

Institutional Choices on the Brazilian Agricultural Frontier: Strengthening Civil Society or Outsourcing Centralized Natural Resource Management?

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“Since 1993, “social capital” has become one of the key terms of the development lexicon, adopted enthusiastically by international organizations, national governments and NGOs alike.”
(Harriss and de Renzio, 1997)

“Disenchanted with utopias of either the left or the right, as the century drew to a close, and willing to settle for less heroic alternatives, many came to believe that market failures are the rule rather than the exception and that governments are neither sufficiently informed or sufficient accountable to correct market failures. Social capital was swept to prominence not on its merits, but on the defects of its alternatives.”
(Bowles and Gintis, 2002).

Introduction

In this research we discuss the institutional choices concerning development and environmental projects made by government and donors in the Brazilian Amazon. Those choices involve the empowerment of civil society, i.e. grassroots organizations (GROs) and Non-Governmental Organizations (NGOs), and neglect the role of democratically elected municipal governments. We try to understand the rationale behind those choices, as well as its impacts on democratic decentralization.

The case focus on a “umbrella organization” – FVPP –, which claims to represents some 100 grassroots movements along the Transamazônica highway, in the state of Pará, Brazil. This region is an open agricultural and forestry frontier and has a large population of small holders, usually known as *colonos* (colonists), who migrated to the region in successive waves of spontaneous and state-led colonization, during the 1970s and 1980s. Their livelihoods are based on subsistence agriculture (maize, rice, beans, and cassava), some cash crops (black pepper, cocoa, and coffer), and to a lesser extent, small-scale timber extraction. Besides the colonists, there are other important groups in the region, such as *Ribeirinhos* (river dwellers), Indigenous groups, ranchers, loggers, and professional land-grabbers. Conflicts over land and forest resources are rampant, and sometimes violent.

FVPP¹, formally a foundation, is a NGO that came into being as the executive arm of the rural labor unions and grassroots organizations spread throughout the region. Those organizations constitute a network known as “Movimento pelo Desenvolvimento da Transamazônica e Xingu” (Movement for the Development of the Transamazônica and Xingu River Region), or MDTX. As unions in Brazil cannot legally receive financial resources from the government, their leaders decided to constitute such an NGO to raise funds and carry out development projects in eleven municipalities along the Transamazônica highway and the lower Xingu River.

¹ The acronym stands for *Fundação Viver, Produzir, Preservar*

Resources transferred are mainly financial and material – grant moneys, computers, cars, GIS equipment, etc.. FVPP has several sources of support, including, USAID, the European Community, the Brazilian Ministry of Environment, and the Brazilian Environment and Natural Resources Agency (IBAMA). The natural resources involved are mainly land and forests. The latter is becoming increasingly important, for most colonists have reached the legal deforestation limit (20%) of their properties, and desperately need additional sources of income. Small-scale forestry is a promising alternative; nevertheless, excessive bureaucracy and centralization, oligopsonistic markets, lack of credit, technical assistance and infrastructure have hindered it. FVPP has been increasingly gaining a distinctive role in negotiating institutional changes to alter this picture.

Electing a NGO like FVPP as a major actor in the field of development and environmental governance can have at least two serious consequences. The first one has to do with the institutionalization of local democratic governance. In theory, the empowerment of NGOS and GROs can contribute to local democracy by strengthening civil society and building capacity for popular participation. However, when those organizations start taking over responsibilities that belong to the state (and the this concept embraces national, local and intermediary levels of government), the outcome is competition, rather than cooperation and societal control. This problem is particularly relevant in the political context of the Brazilian Amazon, where decentralization of natural resource policies advances at a very slow pace (Toni and Kaimowitz, 2003; Toni and Pacheco, 2005). Moreover, as NGOs are not accountable to the public, the local population, or at least part of it - the one that is not represented by those organizations - loses institutionalized channels to influence decisions at the local level. Therefore, there occurs a reduction of the space of democratic public interaction, or the public domain (Ribot, 2005).

The second consequence relates to the impact of these institutional choices on the very NGOs that receive funding. There is no reason to doubt that most NGOs were created in good faith to represent certain groups and solve pressing problems that were not adequately addressed by governments. This was certainly the case of FVPP in Amazônia. However, as they get more opportunities for funding, they face some serious risks, which include: a) providing services in a much larger scale than they can possibly afford, therefore lowering the quality of those services and their efficiency as a service provider; b) compromising their performance in other activities; c) weakening their legitimacy as independent actors and; d) shifting accountability from their constituency to their donors (see Edwards and Hulme, 1996). As NGOs grow, getting more funding becomes crucial to their survival, for they face increasing more administrative costs.

A hypothesis to explain why donors chose to empower civil society is that bi-lateral agencies and the central government distrust municipal governments, on the grounds that they are corrupt and can be easily manipulated by local elites. This suspicion is not completely unreasoned. Members of local elites who mine natural resources for their living and antagonize with small-scale farmers and indigenous groups usually head municipalities in Amazonia. Donors and the federal government fear that decentralization will reinforce their power over natural resources, which in turn will cause further deforestation and exclusion of marginalized sectors of the rural population.

Strengthening the sectors of civil society that are antagonistic to the interests of loggers and ranchers is an important way to counterbalance their power. However, there

are institutional arrangements to render municipal governments accountable that also need to be strengthened, but have been neglected due to this narrow focus on civil society.

Besides fears of corruption and abuse, most donors share a strong belief in community driven development and empowerment of civil society, an idea that became very popular in Brazil following the United Nations Conference on Development and the Environment (Rio-92).

International donors also make their choice based on a deeply rooted belief that states are inefficient and should play a modest, if any role, in development. In the case of the central government, this strategy may disguise an attempt to circumvent decentralization. FVPP has become almost an executive arm (with limited powers, though) of the Ministry of Environment and other donors. This unwritten alliance represents a reinforcement of centralization by means of a disguised privatization. Even though NGOs like the FVPP do not receive formal decision-making powers over natural resources, they drain public resource that otherwise could be used to strengthen democratically elected and downward accountable municipal governments.

This paper has six sections. The first one describes the political, administrative, and fiscal structure of Brazilian Municipalities and discuss its role in natural resources management. In the second section we briefly provide some background information on the research site – the Transamazonica region. In the next section we present the history of social mobilization in the area. In section four we examine the sources of funding available to the FVPP and discuss its relationship with donors and municipal government. Finally, before our final conclusions and remarks, we discuss a few hypothesis about the institutional choices of donor (i.e. to support a private foundation) and of the FVPP itself (to engage in collaboration with GROs, rather than with municipal governments).

Municipalities

Political and Administrative structure

In Brazil, mayors head the municipal executive branch of government, and name secretaries, advisors and a few other staff members. The local legislative – Municipal Chamber - is composed by a number of elected councilors proportional to the municipality's population. Both councilors and mayors are elected for a four-year term. Councilors can be reelected unlimited times. Mayors can run for a second term in office. After another term out of office they are allowed to run again for two more terms, and so on.

The Brazilian constitution determines that all the municipalities have secretariats of health, education, and social assistance. They can have other secretariats at their discretion (mayors and Municipal Chambers) and according to their financial means. Most municipalities have secretariats of planning and or finances. Usually, the larger and richer the municipalities, the more secretariats they have. The forest-rich municipalities of Amazonia usually have the mandatory secretariats and just a couple of other secretariats. Secretariats of Agriculture are the most common ones. Recently, environmental issues entered the local agenda, and municipal governments started creating environmental departments or even autonomous secretariats of environment.

The Municipal Chamber drafts laws, approve, amend and follow up the budget proposed by the executive and monitor the activities of the executive branch. In addition to the Chamber, the municipalities must have councils of popular participation to democratize policy decisions. In areas such as education, health, and social assistance, those councils are mandatory. If the mayor and secretariats fail to form them, the federal government can block the transfer of funds assigned to decentralization programs. Some of the councils have deliberative powers on allocation of funds. Others just oversee the proper use of funds according to the federal and municipal laws.

Municipal Development Councils and Environmental Councils are also becoming more popular. However, in many municipalities, particularly the smaller ones, they are not very effective. This is so because they lack resources and can be easily manipulated by mayors and secretaries. Also in those municipalities councilors lack the political skills to negotiate with the executive and do not have access to courts to press charges against mayors who do not abide by the decisions made by the councils. Access to court is hampered by lack of funds to pay lawyers, ignorance of the existing laws and, sometimes, due to geographic distance to courts.

Municipal Finances

The financial fragility of small Municipalities is a considerable obstacle to decentralization of environmental and forestry policy. Facing difficulties to provide essential services to the population, local governments find themselves in even worse difficulties in building technical capacity in the environmental/forestry area, which requires investments in human resources and equipment.

Brazilian Municipalities have two main sources of income: their own tax revenue and the transfers made by the state and federal governments². There is an accentuated imbalance between local income and the transfers, which causes a heavy dependence of the Municipalities on States and the federal government³. Approximately 81% of the Municipalities have the transfers from the Union (FPM) as their main source of income (Bremaeker, 2004). Due to disparities in development, this problem becomes aggravated in small municipalities: almost 90% of those with less than 10,000 inhabitants could not generate 10% of their income in 1992. Such dependence is very serious among Amazon municipalities, which are mostly small and medium-sized and have the primary sector as the pillar of their economy. State monitoring structures are precarious there, increasing tax

² The following taxes account for local income: Property Tax; Tax on Services; Tax on Transmission of Real Estate; Tax on Retail Sales of Fuels, except diesel oil; Fees and Contributions for Improvements. Income from federal transfers is made up of: 22.5% of the Union income tax collection, 22.5% of the Union tax on industrial products (these two figures make up the Municipality Participation Fund – FPM, whose transfer is proportional to the size of the population) and 70% of the Union tax on gold (IOF-gold). Income from state transfers is made up of 25% of the collected State Tax on Merchandise Circulation (ICMS) and 50% of the state tax on ownership of automotive vehicles (IPVA). This transfer is based on the share of taxes paid in each municipality.

³ In 1992, about 35% of the municipalities had the FPM as the source of over half its resources. Around half of the small municipalities had 40% to 60% of their resources originating in FPM. The second most important source of transfers to municipalities is the ICMS. However, due to its nature and means of transference, this tax transfer is far more significant in large municipalities (over 50,000 inhabitants) which have a more developed economy (Bremaeker, 1994).

evasion and consequently causing a reduction in collection and a cut in the sales tax transfers. To make matters worse, part of these municipalities are located in colonization areas whose lands formally belong to the Union, under the tutelage of the National Colonization and Agrarian Reform Institute (INCRA); hence property taxes cannot even be collected.

The role of local governments in forest and environmental governance

The Brazilian legal framework confers ample powers on Municipalities to develop and execute environmental policies in their territory. Complementary laws and norms better define the balance of power and the allocation of some responsibilities among the federal entities. Municipal governments can, for instance, license activities that have impacts on the environment on a local scale. They can also delimitate and manage protected areas and public forests. In practice, there is a struggle among municipal, state and national environment organizations over some prerogatives, particularly environmental licensing – an activity that can generate significant revenues.

In the struggles between States and Union, the poorer and less politically articulate States tend to be at a disadvantage, a problem that is extended to the struggles between Municipalities and state governments. Licensing responsibilities bearing high operational costs, little revenue and political burdens for administrators are commonly left to the Municipalities. This hinders the creation or strengthening of municipal environmental organizations (see Toni and Pacheco, 2005).

Incentives to decentralization and capacity building at the local level

The fragile fiscal situation, the meagerness of revenues generated by environmental licensing, and the lack of political will and entrepreneurship of many mayors are formidable challenges to the decentralization of natural resource policies. Moreover, contrary to what happens in other realms of policy, such as health and education, there is not any decentralization program designed to promote the transfer of powers, resources and responsibilities to municipal governments. To the day, the federal government has only offered very limited incentives for municipal governments to invest in building capacity to deal with environmental and natural resource policies.

One of these incentives was offered through the Pilot Program for Tropical Rainforests (PPG7). PPG7 is an international cooperation program including Brazil, G-7 and the Netherlands government. Its main goal is conservation of Brazilian tropical forests. The PPG7 component with greatest direct impact on decentralization of forestry policies is the Natural Resource Policy Sub-program (SPRN), whose objective is to help States and some Municipalities in the Amazon to build capacity for management of their natural resources. SPRN activities involve policy development, strengthening public institutions and institutional problem-solving. The main activity of the sub-program has been the implementation of the Integrated Environmental Management Project (PGAI), in Amazonian states. PGAI transfers resources to the States, which invest in training technical staff, equipment and infrastructure. It is up to the state governments to decide whether to invest the resources at the state level, or at municipal level. At the municipal level, the program has had very little impact in the municipalities' rural area, which obviously includes forest resource management (Toni and Pacheco, 2005).

In 2003 the federal government, through the National Environmental Fund (FNMA) launched a call for proposals to support capacity building at the municipal level. The Fund offered a total of USD 3 million to support capacity building at the local level in Amazonian municipalities. Grants were limited to a maximum of USD 66.000,00 and proposals were selected on a competitive basis. Although getting a grant may have been an important incentive for individual municipalities, the impact of this program was very limited, for Amazonia has some 750 municipalities. A second call was launched in 2005, this time to support only municipalities around the BR-163 route, where deforestation, land grabbing and conflicts have escalated since the federal government announced its plan to pave the road. This time the FNMA allocated about USD 2,5 million to support a limited number of projects, also on a competitive basis.

The Transamazonica Region

In the early 1970s the military regime promoted massive migration into Amazonia, following the opening of a long network of highways and roads throughout the region. This effort was part of the National Integration Plan (Plano Nacional de Integração, PIN), launched in 1970. This plan was embedded in the military doctrine of economic development and national security that impelled the government to occupy Amazônia.

As its name suggests, the main goal of the PIN was to link the Amazon to the rest of the country. The most important means to accomplish that was the construction of the Transamazônica (BR-230) and the Cuiabá-Santarém (BR-163) highways. Planners designed the Transamazônica to cross the Northeast and Amazonia from East to West. This highway would allow the migration of the landless peasants and drought refugees into the region, as well as stimulate the economic integration of the region. Similarly, the Cuiabá-Santarém highway would provided a North-South integration corridor, which was also important to bring into the region the small farmers from the South that were being displaced by agricultural modernization and land concentration.

Besides the construction of the highways, the federal government also planned the colonization of a ten-kilometer land strip on both sides of the new roads. The settlers would receive one-hundred-hectare plots from the Ministry of Agriculture, which was responsible for the settlement of migrants. To effect the distribution of land, the federal government added a new agency to its bureaucratic structure, the National Institute for Colonization and Agrarian Reform (Instituto Nacional de Colonização e Reforma Agrária, INCRA).

In 1971, Decree Law no. 1164 extended the Federal States authority to land lying one hundred kilometers on either side of federal roads. This included actual roads as well as planned ones, which gave INCRA power to seize municipal and state lands (Schmink and Wood, 1992). This concentration of power gave INCRA control over approximately thirty-one million square kilometers of the Brazilian territory in thirty-three colonization projects (Almeida, 1992). The most impressive case of land seizure by the federal government was the state of Pará, where INCRA took over about 70% of the state territory (Schmink and Wood, 1992).

Social Movements in the Transamazônica Region

Social Mobilization: Historical Background

The “Comissão Pastoral da Terra” (Pastoral Land Commission - CPT) is a commission linked to the Brazilian National Conference of Bishops (CNBB) that deals with agrarian issues in the country. CNBB founded the CPT in 1975, amidst the accelerated process of agricultural modernization that was taking place in Brazil, and as a consequence of the liberal winds that had been sweeping the Catholic Church, specially in Latin America. The CPT has played a crucial role in the development of rural social movements in Brazil by supporting rural workers and their organizations.

The presence of the Church in Transamazônica became strong in the late 1970s, when two priests started working with community leaders. Their strategy, followed the CPT guidelines (see Perani, 1985), and focused on organizing the rural workers around local associations, labor unions, and small community-based development projects. Particularly important was the struggle to gain control of labor unions.

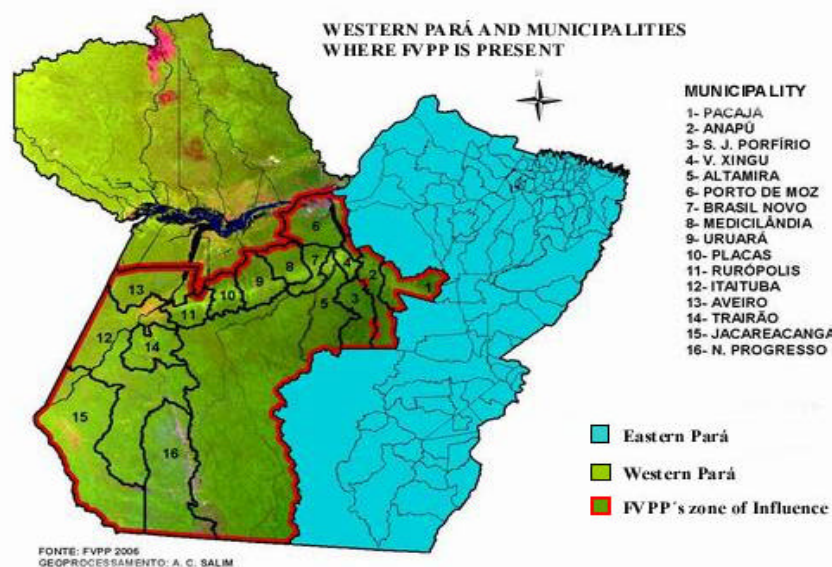
Corporatist Brazilian labor legislation required that all peasant labor organizations be channeled through official state-sponsored labor unions. These unions had to be non-competitive and organized at the municipal level (one union per municipality) and membership was open to small family farmers, peasants, and wage laborers. The local rural unions were hierarchically linked to a single state federation of unions, and the state federations linked to a National Confederation. As a means to attract and control the peasantry, the military government created a rural welfare system (FUNRURAL) whose control was (and still is) in the hands of the unions⁴. This hierarchy put the unions under stiff state control and proved to be a strong tool for clientelism, which in practice turned the STRs into “extensions of state power.”(Grzybowski, 1990: 28).

The progressive members of the clergy organized the rural workers, who in turn challenged the leaders of the existing labor unions. Gradually they gained control of the existing structure by means of elections. Most current leaders of the rural worker’s movement came from the rank and file of the catholic base communities. Many of them are also founder of the Worker’s Party (PT) in the region and a few have successfully engaged in political careers.

MDTX and FVPP

The MDTX congregates grassroots organization of eleven municipalities (municipalities 1-11 on Map 1) around the Transamazônica and the lower Xingu River zone, in the state of Pará. FVPP develops projects and has partnerships in all these municipalities and, recently, extended some of its projects to other five municipalities along the BR-163 Route, farther to the West (municipalities 12-16 on Map 1).

⁴ In 1963 the Brazilian Congress passed the Rural Labor Laws (Estatuto do Trabalhador Rural), granting rural workers some benefits that Urban workers already had, such as the right to minimum wage, access to official retirement plans, annual paid vacations, etc. Following the corporatist labor laws established by Vargas, the *Estatuto* also imposed the corporatist mechanisms of representation and control on the peasantry. In the same year the Federal Government created the state labor federations (FETAGs) and a National confederation of rural labor unions (CONTAG).



Altogether, those 11 municipalities have a population close to 300,000 inhabitants (see Table 1). Almost two thirds of this population lives in rural areas. The per capita monthly income in 2000 was USD 80.37, and 37.66% of the population has an income below USD 42.00, which corresponded to half the official minimum wage at that point in time. If we consider the newest projects developed by FVPP, their area of influence expands to over 440.000 Km², and a population of 460.000.

Table 1: FVPP's Zone of Influence in the State of Pará

Municipality	Year of creation	Área (km ²)	Population, 2000	Urbanization rate (%)	Per capita monthly income 2000 (USD)	% pop. Income below USD 42*, 2000
Altamira	1911	161445,9	77439	80,43	113,89	37,66
Anapu	1997	11951,7	9407	32,77	62,73	61,6
Brasil Novo	1993	6396,6	17193	25,42	82,54	47,3
Medicilândia	1989	8309,4	21379	31,62	111,58	48,58
Pacajá	1989	11884,5	28888	26,32	68,16	69,12
Placas	1997	7194,1	13394	26,38	77,46	52,11
Porto de Moz	1937	17500,8	23545	43,45	62,22	68,57
Rurópolis	1989	6991,3	24660	34,14	65,28	61,35
Sen. José Porfírio	1961	13345,6	15721	33,91	53,93	65,73
Uruará	1989	10839	45201	29,13	115,59	35,1
Vitória do Xingu	1993	2971,6	11142	35,29	70,09	59,19
Total/Average for region		258830,5	287969	44,70	80,37	37.66

Source: IBGE, Perfil Municipal dos Municípios, 2000

* Half minimum wage in August, 2000

Most of the rank and file and the majority of the leaders of the MDTX are colonists who migrated to the region to receive 100-hectare land plots during the implementation phase of the National Integration Plan. A smaller number of activists arrived later to get land in the newer land reform projects (*assentamentos*) that have been mushrooming throughout the region in the last decade.

The MDTX comprises some one hundred affiliated organizations; however, less than 60% of those are active members of the FVPP. Those include the rural labor union of every municipality in the region, 23 associations of farmers, twelve women's associations and seven cooperatives. Although the Movement and the Foundation claim to represent the majority of the poor population in the area, their constituency is predominantly rural, rather than urban. Among the rural population, the colonists are certainly the strongest group, both in terms of rank and file and leaders. Also, men tend to dominate the decision-making structures of the movement, particularly the Rural Labor Unions. The majority of the leaders who entered electoral politics or were recruited to work in governmental agencies (particularly after the election of the Worker-s Party (PT) presidential candidate in 2002) are also men. Although the women are gaining more power and visibility within the movement, they complain that this has been very difficult. As a leader of a small women's association stated⁵:

“(...) everyone says that (gender) equality is very important, and women need to be part of the decisions. However, whenever we have large meetings, you see all the women doing the cooking and the cleaning, whereas men discuss politics. The discourse is updated, but the practices are still old-fashioned.

Another leader made a similar complaint:

“Today you will find women in all local associations and unions, but working as secretaries, typing, filling formularies, filing documents and answering the phone. To the day no woman has ever presided a rural union in the region.”

As for indigenous people, representation is even more limited. Occasionally, colonists and indigenous mobilize around common interests. That was the case in the late 1980s, when the federal government announced its plans to build a hydroelectric plant in the Xingu River, near the city of Altamira. As the dam would flood large areas of indigenous and colonization lands, these groups successfully mobilized to resist the governmental plan. However, in some areas indigenous and colonists are at odds, particularly because of the overlapping of colonization sites and indigenous lands. Moreover, after the election of President Lula da Silva, the federal government reenacted the proposal to build the dam. This time, the (colonist) movement split and part of its leaders decided to support the plan, due to party allegiance. This shift caused some friction between colonists and indigenous, and even between the former and the Catholic Church, who has been the main ally of both groups in the region.

⁵ These interviews were recorded in September/2005, in the municipalities of Altamira and Uruará.

Resources, Funding, and the Relationship between Movement and Donors

Between 2000 and 2005, the FVPP got 30 projects approved, with a total budget of roughly USD 7,3 million. In addition, the Foundation is a partner in several other projects led by NGOS and GROs, whose funds are not accounted for in this estimate. Most of this money (USD 5.8 Million) came from the Brazilian Federal Government, as shown in Table 2. International NGOs and Bilateral cooperation agencies donated about USD 700 thousand each.

Table 2: FVPP's Main funding Sources

Source	Funds(USD)	% of Total
International NGOs	725,110.59	9,85
Bilateral cooperation	718,181.82	9,75
Others/undetermined	77,557.06	1,05
Brazilian Government	5,841,509.70	79,34
BNDES	4,930,454.55	66,97
INCRA/MDA	71,654.55	0,97
Ministry of Environment	837,400.60	11,37
Ministry of Health	2,000.00	0,03
Total	7,362,359.17	100,00

Source: FVPP's archives

These numbers are impressive for a local NGO, and the donation made by the Brazilian Bank for Economic and Social Development (BNDES) – a Development Bank linked to the Ministry of Economy stands out amidst all projects. This grant alone accounts for two thirds of the FVPP's budget in this period. This kind of donation is unusual, for BNDES usually loans money to private enterprises and finances public infrastructure. Although in this case, the money has been used to build rural schools, this has been made by a private organization. Moreover, BNDES decided to fund this project before its pedagogical strategy had been approved by the State Secretariat of Education, which is responsible for approving the curricula and supervising the quality of elementary and secondary education.

The second most important source of governmental support is the Ministry of Environment. In the last five years it has transferred resources in excess of USD 800 k to the FVPP. These are typically small pilot-projects aimed at building local capacity for land use planning and adapting and diffusing environmentally sound technologies, such as community forest management, alternatives to slash and burn agriculture, and agroforestry. Projects funded by bilateral cooperation agencies and international ONGS/Foundations are very similar to those funded by the Ministry of environment. Also, some international NGOs channel considerable amounts of money to capacity building, which includes holding meetings, training locals to work as extension agents, and some material support for local organizations.

Most of the projects are executed by the FVPP and one or more collaborating organizations. Most frequently, those organizations are the local Rural Labor Unions, which appear as partners in 92% of the projects; the State Federation of Rural Labor Unions – FETAGRI –, partner in 80% of the projects; local farmer's associations (16%), women's movement (16%), and other NGOs (12%). What strikes most when one looks at these numbers is the fact that municipal governments are not partners in any of the 30 projects funded in the last six years.

Previously, we discussed the lack of natural resource decentralization policies and incentives for municipal governments to get involved with this issue. In this section we saw that a local NGO is getting a disproportional share of funds invested in development projects and natural resource management, and sharing those funds with other NGOs and GROs, but not with municipal governments. Hence, there are two levels of choice involved in this process: a) the one made by donors and the central government and; b) the one made by the FVPP. Both choices neglect a role for municipal governments in local development and natural resource management. Obviously, the second choice reflects and is constrained by the first one. In many instances, donors (and even the federal government) make clear in their calls for proposals that funds must be used by NGOs and GROs. Even if they do not do so, they can select the proposals that meet this criterion at their discretion.

What lies behind the institutional choices made by both the FVPP and its donors?

What is so good about NGOs and GROs and so bad about municipal governments? To be fair with the local NGOs, it is necessary to acknowledge that they do have a very important comparative advantage *vis a vis* local government: they care about natural resource management and about development aimed at reducing inequalities. Most municipal governments, or mayors, in Amazonia do not care. However, this is not a good excuse for not investing in local governments. Managing natural resources and promoting local development are constitutional duties of municipal governments, and they should be encouraged to so, or perhaps penalized for not doing that.

Of course private and international donors cannot impose sanctions on municipal governments, but they could create incentives. Nevertheless, one can easily understand that private donors may believe that it will be more efficient for them to channel resources to those who already share their interests than to use part of those resources trying to create incentives for local governments. We will get back to this point later. For the moment, we will focus our attention on the institutional choices made at local level.

As a civil society organization, the FVPP should be pressing local governments to play a more active role in the fields of natural resource management and local development, or even sharing its resources to create incentives for the local governments to do so. That is not the case, though.

The reluctance of the FVPP and other local organizations to collaborate with local governments has two main explanations: competition and distrust. Regarding competition, we must acknowledge that the Foundation has been working in collaboration – which implies sharing financial resources – with several local organizations. However, most of them are their very constituency, whose leaders are also on the FVPP's board. In other

cases, the Foundation cooperates with strategic partners – larger regional or international NGOs that can tap funds otherwise unavailable to a local organization. Municipal governments, on the other hand, are ill equipped, and do not have open channels to access such resources. Collaboration in this case would mean giving rather than taking. This is not to say that the FVPP is a money-thirsty organization. On the contrary, it has turned down invitations to take part in promising proposals, and even approved projects, on the grounds that they did not follow FVPP's priorities and principles.

What is more important is the second explanation – distrust. Leader of the FVPP believe that municipal governments are not to be trusted – they are either corrupt or members of local elites who benefit from the predatory use of natural resources. As for corruption, we do not have any specific data, but there are no good reasons to believe that local governments are inherently more corrupt than the federal or the state governments. They are democratically elected and as much accountable to voters as the other levels of government. Rather than ruling out local governments from development programs, strengthening accountability should be a priority for civil society organizations.

Nonetheless, it is true that mayors and city councilors tend to be members of elites who mine natural resources, or at least dependent on the political and material support of those elites. Table Y shows the profile of the mayors elected in 2004 and 2000 in the region. The majority of them are ranchers (54% of the mayors in both periods analyzed), loggers and commodity traders affiliated with conservative parties. If we had data on previous mayors, we certainly would find a similar picture. However, in the last municipal election (2004), a slightly larger number (3) of mayors affiliated with, or supported by, the Worker's Party (PT) won local elections. The party had been growing at a steady pace in the region, particularly due to the persistence of leaders of the Rural Labor Unions. After 2002, however, it became considerably stronger in the region thanks to the election of its presidential candidate. In the occasion, the party also elected a State and a Federal Deputy.

Table 3: Professional background/group affiliation of elected mayors 2001-2006.

Municipality	Current mayor	2001-2004
Altamira	Bank clerk	Public servant
Anapu	Rancher	Rancher
Brasil Novo	Rancher	Rancher
Medicilândia	Teacher *	Rancher
Pacajá	Catholic Priest *	Rancher
Placas	Labor Union leader *	Unknown
Porto de Moz	Rancher	Rancher
Rurópolis	Commodity trader	Shopkeeper
Senador José Porfírio	Rancher	Logger
Uruará	Rancher	Commodity trader
Vitória do Xingu	Rancher	Rancher

* Mayors that were affiliated with the PT and/or supported by grassroots organizations.

As for Donors and the federal government, distrust on local governments also plays a role in their choices, although they will be reluctant to publicly admit that. Also, both prize the empowerment of civil society and uncritically adopt the idea that social capital (a la Putnam, 1993) is the driving force of local development. Transferring resources to local NGOs and GROs is considered a tool to build up social capital in rural areas – a requisite for sound institutions to foster development and sustainable use of natural resources. We do not claim that empowering civil society is harmful or useless; neither that the concept of social capital has no merits, on the contrary. The argument laid here is that it has been overemphasized as part of ill-conceived and poorly evaluated strategies and used as a disguise to ulterior motive.

The disappointing fact that GROs and NGOs do not seem to find ways to cooperate with local governments runs against Putnam's idea that good governments require strong civil societies and strong civil societies lead to the creation of good governments. In spite of the donor's reliance and investments in civil society, there has been no spill over local governments, or government-society relations. Mayors, secretaries, and city councilors are still unresponsive to popular demands and society fails to directly pressure them for better performance, or to deploy the legal means to do so.

There are two possible hypotheses to explain this failure to promote better local governance. The first one is that there is no correlation between strong civil societies and good governments. If that is the case, one can claim that investing in civil society is a flimsy strategy, based on a leap of faith, rather than on hard evidence. A second hypothesis is that the local society is not becoming stronger at all, in spite of all the efforts made by donors and the federal government. In that case, the strategies and policies have been poorly evaluated, if evaluated at all.

So far, the impact of donors and the federal government on civil society are limited to those very few social organizations that have been receiving resources to carry out development projects. They are becoming service providers, increasingly accountable to their supporters, rather than to their constituents. Moreover, many of the services they provide are essentially public, and should be provided by the state.

To the day, donors and the Brazilian federal government have not challenged the assumptions behind their policies, nor evaluated the impacts of those policies on civil society. Our argument is that they purposefully decided to ignore their weaknesses, not to avoid public criticism, but because the civil society/social capital discourse provides a convenient veil to their ulterior motives, which differ from each other.

Bi-lateral cooperation agencies and international development organizations for a long time conducted its business based on the assumption that the State is an inefficient service provider. Markets, rather than states have been praised as the driving force of development. In part this trend was a reaction against the failures of the developmental state all over the world. The World Bank played a distinctive role in imposing this doctrine (popularly known as the Washington Consensus) on developing countries, which

experienced its devastating effects. At some point, the Bank found itself under intense criticism, and had to come to terms with the failure of its exaggerated liberal prescriptions⁶.

The idea of social capital, serves perfectly as a mild (self) criticism of the old economic liberalism. The conveniently vague concept acknowledges market imperfections but leaves no room for the state in the quest for development. According to this perspective, effective governments are subsidiary to civic societies. Therefore, the new policy prescriptions focus on strengthening civil society through social capital and correcting marketing imperfections – not a radical departure from old prescriptions and certainly not an embarrassing apology for the past mistakes made by advocates of radical economic liberalism.. As Fine (1999: 12) puts it:

“In short, as it is being deployed, social capital allows the World Bank to broaden its agenda whilst retaining continuity with most of its practices and prejudices which include the benign neglect of macro-relations of power, preference for favoured NGOs and grassroots movements, and decentralizes initiatives.”

Most international and bilateral donors follow the World Bank policies, so it comes as no surprise, that they chose to support civil society organizations in Brazil. However, one cannot expect the Federal Government to behave in exactly the same way. Even though the World Bank exerts its influence on the government – and we cannot underestimate that influence – it would be natural for the federal bureaucracy to resist relinquishing its responsibilities to civil society. Yet, it has not resisted. On the contrary, the Brazilian Ministry of Environment inaugurated its policy of transferring resources to local NGOs and GROs long before the idea of social capital entered the lexicon of the World Bank⁷. There are two main explanations for such vexing behavior: 1) the Ministry has been too closely associated with, and influenced by, NGOs, since its very birth and; 2) this strategy allows the Ministry to outsource governmental services and retain decision-making powers, avoiding democratic decentralization.

In the late 1980s and early 1990s, the idea of coupling conservation and sustainable use of the forests through popular participation gained momentum in Brazil. This discourse, known as *socioambientalismo* (social-environmentalism), prized NGOs and GROs as the most suitable channels to mobilize the sectors of the rural population that could contribute most to environmental conservation and, in turn benefit from its use. Small farmers, indigenous groups, rubber tappers, fishermen and alike all of sudden became the most important allies of environmentalists.

The importance of strengthening the alliances between environmentalists and local groups became all too evident after the assassination of Chico Mendes, in 1989 and the United Nations Conference for Environment and Development, in 1992. In 1993, the federal government definitely incorporated it as part of its policies by upgrading the status

⁶ Criticism came even from the inside, particularly from its Vice-President and Head of Economic Research, Nobel Laureate Joe Stiglitz, who called for a “Post-Washington Consensus” (Stiglitz, 1997).

⁷ According to Fine (1999), the idea first appeared in the 1997 World Development Report.

of the Secretariat of Environment to an independent Ministry and creating the Special Secretariat for Amazonia (SCA) within the Ministry. Many of the Ministry top officials were recruited amongst the leadership of NGOs and while in office nurtured the government-civil society relationship. This is still a current practice – the turnover of officials is relatively high, and they keep shifting positions in the Ministry and NGOs.

In the early 1990s the influence of the World Bank and other donors also became evident, and pushed the ministry farther in the direction of supporting civil society organizations. This was clear in the negotiations and implementation of the Pilot Program to Conserve the Brazilian Rain Forest (PPG7), which was created in 1992 and started operating in 1994. The Ministry, SCA and the PPG7 created several programs designed to transfer resources to local organizations, and only one program to assist local governments – the aforementioned PGAI.

Most of the programs funded by the Ministry of Environment and the PPG7 give grants on a competitive basis; yet, the number of organizations that gain access to the funds is limited. Some of those have developed very close relations with the Ministry of Environment. Also, we need to consider a learning effect - those who succeed in getting grants accumulate experience in writing proposals and developing projects, which increase their chances of being awarded again in the next calls. This creates a vicious (or virtuous, according to one's interpretation) cycle, in which some NGOs gain privileged access to public funds in exchange for providing services that belong to the state.

The federal government, particularly the Ministry of Environment has very limited resources and lacks the capacity to be present in the 750 plus municipalities of Amazonia. Therefore, the natural way for the state to perform its tasks would be through decentralized arrangements. However, this would entail a transfer of decision-making powers to municipal governments, which, are not to be trusted, according to those who currently hold the power. So, instead of decentralizing powers and responsibilities, the federal government outsources its services to private organizations that are accountable to the central power, rather than to the local population

In our specific case, it is clear that the FVPP plays an important role in supporting social movements. However, the Foundation is becoming increasingly more accountable to their donors than to its constituency, as it acquires more privileges⁸. Also, it does not equally represent all stakeholders who should have voice in natural resource management in the region. This speaks to the issue of participation *vis-a-vis* representation. Participation is limited to the more organized and politicized stratum of the colonists and hindered by ethnic, political and gender cleavages. The space for democratic participation is therefore reduced by increased centralization of decision-making, upward accountability of NGOs and GROs, and limited representation/participation of the local population.

⁸ Leaders of the FVPP have been concerned that the movement is drifting away from its rank and file, and announced plans to slow down its projects (that is, donor-driven activities) in order to deploy its human resources into reaching out their constituency. This is not new – in early rounds of unrelated interviews, conducted in 1997 and 2000, leaders of the movement expressed the same preoccupation, but nothing has been done to solve this problem.

This enclosure of the public domain has become more serious after the election of President Luiz Inácio Lula da Silva, in 2002. As the majority of the leaders of the rural labor unions (colonists) are affiliated with the President's party (PT), after his election the exchange of goods for political allegiance has become rampant. Within this political context, participation was further limited and upward accountability gained a party twist. It is important to stress, however, that this sort of exchange is practiced on behalf of an interest-based group, not of rent seeking leaders. Rather than patronage this relationship resembles a corporatist arrangement, in which the constituent units are organized into a limited number of "singular, noncompetitive, and functionally differentiated categories, recognized by the state" (Schmitter, 1974: 93-94). Neocorporatist arrangements like this are not authoritarian, however. As Stepan points out, the government is still responsive and, to some extent, accountable to those groups that are recognized by the state (Stepan, 1978). Nevertheless, it seems that it has contributed to deepen existing cleavages and to create new ones, further fragmenting the local arena (Ribot, 2004).

Conclusions

In this paper we looked at two levels of institutional choices. The first one are the choices made by the Brazilian Ministry of Environment and international donors. They clearly have chosen to support NGOs and GROs in Amazonia. In the Transamazonica region, they elected the FVPP. In the second level we find the choices made by the FVPP itself, which decided to establish partnerships and support several local GROs. At both levels, municipal governments are absent, in spite of the fact that they are democratically elected and have a constitutional role to play in natural resource management. It is true, though, that local elites who benefit from the exploitation of natural resources tend to control local governments, a fact that is highly considered in those institutional choices.

However, precluding municipal governments from development projects and natural resource policies is not a sound strategy to strengthen democracy and to create effective environmental governance. Donor should be looking at ways to build capacity and strengthen accountability and social control of municipal governments. Our main argument is that they decided not to do so because they 1) distrust local governments; 2) believe in civil society as the driving force of development and governance; 3) use the social capital/civil society discourse to cover up their covert agenda and interests. In the case of international donors, this agenda is based on the old liberal assumption that states are poor performers and solutions to development problems should be left to the market. Strong civil societies can correct market imperfections that could hamper development.

As for the Ministry of environment, this strategy is used to privatize public services within a politically correct framework. It allows the ministry to keep decision-making powers centralized and to reinforce privileges granted to some NGOs. It does not make any contribution to strengthen the public debate at the local level. On the contrary, those who are represented by the FVPP are the only ones who have a chance to participate in decision-making, although this participation is also curtailed, for the FVPP becomes increasingly accountable to its donors, rather than to its constituency.

This is not to say that the FVPP and other ONGs do not have an important role to play in local development. They do, but their role should be complementary to that of local governments, not a substitute for it.

The institutional choices made by donor contradict one of its very foundations – Robert Putnam’s idea that civic societies produces sound governments. Increasing upward accountability, privatization of public services, and centralization of powers in a federal system all run against the idea of good governments. Obviously donors will not concede that their policies and strategies are based on questionable assumptions, not to mention that they disguise hidden agendas. However, they should at least take seriously one critique that speaks to the core of Putnam’s concept of social capital, which refers to the contrast between the bonding and bridging forms of social capital.

Bonding social capital refers to the networks of people who share similar interests, ideas or principles. It is easier to build and form strong ties. However, it can be exclusive and even harm democratic participation. Bridging social capital, on the other hand, refers to building links between heterogeneous groups. It is certainly more unstable and difficult to build than the bonding form, however, it is more conducive to democratic forms of governance. If the institutional choices analyzed in this study are helping building up social capital at all, it is bonding, rather than bridging social capital, and that should be a reason for concern.

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