites, institutional changes and innovations trigger the process of federalization.

The underlying logic behind this definition is the conception of federalism as a non-static arrangement that can be subject to a process of institutional transformation. This interpretation resonates with that of Rodden (2006:31), who defines federalism in the following way: “Federalism is best understood as a particular distribution of authority between governments, but rather a process – structured by a set of institutions – through which authority is distributed and redistributed.”

The concept of federalism adopted in this research goes beyond that of the static approach. The static approach puts emphasis on the constitutional division of power between central and subnational governments (Friedrich 1968; Duchacek 1970; Elazar 1987) leaving aside certain institutional dynamics such as constitutional reforms. This approach, apart from focusing almost exclusively on the constitutional design of the established federal models, reveals little about federal institutional changes once constitutions are adopted.

#### **4. Selection of Country-Cases**

Brazil, Spain and South Africa are grouped as a subset of federations for two main reasons: in their recent history they have lived through a critical juncture caused by a negotiated transition to democracy which led to a process of redemocratization with the involvement of the subnational political elites, and they have shown after the transition to democracy a systematic transformation of federal rules and institutions due to subnational pressure.

In all these three countries, despite the different forms of transitions, democratization occurred with negotiations and agreements. The passage from autocracy to democracy through these methods has granted national and subnational political elites the opportunity to be engaged in continued

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primarily to the popular election of local decision makers and representative but also incorporating new mechanisms for citizen participation in local government, was expected to promote stronger and better democracies.”

<sup>9</sup> This approach is similar to the “Tripartate Mixture” that Manor (1999) advances. According to Manor, decentralization can be referred to the mixture of democratic, fiscal and administrative decentralizations.

negotiations over federal and intergovernmental rules. This happened as these elites were endowed with legitimacy and authority to bargain after the establishment of the rules of the game. In other words, during and after the consolidation of democracy the political elites were engaged in intergovernmental interaction over institutional changes.

According to the first criterion, these countries experienced a transition to democracy that falls under the characteristic of a “third wave” transition as conceptualized by Huntington (1991).<sup>10</sup> However, Brazil, Spain, and South Africa are not the only federations that fulfill this criterion. In addition to Brazil to these countries the set of “third wave federations” also include Argentina, Ethiopia, Nigeria, and Russia. Despite the general commonalities of these federations in arriving at a critical juncture to democracy, in some of these federations the democratization process did not evolve thereafter. This is the particular case of Ethiopia, Nigeria and Russia. In the particular case of Argentina, although a transition to and consolidation of democracy has been observed, as some analysts point out, the subnational political elites of these countries had a marginal role in it.

In the particular case of Ethiopia there is no signs of consolidation to democracy of a transition that promised to bring ethnic equality in a divided society and to swept away the traces of its autocratic past. Despite the 1991 peaceful transition to democracy in Ethiopia, consolidation of democracy remains an incomplete undertaking (Clapham 2004; Mansfield and Snyder 2009). Ethiopia has witnessed a reemergence of nationalism of predominant ethnic groups coupled with weak institutions to guarantee an alternation of democratically elected governments.

In like fashion, the transition to democracy in Nigeria has been followed by weak signs of consolidation of democracy leading to two coup d'états in 1983 and in 1993. Showing the difficulty of democratic consolidation in Nigeria, Ifldon (2002:112) identifies the stages that have led to the demise of Nigerian elected governments: depluralization, state appropriation, regime delegitimation, interhegemonic conflict and military coup. Although the ethnic and territorial issues have been central in the Nigerian transitions to democracy (Ibeanu 2000), opportunities for a bargained interaction among national and subnational political elites representing different ethnic interests were limited. Indeed, democratization attempts in Nigeria led to political divide.

Russia experienced a breakdown of the autocratic regime giving birth to a process of democratization that in many ways did not hold its promises. The attempt of the national executive to aggrandize its institutional power created several institutional conflicts that compromised the consolidation of democracy in Russia leading to constitutional conflicts (Remington 1994). As far as the

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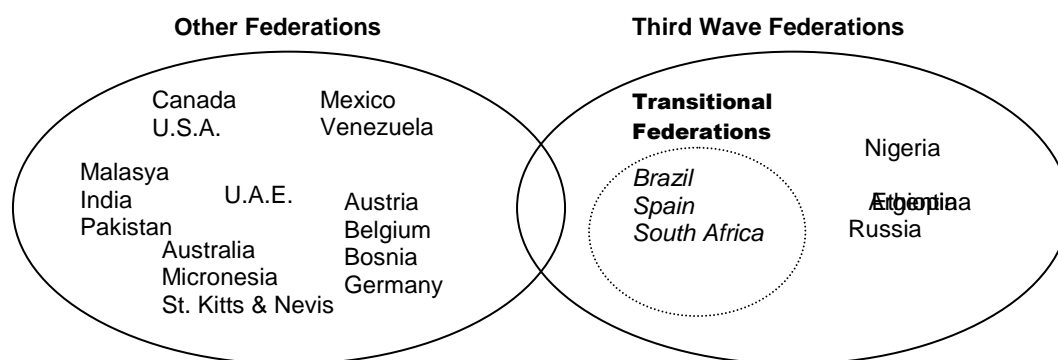
<sup>10</sup> Samuel Huntington analyzes the transition from non-democratic to democratic regime of some thirty-five countries. Huntington's third wave starts with the Carnation Revolution in Portugal and he does not indicate when it ends. A central aspect of Huntington's analysis is the identification of the conditions under which the third wave democratization occurred. The conditions are: experience of a previous effort at democratization; a high level of economic development; a favorable international political environment; early signs that the path to democracy derived primarily from within rather than outside influences; and a relatively peaceful rather than violent means of transition. Another important aspect of the third wave democratization is the process of elite negotiations, which can have different forms (e.g., transformations, replacements, and transplacements). For Huntington the agents are key to the democratization process. He explains: “democracies are created not by causes but by causers” (Huntington 1991:107).

intergovernmental dynamics are concerned, although the subnational political elites in Russia took advantage of the bickering between the presidency and the national parliament to advance certain demands (Willerton 1994:55), there was no systematic change based on intergovernmental bargaining among different levels of government.

Argentina only meets partially the criteria of the subset of transitional federations. Although Argentina followed a transition to democracy its transition did not happen under intense bargaining over federal intergovernmental system. Argentina, as such, does not classify as a transitional federation because of the lack of constant bargaining over federal institutions as a response from subnational pressures (Eaton 2004). In addition, from the very beginning of the transition the exercise of authority by subnational governments was curtailed as Peronism electorally dominated most of the provinces (Falleti 2004). In the fiscal realm, the central government has managed to impose some restrictions on the subnational governments.

Figure 1 shows the two sets of federations, the third wave federations, which have experienced transitions to democracy after 1974,<sup>11</sup> and the other federations, which have not lived through a critical juncture caused by “third wave democratization.”

Figure 1: Sets and Subsets of Federations



All in all, Brazil, Spain and South Africa are purposefully selected on the common circumstances at their transition to democracy, which is the common point of departure in the comparison across the three cases. The three main initial circumstances shared by the three countries are: robust bargaining interaction among national and subnational political elites at the time of the transition to democracy, the prevalence of subnational interest in the sequence of decentralization, and the establishment of mechanisms for intergovernmental cooperation/conflict. In all the three cases, the subnational political elites under these favorable circumstances at the time of transition to democracy took advantage of the new windows of opportunity to be engaged in a systemic process of change it is possible to infer that the method of comparison is that of a similarity.

## 5. Assessing Preferences and Strategies of National and Subnational Political Elites in Brazil, Spain and South Africa

<sup>11</sup> Huntington 1991 identifies the Portuguese Carnation Revolution of 1974 as the beginning of the Third Wave.

Building upon the fundamentals of the new institutionalist approach which predicts that conflict among differing interests can lead to piecemeal changes, I turn to the micro analysis of the changing strategies of national and subnational political elites in Brazil, Spain and South Africa. This analysis is based on two assumptions: the shift of intergovernmental balance of power between national and subnational governments is endogenously generated as it rests on the bargaining interaction among these governments; and the intergovernmental balance of power is constantly evolving provided that nation and subnational political actors are constantly pursuing the realization of their often conflicting preferences.

In a context of transition to democracy, when previous institutional constraints cease to exist and new institutions are about to emerge, the bargaining interaction among political elites becomes a critical element driving institutional changes. In particular, there are two aspects of bargaining that prompts changes: the existence of conflicting interests among the political elites and the engineering of all-encompassing contracts. Bargaining under diverse interests among actors result in institutional changes increases pressures for changes (Caparoso 2007). Equally, all-encompassing contracts, such as national constitutions, which attempt to satisfy all negotiating parties adds pressure for future change in this original contract (Elster 1989:135). A closer look at the intergovernmental arena in Brazil, Spain and South Africa from their respect transition to democracy onwards shows that national and subnational political actors were constantly reshaping their strategies as a result of their interaction for the advancement of their interests.

With the attempt to explain the evolution of the strategies of the different political elites in Brazil, Spain and South Africa, I identify the main strategies of national and political elites in these countries over time. The analysis encompasses three periods: the fall of the autocratic regime, the transition to democracy and the consolidation of democracy. Table 1 shows the time corresponding to the different periods in each country.

Table1: Periods of Analysis

Cases	Autocratic Regime (Period I)	Transition to Democracy (Period II)	Consolidation of Democracy (Period III)
<b>Brazil</b>	1982-1988	1988-1991	1991-present
<b>Spain</b>	1975-1978	1978-1982	1982-present
<b>South Africa</b>	1991-1994	1994-1999	1999-present

The strategies pursued for national and subnational political elites can be generalized in the case of Brazil, Spain and South Africa considering the context of democratization under a bargaining interaction among elites.

In the first period, when actors were negotiating the opening of the regime, the main issue in question was the design of the future democratic institutions and

the territorial arrangement. Generally speaking, the national political elites, which were composed largely of members of the outgoing autocratic regime, wanted to safeguard a political role in the future regime. The other group, the non-national political elites, or the non-autocratic elites, held strong preferences in terms of the future territorial arrangement as the members of these groups belonged mainly to parties that were not nationwide organizations and/or illegalized parties with a decentralized grassroots organization. In the constitution-making process, in which the politics of consensus among the main negotiators prevailed, the demands of all parties reigned, especially the ones demanding transfer of power and resources to subnational governments.

In the second period, when the transition to democracy officially resumed, the intergovernmental dynamics started to reflect a conflictive game. In this period the consensual tone of earlier moments was left behind. The intergovernmental arena became conflictive mainly because the interests of each level of government clashed with each other: while the national political elites wanted to transfer administrative responsibilities first, the subnational political elites wanted to have access to as much financial resources as possible, with few responsibilities. Also the implementation of constitutional provisions was a matter of conflict as each party held a different interpretation on the shared powers. It was commonplace that some constitutional provisions were immediately amended after the promulgation of the constitutions.

In the third period, the constellation of actors in the intergovernmental arena increased with the consolidation of democracy. This happens as the municipal politicians became more relevant for the intergovernmental balance of power. As this happens, the once united subnational voices become less harmonious among themselves. In a scenario there is a higher number of actors and increased conflicting interests at stake the intergovernmental dynamics came to a standstill. However, given the urgency to deliver the promises of state reforms, the different parties started to cooperate. Cooperation was exercised through intergovernmental mechanisms. These mechanisms would be used for the coordination of strategies such as the direct harmonization of the system, the creation of central monitoring on service delivery and management of financial resources, and a higher responsibility and discretion over subnational service delivery.

Table 2: Summary of Actors' Strategies

Time	Period I	Period II	Period III
<b>Actors</b>			
<b>National political elites</b>	Peaceful transition to democracy; Political relevance in the future regime	Macroeconomic stability; Dilation and change of constitutional provisions	Macroeconomic stability; Monitoring and regulation of resources and provision of services; Intergovernmental cooperation
<b>Subnational political elites</b>	Peaceful transition to democracy; Political relevance in the future regime	Transfer of resources and administrative responsibilities; Implementation and change of constitutional provisions	Improvement of political/institutional capacity; Discretion over subnational policy; Intergovernmental cooperation

Below I describe the evolution of the strategies of political elites in the pursuit of their strategic interests in Brazil, Spain and South Africa.

## **5.1 Brazil**

In Brazil its federal system of government was not under direct negotiation during its democratization. The main question before the transition was how much power the federal states and municipalities would gain in the new democratic federal regime. Although there is evidence according to Medeiros (1986:117) that the “intergovernmental lobby” existed as early as 1977, in the years preceding the transition the subnational pressure for future concessions increased. Thereafter one of the most important achievements of the subnational political elites was the direct elections of state governors in 1982. As Bruneau (1992:261) argues, the empowerment of the state governors was strategically thought by the Brazilian military junta. By conceding to certain of their demands, the military government was safeguarding a peaceful and gradual transition while preserving a privileged status for the group in the future regime. In the negotiations leading to the drafting of the constitution, the subnational lobby at the Brazilian constituent assembly was strong. Those members of the assembly with subnational ambitions were able to renegotiate the present revenue sharing arrangement. Not only did they manage to put revenue sharing at the top of the negotiating agenda, but they were also able to avoid clear assignment of expenditure among levels of government in the final text of the constitution.

The Brazilian regional political elites did not make a cohesive group as there were divisions between the northern and the southern states. Disagreements were most evident on issues concerning the distribution of financial resources, encouraging the formation of alliances among the poor northeastern and northern states, and among the richer southern and southeastern states (Souza 1997:78). Another frontline battle in the making of the constitution was between the states and the municipalities. The state governors definitely became an effective group in pushing their demands (Eaton 2004:156). In their favor, the municipalities had the special status awarded to them by the authoritarian regime; they only had to defend their already acquired rights (Samuels 2000:87; Eaton 2004:157). Despite the increasing prevalence of the municipalities, all subnational political elites advanced their interests during this period. At least three factors have favored the subnational political elites: the federal executive deployed political capital to unite governors, mayors and members of parliament into an extensive network of regional patronage to support the personal interests of the president (de Souza 1989:361; Montero 2000:64; Eaton 2003:156); many of the laws of the military regime were left untouched, e.g., clauses relating to the military judicial system and state military police, among others (Skidmore 1988:264; Zaverucha 1997) and the federal executive was willing to maintain these laws at any cost; and the main political party, the

PMDB, which was the president's party, was a strong supporter of decentralization measures and of the implementation of the constitution's decentralized provisions. In short, for the Brazilian subnational political elites, the transition to democracy represented a period of achievements that would eventually secure autonomy in the fiscal and administrative dimensions.

The new Brazilian constitution, a large and detailed text, was mainly the result of a grand undefined democratic coalition, where everyone's exigencies were accommodated (de Souza 1989:355; Power 2000:19). The lasting consequence of this encompassing constitution would be felt in the difficulties of implementing its provisions and the institutional tinkering that Brazil faced in the following years.<sup>12</sup> This situation was sustained by a conjunction of factors: on the one hand, the central government's difficulty to overcome the macroeconomic instability and to impose a deep administrative reform agenda, and, on the other hand, the state governors' fiscal profligacy and patronage practices.

This situation would coexist with little expenditure assignment to subnational governments, as the central government was responsible for the provision of most services. A contradictory scenario emerged: while the central government needed to establish macroeconomic stability, the subnational governments would overspend almost unchallenged. As Falleti (2005) concluded, the sequence of decentralization in Brazil shows the prevalence of the governor's interests over the center's interests as they gained revenue raising powers before assuming responsibility over expenditure. The Brazilian municipalities were in a different position. They not only managed to acquire competency over the collection of revenue, but also guaranteed higher transfers from the central government while increasing its tax collection capacity. These transfers were permanent and incremental. However, the municipalities, against their wishes, also assumed responsibilities that culminated in greater dependence from the centre. These unfunded mandates have limited the real autonomy of the Brazilian municipalities (Samuels 2000:84).

In Brazil during the consolidation to democracy, and in the face of the dire economic conditions and an institutional crisis, the central state started to pursue a reform agenda that required the redefinition of the role of subnational governments in the provision of services and in the pursuit of macroeconomic stability. The central government strategy was to increase the responsibility of subnational governments in the provision of services, mainly by earmarking subnational expenditure. Evidence shows that, with the onset of these reforms, the municipalities became increasingly dependent on federal transfers, and the state governors were increasingly unable to coordinate policies within their own territories (Rezende 2006:97). The financial disarray of the states inevitably led to greater cooperation between governors and the national executive (Abrucio 2006:101).

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<sup>12</sup> In Power's (2000) evaluation Brazil, after the approval of its 1988 constitution, experienced a permanent constituent assembly (i.e., "permanent *Constituyente*") as politicians were engaged in undoing what was previously done.



## 5.2 Spain

In Spain, political pacts among the elites were one of the most characteristic features of the Spanish transition. However, these pacts hardly addressed the regional question, which was the most contentious issue of the upcoming transition (Gunther 1992:48). Probably due to the complexity of the issues involved, the territorial question, or the “stateness problem” as Linz et al. (1995:89) call it, proved to be enduring, going well beyond the constitutional compromise (Heywood 1995:143). Before the constitutional pact was sealed, it was not very clear on which path of territorial negotiations Spain would embark. Only three traits of the regional negotiations became clear at the time, as Beramendi and Máiz (2004:133) identify: high level of openness and flexibility in the vertical power distribution; its asymmetric nature; and the absence of institutionalized cooperative mechanisms in the intergovernmental relations. These features are a reflection of the general conciliatory tone of the congressional Constitutional Commission in the drafting the 1978 constitution. Probably one of the most divisive moments was the inclusion of an amendment to recognize the historical rights of certain regions – a move that was supported by all parties, except the governing party, the UCD (Esteban 1989:293).

This asymmetric path was consciously taken by the national political elites, who wanted to grant autonomy to a few regions, and by the Catalan and Basque regional elites, who were aware that multilateral negotiations for autonomy would reduce their chances of concessions. The national political elites at the time were aware that, given the heightening of the political violence coming from the Basque separatist movement, Basque Country in Freedom (ETA), the territorial question would have to be formally dealt with sooner or later. As a consequence, the Democratic Convergence of Catalonia (CDC) and the Basque Nationalist Party (PNV) became important regional parties for the future of the democratic transition. For the national political elites it became clear that bringing these parties to the negotiations and giving them the possibility of governing with an “autonomous” status would enable a more encompassing constitutional pact. The main opposition party at the time, the Spanish Socialist Labor Party (PSOE), had sectors that sympathized with federalism, and was open to creating a federal-like government.<sup>13</sup> Although there were differences among the main political parties over the way this autonomy should be granted, they converged around the idea that the creation of an autonomous sphere of government was a necessary remedy that the central political elites could not afford to dismiss.<sup>14</sup> In this first period when a politics of consensus reigned, the interest of the most vociferous ACs were heard.

With the new Spanish constitution the politics of consensus was over. Gunther (1996:36) refers to this new period as the “politics of dissensus.” Disagreements were particularly observed in the intergovernmental dimension. Following the promulgation of the 1978 Constitution the two main regional parties, the PNV

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<sup>13</sup> Blas Guerrero (1989:589-590) recalls that the PSOE originally guaranteed the right of self-determination to party congresses in 1974 and 1976. Despite this initial position, the PSOE and other nationalist parties abandoned the idea of creating a *de jure* federal Spain in the constitutional debates, as Navarro (1993:196) observes.

<sup>14</sup> The main mechanism for the development of the ACs and its competencies were the Mixed Commissions, a bilateral forum where the ACs gained important leverage power.

and the CDC, started to negotiate their subnational statutes, which, in different forms, brought these parties to the negotiating table (Dorado and Varela 1989:266). Following the approval of the statutes of Catalonia and the Basque Country in 1979, the centrifugal pressures coming from other regions increased. These new regions requested accession to an autonomous status through the historical route – the route through which the Basque Country and Catalonia obtained their autonomous status. Four ACs advanced this demand: Andalusia, Canary Islands, Navarra, and Valencia.

The failed 1981 military coup devised by the members of this disenchanted group sent a clear sign to the national political elites that the territorial politics had to be tamed. With the general 1982 election, the PSOE, which was very close to obtaining a parliamentary majority, and the Popular Alliance (AP), which would consolidate itself as the main opposition party, appeared as the two main political forces in the Spanish political scenario. As Maravall and Santamaria (1989:231) explain, the results of the elections mark a new period in the Spanish transition as it created a dominant party system with only two nation-wide parties representing two distinct ideological orientations. Together these parties sought the harmonization of the devolution of competencies through organic laws. Some laws most notably a law for the harmonization of the autonomic process, the 1982 Organic Law on the Harmonization of the Autonomy Process (LOAPA), sought to strengthen the role of the central state in this process. In the fiscal dimension, the law on the financing of the ACs, the 1980 Organic Law for the Financing of the Autonomous Communities (LOFCA), attempted to architect a general structure to the asymmetric financial system. Despite all the efforts, some ACs were effective in challenging some provisions of these laws, and were able to reach bilateral agreements with the central state that were tailored to their interest.

In the Spanish consolidation of democracy, a new period of intergovernmental relations begins. Increasing conflicts between the national and regional political elites set the tone of intergovernmental dynamics. These conflicts were often taken to the Constitutional Court, which, at least in the initial case, was able to curb the centralist tendencies (Moreno 1997:82). After 1993, as Beramendi and Maíz (2004:142) explain, some regional parties (e.g., Galician Nationalist Block - BNG, Basque Nationalist Party - PNV, and Convergence and Union - CIU) started to push for constitutional reforms that envisioned the following objectives: acknowledgement of the plurinational character of Spain; the reform of the Senate, which should, at the end of reform, represent the ACs; special fiscal arrangement similar to the one enjoyed by the Basque Country and Navarra, to be extended to Galicia and Catalonia; constitutional court reform where the ACs should be represented; representation of the ACs in the European Union; and decentralization of the social security system.

Despite the central government's harmonization attempts, intergovernmental relations on the fiscal front were increasingly negotiated bilaterally through the mixed commissions. These mechanisms helped most of the ACs to secure increasing transfers from the central government. These tailored agreements often met the specific ACs' demands. In the face of growing fiscal asymmetries across the regions, the central government was unsuccessfully trying to harmonize the system while attempting to control the growing indebtedness of

subnational governments. León-Alfonso (2007:207) explains that the central government's position in these commissions was weakened as it could not pose any "credible threat" to counter the demands of autonomic governments.

### 5.3 South Africa

The transition to democracy in South Africa relied on the disappearance of deep political and racial fissures. Despite the existence of what seemed to be insurmountable problems, in 1991 South Africa initiated formal multiparty negotiations aiming to reach consensus over an interim constitution and the formation of a provisional government of national unity. Though the two main political forces, the incumbent National Party (NP) and the African National Congress (ANC) sealed several pacts dated as early as 1989, multiparty negotiations only began with the establishment of the Convention for a Democratic South Africa (CODESA). When the multiparty talks were initiated, it was already clear that the major issues would be decided between the NP and ANC (Rantete and Giliomee's 1992:516). Although the NP entered the negotiation with some of its demands met (Steytler and Mettler 2001:535), during the CODESA negotiations, the regional question loomed high on the agenda.<sup>15</sup> The two minority groups, the Zulus, represented by the Inkatha Freedom Party (IFP), and the Afrikaners, represented by the Conservative Party (CP) and the Afrikaner Voksfront (AVF), placed on the top of the negotiating agenda the adoption of a system of provinces for the new South Africa. By pushing for a federal-like system of provinces, these groups attempted to preserve some political representation through regional governments. The IFP succeeded in creating parallel negotiations outside the formal framework, a tactic that helped to accommodate some of its exigencies (Kotze 1996:49). For the NP, which included many members of the apartheid regime, the establishment of regional governments was a question of political survival.

For its part, the African National Congress (ANC) was skeptical about the establishment of regions, as it could eventually open room for a territorially divided South Africa along racial lines, just like in the apartheid regime with the Bantustans. After intense negotiations, during which talks came to a halt several times (in different moments the ANC and the IFP abandoned the talks), the ANC and the NP overcame most of their differences and agreed on the 1993 Interim Constitution. This constitution reflected the ANC's demand for majority representation at all levels of government, and the NP's demand to establish a provincial level of government.<sup>16</sup> In the bargaining process, the NP had to make concessions to the ANC, because the ANC was trying to control the political violence in its base. These concessions included guarantees for permanent power-sharing through formal minority veto.

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<sup>15</sup> The regional and minority questions were not the only relevant issues of the South African transition. As Cherry (1994) proposes, the conflicts of the South African transition should also be interpreted through a developmental approach given the important economic tensions that existed at the time.

<sup>16</sup> The Interim Constitution was approved without the IFP, whose main demands of a different election ballot for the provinces, and of a constitutional recognition of the Zulu king was not addressed at that point in time.

The South African Interim Constitution approved in December 1993 only provided a generic framework for a transition period that would be marked by political uncertainty and violence. Three months after its approval, the Interim Constitution was already being subject to amendments. Even after the amendments to the Interim Constitution, there was a general frustration amongst provinces' premiers, as it became clear that the Interim Government would be the sole guide of the process of setting up the provinces (Khosa 1998:112). After the 1994 elections, disputes between central government and the provinces intensified.<sup>17</sup> By the end of the first year in government and, in the face of increasing demand of the provinces for greater autonomy (Nel 2001:99), the ANC took a tough stand on the provincial question and embraced a policy to promote intergovernmental cooperative governance. This step meant that the old aspirations of the ANC that the provinces should be "agencies" that realize central government priorities was being implemented (Irvine 1993:22).

In the consolidation period, South Africa witnessed the forceful coordination of the central government to regulate subnational government's activities. The endorsement of the ANC as a dominant party – as by 2004 it managed to govern every single South African province – helped the national executive to neutralize any demands coming from the provinces. Under this overwhelming influence of a single party in every level of government, the provinces became irrelevant to the extent that the central government, on many occasions, openly talked about the abolition of the provincial level. As Van Zyl (2003:33) explains, the main challenge at the time was to create cooperative intergovernmental relations that would be based, not on the constitutionally determined autonomy of each level of government, but on the national priorities. In order for this strategy to be fully realized, the central government created coordinating mechanisms such as intergovernmental forums, enacted new legislation regulating subnational government's provision of services, and left the financing system entirely in the hands of the national treasury. For its part, the provincial and municipal governments, with few exceptions, attempted to resist this centrally imposed coordinated system. In the case of municipalities, the failure of certain targets in service delivery led to the direct intervention of the central government.

## **6. Assessing the Evolution of Decentralization and Federalization in Brazil, Spain and South Africa**

Considering the abovementioned changes in strategies for the advancement of the interests of the national and subnational political elites, I will trace the evolution of the legislative measures pertaining to the processes of decentralization and federalization in Brazil, Spain and South Africa. In so doing, I will pay particular attention to the sequence of the legislative outputs behind the decentralization and federalization processes, as well as to the party

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<sup>17</sup> As KwaZulu-Natal and Western Cape were trying to approve their provincial constitutions, Gauteng and Eastern Transvaal (now called Mpumalanga) embraced an independent approach to the constitutional powers of the provinces. In the Eastern Cape and the Northern Province (now called Limpopo) the provincial executives faced internal political and administrative disputes creating tensions with the central government. The central government was quick in its response.

coalitions that drove the approval of these measures. This analysis serves two purposes: to show how the constitutional compact has suffered changes, and to show the patterns of intergovernmental bargaining.

The sequence in which legislative measures are approved is important because it reveals the existence of a feedback mechanism that can either reinforce or abate the evolution of a process. In the particular case of the sequence of decentralization, it has an impact on the intergovernmental relations as it can increase or decrease the bargaining power of the national and subnational political elites. For example, some analysts predict that when the fiscal decentralization occurs before administrative decentralization, the spending power increases the leverage of the subnational governments (Falleti 2005, Rodden 2006). Similarly, the sequence of federalization can show how the norms of a federal system of government, such as the creation of municipalities, might increase the leverage power of subnational elites.

Party coalitions behind the legislative output can disclose the type of territorial political dynamics in a country as well as the incentives for bargaining. Observing territorial party dynamics allows one to account for the opportunities for cooperation among different political forces. Riker (1964) has shown that the party system affects the evolution of federal bargaining. However, there is little clarification on how, under a fragmented system of parties, national parties interact with subnational parties (Gibson and Suarez-Cao 2007:33). There is evidence in some countries that in the bargaining game to shift the intergovernmental balance of power territorial party coalition behind the decentralizing reforms can increase the leverage power of subnational political actors (Falleti 2003). Political party dynamics is so important that in certain countries where decentralization has been unexpected, the central government's decision to decentralize hinged on the electoral calculation of national ruling parties to win future subnational elections (O'Neill 2003).

In Brazil, seventeen measures in the fiscal and administrative dimensions as well as in the area of federalization shifted the intergovernmental balance of power in favor of subnational governments. The Brazilian path to subnational autonomy looks like a corkscrew. This pathway involved intense negotiations between the national executive and legislative, political parties, and many other institutions (e.g., ministries, intergovernmental forums). These negotiations started with fiscal decentralization followed by administrative decentralization on education and, then, on health. The post-constitutional federalization process started with the establishment of municipalities across the country, followed by the founding intergovernmental forums.

In Spain, nineteen measures pertaining to decentralization and federalization increased the leverage power of the Spanish autonomous communities. The Spanish path to subnational autonomy is not a straightforward one. This pathway was built amidst intense intergovernmental negotiations that started with fiscal decentralization, and was followed by administrative decentralization in education and health. The territorial organization followed a sequence where subnational statutes of autonomy (the equivalent of the subnational constitutions of the ACs) were granted priority over organic laws regulating political and administrative issues of the Spanish state. Although this path led

eventually to higher degrees of decentralization and federalization, there were deadlocks and reversals in these processes.

In South Africa, seventeen measures shifted the original balance of power reached at the promulgation of the first democratic constitution. The South African processes of decentralization and federalization show that with the transition to democracy there has been a shift in the balance of power among the central and subnational political elites. Under the Mbeki government (1999-2003) the decentralizing and federalizing reforms intensified in comparison with the preceding Mandela government (1994-1999). This intensification, however, meant that one of the central demands of the former leaders of the previous regime —the strengthening of the provincial government— would not be pursued. On the contrary, greater focus would be paid to strengthening local governments.

I provide below an analysis of the evolution of the main decentralizing and federalizing measures in Brazil, Spain, and South Africa, which appears on Appendix I.

### **6.1 Brazil**

The Brazilian political dynamics is mainly characterized by the relative weakness of the national executive vis-à-vis the national legislative (Power 2000), the fragmented multi-party system, (Abranches 1988; Mainwaring 1999), and the existence of powerful state governors (Abrucio 1998, 2003; Ames 2001; Hagopian 1996). These features of the political dynamics in Brazil can be pointed out as the cause of its intergovernmental conflict and deadlocks. This explains the intense negotiations between different political actors for the approval of intergovernmental related measures in Brazil.

In a context of conflictive intergovernmental dynamics, the Brazilian president has played an important role in forming a coalition among parties for the approval of legislative measure, in which the president often resorted to the distribution of cabinet positions to maintain the party coalition. However, this coalition is not stable as Amorin Neto (2002) observes. It is common that the president have to negotiate each individual measure with party leaders (Santos 1999, Mustapic 1999, Armijo et al. 2006:765). As Arretche (2007) demonstrates, Brazilian presidents by pulling the triggers of financial resources and constitutional amendments were able to approve new legislation in the 1990s without the veto of state governors.

Against this background, in Brazil the seventeen decentralizing and federalizing measures have been approved mainly by two types of party coalitions. The first type of coalition I call intergovernmental coalition. This coalition is formed between the government party and a catch-all party, which is either the Brazilian Party of Democratic Mobilization (PMDB) or the Liberal Front Party (PFL), or both. A second type of coalition that can be identified in Brazil in the reform process is a grand coalition of parties. This grand coalition of parties is formed when the opposition and the parties of the intergovernmental group support the national executive legislative initiatives. Table 3 shows the level of

support for legislative measures proposed by the national for each presidential term. It is important to note that the level of support for president related measures is more and less constant, independent of the party of the president.

The Brazilian sequence of decentralization reveals that autonomy over fiscal expenditure was given to the subnational governments even before the transition to democracy signaling that the preference of the subnational governments was being fulfilled. This first decentralizing move (e.g., Passos Porto Amendment), which favored the preferences of the subnational governments, was reinforced over time, until 1995 with the first law, the Camata Law, regulating subnational expenditures.

In terms of administrative decentralization, the basic educational law took years of difficult negotiations to be approved, even though an educational measure (e.g., Calmon Amendment) was approved before the 1988 constitution was promulgated. The basic laws regulating the educational and health sectors were only adopted in the consolidation phase of democracy, starting in the health sector with the 1990 Health Organic Law, and in the educational sector with the 1995 Basic Law on Education (LDB).

This prevalence of the subnational governments in the initial phase of decentralization has not gone unchallenged. Nonetheless, the central government attempted to curtail and/or regulate subnational financial and administrative responsibilities. To this end, the Brazilian national executive has resorted to presidential decrees and intense negotiations with the national congress to increase the center's monitoring, regulatory and coordinating roles. In this task the context of macroeconomic instability created new opportunities for the central government to regulate subnational finances in the government's pursuit of an economic stabilization plan.

Table 3: Brazil's Governing Party and Level of Support to Decentralizing and Federalizing Measures

Presidential Term (duration)	President's Affiliation	Governing Party Representation in the Lower House	Governing Party Representation in the Senate	Level of Support to Executive Proposals <sup>∞</sup>	Level of Support to Executive Decrees*	Intergovernmental-Related Laws†
Figueiredo (1979-1985)	ARENA	--	--	--	--	CA 23, Passos Porto Law
Sarney (1985-1990)	PMDB	53,4	77,6	71,3	72,3	CA 27
Collor (1990-1992)	PRN	8,0	6,2	65,0	50,3	Law 8142, Law 8080
Itamar (1992-1995)	No affiliation	--	--	66,0	36,65	NOB1, Law 9131, Camata Law
Cardoso (1995-1998)	PSDB	12,3	16,7	73,0	4,74	NOB2, LDB, CA 14, CA15, Kandir Law
Cardoso (1998-2002)	PSDB	19,3	14,8	70,4	2	CA 29, NOA, LRF, LCR
Lula (2002-2006)	PT	17,7	18,5	79,8	--	CA 53
Lula (2006-present)	PT	16,2	7,4	--	--	--

<sup>∞</sup>Percentage of votes in favor of the organic laws' votes in the period.

\* Percentage of decrees that have been approved in the national congress to become laws.

† Not all intergovernmental measures were had a law status. Some of the measures were internal ministerial norms.

*Source: Own elaboration based on information from the IUPERJ's electoral database, Limongi and Figueiredo (2003), Figueiredo and Limongi (2006).*

The political dynamics behind decentralization in Brazil shows that the advancement of the process relied in effect on two key parties, the PMDB and the PFL. These parties were not only part of every single government coalition formed in Brazil since the transition to democracy, but they also represented the interests of the subnational political elites. In order to approve any intergovernmental law, the government had to negotiate concessions favorable to subnational governments with the PMDB and the PFL. There was not a single intergovernmental legislative measure in Brazil that did not receive the support of one of these two parties. However, it is important to call attention to the strategies that the national executive adopted in order to increase its monitoring, regulatory and coordinating roles. The center created temporary measures with expiration date, such as the 1994 Social Emergency Fund (FPM), which decreased financial resources from subnational governments, in order to gain political support. Another strategy has been to limit the central government's resources subject to intergovernmental transfers coupled with increasing conditionalities for the transfer of financial resources to subnational governments.

In Brazil the emancipation of municipalities is one of the main developments of federalization. The increase in the number of federal units through the creation



of new municipalities has multiplied the number of political actors in the federal bargaining. The enlargement of the subnational political elites can be interpreted as a sign of subnational strength. Although the burgeoning of the Brazilian municipalities took place under different procedures across the country, this phenomenon occurred under the auspices of the states' governments. The growth of Brazilian municipalities could be interpreted as a sign of exercise of subnational autonomy especially knowing that this phenomenon has been driven mainly by the increase of financial transfers from the central government. Under this scenario, the central government has imposed limitations on the emancipation of municipalities.

The creation of intergovernmental forums to improve policy coordination among the different levels of government has been a marked feature of Brazilian federalization. These forums have been particularly relevant and active in the health sector. In the educational dimension, the main intergovernmental forum has been active in recommending policies with the participation of the subnational units; however, there are indications that the central government maintains the upper hand in forums' dynamics. In the fiscal dimension the forums have a consultative facet; however, they can be interpreted as an effort to increase compliance with public financial regulations.

Another phenomenon in the evolution of federalization in Brazil has been the usage of unconstitutional challenges before the supreme court. However, it is important to note that the judicialization of intergovernmental relations is stronger within the state level than between central and state governments. Indeed, these forums and instruments have created more robust intergovernmental dynamics in Brazil.

Several observations can be drawn from the unfolding of intergovernmental bargaining after tracing the processes of decentralization, federalization, and subnational autonomy in Brazil: it follows a path-dependent pattern despite the attempts of reversal, it follows a sequence that favors the subnational political elites, and it relies on intense negotiations between the national executive and legislative branches with two parties, which represent the interests of subnational political elites, gaining special relevance.

## **6.2 Spain**

Political dynamics in Spain is renowned for the influence of regional parties at the national level (Pallarés 1991; Hopkin 1999, 2003). The powerful role of the Spanish regional parties is facilitated by their representation at the center (Montero et al. 2004). Despite the weight of the regional parties on the national political dynamics, the two main nation-wide political parties in Spain –the Spanish Socialist Labor Party (PSOE) and the Popular Party (PP)– have been able to maintain electoral loyalty and little parliamentary fractionalization under democracy (Biezen 2003:79). The end-result of this wide constellation of relevant political actors is a political dynamics dominated by intergovernmental tensions. These tensions have two main sources: the pursuit of central government's strategies to encroach on the powers of subnational governments (Agranoff and Gallarín 1997:16; Genieys 2004:258; Requejo 2007:131), and the

loss of central government influence in intergovernmental affairs in the face of power devolution to subnational governments (Agranoff 1996; Moreno 1994; Bañón and Tamoyo 1998:121).

The intergovernmental political tensions have not prevented political parties to cooperate. In effect the interaction between regional and national parties has been central to the changes in the intergovernmental relations in democratic Spain. Field (2005) shows that the level of parliamentary support for central government initiatives is high in democratic Spain. Heller (2002:661) observes that cooperation among parties is pursued under two conditions: when a political party in the national parliament fails to win the majority of the seats, and when there is a clearly defined region for a regional party to represent.

I identify two types of coalition formation in Spain that have been crucial for the unfolding of decentralization and federalization: a nation-wide coalition and a territorial coalition. Nation-wide coalitions are those formed among the two main nation-wide parties (i.e., PP/AP-PSOE, UCD-PSOE). Territorial coalitions are those formed between a nation-wide party and at least one regional party (e.g., PNV, CIU). These party coalitions will be important to determine the path-dependent mechanism behind the unfolding of decentralization and federalization. Table 4 clearly shows the relationship between government strength and level of support for legislative measures in Spain.

The Spanish sequence of decentralization shows that fiscal autonomy in expenditure was granted before authority was transferred in the health and educational sectors, revealing that the interests of the subnational political elites prevailed in the beginning. While Spain was transiting to democracy, the fiscal dimension was first decentralized with the Law 5/1979 (for the municipalities) and the 1980 Organic Law for the Financing of the Autonomous Communities (LOFCA). This was followed by decentralization in the education and health sectors during the consolidation of democracy with the respective enactment of the 1985 Organic Law on the Right to Education (LODE) and the 1990 Law on the General Organization of the Educational System (LEGSA).

It is important to restate, however, that the evolution of decentralization was path-dependent only for the autonomous political elites, and not for the local political elites. While the former elites gained growing fiscal expenditure autonomy, the latter saw it curtailed over time. One of the strategies used by the central government was to split the process of fiscal reforms between the ACs and the municipalities. In other words, fiscal decentralization was reinforced in the case of the ACs, but it suffered a reversal in the case of the municipalities. The main conclusion that can be drawn after tracing the Spanish process of decentralization is that the evolution of decentralization in Spain gave greater autonomy to the ACs, but not to the local government.

In terms of the political dynamics behind the Spanish decentralization measures in the fiscal, education, and health areas, the analysis reveals that a coalition among nation-wide parties and regional parties advanced the process. In order for decentralizing measures to be proposed in the national parliament, a coalition between the nation-wide governing party was formed with the main nation-wide coalition party, or, alternatively, a coalition between the nation-

wide governing party and a regional party was formed. As far as centralization measures are concerned, they take place when a nation-wide party gains the majority of seats in the national parliament. These measures increase the regulatory and/or coordination role of the central government (e.g., LRHL, LOCE, LCC, LEP). It is interesting to note, however, that on at least one occasion – in the approval of the 2003 Law of Cohesion and Quality of the National Health System (LCC) – the opposition to the centralizing measures was weak, and the main opposition parties abstained or voted with unanimity. An important development that cannot be dismissed is that most of the decentralization measures at a certain point in time have been modified after their approval, indicating the revisionist facet of the decentralizing reforms.

Table 4: Spain's Governing Party and Level of Support to Decentralizing and Federalizing Measures

Legislatura (duration)	Governing Party	Main Opposition Party	Government Strength*	Organic Laws Level of Support <sup>∞</sup>	Intergovernmental-Legislative Measures
Constituent Legislature (1977-1979)	UCD	PSOE	Minority	--	Royal-Decree 11/1979
Legislature I (1979-1982)	UCD	PSOE	Minority	95	LOFCA, LOAPA
Legislature II (1982-1986)	PSOE	AP/PP	Majority	36	LODE, LEGSA, LBRL
Legislature III (1986-1989)	PSOE	AP/PP	Majority	71	LRHL, First Fiscal Agreement
Legislature IV (1989-1993)	PSOE	AP/PP	Majority	67	LOGSE, Law 25/1990, LTTCA, Second Fiscal Agreement
Legislature V (1993-1996)	PSOE	AP/PP	Minority	76	LOPEGCE
Legislature VI (1996-2000)	PP	PSOE	Minority	78	Third Fiscal Agreement
Legislature VII (2000-2004)	PP	PSOE	Majority	73	LOCE, LCC, LEP, Fourth Fiscal Agreement

\* Government strength is defined in terms of the number of seats the party that formed a government possesses in parliament.

<sup>∞</sup>Percentage of votes in favor of the organic laws votes in the period

*Source: Own elaboration based on information from Field (2005)*

As far as the process of federalization is concerned, the sequence of federalizing reforms was shown to be critical in Spain. The enshrined right of subnational autonomy was exercised through the approval of the Basque and the Catalan statutes of autonomy before any basic law regulating the main intergovernmental arrangement was put in place. In effect, the main legislations building the institutional pillars of an intergovernmental system, the 1982 Organic Law on the Harmonization of the Autonomy Process (LOAPA) and the 1984 Basic Regulatory Law of the Local (LBRL), came only a few years later. This sequence has empowered the autonomous political elites since their interests prevailed in the first move towards federalization.

In terms of coalition formation behind the federalizing measures, all the three major first legislative measures were approved by a nation-wide coalition

between the main political parties. Despite these broad coalitions behind the federalizing measures, they were subject to constant changes after their approval in the national parliament. This amendment of the federalizing measures also includes the autonomous statutes of the ACs. Another trend observed in the early 1980s is the involvement of the judicial branch in intergovernmental conflict. As shown, the pattern of unconstitutionality challenges is related to government strength: majority governments lead to the increase of unconstitutionality challenges. In addition, greater intergovernmental mechanisms, even under majority governments, have reduced the number of unconstitutionality challenges, as happened in the 1990s.

Three general conclusions can be reached after tracing the decentralization, federalization and development of subnational autonomy in Spain based on intergovernmental bargaining: it is path-dependent reinforcing the initial balance of power in favor of the political elites of the ACs, it relies on either a nation-wide coalition or on a territorial coalition, and it follows a sequential pattern of decentralization and federalization.

### **6.3 South Africa**

The political dynamics in democratic South Africa has been dominated by the politics of party coalition (Kadima 2006:15). This strategy of building coalitions for electoral survival has been one of the strategies successfully pursued by the ANC at every level of government, allowing it to become a hegemonic party in South Africa, and by the NP and the IFP in their respective provincial electoral strongholds (Botha 1996:118).

The ANC dominance has created a concentration of power at the national executive, and more specifically at the presidency (Butler 2007:44). It has not diminished the willingness of the ANC to engage in intergovernmental cooperation with other parties. Nonetheless, this dominance does not mean that intergovernmental relations in South Africa have become insignificant. On the contrary, the intergovernmental arena has gained relevance under the development of democracy (Reddy 2001:21) and the ANC has shown willingness of cooperation with other parties (Botha 2004). Although the evolution of intergovernmental bargaining in South Africa has been guided by the constitutional principle of cooperative intergovernmental relations, conflict emerged. This conflict is partly rooted in the largely undefined constitutional provisions on the role of the different levels of government (Msaseni 2000:81; Singh 2000:90). Table 5 reveals the main features of the parliamentary dynamics in South Africa from 1989 to 2008.

Table 5: South Africa's Governing Party and Level of Support to Decentralizing and Federalizing Measures

Government (duration)	Governing Party	Main Opposition Party	Governing Party Number of Seats in Parliament	Main Opposition Party Number of Seats in Parliament	Government Strength*	Laws Level of Support	Intergovernmental-Legislative Measures
De Klerk (1989-1994)	NP-ANC-IFP	FF	312 (ANC), 99(NP), 48(IFP)	14	Majority	Close to unanimity	LGTA
Mandela (1994-1999)	ANC	NP/NNP	252	82	Majority	Close to unanimity	BPPGA, SA, MSA, EEA, MDA, IFRA, NEPA
Mbeki (1999-2004)	ANC	DP/DA	266	38	Majority	Close to unanimity	RA, PTR, MFMA, MSYA, NHA, MSAA
Mbeki (2004-2008)	ANC	DP/DA	279	50	Majority	Close to unanimity	--

Source: Own elaboration based on Strand (1999) and Botha (2004)

One of the distinguished features of the South African processes of decentralization and federalization is their evolution under a dominant party system. This implies that most of the decentralizing and federalizing measures were approved with strong legislative support. However, the upper hand of the central government on the aforementioned processes did not prevent the existence of intense intergovernmental and inter-ministerial negotiations from occurring. On the contrary, the government searched for ways to engage the subnational political actors in the approval and implementation of key measures. The sequence of the decentralizing reforms in South Africa suggests that the fiscal dimension was decentralized before the administrative one, indicating the prevalence of the subnational interest over the central interesting. Following the fiscal decentralization in 1996 with the Borrowing Powers of Provincial Government Act (BPPGA), decentralization on the education front was achieved in 1997 with the School Act (SA). In the particular case of the health decentralization, which was formally initiated only in 2003 with the National Health Act (NHA), the central government encountered certain difficulties in building a consensus over key measures having to thoroughly negotiate some legislative measures. A general picture of the decentralization process in South Africa suggests that the central government was able to decentralize on its terms. In this process, the Treasury Department became the main institutional actor behind the attempt of the central government to increase its regulatory role in the fiscal dimension, also being able to influence other dimensions.

In terms of the central government strategy in advancing fiscal decentralization, it is clear the intention of the National Treasury to increase transparency in the system by tailoring specific measures for each level of government. In regard to administrative decentralization, the central government has pursued other strategies such as a clear concentration of efforts in passing education measures first and only afterwards it would focus on health decentralization. All considered, it is evident in tracing this process that the central government has designed decentralizing policies that increased the fiscal and administrative discretion of the local governments. The same does not hold for the provinces.

In terms of the federalization measures the central government was engaged as part of this process in the introduction of intergovernmental forums and the advancement of the amalgamation of local governments. This meant that the mechanisms of intergovernmental relations not only would increase in numbers but the frequency of meetings. These forums were used increasingly by the central government to augment its coordination and monitoring role.

The other face of federalization, the creation of local governments, which resulted in the reduction of the number of municipalities, has consolidated the local level of government as an autonomous level. In his process the municipalities with the supervision of province were able to choose the institutional structures that best suited local needs. Despite these windows of opportunities for the exercise of subnational autonomy, the central government through the dominant party discouraged the provincial governments to exercise some of the constitutionally assigned rights, such as the establishment of subnational constitutions. In addition, the central governments successfully dissuaded the ANC provincial and local governments to use the constitutional challenges. This explains the low judicialization of intergovernmental relations in South Africa.

Considering these main aspects of the evolution of federalization and decentralization in South Africa, with prevailing interests of subnational interests, two main conclusions can be drawn: although the processes of decentralization and federalization followed a path-dependent trajectory in South Africa, their reinforcement occurred for municipalities; and despite the dominant party system and the existence of top-down intergovernmental forums, there were opportunities for the subnational governments to exercise centrifugal pressure through intergovernmental bargaining.

## **7. Cross-Country Comparison and Discussion**

After showing that the democratic constitutions in Brazil, Spain and South Africa did not create an iron-cage of institutional development in the face of growing bargaining interaction among national and subnational political elites, I now turn to the discussion about the conditions under which the main propositions advanced in this paper hold must. For the identification of these conditions, I first briefly discuss the commonalities and differences across the cases.

One of the distinguished features of the processes of decentralization and federalization in Brazil, Spain and South Africa is the presence of credible commitments to shared responsibilities agreed at the time of the promulgation of their respective constitutions. As evidence of the commitment of the political elites to create a more balanced intergovernmental relation, in all the three countries the first decentralizing and federalizing measures received the support of most political parties.

Under this constitutional pact among the elites, the subnational political elites demanded fiscal and administrative autonomy, which have been incrementally

achieved through bargaining interaction. With a path-dependent mechanism starting from the transitions to democracy, the prevalence of subnational interests over central interests has been reinforced most of the times. With this reinforcement, subnational autonomy itself started to influence the subsequent decentralizing and federalizing measures.

The advancement of the subnational interests, however, has not prevented the central governments from pursuing certain intergovernmental strategies. In effect, the central governments in the three cases have attempted strategically to weaken one level of government while empowering the other level. In Brazil and South Africa the mayors were favored over the meso-level governments (e.g., Brazilian states and South African provinces). Differently in the Spanish case, the meso-level governments were favored over the municipal governments.

With this strategy the central governments in Brazil, Spain and South Africa have regained coordination and monitoring roles in important areas. In the particular cases of Brazil and South Africa the central governments have become important players in the policy formulation and implementation supervision of important developmental initiatives. In the case of Spain, the central government has played a stronger coordination and monitoring roles in the decentralized health and educational systems.

Despite these commonalities, the processes of decentralization and federalization in the three country-cases presented some differences. The way in which subnational political elites became relevant players in the intergovernmental bargaining varied across the cases. In Brazil, the state governors used its fiscal prerogatives to threaten macroeconomic stability. In addition, the parties with strongholds in most Brazilian municipalities became strategic to approving legislative measures in the national congress. In Spain the ACs became relevant as the main nation-wide political parties failed to gain the majority seats in the national congress. In South African, the municipalities became the main agent behind the delivery of public services in the face of a fragmented intergovernmental system and weakened provincial governments.

Another important difference among the cases is the process of structural reform that some subnational governments experienced, which changed the leverage power of these governments in the intergovernmental bargaining. In the case of Spain, some ACs during the consolidation of democracy have been engaged at changing their constitutions (statutes of autonomy), which in some cases have led to an increase of responsibilities. In Brazil and South Africa these reforms took place mainly at the municipal level. While Brazil witnessed an increase in the number of municipalities, South Africa sought a reduction in the number of its municipalities. The mushrooming of municipalities in Brazil was mainly motivated by access to greater financial reforms. Nonetheless, in South Africa the amalgamation of municipalities was the result of a local government reform that attempted to change the municipal institutional organization of the apartheid regime.

The intergovernmental instruments to change the balance of intergovernmental power also varied across the cases. The intergovernmental sector-specific forums and the “inter-territorial mixed commissions” in the case of Spain gave a

“voice” in territorial affairs to the regional political elites following the transition to democracy. Differently, in Brazil and South Africa the majority of intergovernmental forums were only established during the consolidation to democracy, and they were mainly sector-specific. Table 6 sums up the main commonalities and differences between the three countries in the evolution of decentralization and federalization.

Table 6: Commonalities and Differences across Brazil, Spain and South Africa

Commonalities	Differences
<p>•<b>Type of Transition:</b> Constitutional pact among political elites</p>	<p>•<b>Strategy for inclusion of subnational elites:</b> how subnational political elites became relevant players in the intergovernmental bargaining</p>
<p>•<b>Motivations behind decentralization and federalization:</b> Share responsibilities under credible commitments; Grant new role to the subnational governments</p>	<p>•<b>Structural reforms in the levels of government:</b> the transformation of subnational levels of government</p>
<p>•<b>Sequence of decentralization:</b> Fiscal decentralization followed by administrative decentralization</p>	<p>•<b>Intergovernmental cooperation mechanism:</b> the form and dynamics of intergovernmental interaction considering institutional mechanisms</p>
<p>•<b>The introduction of monitoring and evaluation mechanism:</b> Imposition of fiscal discipline through fiscal responsibility laws; imposition of coordinating and monitoring regulations in the health and education sectors</p> <p>•<b>Divide-and-rule strategy:</b> Central government’s strategy to gain monitoring, regulatory and coordinating role</p>	<p>•<b>Other intergovernmental mechanisms:</b> the role of judicial review in the process</p>
<p>•<b>Political support behind first decentralizing and federalizing legislative measures:</b> Coalition of parties (national and subnational) in the first decentralizing and federalizing reforms</p>	

In the face of the different patterns in the shift of intergovernmental balance of power, it is important to verify what accounts for these differences. Although all the country-cases have experienced a critical juncture while transiting to democracy, the breakaway from the past was different in each of the cases. It is important to consider that in some cases there was a great deal of institutional survival. Brazil is a case in point. While Spain and South Africa were creating federal-like institutional arrangements to correct central government biased from the past (e.g., racial segregation, cultural diversity of different regions), in Brazil federal institutions were being activated. In this regard, Spain and South Africa had to reinvent entirely new levels of government, a process that Brazil did not experience. Within the process of reinventing subnational governments, there is a crucial difference between the Spanish and the South African cases. The former case was primarily creating a meso-level structure and the latter case was mainly focused on the reinvention of the local governments. In short, whereas there was certain institutional continuity in Brazil, this continuity was absent in Spain and South Africa.

The relationship between national and subnational political parties played a significant role in the intergovernmental bargaining. In Brazil the multiparty system has forced the president’s party to seek support of parties with strong electoral support at the municipal level (e.g., PMDB). As the national executive



relied on these parties to govern, the decentralizing/federalizing reforms were negotiated with political parties with strong interests to increase local autonomy. This justifies for instance why the central government in Brazil decided to sideline the federal states and not the municipalities.

In Spain there were high centrifugal pressures coming from certain ACs and the regional parties were very effective in articulating the interest of these governments. In effect several parties in Spain have been able to consolidate themselves as the main political force at the meso-level, and by maintaining electoral dominance at a particular AC. In certain periods of time in democratic Spain (e.g., 1979 to 1982, 1993 to 2000, and 2004 to the present) regional parties have held the key to secure a parliamentary agreement to pass key legislation when a national governing party failed to secure the majority of parliamentary seats. This also makes clear the reasons behind the seclusion of municipalities in the intergovernmental bargaining in Spain. The effects of the failure of a national party to secure the majority of parliamentary seats can be felt on the process of judicial review. Whenever the central government was formed without a regional party, the level of competency challenges filed by the ACs in the Constitutional Court increased. Furthermore, when cooperation was trying to be reached through territorial forums (e.g., Bilateral Commissions), negotiations between the central governments and the ACs were conducted bilaterally in order to address the specific concerns of the latter. As such, it is clear that the relationship between political parties explains the existence high numbers of sectoral forums in Spain.

In South Africa, the dominant party system similarly impacted distinct aspects of the intergovernmental relations. The ANC dominance, which reached the point of governing all the provinces, has been able to overlook the support of certain political parties. This does not mean that the ANC in order to retain control of certain provinces did not have to forge alliances at the provinces with opposition parties. Undoubtedly, it eased centrifugal pressures, especially coming from the provincial governments that the ANC has controlled since the first democratic elections. At the local level, commitment for decentralization was strong, explaining the reasons behind the low level of judicialization in South Africa, despite problems with the exercise of competencies by certain levels of governments. In this case the ANC's party apparatus has been used to force meso-level governments to align with the central government. This exercise of power was more difficult at the municipal level, where party competition was stronger. This makes clear, for example, why the provincial political elites were secluded and not the municipalities. Despite this, the territorial forums have not only grown in numbers but they became cooperation mechanisms.

The existence of different incentives to search for subnational fiscal discipline has obliged the central governments to pursue different strategies cannot be ignored. Most certainly, the country that strived the most to achieve macroeconomic instability was Brazil in the face of the ample borrowing power of the subnational political elites. Brazilian governors and mayors are not only able to issue bonds and borrow domestically, are legally entitle to pursue both activities internationally. From the 1990s onwards the Brazilian central authorities attempted to limit subnational indebtedness being only able to

enforce it several years later. Although the Spanish central government was concerned in the 1980s with subnational spending, this problem has never threatened macroeconomic stability. The Spanish government has attempted to impose some fiscal discipline, especially in the face of the requirements for the entry of Spain in the European Monetary Union. In South Africa, the concern of subnational fiscal discipline was present from the onset of the process of fiscal decentralization, unlike in the other two cases. This is a plausible explanation for understanding why one the first fiscal measures in South Africa was to impose limitations on provincial borrowing. For the municipalities the introduction of fiscal transparency and discipline was harder to achieve, however, subnational political elites never credibly threatened macroeconomic stability.

As a result of this discussion, three main factors –intra-party relationship, institutional survival from previous regime, and fiscal incentives for borrowing and spending subnationally– can be pointed as having a variation in the patterns of decentralization and federalization across Brazil, Spain and South Africa. Despite the variations in the patterns of decentralization and federalization, the two predictions advanced in this paper hold in all three cases. There are four main conditions that the cases meet in order for the incentives to be engaged in further intergovernmental bargaining to advance their interests following the promulgation of their democratic constitutions. The four conditions:

*Condition I:* Intergovernmental forums became mechanisms for discussion of technical and territorial issues and are motivated by cooperative concerns.

*Condition II:* Subnational parties hold the key to central government formation and/or ability to successfully pass legislation.

*Condition III:* Increased robustness and inclusiveness of intergovernmental institutions allowing national and subnational political elites to pursue their preferences through strategies under bargained rules of intergovernmental interaction.

These four conditions in different ways touch upon three main realms of the change intergovernmental relations in Brazil, Spain and South Africa. These realms are: the enabling environment behind the processes of intergovernmental changes, the enabling institutional instruments for changes, and the dynamics behind the changes. The initial enabling environment in the three countries reveals a democratizing environment conducive to intense party negotiation that favored the creation of a broad coalition behind reforms. Against the backdrop of democratization Condition II is of particular importance to create a favorable environment for decentralizing and federalizing reforms. In terms of the enabling institutional instruments for the sustainability of the reforms, the political elites from different levels of government were able to resort to several institutional instruments (e.g., intergovernmental forums, fiscal revenues) to engage in intergovernmental bargaining. Conditions I and III characterize the existence of these enabling

instruments for bargaining. As far as the dynamics of the reforms are concerned, bargaining interaction with incremental advancement of preferences is the main dynamic behind the decentralizing and federalizing reforms in the three countries. Conditions III are related to the ability of political elites to engage in bargained interactions.

## **8. Conclusion**

After analyzing intergovernmental institutional changes in Brazil, Spain, and South Africa, it becomes clear that the transfer of fiscal-administrative authority and the creation of intergovernmental mechanisms have been largely driven by internal factors to these very processes, namely the sequence of the measures and the bargaining interaction among a constellation of intergovernmental actors.

This paper shows that with transition to and consolidation of democracy the Brazilian revitalization of federal dynamics and the implementation of decentralizing reforms maintained the state governors as relevant intergovernmental actors and, above all, opened a window of opportunity for mayors to become important political actors. In the case of Spain, the creation of the Autonomous Communities, the continuous transfer of competencies and resources to this level of government, and the constant demands for further devolution from the ACs forced the central government to be engaged in an increasing institutionalized intergovernmental bargaining. In South Africa the resistance of the central government to allow, through the dominant party apparatus, the provinces to exercise their constitutional powers did not prevent the central government from relying on intergovernmental mechanisms for policy implementation.

In spite of important differences among these countries in terms of how cooperation among different levels of government has been achieved, all of them increased the constellation of intergovernmental political actors with entrenched constitutional powers and access to greater fiscal and administrative resources. These political actors gradually became more autonomous to follow their own political strategies while acquiring some discretion over policy implementation and greater authority over certain policy areas.

These trends suggest that the central governments in Brazil, Spain and South Africa are engaged in a strategic game of territorial politics with subnational governments. This happens in a context where subnational political elites have more autonomy and the central state has less room for power encroachment in subnational affairs. Nonetheless, this does not mean that in the attempt of national political elites to advance their interest they will not encroach on subnational affairs. On the same token, a more cooperative mode of intergovernmental relations does not mean that subnational political elites will not attempt to exercise pressure for the advancement of their demands. It is clear, however, that despite incentives for advancing their interests, political elites are committed to preserve certain rules of the inter-bargaining game.

The notion that the balance of intergovernmental power rests on the very bargaining interaction among political elites and on the sequence of events implies that as long as there are incentives for intergovernmental bargaining, political elites will attempt to advance their interests. Furthermore, it suggests that as long as political elites are advancing their interests, a clear intergovernmental balance might not be reached. This diffusion of the locus of power and authority in the intergovernmental relations indicates that intergovernmental institutional changes are a never-ending process. Notwithstanding the over prediction of change, the paper has advanced propositions that help to understand the conditions under which a transition to democracy triggers a renegotiation of aspects of the constitutional pact having deep implications on intergovernmental relations.

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## APPENDIX I

### Decentralizing and Federalizing Measures in Brazil, Spain and South Africa

Country	Brazil	Spain	South Africa
Dimension			
<b>Fiscal Decentralization</b>	<ul style="list-style-type: none"> <li>▪Passos Porto Law (1983)</li> <li>▪Airtón Sandoval Law - Constitutional Amendment 27 (1985)</li> <li>▪Camata Law (1995)</li> <li>▪Kandir Law (1996)</li> <li>▪Fiscal Responsibility Law - LRF (2000)</li> <li>▪Criminal Fiscal Law (2000)</li> </ul>	<ul style="list-style-type: none"> <li>▪Royal-Decree 11/1979 (1979)</li> <li>▪Organic Law for the Financing of the Autonomous Communities – LOFCA (1980)</li> <li>▪Basic Regulatory Law of the Local – LBRL (1984)</li> <li>▪First Fiscal Agreement (1986)</li> <li>▪Regulatory Law on the Local Finances - LRHL (1988)</li> <li>▪Second Fiscal Agreement (1992)</li> <li>▪Third Fiscal Agreement (1997)</li> <li>▪Fourth Fiscal Agreement (2001)</li> <li>▪Law of Budgetary Stability – LSP (2001)</li> </ul>	<ul style="list-style-type: none"> <li>▪Borrowing Powers of Provincial Government Act – BPPGA (1996)</li> <li>▪Intergovernmental Fiscal Relations Act – IFRA (1997)</li> <li>▪Public Finance Management Act PFMA (1999)</li> <li>▪Provincial Tax Regulation Process Act – PTR (2001)</li> <li>▪Municipal Finance Management Act – MFMA (2003)</li> </ul>
<b>Health Decentralization</b>	<ul style="list-style-type: none"> <li>▪Health Organic Law – Organic Law 8.080 (1990)</li> <li>▪Complementary Law 8142 (1990)</li> <li>▪Second Basic Operational Norm-NOB2 (1996)</li> <li>▪Constitutional Amendment 29 (2000)</li> <li>▪Operational Norm on Health Assistance-NOA (2001)</li> </ul>	<ul style="list-style-type: none"> <li>▪General Health Law – LEGSA (1986)</li> <li>▪Law 25/1990 (1990)</li> <li>▪Law of Cohesion and Quality of the National Health System - LCC (2003)</li> </ul>	<ul style="list-style-type: none"> <li>▪Batho Pele White Paper on Transformation of Service Delivery (1994)</li> <li>▪White Paper on Health Sector Transformation (1997)</li> <li>▪Municipal Structures Amendment Act – MSA (2003)</li> <li>▪National Health Act (2003)</li> </ul>
<b>Education Decentralization</b>	<ul style="list-style-type: none"> <li>▪Calmon Amendment – Amendment 23 (1983)</li> <li>▪Basic Law on Education – LDB (1995)</li> <li>▪Constitutional Amendment 14 (1996)</li> <li>▪Constitutional Amendment 53 (2005)</li> </ul>	<ul style="list-style-type: none"> <li>▪Organic Law on the Right to Education – LODE (1985)</li> <li>▪Law on the General Organization of the Educational System – LOGSE (1990)</li> <li>▪Law on the Transfer of Competencies to the ACs – LTCCA (1992)</li> <li>▪Organic Law of Participation, Evaluation, and School Governance – LOPEGCE (1995)</li> <li>▪Organic Law on the Quality of Education – LOCE (2002)</li> </ul>	<ul style="list-style-type: none"> <li>▪National Education Policy Act – NEPA (1996)</li> <li>▪South African School Act – EEA (1996)</li> <li>▪Employment of Educators Act (1998)</li> </ul>
<b>Federalization</b>	<ul style="list-style-type: none"> <li>▪First Basic Operational Norm - NOB1 (1993)</li> <li>▪Complementary Law 9.131 (1995)</li> <li>▪Constitutional Amendment 15 (1996)</li> </ul>	<ul style="list-style-type: none"> <li>▪Organic Law on the Harmonization of the. Autonomy Process – LOAPA (1982)</li> <li>▪Basic Regulatory Law of the Local – LBRL (1984)</li> </ul>	<ul style="list-style-type: none"> <li>▪Local Government Transitional Act (1993)</li> <li>▪White Paper on Local Government (March 1998)</li> <li>▪Municipal Demarcation Act – MDA (July 1998)</li> <li>▪Municipal Structures Act - (December 1998)</li> <li>▪Municipal Systems Act (2000)</li> </ul>