

**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 article 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 institutional changes 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 article 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.

1. Introduction

This article analyzes the process of decentralization and federalization in democratic Brazil, Spain and South Africa. By focusing on the outcome of bargained interactions between national and subnational politicians, this article will examine two propositions. 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 article is grounded on the experiences of three countries at three different continents, which increases 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 article is to pinpoint conditions under which the propositions advanced in the article 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 intergovernmental 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. Recent scholarship, nonetheless, indicates that empowering subnational government not necessarily a natural consequence of decentralization and that it can be used to favour the centre vis-à-vis subnational units (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, and the lack of conceptual distinction between the different but related processes of decentralization and federalization, which could enlighten any analysis on how the locus of power and authority shifts 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 sequence of events that lead to a peace meal changes in the intergovernmental balance of power. 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.

The remainder of the article 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 cases. Section five and six expand on the foundations of the intergovernmental bargained interaction behind decentralization and federalization across the country-cases. The following section specifies the conditions under which the balance of power has shifted in democratic Brazil, Spain and South Africa. The last section concludes.

2. Institutional Changes and Federalism: State of the Art

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. Notable problems such as how strategic actors and institutional arrangements interact to produce changes remain unanswered.

Methodologically the analysis of institutional changes can be placed mainly on three axes: structure vs. agency; reinforcement vs. evolution; and endogeneity vs. exogeneity. 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 the dichotomies along each of these axes, Thelen (1999) suggests 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. 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.

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 (Knight 1995, Ostrom 2005, Mahoney and Thelen 2010).

A possible source of institutional change is the conflictive interaction among actors. The notion that conflicts can propel change is found in Knight's (1992:14) view that social outcomes are the result of conflict among actors with diverging preferences. 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. Temporality helps to interpret ordering of events, the dynamics of a process and the mechanisms of change (Grzymala-Busse 2011). Time has often been used as an explanatory variable. 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). Along these lines, 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.

Institutional incentives vary with the political regime in place. 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 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 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. 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 potential conflicts behind the implementation of the principle of shared-rule. This implies 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 (Biela et al. 2012, Filippov et al. 2004:40, Bednar 2009). The fragile balance of power in federations shows the importance of the bargaining interaction between national and subnational actors in striking an intergovernmental power balance (Tafel 2011).

In the light of this review, mapping changes in democratic federations requires the identification of actors and their arena of interaction. In order to interpret the shifts in the intergovernmental balance of power based on the fundamentals of the literature of institutional change it is important to consider the institutional context (it provides clues about the structure of incentives), actor’s preferences and strategies, the broader context of actor’s interaction, the parameters that actors build their expectations, and the policy goals.

3. Conceptualizing Decentralization and Federalization

This section also provides the conceptual underpinning of this article. 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 article’s comparative framework.

One important aspect of the analytical framework advanced here is the normative distinction between decentralization and federalization. This differentiation as adopted in this article is not very common, even though the need of differentiation is addressed in some studies (e.g., 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). It is also commonplace the use of federalism and political decentralization as synonymous (e.g., Brancati 2008).

My 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.

Considering the observations above, I conceptualize federalization 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.

As far as the definition of federalization is concerned, 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. Taking into account the multidimensional face of decentralization, fiscal decentralization is defined in this article 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 important to say that, implicit in this definition, is the notion that administrative decentralization encompasses decentralization of functions.

Considering that 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), it is possible to say that normatively these two processes relate to each other in the following way: federalization creates the institutional structure for decentralizing policies to be carried out.

4. Comparing Brazil, Spain, and South Africa

In order to understand the common patterns of decentralization and federalization under different institutional settings, I rely on three case studies. This will be particularly important to identify the conditions under which these two processes evolve.

Brazil, Spain and South Africa are cases where decentralization and federalization took place against the background of democratization. They were selected based on their modes of democratization which was marked by the constant bargaining between national and

subnational political elites in a federal institutional setting. Many other federal countries that experienced a third wave democratization have been considered, namely Argentina, Bosnia-Herzegovina, Ethiopia and Nigeria, however, the initial mode of intergovernmental negotiation used in the democratization of these countries was different than that used in Brazil, Spain and South Africa. While in the former countries negotiations between national and subnational political elites were downplayed, in the latter countries intergovernmental negotiations were a fundamental element in their transition to democracy.

The selection of Brazil, Spain and South Africa follow the logic of agreement, where a common phenomenon is observed despite variation in institutional variables among the countries. A central difference to among the cases is 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 reactivated. 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.

In terms of forms of government, Brazil has a presidential system, Spain a parliamentary system, and South Africa a semi-parliamentarian system which creates different incentives behind coalition formation is markedly different between these countries. In terms of electoral systems, there is variation the proportionality of the electoral system. Brazil has a majoritarian system while Spain and South Africa have a proportional system, which have an implication to the party system and representation of territorial units. The three countries are bicameral federal states presenting different degrees of bicameralism, which has different implications to policy-making process. Spain and South Africa present a moderate bicameralism, while Brazil shows a strong bicameralism.

The differences between the countries do not stop here. Each country experienced a different process of subnational institutional reform, which could have changed the leverage power of these governments in the intergovernmental bargaining. In the case of Spain, some regions 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.

5. Deconstructing the Bargaining Between National and Subnational Political Elites in Brazil, Spain and South Africa

Building upon the fundamentals of the new institutionalist approach which predicts that conflict among differing interests can lead to piecemeal changes (Mahoney and Thelen 2010), 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 frequently 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 (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 during democratization shows that national and subnational political actors often reshaped their strategies as a result of their interaction for the advancement of their interests.

This article embraces the notion that bargaining is embedded in a temporal dimension. This means that over time the bargained interaction leads to a sequence of events that build a path. The impact of time over the interaction among actors is specially felt on the narrowing of available choices to the actors. In other words, time has a lock-in effect on the bargaining path. Following Schreyogg and Sydow's (2010) explanation about the construction of a path containing at least three phases—a pre-formation phase, a formation phase, and a lock-in phase—the evolution of decentralization in Brazil, Spain and South Africa will be divided in three periods following this rationale. Correspondingly, the analysis encompasses three periods that respectively coincide with the fall of the autocratic regime, the transition to democracy and the consolidation of democracy (See Figure 1).

In the sequential pattern of the evolution of federalization and decentralization in Brazil, Spain and South Africa, one can observe the influence of a path dependent mechanism. Under this mechanism, it is expected that similar sequencing of events across the cases, produce similar results. This should occur despite the different institutional variations across the cases. This happens as the sequence of events composing the decentralization and federalization paths are characterized by a critical juncture that ignites institutional change, the attempt of actors to advance their preferences, and aspects of institutional survival of the old regime. Based on these elements, federalization and decentralization are best understood as a reactive sequencing, a concept which Breznitz (2010:29) defines as a sequence of events that are reactions of prior events or the origin of a succeeding event.

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 political actors (See Table 1).

In the first period, when actors were negotiating the demise of the autocratic 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 this group belonged mainly to parties that were not nationwide and/or that were illegalized parties with a decentralized grassroots organization. In the constitution-making process a consensual dynamics allowed that the creation of all-encompassing constitutions where the demands of all parties prevailed, including the ones demanding transfer of power and resources to subnational governments. This convergence occurs as interaction among actors is essential in times of uncertainties because through a process of realignment of mutual beliefs actors overcome uncertainty (Ermakoff 2010).

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. Whereas the national politicians wanted to transfer administrative responsibilities first, the subnational politicians 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 lack of coordination between national and subnational governments, some subnational governments want to increase the initial gains of the constitutional pact, while the national government tries to curtail the initial gains. In this period, the patterned interaction was characterized by the attempt of subnational politicians to advance their interests in further shifting the intergovernmental balance of power and the desire of the national politicians to reverse this initial shift.

In the third period, the constellation of actors in the intergovernmental arena increased with the consolidation of democracy. This happens as the subnational governments started to matter differently to the intergovernmental balance of power. The once united subnational voices started to be in disagreement. With the augmentation of conflicting interests, the intergovernmental dynamics came to a standstill. However, given the urgency to deliver the promises of reforms, the different parties started to cooperate. Cooperation was exercised through intergovernmental institutions. These institutions 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. In this lock-in period the cooperation among the national and subnational political elites creates an accommodation of interests that the shifts in the intergovernmental balance of power come to a halt.

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

coalitions that drove the approval of these measures. This analysis serves one main purpose: to show the patterns of intergovernmental bargaining over time.

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 politicians over time. 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 and the establishment of new constituent federal units, might increase the leverage power of subnational actors.

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. The countries selected present political parties with strong regional electoral supports with potential to impact the national political dynamics. In Spain and South Africa there are consolidated regional parties and in Brazil some national parties have a regional electoral stronghold. There is evidence in some countries that intergovernmental bargaining can shift the territorial balance of based on the coalition of parties behind the decentralizing reforms (Falleti 2010). Furthermore, the central government's decision to decentralize hinged on the electoral calculation of national ruling parties to win future subnational elections (O'Neill 2003).

6.1 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, 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. Yet, political parties have shown an important orientation in the voting behavior of Brazilian politicians. In the Brazilian national senate, which is a territorial chamber, national senators vote along party orientation (Arretche 2010). Under a broad coalition of national and subnational politicians aligned along an integrated party system, federalization and decentralization progressed in Brazil.

In Brazil, eighteen 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. 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 (See Figure 2). The post-constitutional federalization process started with the establishment of municipalities across the country, followed by the founding intergovernmental forums. Several observations can be drawn from the unfolding of intergovernmental bargaining after tracing the processes of decentralization

and federalization in Brazil: it follows a path-dependent pattern despite the attempts of reversal from the central government, it follows a sequence that favors the interests of subnational politicians, and it relies on intense negotiations between the national executive and legislative branches with two the Brazilian Party of Democratic Mobilization (PMDB) and the Party of the Liberal Left (PFL), 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 2003). 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 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. Under these political dynamics, federalization and decentralization evolved in Spain.

In Spain, nineteen measures pertaining to decentralization and federalization increased the leverage power of the Spanish autonomous communities. The Spanish path to self-rule was built amidst intense intergovernmental negotiations that started with fiscal decentralization, and was followed by administrative decentralization in education and health (See Figure 3). In terms of the territorial architecture of the Spanish regions, its construction followed a sequence where subnational statutes of autonomy 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. 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 successfully pursued by the ANC at every level of government, allowing it to become a hegemonic party in South Africa. A similar strategy has been followed by the National Party (NP) and the Inthaka Freedom Party (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). This dominance has not prevented the ANC from willing to cooperate with other parties and the intergovernmental arena has gained relevance under the development of democracy (Reddy 2001:21). Under dominant party system federalization and decentralization progressed in South Africa with strategic coalition at the regional and local levels.

In South Africa, seventeen measures shifted the original balance of power reached at the promulgation of the first democratic constitution. Federalization measures preceded decentralization measures, and fiscal decentralization (See Figure 4). 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.

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 politicians, I now turn to the conditions under which the main propositions advanced in this article hold. For the identification of these conditions, first I briefly discuss the commonalities across the cases in the evolution of federalization and decentralization.

One of the distinguished features of the processes of decentralization and federalization in Brazil, Spain and South Africa is the presence of credible commitments of both national and subnational politicians 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 main legislative measures in all the cases received the support of most political parties. In effect, they were supported by a broad territorial coalition of national and subnational politicians. Subsequently, in the implementation phase of the constitutional agreement, conflict emerged although the subnational politicians managed to have their preferences prevail.

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 role in the decentralized health and educational systems.

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 and PFL). As the national executive relied on these parties to govern, the decentralizing/federalizing reforms were negotiated with political parties with strong interests to increase self rule. This justifies for instance why the central government in Brazil decided to sideline the federal states and not the municipalities. In Spain the regional parties were very effective in articulating the interest of ACs' 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 South Africa, the ANC dominance, which reached the point of governing all the provinces, has halted centrifugal pressures coming from the provincial governments, and through the party apparatus provincial governments were forced to align with the priorities of the central government. This exercise of power was more difficult at the municipal level, where party competition was stronger and the ANC had to engage with coalition formation in order to govern. This makes clear, for example, why the provincial political elites were secluded and not the municipalities.

From a general perspective, as a result federalization and decentralization measures the shift in the balance of intergovernmental power in the three countries occurred under constant intergovernmental negotiations. Under the mechanism of path, which incrementally shifted the balance of power towards subnational governments, the interest of at least one level of the subnational government prevailed. There are two 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: Subnational parties hold the key to central government formation and/or ability to successfully pass legislation.

Condition II: 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 two 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.

8. Final Remarks

After mapping out the 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.

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 federalizing and decentralizing reforms. Against the backdrop of democratization the condition that the subnational parties are key to bring to a standstill or facilitate the approval of legislations is of particular importance to create a favorable environment for federalization and decentralization.

In terms of the enabling institutional instruments for the sustainability of federalization and decentralization, 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. The creation of robust and inclusive institutions characterizes 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.

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Figures and Tables

Figure 1: Path-Dependent Evolution of Federalization and Decentralization in Brazil, Spain and South Africa

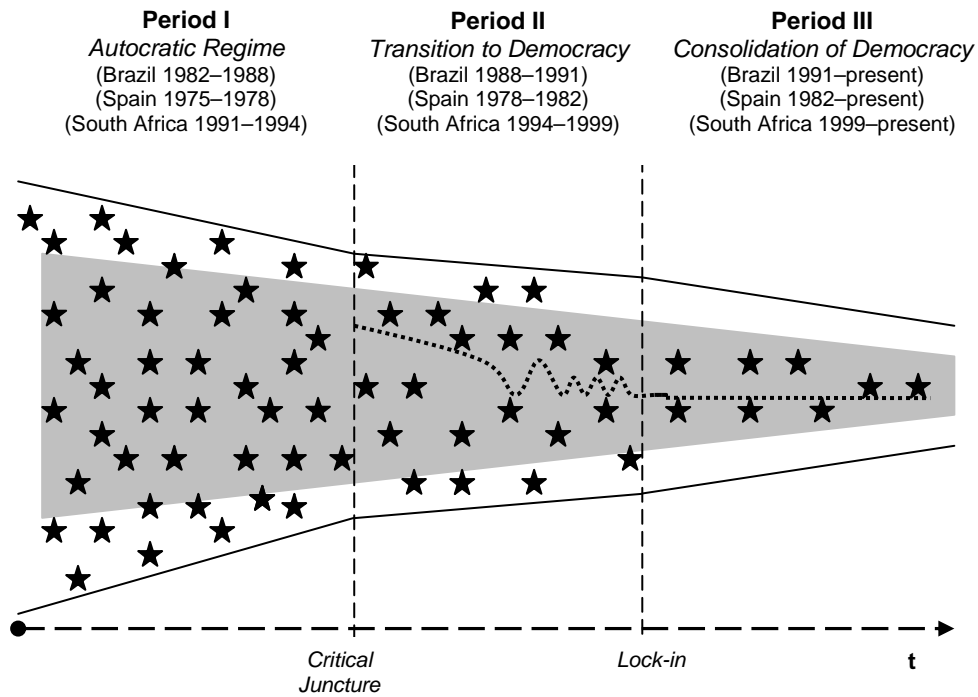


Figure 2: The Brazilian Decentralization and Federalization

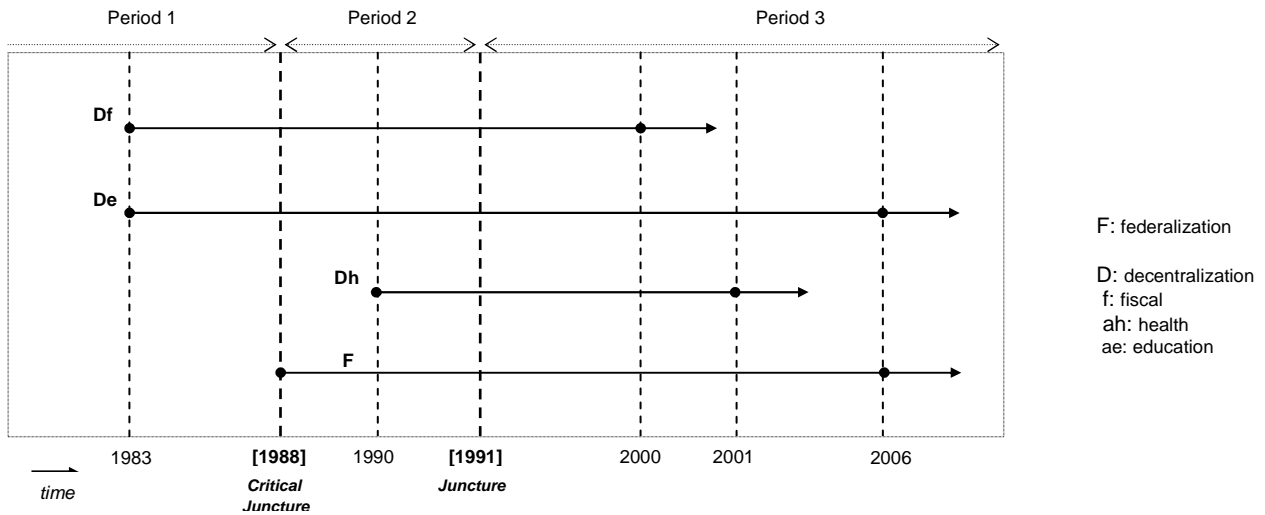


Figure 3: The Spanish Decentralization and Federalization

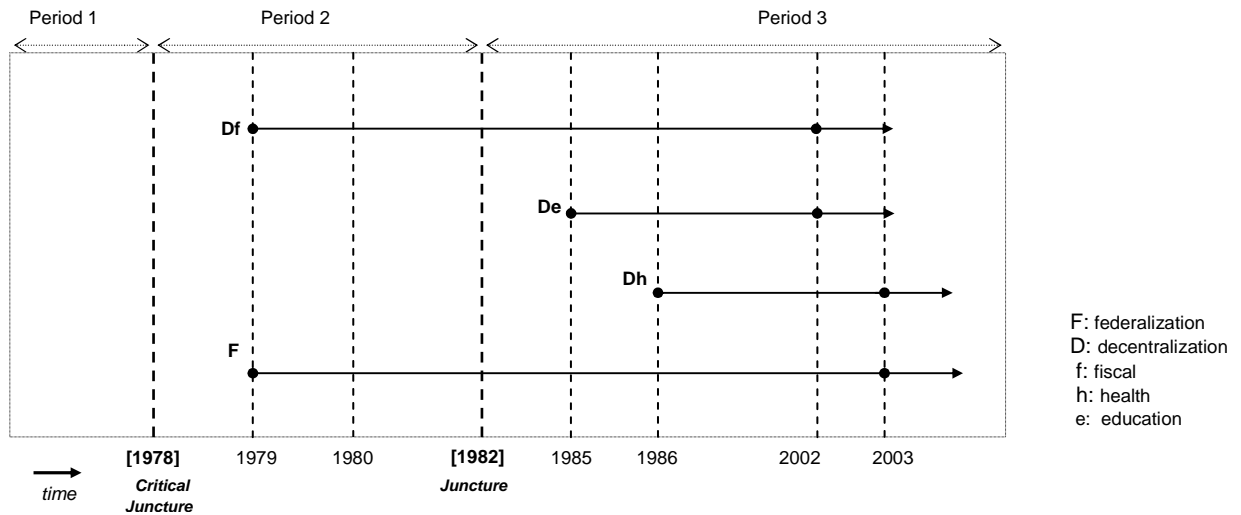


Figure 4: The South Africa Decentralization and Federalization

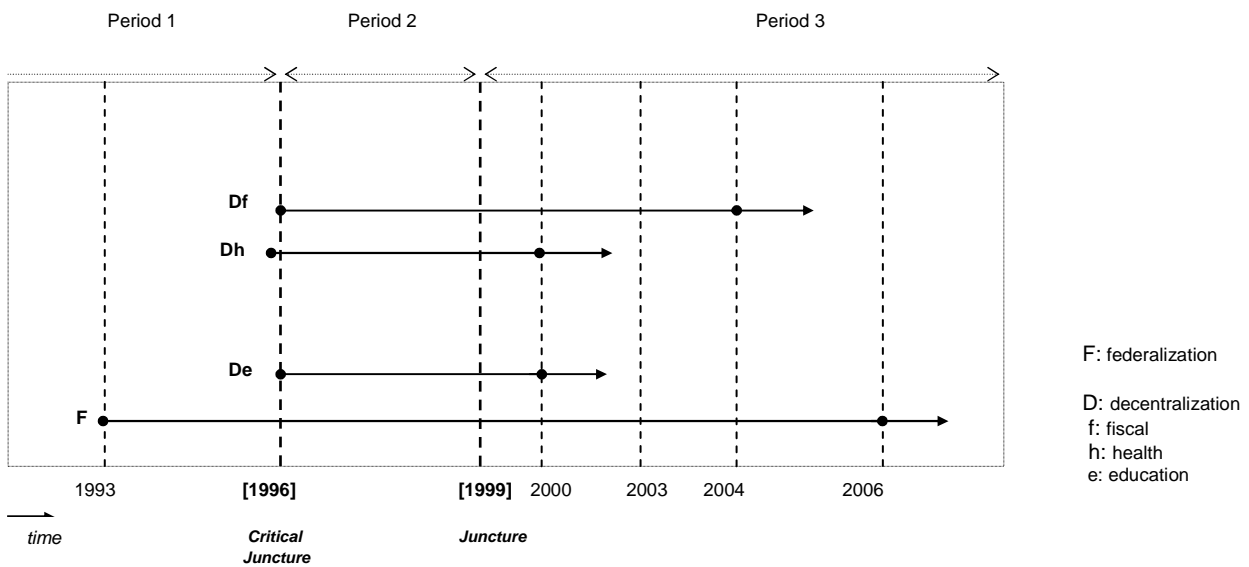


Table 1: Summary of Actors' Strategies

Actors	Time	Period I	Period II	Period III
National political elites		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
Subnational political elites		Peaceful transition to democracy; Political relevance in the future regime	Transfer of resources and administrative responsibilities; Implementation and change of constitutional	Improvement of political/institutional capacity; Discretion over subnational policy; Intergovernmental

Table 2: Decentralizing and Federalizing Measures in Brazil, Spain and South Africa

Country	Brazil (BR)	Spain (SP)	South Africa (SA)
Dimension			
Fiscal Decentralization	<ul style="list-style-type: none"> ▪ Passos Porto Law – Constitutional Amendment 23 (1983) ▪ Airton Sandoval Law - Constitutional Amendment 27 (1985) ▪ Camata Law (1995) ▪ Kandir Law (1996) ▪ Fiscal Responsibility Law - LRF (2000) ▪ Criminal Fiscal Law (2000) 	<ul style="list-style-type: none"> ▪ Royal-Decree 11/1979 (1979) ▪ Organic Law for the Financing of the Autonomous Communities – LOFCA (1980) ▪ Basic Regulatory Law of the Local – LBRL (1984) ▪ First Fiscal Agreement (1986) ▪ Regulatory Law on the Local Finances - LRHL (1988) ▪ Second Fiscal Agreement (1992) ▪ Third Fiscal Agreement (1997) ▪ Fourth Fiscal Agreement (2001) ▪ Law of Budgetary Stability – LSP (2001) 	<ul style="list-style-type: none"> ▪ Borrowing Powers of Provincial Government Act – BPPGA (1996) ▪ Intergovernmental Fiscal Relations Act – IFRA (1997) ▪ Public Finance Management Act PFMA (1999) ▪ Provincial Tax Regulation Process Act – PTR (2001) ▪ Municipal Finance Management Act – MFMA (2003)
Health Decentralization	<ul style="list-style-type: none"> ▪ Health Organic Law – Organic Law 8.080 (1990) ▪ Complementary Law 8142 (1990) ▪ Second Basic Operational Norm-NOB2 (1996) ▪ Constitutional Amendment 29 (2000) ▪ Operational Norm on Health Assistance-NOA (2001) 	<ul style="list-style-type: none"> ▪ General Health Law – LEGSA (1986) ▪ Law 25/1990 (1990) ▪ Law of Cohesion and Quality of the National Health System - LCC (2003) 	<ul style="list-style-type: none"> ▪ Batho Pele White Article on Transformation of Service Delivery (1994) ▪ White Article on Health Sector Transformation (1997) ▪ Municipal Structures Amendment Act – MSAA (2003) ▪ National Health Act (2003)
Education Decentralization	<ul style="list-style-type: none"> ▪ Calmon Law – Constitutional Amendment 23 (1983) ▪ Darcy Ribeiro Law/Basic Law on Education – LDB (1996) ▪ Constitutional Amendment 14 (1996) ▪ Constitutional Amendment 53 (2006) 	<ul style="list-style-type: none"> ▪ Organic Law on the Right to Education – LODE (1985) ▪ Law on the General Organization of the Educational System – LOGSE (1990) ▪ Law on the Transfer of Competencies to the ACs – LTCCA (1992) ▪ Organic Law of Participation, Evaluation, and School Governance – LOPEGCE (1995) ▪ Organic Law on the Quality of Education – LOCE (2002) 	<ul style="list-style-type: none"> ▪ National Education Policy Act – NEPA (1996) ▪ South African School Act – EEA (1996) ▪ Employment of Educators Act (1998)
Federalization	<ul style="list-style-type: none"> ▪ First Basic Operational Norm - NOB1 (1993) ▪ Complementary Law 9.131 (1995) ▪ Constitutional Amendment 15 (1996) 	<ul style="list-style-type: none"> ▪ Organic Law on the Harmonization of the. Autonomy Process – LOAPA (1982) ▪ Basic Regulatory Law of the Local – LBRL (1984) 	<ul style="list-style-type: none"> ▪ Local Government Transitional Act (1993) ▪ White Article on Local Government (March 1998) ▪ Municipal Demarcation Act – MDA (July 1998) ▪ Municipal Structures Act - (December 1998) ▪ Municipal Systems Act (2000)