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A PROPOSITIONAL ANALYSIS OF LOCAL GOVERNMENT CAPACITY IN BRAZIL

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This article aims to build a multidimensional index of Local Government Capacity (LGC) based on the Brazilian case and define a multidimensional concept of local government capacity. Three dimensions of the LGC were defined: 1) Fiscal Management Capacity; 2) Political Capacity; 3) Administrative Capacity. Using official databases from 2011 and 2012, covering a sample of 5,565 municipalities, exploratory factor analyzes were used to calculate, for each municipality and create subindexes for the three capacity dimensions. The final LGC was calculated by averaging the subindexes. Observing instruments of government and capabilities of the State is fundamental to understanding socioeconomic development and the execution of public policies. The issue matter in a decentralized federative system, where local governments are constitutionally responsible for formulating and implementing policies. The results suggest that the decentralization process in Brazil is still marked by regional inequalities that influence the capacities of local governments.

Keywords: federalism; local government capacity; exploratory factor analysis.

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UMA ANÁLISE PROPOSITIVA DA CAPACIDADE DO GOVERNO LOCAL NO BRASIL

Este artigo tem como objetivo construir um índice multidimensional de Capacidade de Governo Local (LGC) baseado no caso brasileiro e definir um conceito multidimensional de capacidade de governo local. Foram definidas três dimensões do CGL: 1) Capacidade de Gestão Fiscal; 2) Capacidade Política; 3) Capacidade Administrativa. Utilizando bases de dados oficiais de 2011 e 2012, abrangendo 5.565 municípios, análises fatoriais exploratórias foram calculadas, e criados para cada município, subíndices para as três dimensões de capacidade. O CGL final foi calculado pela média dos subíndices. Observar instrumentos de governo e capacidades do Estado é fundamental para entender o desenvolvimento socioeconômico e a execução de políticas públicas. A questão importa em um sistema federativo descentralizado, onde os governos locais são constitucionalmente responsáveis pela formulação e implementação de políticas. Os resultados sugerem que o processo de descentralização no Brasil ainda é marcado por desigualdades regionais que influenciam as capacidades dos governos locais.

Palavras-chave: federalismo; capacidade do governo local; análise fatorial exploratória.

UN ANÁLISIS PROPOSICIONAL DE LA CAPACIDAD DE LOS GOBIERNOS LOCALES EN BRASIL

Este artículo tiene como objetivo construir un índice multidimensional de Capacidad de Gobierno Local (CGL) basado en el caso brasileño y definir un concepto multidimensional de capacidad de gobierno local. Se definieron tres dimensiones de la CGL: 1) Capacidad de Gestión Fiscal; 2) Capacidad Política; 3) Capacidad Administrativa. Utilizando bases de datos oficiales de 2011 y 2012, de 5.565 municipios, se calcularon análisis factoriales exploratorios y se crearon subíndices para cada municipio para las tres dimensiones de capacidad. El CGL final se calculó promediando los subíndices. Observar instrumentos de gobierno y capacidades del Estado es fundamental para comprender el desarrollo socioeconómico y la ejecución de las políticas públicas. El tema importa en un sistema federativo descentralizado, donde gobiernos locales son constitucionalmente responsables de formular e implementar políticas. Los resultados sugieren que el proceso de descentralización en Brasil aún está marcado por desigualdades regionales que influyen en las capacidades de los gobiernos locales.

Palabras claves: federalismo; capacidad del gobierno local; análisis factorial exploratorio.

1. INTRODUCTION

Since the 1970's, several authors have been dealing with the theme of state capacity, such as Mann (1984), Tilly (1975; 1996), Skocpol (1985), Evans, Rueschemeyer and Skocpol (1985), Geddes (1994), Grindle (1996), and Fukuyama (2013). In its multiple dimensions, state capacity has been linked to various outcomes, such as economic development and growth (Evans & Rauch 1999; Dincecco & Katz 2016), performance of government programs (Skocpol & Finegold, 1982), corruption (Bersch et al., 2017), among others. Furthermore, in decentralized political systems, the theme assumes greater importance given the role of subnational governments both in the implementation of policies (Greenwood; Stewart, 1986) and in other phases of public policy.

Studies on how subnational governments create and accumulate capacity has acquired, therefore, a pivotal status. At the municipal level outcomes such as federal grant receipts (Hall, 2008; Aragón et al., 2008), citizen's satisfaction (Harbers, 2015), or tax enforcement (Fjeldstad, 2001; Kjær, 2009) are common outcomes partially explained by local government capacities.

The attempt to create an index of the capacity of local governments is not an easy task, but some works that suggest this are already beginning to be observed (Caldas et al., 2020; Lee, 2007; Braga & Martins, 2022). Even if it is just the use of indicators from an empirical point of view, the creation of a capacity index is important, as it provides a panoramic assessment of local governments in federated countries with large territorial dimensions and complex political organization, such as Brazil.

The information derived from a local government capacity index helps public policy makers and local development specialists in the formulation of specific programs that can serve to measure the institutional and social progress that local governments have. That is, the construction of a capacity index of local governments can generate feedback that is relevant to help government officials, civil servants, political parties, members of civil society, the policy community.

Observing the performance of public administration through an index of local government capacity is assuming an assumption that policy formulation will be based on evidence (Pinheiro, 2020; Faria, 2022). As public administration is very broad, it will be very difficult to create a capacity index of local governments that is as comprehensive as possible, to account for the entire relationship between precision and accuracy, which requires a task of this nature. Each dimension of index will have a set of variables that you will understand. Therefore, a key assumption in constructing a local government capacity index is to define the set of indicators used to measure performance. Some areas, among others, such as democratic governance, sustainability, economics and financial resources, will build capacity indexes within these broad areas (Dollery et al., 2011; Bell & Morse, 2013; Warburton, 2013; Vetter & Kersting, 2003).

In this respect, our article contributes to the national literature by proposing not only an index of local government capabilities, but the definition of a multidimensional concept of local government capacity. Considering, moreover, the country persistent context of extreme heterogeneity, from available financial resources to shortage of qualified bureaucracy, empirical studies of local governments' capacity in Brazil are still required.

This paper is structured as follows: the next section briefly reviews key aspects of the state capacity literature. Section 3 contextualize the Brazilian scenario. Section 4 describes the methodology, data source, the indicators selected and the factorial analysis results. Finally, the last section summarizes the study main findings, and outline some directions for future studies.

2. STATE CAPACITY: A MULTIDIMENSIONAL CONCEPT

The theme of state capacity is back in vogue in the public administration agenda. However, the variety of concepts and uses of the term still stands out. The literature has defined an eclectic list of state capacity types, such as institutional, extractive, fiscal, administrative, relational, bureaucratic, political, legal, transformative, among others (see Cingolani, 2018).

Despite this diversity of notions, much of the discussion relates to the nature and availability of the instruments and mechanisms used to provide goods and services to society. As Sikkink (1991) says, definitions of state capacity often rest on the ability of state institutions to effectively implement official goals. Michael Mann (1984), for instance, associates the evolution of the state with its infrastructural power, since the state should be able to establish its presence on the ground with offices and personnel.

Operationalizing capacity dimensions is, however, a controversial task, also marked by empirical divergences. The strategy of disaggregating state capacity into different types or dimensions of capacity became, nonetheless, the conventional research strategy.

A typical disaggregation method relates to the understanding of activities and functions performed by the state, together with its tools, instruments, and processes. Furthermore, as highlighted by several authors, state capacity is unevenly distributed within a state, especially in decentralized political systems. In this direction, an important line of works shifted the attention to the role of local governments on the provision of goods and services, as we discuss next.

2.1 Local government capacity: developing a multidimensional concept

The theme of considered local political capacities, as an integrated set of values, rules, institutional systems that provide explanations for the performance of local governments, starts to have a more intense treatment by scholars a little over ten years ago.

The examination of local government as an institutional structure composed of organizational practices that can promote or hinder good governance practices has become important for understanding the possibilities and limits of local governments in the world influencing the performance of the public sector at the subnational level (Anttiroiko & Valkama, 2017; Gray & Barford, 2018; Kröger, 2011; Walker & Andrews, 2013; Ladner & Soguel, 2015; Lowndes & Gardner, 2016; Valkama & Oularsvita, 2021; Acharya & Scott, 2022; Walker et al., 2015; Mutahaba & Pastory, 2015).

The action of local governments, as traditionally understood, can be summarized in aspects and characteristics of the institutional framework in which it is located, ranging from public finances, passing through the quality of civil service, information technology quality or even tax rules and transfers. This all makes up a set of capabilities that make it possible to investigate and explore which governance practices mark local governments.

These aspects, and many others, are important for local chief executives to more clearly understand their local government skills and the depth of important elements they need to effectively deliver their public goods and services. Therefore, to understand local administrative capacities is, in some way, to understand the surrounding political and administrative structures that help or hinder local governments to achieve their objectives.

According to Ziblatt (2008) an exclusive focus on the national level neglects the pivotal role of municipalities, in which the link between social preferences and policy outcomes can be more easily identified, and where essential public goods are often created. In other words, not only governments with high capacities help translate social preferences into policy outcomes, but local governments with greater capacity will also aggressively pursue the creation of public goods and services (Ziblatt, 2008).

As expected, and because several government functions fall under the jurisdiction of local governments, especially in federal systems, the theme of local governance and the performance of local state institutions have flourished. As a result, the wide set of capacity concepts frequently used to characterize the central government started to be adapted to the local level. Following the methodological path of defining conceptually distinct capacity dimensions, several authors faced the research challenge of defining and measuring local government capacity (see Wolman, 2008; Wolman et al. 2008; Aragón & Casas, 2008).

In the Brazilian context, given the information available at official channels, the analysis of state capacities at the municipal level has also witnessed an increase in empirical studies using quantitative methodologies (Fontanelli, 2020; Grin & Abrucio, 2017; Grin et al., 2018; Grin et al., 2021; Sátyro et al., 2016; Grin & Abrucio, 2021a; Grin & Abrucio, 2021b).

Thus, there are two theoretical dimensions defined by Grin, Demarco and Abrucio (2021),

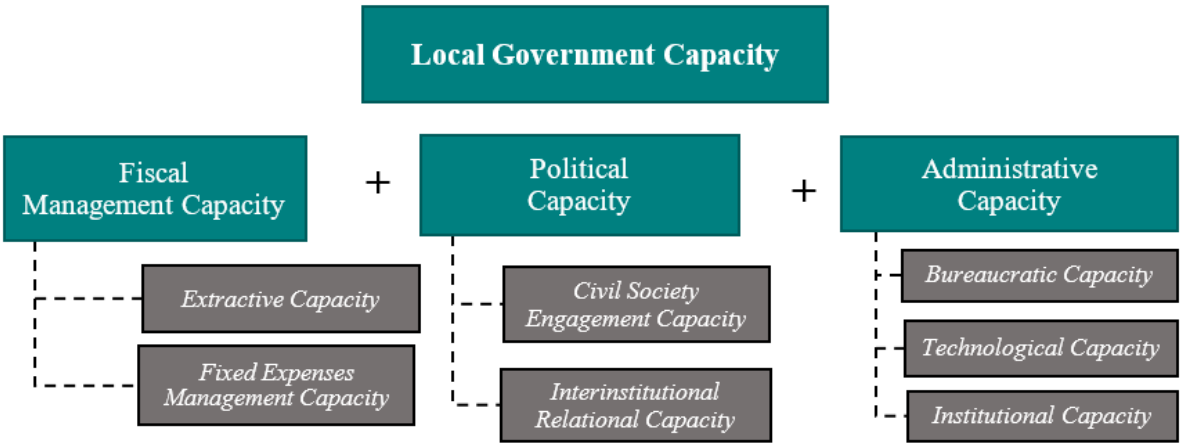
a) technical-administrative; and b) political-institutional. Both are cause and consequence, vice versa. In other words, the low technical-administrative state capacity is a consequence of the Brazilian institutional political design, just as the Brazilian institutional political design causes low technical-administrative capacity. The latter can be explained by the Brazilian presidential design, in which the president has a predominant dominance in defining the public agenda and the laws approved (Grin & Abrucio, 2021; 2021a)

Even though the operationalization of local capacity may be controversial, there is no doubt that municipal administrations do differ in their ability to deal with local problems and demands. Local government capacity needs, consequently, to be accurately defined. This work, adapting the concept of local government capacity constructed by Fontanelli (2020), proposes a three-dimensional concept (see Figure 1).

The first dimension, fiscal management capacity, is defined as extractive capacity combined with the ability to maintain a certain level budgetary freedom to allow investment expenditures. The second capacity dimension, the political capacity, relates to the government ability to engage civil society on the administration and the municipality ability to cooperate with other levels of government or international institutions.

Our third dimension, the administrative capacity, is formed by three factors: i) Technological Capacity; ii) Bureaucratic Capacity; iii) Institutional Capacity. While technological and bureaucratic capacities have a straightforward interpretation, the Institutional Capacity needs further clarification. Institutional Capacity encompasses the availability of institutionalized tools and instruments, in form of municipal laws, regulations, and sectoral funds and plans. They enhance the administrative capacity because they reinforce the ability to manage public policy with a more permanent and accountable framework.

Figure 1 – Local Government Capacity Concept based on Goertz's Family Resemblance Structure



Source: Elaborated by the authors.

As Figure 1 shows, the local government capacity concept was formulated based on a family resemblance structure. In other words, the relationship between the three defined dimensions and the local capacity concept is ontological, since it is assumed that there is no causal relationship between the secondary and the basic level.

Our capacity concept is, thus, a combination of an ontological approach with a family resemblance structure, using Goertz terms (2006), which consists of three levels: the basic one that presents the overview; the secondary one that unfolds the relevant dimensions, and the third one that deals with operational measurement issues through indicators. In the next section we present the Brazilian context.

3. THE BRAZILIAN CONTEXT

In Brazil, a "three-level" federal country with a presidential system, states and municipalities have become the main responsible for the provision of public services to the citizens. Amendments to the 1988 constitution, moreover, have imposed limits on local governments' budgetary freedom and earmarked specific resources to be spent on health and education services. Local governments' current expenses comprise a wide range of services.

They are responsible for providing education and health care services, urbanization and urban infrastructure investments, arborization, public transportation, public lighting, social assistance actions, civil security guards to public property protection, among other services. Regarding education and health services, the municipality is usually the responsible for fundamental education and basic health care, although they often maintain small hospitals or clinics.

Municipalities, after the creation of the Unified Social Assistance System (SUAS), have also become the main responsible for the local management of social assistance programs, such as conditional cash transfer programs. Municipalities also provide services without legal obligations to do so, such as kindergartens (children below 4 years old), extracurricular courses for precollege students, or transportations of citizens working at neighbor's cities. Specific services characterized by large externalities[1] and economies of scale, such as landfill management, are increasingly been provided by intermunicipal consortiums. Regarding waste management, municipalities that efficiently segregate recyclable garbage, for instance, have not only been able to reduce expenses in landfills, but also have been able to receive revenues selling the recyclables. A proper environmental policy, therefore, not may generate revenues, but also protect administrations to be charged with fines. Municipalities in Brazil are constantly being fined by environmental agencies.

[1] According to Sperotto (2014), externalities are side effects of a decision on those who did not participate in it. And economies of scale (or economies of scale) occur when an increase in production volume is associated with a reduction in costs and/or a decrease in the quantity of inputs.

Important to note that several services provided by local governments are designed and financially supported by uplevels government. Several state governments, for instance, induce and finance environmental oriented investments, such as in recycling, urban parks, environmental education, among others. The Paraná state government, in the south of Brazil, for example, are utilizing a millionaire fine imposed on Petrobras to finance environmental projects in its municipalities. The resource has been allocated to the construction of urban parks, recycling actions, among others. The municipalities, however, must comply with the guidelines and rules imposed by the State Government.

To finance such array of public services, apart from upper levels mandatory and discretionary transfers, municipalities mainly rely on a tax charged from companies and businesses providing services (ISSQN), and on a tax charged on real estate and urban land property (IPTU). Brazilian municipalities are also authorized to tax real state transmissions (ITBI) and impose fees on specifics public services, if such services are offered to the citizens. Brazilian municipalities collect numerous fees for services such as issuing licenses, public cleanliness, public lighting, among others.

These fees, since established by municipal laws, can only be modified with the approval of the local legislative council. Local tax authorities may also charge betterment contributions wherever there is an increase in the value of a real estate property that can be attributed to the public investment (limited to the investment cost of the executed project). Collection of betterment contributions is, however, a revenue source seldom used by Brazilian mayors, for it is characterized by a system of complex evaluations and judicial interpretation. Municipalities' budgets may also rely on capital revenues, derived from credit operations or assets selling, such as land owned by the municipality. The relationship between revenues and expenditures in Brazilian municipalities, however, became strongly controlled after the Fiscal Responsibility Law (LRF), ensued in 2000. The two main constraints included in the LRF are borrowing and debt restrictions, and limits for personnel expenditures.

Most of the Brazilian municipalities are, important to note, dependent on constitutional upper-level transfers, especially the fund called "*fundo de participação dos municípios*" (FPM) (Grin et al., 2018; Dantas Jr. et al., 2019; Almeida et al., 2021).

The FPM is funded by federal taxes (the income tax and the tax on industrialized products) and is redistributed to municipalities according to sharing rules determined by population parameters. The Federal Government also transfers to some Brazilian municipalities a percentage of the *royalties* collected, in order to compensate negative externalities derived from petroleum and minerals production. State governments are likewise obliged to share revenues – from the state value-added tax (ICMS) and the vehicle tax – with their municipalities.

As said before, Brazilian municipalities also receive voluntary transfers from higher level governments, the federal or state governments. The distribution of such revenues by the uplevel governments is discretionarily allocated to subnational governments, and political factors' influence on this allocation, such as the mayors' partisanship is considered decisive (see Bueno, 2018; Meireles, 2019, to the federal government case). Even so, a mayor, to have access to a discretionary federal or state grants, ought to formally request the resources using specific systems. In other words, a local administration must have technological structure and civil servants able to elaborate projects fitted to these systems.

Furthermore, as already mentioned above, most municipalities depend on constitutional funds to carry out their policies, which ends up causing serious administrative difficulties in the provision of public services. This is even more serious in municipalities in the poorest regions of Brazil (Grin et al., 2018; Grin & Abrucio, 2018a; Bowman & Kearney, 1988). In the next section, we explain the strategy used to measure our concept of local government capacity.

4. LOCAL GOVERNMENT CAPACITY INDEX: METHODOLOGICAL PROCEDURES

Our local government capacity index, thereafter LGC, was constructed based on data from 2012. The primary research source is the MUNIC database, from the Brazilian Institute of Geography and Statistics (IBGE). The MUNIC offers a comprehensive profile of Brazil's municipalities and their public administrations. The MUNIC historical datasets comprise, however, a set of informational gaps. This problem was faced by combining data from the 2011 and 2012 editions. The second source is the National Treasury Secretariat (STN). The indicators selected are described next.

4.1 LGC Indicators: Operationalization and aggregation formulas

Using a sample of 5,565 Brazilian municipalities, we employed exploratory factor analysis (EFA) to measure the LGC Index. Since the EFA allows the indicators to be grouped according to the degree of correlation between them, the procedure offers a robust alternative to test the multidimensionality of the LGC dimensions, in correspondence with our conceptual framework. The EFA is a statistical method that also increases the reliability of the scale by identifying unfitting items that can be removed.

4.1.1 Fiscal Management Capacity Indicators

Box 1 shows the fiscal management capacity indicators.

Box 1 – Fiscal Management Capacity: Extractive Capacity Indicators

Description	Indicator	
Extractive Capacity		
Per capita Revenues from IPTU (Source: STN/2012)	LGC_F1	In BRL
Per capita Revenues from ITBI (Source: STN/2012)	LGC_F2	In BRL
Per capita Revenues from ISSQN (Source: STN/2012)	LGC_F3	In BRL
Per capita Revenues from municipal fees and betterment levy (STN/2012)	LGC_F4	In BRL
Municipal Own Revenues (Source: STN/2012)	LGC_F5	% of total revenues
2009-2012 Variation Between Municipal Own Revenues and ICMS Cota-part (Source: STN)	LGC_F6	%
Fixed Expenses Management Capacity		
Reserve of contingency (Source: STN/2012)	LGC_F7	% of total municipal revenues
Per capita Municipal Investment Expenses (Source: STN/2012)	LGC_F8	% of total revenues
2009-2012 Variation on the Per capita Municipal Investment Expenses (Source: STN)	LGC_F9	%
2009-2012 Variation Between Investment and Personnel and social security expenditures $\frac{2009-2012\ \Delta Investment\ Expenses}{(2009-2012\ \Delta Personnel\ and\ social\ security\ expenditures)}$	LGC_F10	%
2009-2012 Variation Between Investment and Personnel Expenses & Debt services expenditures $\frac{(2009-2012\ \Delta Investment\ Expenses)}{(2009-2012\ \Delta Personnel\ Expenses\ and\ social\ security\ expenditures+Debt\ services)\ expenditures}$	LGC_F11	%

Source: Elaborated by the authors.

The first fiscal subdimension relates to the municipal extractive capacity, that is, the local capacity to collect revenues under municipal jurisdiction. Besides the per capita local taxes, we create an indicator that compares the growth in the local revenues collection with the growth in the local economy, measured by the ICMS Cota-part variation. Our second fiscal dimension captures the capacity to manage expenses in order to create room to investment expenditures. An exploratory factor analysis using principal component extraction with varimax rotation was conducted for the fiscal capacity indicators. Table 1 shows the EFA results.

Table 1 – Exploratory Factor Analysis: Fiscal Management Capacity

Variable	Factor 1	Factor 2	Factor 3	Uniqueness
LGC_F1		0.8212		0.3058
LGC_F2		0.7190		0.4810
LGC_F3		0.5298	0.6398	0.3092
LGC_F4		0.7629		0.3899
LGC_F5		0.8653		0.1833
LGC_F7				0.9934
LGC_F8	0.3197		0.4343	0.6665
LGC_F9	0.9733			0.0504
LGC_F10	0.9896			0.0191
LGC_F11	0.9896			0.0191
LGC_F6			0.7427	0.4454
Eigenvalues	3.01266	2.85293	1.27140	
Cumulative	0.2739	0.5332	0.6488	
blanks represent abs(loading) < .3				
Rotation: orthogonal varimax				
Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) = 0.6839				

Source: Elaborated by the authors.

Using the Kaiser Guttman retention criterion for eigenvalues greater than 1, three factors were obtained. Together, they account for 64.88% of the variance extracted. The KMO test for sampling adequacy measure was 0.684, indicating that data were suitable for principal component analysis. Similarly, Bartlett's test was significant and Cronbach's alpha equals 0.684. The result, however, do not corroborates the expected two fiscal capacity factors.

The indicator related to ISSQN collection was also grouped with the indicator that captures the relation between local own revenues and the ICMS Cota-part, what makes perfect sense, given the ISSQN nature, and with the per capita municipal investment expense. A possible explanation may be related with the higher influence of business and entrepreneurs demands on the local investments' decisions. Another interesting point is that almost all municipalities, contrary to obliged by law, do not comply with the reserve of contingency requirement. This fact was captured by the EFA analysis, given the indicator exclusion on the final model.

4.1.2 Political capacity indicators

Box 2 shows the political capacity indicators.

Box 2 – Political capacity: Civil Society Engagement Indicators

Description	Indicator/Formula	
Civil Society Engagement		
Existence of projects in association with the private sector in the following policy areas: 1) Urban Development; 2) Employment/labor Market; 3) Education; 4) Culture; 5) Tourism; 6) Housing; 7) Transport; 8) Health; 9) Environment; 10) Sanitation; and 11) Social Assistance. (MUNIC 2011)		
Based on private sector and communities support	LGC_POL1	Sum of existing agreements per policy area *Ranging from 0 to 11*
Based on formal agreements/agreements for partnership	LGC_POL2	Sum of existing agreements per policy area *Ranging from 0 to 11*
Existence of municipal councils with normative, deliberative or supervisory functions - with meetings in the last 12 months - in the following policy areas: (MUNIC 2012)		
Education	LGC_POL3	*Ranging from 0 to 3*
Health	LGC_POL4	
Social Assistance	LGC_POL5	
Housing	LGC_POL6	
Sanitation	LGC_POL7	
Urban Policy	LGC_POL8	
Transport	LGC_POL9	
Environment	LGC_POL10	
Culture	LGC_POL11	
Cultural heritage	LGC_POL12	
Food and nutrition security	LGC_POL13	
Public Security	LGC_POL14	
Interinstitutional Relational Capacity Indicators		
Public Consortium in the following policy areas: 1) Urban Development; 2) Employment/labor Market; 3) Education; 4) Culture; 5) Tourism; 6) Housing; 7) Transport; 8) Health; 9) Environment; 10) Sanitation; and 11) Social Assistance. (MUNIC 2011)		
Existence of Public and Administrative Consortia between municipalities	LGC_POL15	*Ranging from 0 to 22*
Existence of Public and Administrative Consortia with the State Government	LGC_POL16	*Ranging from 0 to 22*
Existence of Public and Administrative Consortia with the Federal Government	LGC_POL17	*Ranging from 0 to 22*

Description	Indicator/Formula	
Does the municipality provide some international cooperation & receive some international cooperation with: another government; international body; non-governmental body; private initiative; Others. (MUNIC 2012)	LGC_POL18	
It is part of the river basin committee and cooperates with the State Government on environmental policies. (MUNIC 2012)	LGC_POL19	Sum of economic sectors affected by incentives or restriction *Ranging from 0 to 2*

Source: Elaborated by the authors.

The first political capacity subdimension captures the civil society engagement. Its first two indicators relate to agreements for partnership with the private sector and programs and projects with support from the private sector and communities.

A second set of indicators is based on the existence of municipal city councils in 12 policy areas. Municipal councils may be consultative, deliberative, normative, or supervisory, and these competencies are not mutually exclusive. The indicator used is based on the number of existing councils, with normative, deliberative and supervisory functions in each policy area.

The more councils operating in the municipality, the higher, *ceteris paribus*, the importance of this subdimension. The second subdimension relates to interinstitutional articulations. It is based on the existence of consortia in 11 policy areas. The consortia can involve the federal government, the state government, or other municipalities. For each government sphere, the indicator was based on the existence, in each policy area, of a public or administrative consortium.

In other words, if a municipality formed public and administrative consortia with the federal government in all 11 policy areas, for instance, the indicator of consortia with the federal government would equal to 22. If a municipality formed only public consortia with the federal government in all 11 policy areas, the indicator would equal to 11. If no consortium were established, the same indicator would be zero. All indicators calculated in this capacity dimension were standardized. Table 2 shows the items loadings.

Table 2 – Exploratory Factor Analysis: Political Capacity

Variable	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Uniqueness
zLGC_POL15	0.7579					0.4041
zLGC_POL16	0.7488					0.4364
zLGC_POL17	0.9093					0.1704
zLGC_POL2	0.3936				0.3633	0.5988
zLGC_POL3				0.5942		0.6199
zLGC_POL4				0.6690		0.5059
zLGC_POL5				0.4452	-0.3242	0.6222

Variable	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Uniqueness
zLGC_POL6				0.4556	0.3951	0.6205
zLGC_POL7					0.6280	0.5792
zLGC_POL8			0.4942		0.3757	0.6057
zLGC_POL9			0.5502			0.6836
zLGC_POL11		0.6976				0.4973
zLGC_POL12		0.7770				0.3723
zLGC_POL10		0.3601	0.3414			0.6991
zLGC_POL19		0.3632				0.8033
zLGC_POL13			0.4863			0.6601
zLGC_POL14			0.5535			0.6859
zLGC_POL18					0.4978	0.6675
Eigenvalues	2.19143	1.53376	1.40927	1.36586	1.26750	
(%) Cumulative	0.1217	0.2070	0.2852	0.3611	0.4315	
blanks represent abs(loading) < .3						
Rotation: orthogonal varimax						
Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) = 0.6627						

Source: Elaborated by the authors.

The EFA result does not validates the expected two factors of the political capacity dimension. The indicators related to public and administrative consortia grouped (factor 1) with the indicator related to existence of projects in association with the private sector civil society in several policy areas, what makes sense. The existence of councils with several functions in education, health and social assistance grouped in one factor (factor 4), together with existence of housing council.

The dimensions grouped in Factor 1 corroborate Grin and Abrucio (2021) by establishing that political and institutional characteristics are conditioning elements to characterize municipal state capabilities. In the words of the authors, the political design of Brazilian federalism weakens administrative technical capabilities. Therefore, the results of this article conclude that associative practices or interinstitutional partnerships, as well as partnerships with civil organizations can be used to size the capacity of a local government.

Given the strengthen of these areas (specially the SUAS), one could suggest that the civil society engagement in these areas may led to a higher participation in housing councils also. As Factor 2 shows, civil society engagement in culture and environment grouped together and also relates to river basin committees. As Factor 3 shows, urban policy, transport and public security are also related. Considering that most of the Brazilian cities have less than 25 thousand inhabitants, it is reasonable to expect that these policy areas are more present at big cities.

Thus, these two factors are relevant to understanding which segments of public policies are most closely linked and can be analyzed together to characterize local state capabilities. They reveal how problems that are population-sensitive are so correlated. According to data from IBGE (2022), 61% of the population lives in urban areas, where the urgent needs are urban policies, transport and public security, among others. Therefore, estimating municipal state capacity based on these segments, together, is getting closer to what is latent in municipal public management in Brazil.

Therefore, in cities where public transport is a major issue, also security and urbanization will demand more policies and civil society participation. Finally, as Factor 5 shows, the civil society engagement in infrastructure areas – housing, sanitation, urbanizations - grouped with the indicator that capture the government cooperation with international agencies and institutions.

This evidence may suggest an interesting line of research. Therefore, an organized civil society can exert political pressure to influence the municipal government agenda. And, consequently, it minimizes the negative effects of the federalist political-institutional design in which the president has predominant dominance. The data highlight the relevance of seeking means of cooperation to strengthen municipal state capabilities and how this practice is linked to the main public policy sectors.

4.1.3 Administrative capacity indicators

Box 3 shows the administrative capacity indicators.

Box 3 – Administrative Capacity Indicators

Description	Indicator/Formula	
Bureaucratic Capacity (source: MUNIC 2011)		
Per capita number of total public employees and servants from the Direct Administration	LGC_BUR1	
Per capita number of total public employees and servants from the Direct Administration with college degree	LGC_BUR2	
Per capita number of public servants from the Direct Administration	LGC_BUR3	
Per capita number of public servants from the Direct Administration with college degree	LGC_BUR4	
Per capita number of CLT public servants from the Direct Administration	LGC_BUR5	
Per capita number of CLT public servants from the Direct Administration with college degree	LGC_BUR6	
Per capita number of public employees from the Indirect Administration	LGC_BUR7	
Per capita number of public employees from the Indirect Administration with college degree	LGC_BUR8	
Technological Capacity (Source: MUNIC 2012)		
Sum Existence of Electronic Registers: 1) Real Estate Values Register; 2) Services Business Tax Register; 3) IPTU cadastre.	LGC_TECH1	*Ranging from 0 to 3*

Description	Indicator/Formula	
Online services: 1) access to documents and forms; 2) scheduling of consultation in the public health system; 3) ombudsman, citizen service; 4) information and news services; 5) process consultation; 6) official gazette, municipal legislation and public finances; 7) public procurement for personnel recruitment; 8) school enrollment; 9) issuance of negative certificate of debit and license; 10) electronic bidding; 11) online procurement; 12) others.		
Online services available:	LGC_TECH2	*Ranging from 0 to 12*
The city government guarantees public access to the services available on its website through: 1) computerized counter in places of great public circulation; 2) government public facilities.	LGC_TECH3	*Ranging from 0 to 2*
Legal Capacity		
It has a register of families interested in popular housing programs (source: MUNIC 2012)	LGC_LEG1	Dummy
Basic Sanitation Plan covering "Water Supply", "Sewage", "Garbage and Waste Management" and "Rainwater Drainage" (source: MUNIC 2011)	LGC_LEG2	*Ranging from 0 to 4*
Education levels and modalities covered by the Education Strategic Plan (source: MUNIC 2011)	LGC_LEG3	*Ranging from 0 to 10*
Sum of Urban Policy instruments and laws. (source: MUNIC 2012)	LGC_LEG4	*Ranging from 0 to 15*
Sum of Municipal Planning instruments and laws. (source: MUNIC 2012)	LGC_LEG5	*Ranging from 0 to 8*
Average year of publication of urban policy laws (source: MUNIC 2012)	LGC_LEG6	*Average Year*
Existence of Sectoral Strategic Plans in 9 Policy Areas (source: MUNIC 2011)	LGC_LEG7	*Ranging from 0 to 9*
Existence of Sectoral Funds in 9 Policy Areas (source: MUNIC 2012)	LGC_LEG8	Ranging from 0 to 8

Source: Elaborated by the authors.

The administrative capacity dimension first subdimension, the bureaucratic capacity, comprises several indicators related to the per capita number of public employees and civil servants, both in the direct and indirect administration, such as foundations and state-owned companies. Besides, as proxies of the bureaucratic quality, we used the data about the number of employees and civil servants with college degree.

The technological capacity is based on the technological tools available to the local administration and to the local society. Features such as online services offered to citizens or businesses, such as online procurement, denotates higher levels of technological capacities, therefore, ceteris paribus, higher levels of local administrative capacity. The legal capacity relates to institutionalized tools utilized to regulate local development and growth, especially the existence of sectoral funds and strategic plans.

Table 3 – Exploratory Factor Analysis: Administrative Capacity

Variable	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6	Uniqueness
LGC_BUR1	0.7737						0.2889
LGC_BUR2	0.8892						0.1614
LGC_BUR3	0.7626		-0.4495				0.1774
LGC_BUR4	0.8471		-0.3285				0.1725
LGC_BUR5			0.9580				0.0755
LGC_BUR6			0.9601				0.0745
LGC_BUR7					0.8225		0.3192
LGC_BUR8					0.7915		0.3590
LGC_TECH1		0.5858					0.6317
LGC_TECH2		0.5705				0.4080	0.4368
LGC_TECH3						0.6861	0.4921
LGC_LEG5		0.4504				0.3276	0.5807
LGC_LEG4		0.7780					0.3592
LGC_LEG6		0.6803				-0.3211	0.4230
LGC_LEG7				0.8444			0.2343
LGC_LEG8		0.4188		0.3354			0.6131
LGC_LEG3				0.7023			0.4214
LGC_LEG2				0.5794			0.5871
LGC_LEG1						0.4019	0.7772
Eigenvalues	2.77735	2.30968	2.27828	1.80659	1.40553	1.23753	
(%) Cumulative	0.1462	0.2677	0.3876	0.4827	0.5567	0.6218	
blanks represent abs(loading) < .3							
Rotation: orthogonal varimax							
Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) = 0.5606							

Source: Elaborated by the authors.

Table 3 shows the EFA items loads. The EFA results do not validates the expected three factors. The six factors, nonetheless, show interesting evidences. Regarding bureaucratic capacity, it seems to have a trade-off between the direct administration per capita number of civil servants and the direct administration per capita number of CLT employees. Therefore, due to the "fragility" of the CLT compared to the stability of the statutory regime, the growth of bureaucracy can impact greater legal security, and, consequently, greater local capacity.

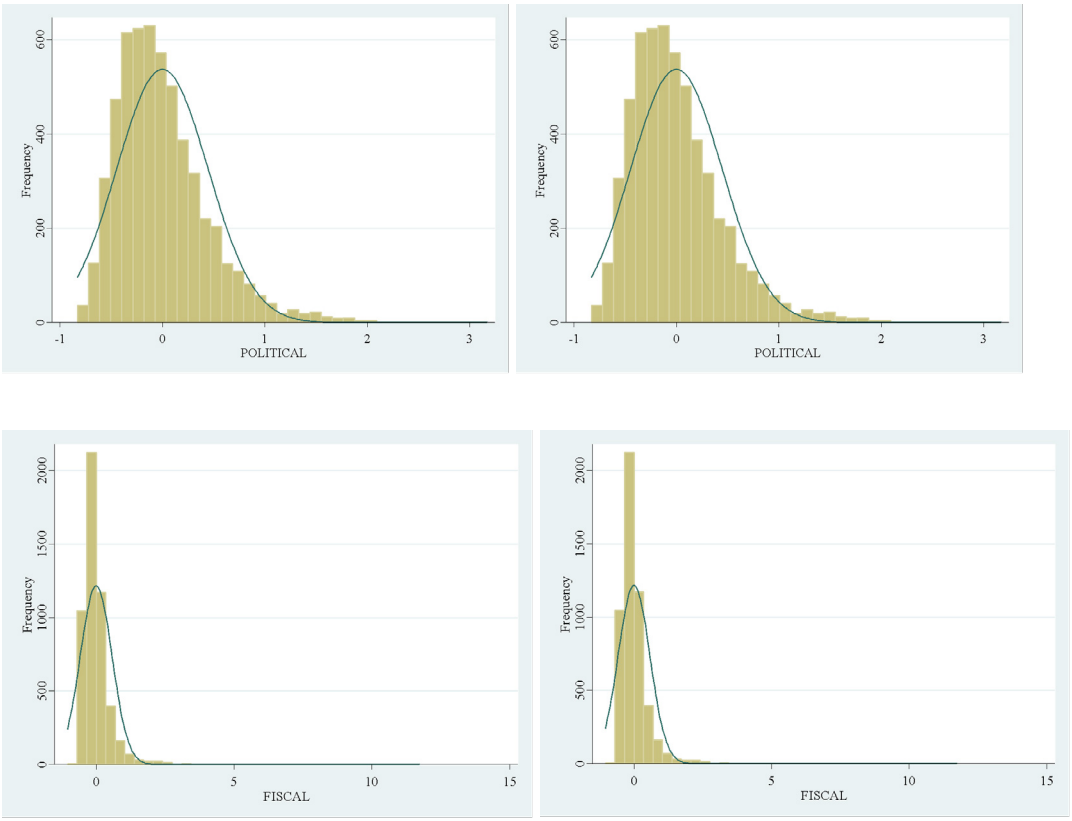
Furthermore, the indirect administration number of employees indicators fall in a unique factor. Considering all administrative capacity indicators, the bureaucratic subdimension seems to have a specific dynamic, not tangling with other indicators. This behavior is not witnessed in the technological capacity indicators, since they clustered, in two factor, with several legal capacity

indicators. Factor 4 presents an interesting evidence, that is, the availability of strategic plans, including more complex sanitation and education plans, is closely related with the existence of sectoral funds.

4.1.4 Local government capacity indexes

Figure 2 displays the final LGC indexes histograms. The LGC three dimensions' scores were calculated based on the post-estimation regression method, computed subsequently to the exploratory factor analyses. The final LGC Index was calculated averaging its three dimensions scores.

Figure 2 – 2012 Local Government Capacity Indexes Histograms: Final LGC; LGC_POL; LGC_ADM; and LGC_FIS



Source: Elaborated by the authors.

As we can see from the figure above, the calculated capacity indexes capture the Brazilian context of heterogeneity.

5. CONCLUSION

This article analyzes the governmental capacities of Brazilian municipalities by adapting a multilevel and multidimensional concept of local government capacity.

Two contributions were achieved with the present work. Firstly, a replicable concept of local government capacity was proposed and measured and empirically tested. Secondly, we corroborate one of the most important claims of the field, that is that state capacity varies within governments.

As suggested before, there is a common belief that local governments are better located to deliver public goods and services to the citizens, especially because of their proximity to the local communities and problems. in a large, federative country with municipal autonomy, such as Brazil, sub-national units naturally present differences in regional performance in the implementation of their policies. It follows that their capacities vary greatly within the variables that our index proposes as a model for analyzing this matter (Avellaneda & Gomes, 2017; Segatto & Abruccio, 2018).

There is still much to be explored in terms of the capacities or performance of local governments in Brazil. This is a topic that constitutes a vast and rich laboratory of observations capable of indicating the correction of public policy paths or even how these can be disseminated. As a political strategy for municipal public leaders, it can be an important subsidy to use capacity indices that can show the map of regional and local weaknesses and strengths. For example, when fighting the spread of the SARS-COV-2 virus that led to the contamination of COVID-19, many municipalities that had a strategic concern and mobilized their government capacity resources, had different performances (Segatto et al., 2022).

The challenge of the work here was to explore the issue of state capacity at the local level, in a multidimensional way, based on the proposal of an index. Even knowing, the governmental heterogeneity that marks the Brazilian (three-levels) federation, this is the effort that we notice in the face of the question of how the capacity of local governments in the country is given.

This is a topic that experiences the tension between accuracy and precision, an old epistemological dilemma in any research. In other words, since precision is the degree of variability generated by different measurements, we have to advance in the literature in the construction of new multi-dimensional indexes that are able to reduce the degree of variability of the observation and lead us to great consensus on the subject of the capacity of local governments.

At the same time, as we build more accurate systemic indices, which in theory reduces the degree of variability of a phenomenon, we need accuracy, that is, a vision that combines the precise value of the indices with the true value obtained in the measurement. This may be possible with the combination of qualitative studies compared in the various activities of local governments

in which we can observe their performance and capacities, together with the examination of the capacity indexes of local governments in Brazil.

Thus, more theoretical and empirical studies should associate indexes and measurement of the capacity of local government to capture the influence of governance on the socioeconomic performance of Brazilian municipalities, with studies that assess the real local capacity of the capacity of local governments in Brazil.

In addition, it is worth highlighting, as another theoretical contribution, a modest attempt to apply it to countries, not only in Latin America, but a set of decentralized countries, located in the Southern Hemisphere. This is said because Brazil has economic, social and regional characteristics, much more similar to realities found in developing countries, or even beyond the southern hemisphere, in the BRICS.

This is the challenge that lies ahead, that is, to develop international comparative studies that can situate this index and others that have already been built, aiming to consolidate more solidly the importance of local political capacities. Like any social science phenomenon that undergoes a process of national and international diffusion, it is important to observe the degree of variability of this phenomenon in contexts of political, territorial and economic arrangements within the difficult governing reality that emerging or developing countries like Brazil experience.

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