
The financial dimension of state capacity and municipal management: an analysis of the recent housing policy in João Pessoa/PB

Dimensão financeira da capacidade estatal e gestão municipal: uma análise da política de habitação em João Pessoa/PB no período recente

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Abstract: Recognizing that the Federal Constitution of 1988 defined municipalities as autonomous entities of the Federation and that housing came to be considered a policy of common competence among the different levels of government, this article addresses state's capacity to produce housing policy, having as an analytical focus the municipal government. It aims to apprehend the relationship between the financial dimension of state capacity at the municipal level and the local development of social interest housing policy. For this, it analyses the municipality of João Pessoa / PB, a Brazilian city with a low degree of financial autonomy, emphasizing its budgetary and financial execution in the Housing Programmatic Function in the recent period. The following methodological procedures were used: (a) literature review on state capacity, cooperative federalism and housing policy; (b) electronic research carried out in the databases of Finbra / National Treasury, of the Sagres System of the Court of Auditors of the State of Paraíba (TCE-PB) and in the web portal of Caixa Econômica Federal, aiming to support the examination of the financial dimension of state capacity at the municipal level to produce housing policy. The results indicate the dependence of the municipal management on external sources of funds and, consequently, on the planning and development of housing policy. Onerous operations have a remarkable role on the financing of housing and slum upgrading projects and the municipality presented low capacity with regards to budget execution in the housing function.

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Resumo: Reconhecendo que a Constituição Federal de 1988 definiu os municípios como entes autônomos da Federação e que a habitação passou a ser considerada uma política de competência comum entre os diferentes níveis de governo, o presente artigo aborda a capacidade estatal para produzir a política habitacional, tendo como foco analítico o governo municipal. Seu objetivo é compreender a relação entre a dimensão financeira da capacidade estatal municipal e o desenvolvimento da política de habitação de interesse social na escala local. Para isso, analisa-se João Pessoa/PB, município com baixo grau de autonomia financeira, enfatizando a sua execução orçamentária e financeira na Função Programática Habitação no período recente. Foram utilizados os seguintes procedimentos metodológicos: (a) revisão de literatura sobre capacidades estatais, federalismo cooperativo e política habitacional; (b) pesquisa eletrônica realizada nos bancos de dados do Finbra/Tesouro Nacional, do Sistema Sagres do Tribunal de Contas do Estado da Paraíba (TCE-PB) e no portal da Caixa Econômica Federal visando apoiar o exame da dimensão financeira da capacidade estatal municipal para a política de habitação. Os resultados apontam para dependência da gestão municipal em relação a fontes externas de recursos e, conseqüentemente, no que tange ao planejamento e desenvolvimento da política habitacional. Há grande peso de operações onerosas no financiamento de projetos habitacionais de urbanização e baixa capacidade de execução orçamentária do município na função habitação.

Palavras-chave: capacidade estatal. política de habitação. gestão municipal. autonomia financeira. João Pessoa.

1. Introduction

This article is part of the debate on state capacities, housing policy and municipal management. More specifically, and taking the city of João Pessoa/PB as a case study, it aims to understand the relationship between the financial dimension of the municipal state capacity and the development of social interest housing policy at the local scale.

The debate about municipal governments in the implementation of intergovernmental public policies is not new. It began to gain relevance in the late 1980's with the enactment of the Federal Constitution of 1988, reaching prominence in the 1990's and 2000's in face of the decentralization and cooperative federalism. Against this background, the Federal Constitution of 88 represents an important milestone, as it defines municipalities as autonomous entities of the federation. Furthermore, it inserts the housing policy in the list of social policies, in which health, education, social assistance and social security policies were already included, for example.

The changes that took place in these decades were of different orders (political, administrative and fiscal-financial) and had a direct impact on intergovernmental

relations and, therefore, on the process of producing public policies, especially on those policies whose competencies are shared among the three federative entities, such as the housing policy. Therefore, it became urgent for the municipalities, new federative entities, to have state capacities to face the new demands that emerged from this new context.

There is a growing number of studies that address municipal-level state capacity in the Brazilian federalism (Grin, 2021; Grin, 2016; Grin & Abrucio, 2018; Silva et al. 2020; Aguiar & Lima, 2019; Gomide, Pereira & Machado, 2017). In this article, the emphasis is on the municipal capacity to allocate resources to develop policies, considering that there are still few studies on this subject and given the relevance of financial resources for the development of any governmental action, which are characterized as one of the “central state capacities” (Grin & Abrucio, 2018; Kjaer, Hansen & Thomsem, 2002) and as one of the input capacities (Saguin et al., 2018), which are the resources that policy actors can generate, mobilize and use.

However, the approach used in this work differs from those used in previous research due to some factors. Firstly, it deals with the financial dimension of state capacity not just as the extractive or fiscal capacity of states, an analytical strategy often used in studies of state capacity. Here, this dimension is analyzed based on the availability and allocation of financial resources for a given public policy. This results from the observation that a State may have extractive capacity and decide not to invest financial resources in a certain issue that is not on the government's priority political agenda or that has low social legitimacy (Gomide et al., 2017; Loureiro et al.; 2020).

Secondly, the aim is to go beyond research that emphasizes either the federal government or the municipal government and to investigate the interdependent relationship between them in terms of state capacities. After all, as mentioned by Grin and Abrucio (2018), state capacities in subnational governments, especially in a federalist country marked by municipal political autonomy and interdependence in the implementation of public policies, cannot be seen in an absolute way. Therefore, the financial dimension of the municipal level state capacity in the process of implementing a specific and shared public policy is analyzed, assuming that such dimension is constituted not only by the availability and use of financial resources by municipal governments, but also by incentives and budgetary and financial executions by the federal government.

In addition, this study is important considering, on the one hand, the shared competence of the social housing policy among the three levels of government, and on the other, that there is a lack of debates that focus on the study of state capacities to produce this public policy at the local level. Studies in the area of housing generally prioritize approaches related to the socio-spatial, environmental, institutional, land, normative and/or project management dimensions, placing the financial dimension in a subsidiary place.

The literature review resulting from the bibliographical research illuminates the development of this article in two perspectives that are interrelated, namely: (i) the theoretical debate on state capacities, seeking to evidence its evolution and dimensions, obviously focusing on the financial dimension to enable a more fruitful dialogue with empirical findings; (ii) the historical recovery of housing policy in the federative context as a strategy to understand the normative, institutional and management changes that guided the referred policy.

As a derivation of these two perspectives, there is the following problem, lucidly outlined by Pinto (2005), namely: the production of public policies, in a federative system, occurs through the transfer of resources and through its own collection. Higher levels of dependence on resources from transfers or from federative cooperation through programs that do not guarantee resources, neither at the time nor in the amount required by the municipalities, can compromise the implementation of the policy, even if other institutional and administrative issues are resolved, in other words, despite the other capacities. In general, that type of cooperation is structured on discretionary transfers, which are more unstable in nature and generally meet the objectives of implementing sectoral actions in a decentralized manner.

In the case of budgetary and financial execution of the housing programmatic function⁴, it is important to highlight that they are predominantly related to capital expenditures, so their demand is concentrated in time, which requires that both budgetary and financial resources be ensured for their execution (Pinto, 2005). Therefore, the composition and size of the economic base of the municipalities, as well as transfers from federal entities (state governments and Union) directly affect the final budget. It should not be forgotten that there are differences in financial structures between municipalities,

⁴ The programmatic function corresponds to the highest level of aggregation of the various expenses that a competence of the Public Sector.

implying varied capacities to carry out the expenses (capital and costing) necessary to meet the requests.

It can be assumed that this reality of relative financial dependence for the production of social housing policy, with regard to transfers from the Federal Government, is not exclusive to João Pessoa, the capital of Paraíba. It is understood that financial autonomy is essential for the process of formulating and implementing the social housing policy. However, it is necessary to recognize the existence of a mismatch between municipal capacities and competences to make this process viable.

Finally, this article is divided into four sections, in addition to this introduction and final considerations. In the first section, methodological considerations are made. In the second, a brief review of the theoretical debate about the state capacity and its financial dimension is made. In the third, social housing policy is discussed in the federative context from the 2000's onwards. In the fourth section, the examination is directed to the housing policy in João Pessoa/PB in its relationship with the financial dimension.

2. Research Methodology

Methodologically, quantitative research was carried out, which has a single case study with descriptive and exploratory statistics of a historical series. Regarding the techniques, in addition to the literature review, electronic research was adopted, which was carried out on the web portal of the Accounting and Tax Information System of the Brazilian Public Sector (Siconfi), maintained by the National Treasury, and on the Sagres System, of the Court of Accounts of the State of Paraíba. The first brings together information present in various documents, such as the Summary Reports on Budget Execution/National Treasury and the Annual Account Statements of Brazilian municipalities.

It should be noted, in particular, that the data used to analyze the budget execution of João Pessoa were obtained from the open database of the Sagres System, of the Court of Accounts of the State of Paraíba (TCE-PB), which brings together, in a more detailed way, information about expenses and efforts made by the Paraíba municipalities in the recent period. It is important to note that part of the amounts indicated in the commitments present distortions because they do not consider the reversals made in the process of executing the expense. In order for the values to be corrected, Sagres makes available a

specific database for reversals, which was crossed with the base of commitments to consolidate the real values.

Data were also collected on the Caixa Econômica Federal web portal on the tab referring to the Monitoring of Public Sector Works, which enabled the identification of projects that were contracted through onerous operations (onlending/financing contracts). It is also registered that all figures and tables were elaborated by the authors from the consulted databases.

This study prioritizes the examination of expenses classified under the programmatic function Housing. However, it is important to emphasize that municipal administrations may differ in terms of the classification of budget commitments and some expenses may be classified under other functions, such as Urban Planning, for example. Furthermore, it is beyond the scope of this article to discuss issues related to the extractive capacity of local governments, with the analysis being restricted to the examination of aspects related to expenses (committed and paid) in that function. Concretely, this function is located within the scope of the Annual Budget Law (LOA), as well as, in some parts, an effort is made to understand the budget and financial execution of the housing programmatic function by establishing comparisons with others functions (urbanism, education, administration, health and social security).

Finally, in relation to the choice of João Pessoa, this is due to the fact that, among all the capitals (and cities) in the Northeast of Brazil, it is the only one that integrates the Emerging and Sustainable Cities Initiative (ICES)⁵ of the Inter-American Development Bank (BID) and which, in recent years, has received resources from the main federal social housing programs/actions (PAC-UAP, PPI/Slums, Pro-housing, Urbanization, Integration and Regularization of Precarious Settlements, FAR-Urbanização and PMCMV).

These federal programs/actions can connect with ICES in several dimensions, highlighting the following: housing production, upgrading of slum and informal settlements, urban and environmental management. ICES, in turn, brings an important dimension considered essential here to support the realization of those others, namely: financial autonomy.

⁵ In Brazil, only the cities of João Pessoa (PB), Goiânia (GO), Vitória (ES), Florianópolis (SC) and Palmas (TO) entered into a partnership with the Inter-American Development Bank within the scope of the ICES (Andrade, 2017).

As stated in the João Pessoa Sustainable Action Plan (BID, 2014, p. 56), João Pessoa

... presents a low degree of financial autonomy, with only 30% of current revenues coming from its own collection, while the average for other cities is 37% and for all Brazilian capitals the average is 52%. This points to a limitation in the municipality's autonomy and capacity to establish its priorities, since a large part of its investment capacity is conditioned by transfers from the Federal Government.

This finding, more than definitively drawing conclusions about the financial autonomy of municipal governments, shows us the need and importance of engaging in new debates and conducting studies and research that make it possible to understand such autonomy not only from the extractive perspective, but also from the budget and financial execution perspective and the real autonomy of those governments to prioritize the production of public policies that are not structured on cooperative arrangements of public policies.

3. State capacity and its financial dimension

Studies on state capacity have been intensifying in Political Science, Public Administration and related disciplines (Silva et al. 2020; Aguiar & Lima, 2019; Gomide, Pereira & Machado, 2017; Lindvall & Teorell, 2016; Cingolani, 2013). There is a vast international production on the subject and it has been expanding in Brazil in recent years (Aguiar & Lima, 2019; Gomes & Pereira, 2020).

Despite this, studies in this field are still permeated by analytical challenges: there is no single, consensual definition of this concept, which generates polysemy and makes its use problematic (Silva et al., 2020; Gomide, Pereira & Machado, 2017; Lindvall & Teorell, 2016; Cingolani, 2013; Kocher, 2010). Other authors describe this as a “background” concept, the absence of which is used to explain failures or weak performances (Saguin et al., 2018; Addison, 2009).

Faced with this dilemma, recent studies have come to understand state capacity in a multifaceted way, in which the concept is understood from the existence and relationship between multiple dimensions/sub-capacities/domains (Silva et al., 2020; Gomide, Pereira & Machado, 2017; Pires & Gomide, 2016; Gomide & Pires, 2014;

Cingolani, 2013). Therefore, it is recommended that any research on this topic must necessarily identify which dimensions it deals with (Cingolani, 2013), and answer, from the beginning, the question: capacity for what? (Hanson & Sigman, 2011). In addition, the debate on state capacity becomes more complex in federative contexts, such as Brazil, in which many public policies are co-produced by the federal and municipal governments and in which there is a high inequality of administrative capacity between local governments (Saguin & Ramesh, 2018; Grin & Abrucio, 2018; Grin et al., 2018; Papi et al., 2017; Grin, 2016; Gomes et al., 2017; Marengo et al., 2017).

Against this background, the Brazilian literature has drawn attention to the need to improve the analytical model of state capabilities to leverage its explanatory potential with regards to the action of subnational governments (Grin & Abrucio, 2018; Gomes et al., 2017; Gomes & Pereira, 2020).

The demand to broaden the understanding of municipal state capacities is related to the tension between the new municipal attributions arising from the decentralization of public policies and goods established in the 1988 Constitution and the difficulties of promoting municipal state capacities to respond to the new attributions and status assumed (Grin & Abrucio, 2018).

Most of the literature dedicated to understanding the state capacities of Brazilian municipalities has associated it with administrative capacity, using Weberian characteristics as a proxy (Gomes & Pereira, 2020). There are studies, notwithstanding, that have been dedicated to analyzing financial autonomy, one of the “central state capacities”, which is emphasized in this article and one of the items that puts most pressure on municipal governments. Although it is enshrined in the 1988 Constitution, financial autonomy remains a challenge for many municipalities, expressing the inequality in terms of administrative skills and of the ability to extract local resources (Grin & Abrucio, 2018).

In such studies, the financial dimension of state capacity is often associated with the extractive or fiscal capacity of states and treated as a dependent variable: Grin et al. (2018) adopt 4 dimensions (administrative capacity, technical capacity, institutional capacity and political capacity) to assess the performance of municipal fiscal policy; Marengo et al. (2017) use political aspects and Weberian characteristics of the local bureaucracy to investigate the municipal capacity to collect its own resources such as IPTU.

In this article, considering the character of interdependence that characterizes social interest housing policies in the current Brazilian federative system, a distinct approach is adopted, which recognizes the relevance of the extractive and fiscal capacity of municipal governments, while prioritizing the analysis of availability and allocation of budgetary and financial resources for a given public policy, which may come from different levels of government. Ultimately, the aim is to understand how the fiscal autonomy of the municipality is delineated and how it relates to fundings from the federal government and to the local development of the social interest housing policy.

4. Housing Policy in the federative context: notes on the recent period

In the early 2000s, important transformations took place in the institutional and regulatory architecture that directly influenced the Brazilian social housing policy: (i) the creation of the Ministry of Cities (MCidades) in 2003; (ii) the elaboration of the National Housing Policy (PNH) in 2004; (iii) the creation of the National System of Social Interest Housing (SNHIS) and the National Fund of Social Interest Housing (FNHIS), in 2005; and (iv) the preparation of the National Plan for Social Interest Housing (PLANHAB), in 2008.

Here, attention is drawn to the System, as it presupposes processes and dynamics between governmental spheres (federal government, states and municipalities) that involve federal coordination, cooperation and decentralization (administrative, political and financial) in the implementation of the policy, instrumentalized through plans, programs and/or projects. For Buonfiglio (2018, p.73), the System

(...) was designed as a coordination and induction mechanism from above (federal sphere), but structuring and empowering the municipal power “below”. In the perspective of an effective decentralization in the execution of the housing policy analyzed here, it can be thought of as a true pact between all the entities of the Federation, as it thought of “having a mirrored institutional structure”, in addition to the concentrated formal institutional structure in the Ministry, in decentralized apparatus (other government bodies such as Secretariats) and spheres of power beyond those institutional (with social control and popular participation) rebalancing/redistributing political force throughout the arrangement, because, beyond federated entities, combining public and private agents of organized society.

In reality, the National System of Social Interest Housing was established, but it became a 'symbolic rule' (Meyer & Rowans, 1977), granting legitimacy to the federal

government, even though it lacked effective implementation (Klintowitz, 2015). It is important to note this, as housing policy, especially that of social interest, is an area of public policy marked by high intergovernmental interdependence - both because it is a constitutionally shared responsibility and because of the high costs of its execution - and by the absence of that system and regulated federal resources (transfers), such as in the areas of health and education.

Silva (2014) highlights that the fact that the housing policy is linked to financing ends up giving prominence to the economic policies that are under the responsibility of the federal government, among which are cited the credit and savings systems, for example. Thus, considering that the constitutional responsibility for the urban policy belongs to the municipality and economic policies are concentrated in the federal government, it is noted, once again, the importance of intergovernmental arrangements and federative coordination and cooperation for the implementation of housing policy by the city government.

In this regard, Gonçalves (2009, p. 33) observes that:

in relation to federative arrangements, from this new context onwards, decentralization starts to depend more on the adhesion of subnational government levels and the federative game starts to depend more on bargains, negotiations, coalitions and inductions from the higher spheres of power, requiring intergovernmental coordination processes (ABRUCIO, 2002 and 2005). As mentioned, the extractive capacity and, consequently, the power and discretion over expenditures constitute an important dimension of the governing capacity of federative entities, since this decisively interferes in their capacity to formulate and implement policies autonomously.

It is also valid to reiterate, and reinforce, that housing policy has a high cost, implying, in most cases, the increased dependence of subnational governments (states and municipalities) in relation to the federal government. In a way, this framework induces them to adhere to the incentives and follow the guidelines defined by the Union, which, necessarily, do not dialogue with local specificities.

Therefore, it seems acceptable to recognize that achieving the objective of guaranteeing decent housing for the population as advocated by the NHP is both complex and important. This is because the housing problem needs to be tackled jointly by different levels of government both in terms of the quantitative deficit (production of new homes) and the qualitative deficit; the issues that affect precarious settlements; the socio-

environmental management of territories, etc., in order to guarantee adequate living conditions for the population.

Therefore, it is necessary the existence of state capacities of different dimensions (financial, administrative, institutional, technical and political-relational) in order to face the complex and multifaceted demands of the housing area, especially when considering the differences and the existing inequalities between the states and municipalities that make up our Federation. Furthermore, one cannot forget that housing is a commodity and its production involves different agents and interests, both private and public.

5. Housing Policy in João Pessoa/PB: analyzing the city's recent financial capacity

João Pessoa, capital of the state of Paraíba, has an estimated population of 825,796 inhabitants⁶. The Gross Domestic Product (GDP) of this municipality in 2018, according to data from the Brazilian Institute of Geography and Statistics (IBGE), was BRL 20,036,726.17, the highest in Paraíba. Its GDP per capita is the 6th highest of the state, reaching BRL 25,035.80. In 2020, João Pessoa's revenue was BRL 2,576,781,782.25.

As noted by Garson (2005), the budget is affected by indicators such as population size, composition and size of the economic base, whether the municipality is a state capital or not, and whether it fulfills the necessary requirements to access resources from governmental entities.

In general, revenues from current transfers are expressive and have represented the largest share of total current revenues. According to Garson (2005), intergovernmental transfers play a very important role as an instrument of fiscal policy. This reality, however, is not exclusive to the capital of Paraíba, since the vast majority of the Brazilian municipalities depend on those transfers from the federal and state governments. Such dependence tends to have a direct impact on the production process of public policies, especially those that are of shared competence and not structured on cooperation arrangements, such as the system of public policy, as is the case with the housing policy.

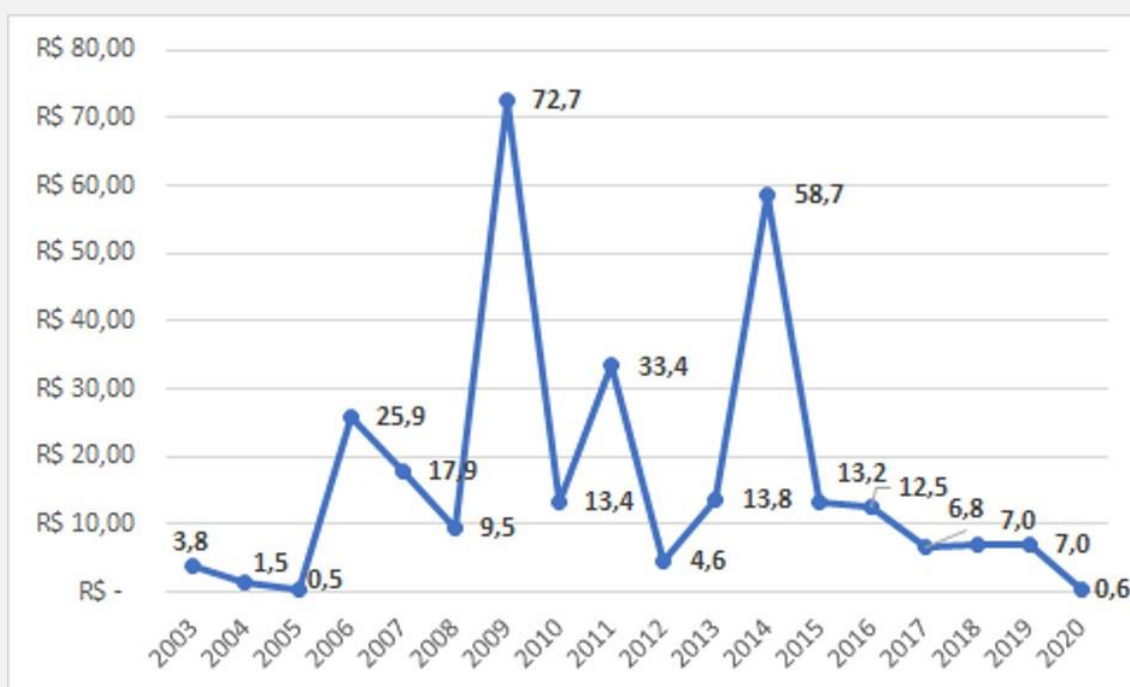
⁶ Census Estimate IBGE, 2021.

Between 2003⁷ and 2020, the expenses of the João Pessoa City Hall (PMJP) in the budget function of Housing fluctuated throughout the historical series, exceptionally during the last four years, when they remained below BRL 10 million and plummeted to the amount of BRL 570 thousand in 2020.

It can be assumed that this reduction is related to changes that have taken place in the Brazilian political scenario since 2016, especially with the decrease in public investments to meet the austerity policy of the government of former President Temer, which directly impacted the maintenance of strategies of actions that had been developed since 2003, with the creation of the Ministry of Cities (Santo Amore, Leitão, 2018). It is also relevant to note that in 2019 this Ministry was dissolved, and part of its structure integrated into the Ministry of Regional Development.

Figure 1 presents, in a systematic way, the evolution of expenditure committed to the Housing function in João Pessoa.

Figure 1: Evolution of expenditure committed to the Housing function between 2003 and 2020 (in BRL million)



Source: produced by the authors based on data from Sagres (TCE-PB).

⁷ The beginning of the 2000's marked the period of resumption of federative coordination, impacting the process of production of public policies in the area of urban development, related, for example, to institutional and regulatory architecture, as well as to the financing of plans, programs and projects.

Note: Values adjusted by the Brazilian inflation rate (IGP-DI) at 2020 prices.

When examining the expenses paid in the housing budget function in the period 2003 to 2020, it is shown that the amount of BRL 78,748,707.73 was paid, which corresponds to 40.81% of the committed expense. Of all the budgetary functions in the area of urban development, housing was the one with the 2nd lowest percentage of expenses paid (7.09%), only ahead of the sanitation budget function (4.75%).

The analyzes of the settled expenses per capita in the housing function (Table 01), obtained by the ratio between the total amount settled on the population projection for the respective year in the Housing function, it appears that the aforementioned average expenditure of João Pessoa, considering the period between 2015 and 2020 was R\$9.24 (nine reais and twenty-four cents).

When the indicator paid expenses per capita in the housing function is used to examine the financial capacity of the municipality of João Pessoa, it is observed that João Pessoa, considering all the northeastern capitals, occupies the fourth place with an average of BRL 9.24, and Salvador presents the highest average in the period (BRL 13.40), as depicted in table 01. It is feasible to suppose that the differences in settled expenses per capita may, to some extent, reflect different economic, social and administrative conditions, which shape regional disparities and affect the behavior of budgetary and financial execution, not to mention that they constitute obstacles to cooperation in solving common problems. Between 2015 and 2020, the capital of Paraíba showed a negative variation (-93.0) in that indicator.

Table 1: Settled expenses per capita in the Housing function (in BRL)

CAPITALS	2015	2016	2017	2018	2019	2020	Average
Salvador	8,34	24,0	3,72	19,11	13,06	12,11	13,40
Fortaleza	8,73	25,8	10,24	12,49	10,23	6,97	12,40
Teresina	7,41	6,8	5,23	5,69	31,04	9,66	10,97
João Pessoa	10,01	25,6	5,67	6,58	6,87	0,70	9,24
Aracaju	19,34	13,6	2,57	0,27	0,86	4,84	6,91

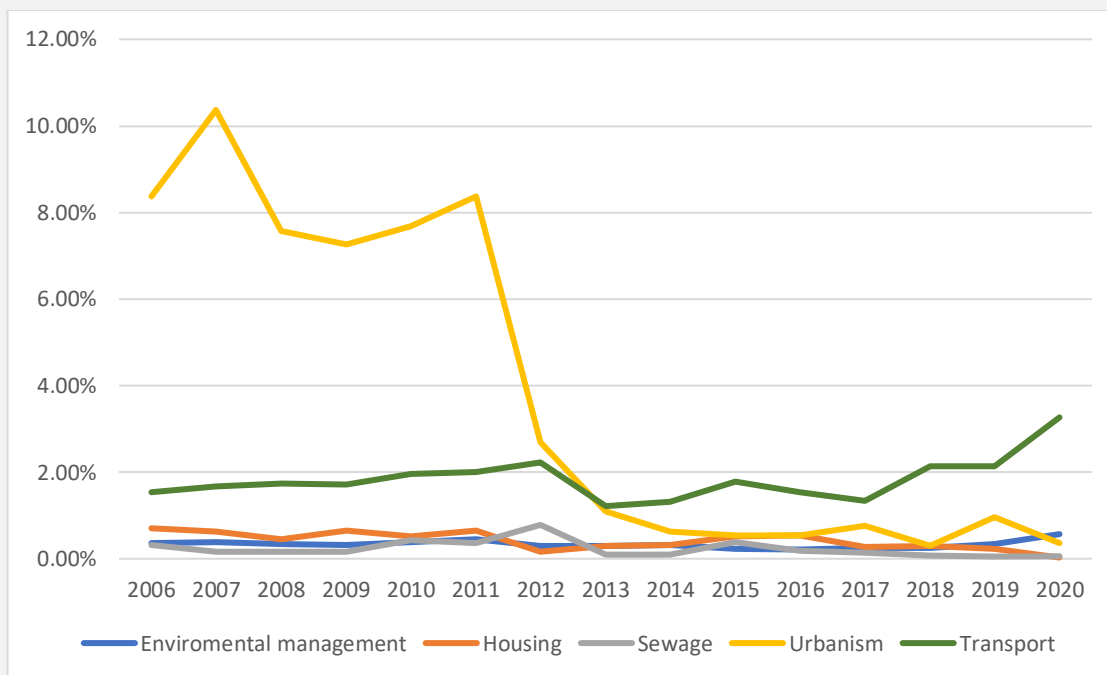
São Luís	0,00	0,9	0,21	29,45	8,91	1,41	6,82
Natal	3,62	3,6	5,57	4,28	3,95	5,08	4,35
Recife	3,36	2,5	0,52	0,28	2,15	3,92	2,12
Maceió	0,75	3,1	2,59	2,81	1,62	1,00	1,97

Source: produced by the authors based on data from Finbra/National Treasury.

As noted in the initial debate, state capacity becomes more complex in federative contexts, in particular when there are several public policies produced in a shared way by federated entities, and when considering the existence of high inequalities in terms of administrative capacity of local governments and of dependence of these in relation to other entities in the financing of policies.

By putting housing spending under a broader budget perspective and analyzing it from 2010 to 2020, it is clear that this function has low priority in João Pessoa's administration. The spending prioritization indicator suggested by Lima and Diniz (2016), given by the ratio of spending on a given function to total spending, is important to suggest what the government's priorities are and what functions are being performed to meet the needs of the community. In João Pessoa, the prioritization of expenditure in housing varied from 0.70% in 2006 to 0.03% in 2020. Other functions related to urban development also did not exceed the ceiling of 3% of total expenditure by municipal management in the analyzed period (figure 2).

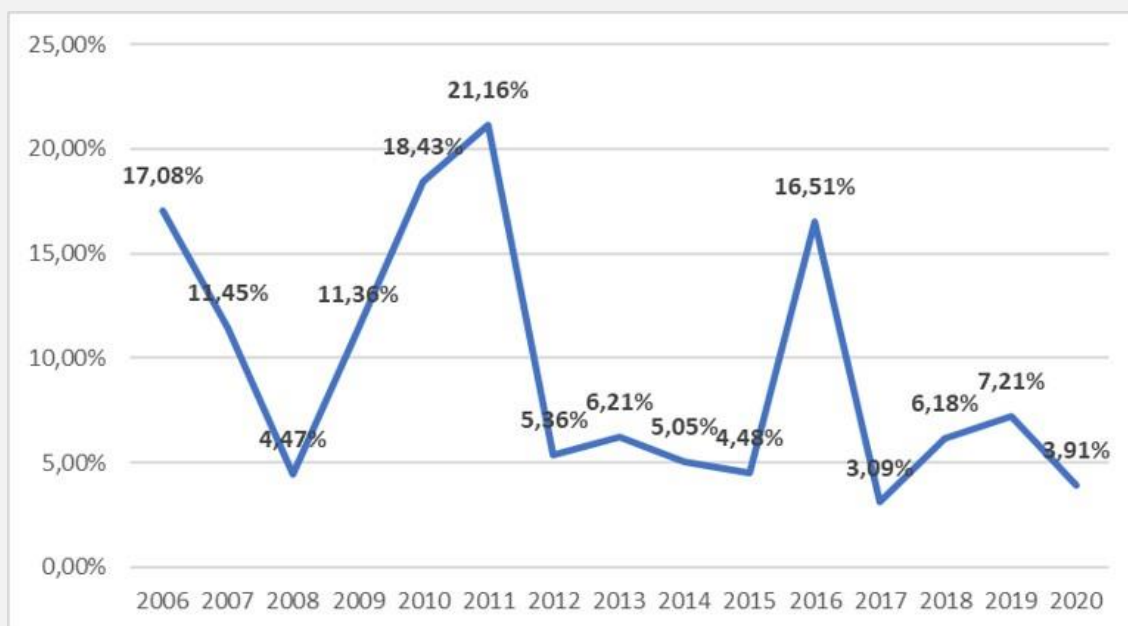
Figure 2: Prioritization of settled expenses by the PMJP in functions related to urban development between 2006 and 2020



Source: produced by the authors based on data from Finbra/National Treasury.

In addition to the low prioritization, budget data indicate a mismatch between the values presented in the Annual Budget Law (LOA) and what was actually carried out by the municipal administration. Considering the period analyzed, the greatest use of the initial allocation took place in 2011, when the PMJP paid 21.16% of the amount provided for in the budget piece (figure 3).

Figure 3: Ratio between estimated amount in the LOA and settled expenses in the Housing function



Source: produced by the authors from the Summary Reports on Budget Execution/National Treasury.

Comparing budget execution with other functions (figure 3) reinforces the difficulty of the municipal administration to fulfill one of its main planning instruments, the LOA. This fact is supported by studies by Arretche (2010), who classifies decentralized policies into two types: regulated, which have federal legislation and supervision, with less decision-making autonomy for subnational governments; and unregulated ones, in which municipalities have autonomy both for policy-making and for decision-making. Education and health, for example, are classified as regulated policies, while housing, infrastructure and transport are examples of unregulated policies and, as a consequence, would have lower priority on the municipal agenda.

Similarly, Ribeiro and Salvador (2018) state that the earmarking of budget resources is a factor that has ensured greater regularity in the financial execution in the area of education in recent years. Housing financing, on the other hand, has shown an irregular and unstable behavior, among other factors, due to the lack of mandatory budget allocation, a fact that makes possible, according to the authors, greater intervention from the market in the housing policies.

It can be assumed that another explanatory factor for the non-perpetuity and for the low level of direct spending by city halls on housing was the non-effectiveness of the National System of Social Interest Housing (SNHIS) over the years, and the situation was aggravated by the launching of the Growth Acceleration Program (PAC), created in 2007, and the Minha Casa, Minha Vida Program (PMCMV), in 2009.

Both programs were prioritized in comparison to the SNHIS, a fact evidenced by the transfer of resources from these to PAC and PMCMV. In general, it can be assumed that such prioritization represented an increase in the availability of resources to municipalities in the housing function.

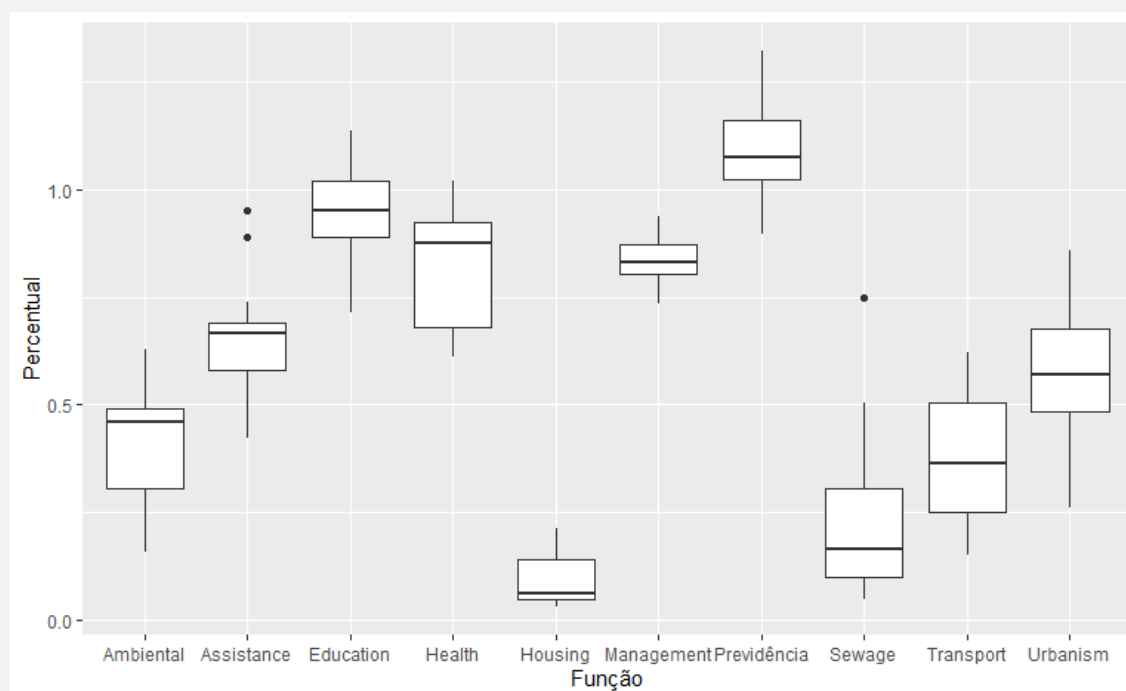
Additionally, there is a program like PAC that, in theory, would not be subject to restrictions on resources allocated under its heading, which from the financial perspective represents a fundamental aspect, especially when it comes to housing policy, on the one hand. On the other hand, forms of social control and redistribution mechanisms, as provided for in the FNHIS, were not linked to the PAC.

Third, PMCMV is structured from a logic in which the performance of municipal management occurs, in most cases, in a timely manner, not dialoguing, therefore, with

what was advocated by SNHIS, especially with regards to the production of housing in urbanized and well-located areas (Silva, 2014).

The ratio between the values foreseen in the LOA and settled in the period between 2006 and 2020 (figure 4) signals the tendency of low budget execution of functions related to urban development. Housing, environmental management, sanitation and transport, for most of the period analyzed, showed execution rates below 50%. This scenario can be attributed to the fact that expenditures in this area are mostly made up of capital expenditures, whose execution is more complex than current expenditures, which dominate functions with a high level of execution, such as a social security and administration.

Figure 4: Ratio between amounts foreseen in the LOA and settled by function between 2006 and 2020 in João Pessoa/PB

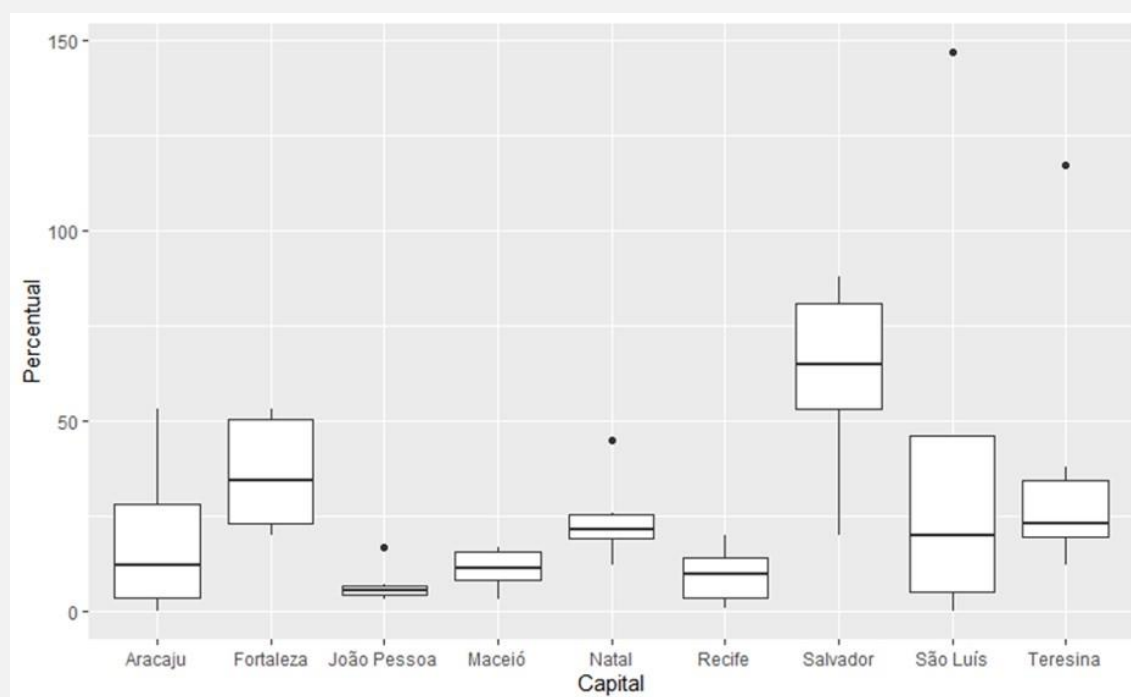


Source: produced by the authors from the Summary Reports on Budget Execution/Finbra.

The mismatch between the values present in the LOA and the effective execution of the budget in the housing area led the Court of Auditors of the State of Paraíba (TCE-PB) to notify the Municipal Housing Department, between 2014 and 2017. According to the Court's audit reports, it is a common practice in housing policy to set high expenses in the LOA and present low budget execution, a fact that indicates the relative lack of budget planning in the municipality.

Although the deficiencies in the budget execution of housing in João Pessoa are glaring, this cannot be considered an isolated phenomenon, given that this function presents an execution below 50% in most of the capitals of the Northeast (figure 5), indicating a structural deficiency in the policies formulated in this area.

Figure 5: Ratio between settled and foreseen expenses in LOA for Housing in capitals of the Northeast between 2015 and 2020



Source: produced by the authors from the Summary Reports on Budget Execution/Finbra.

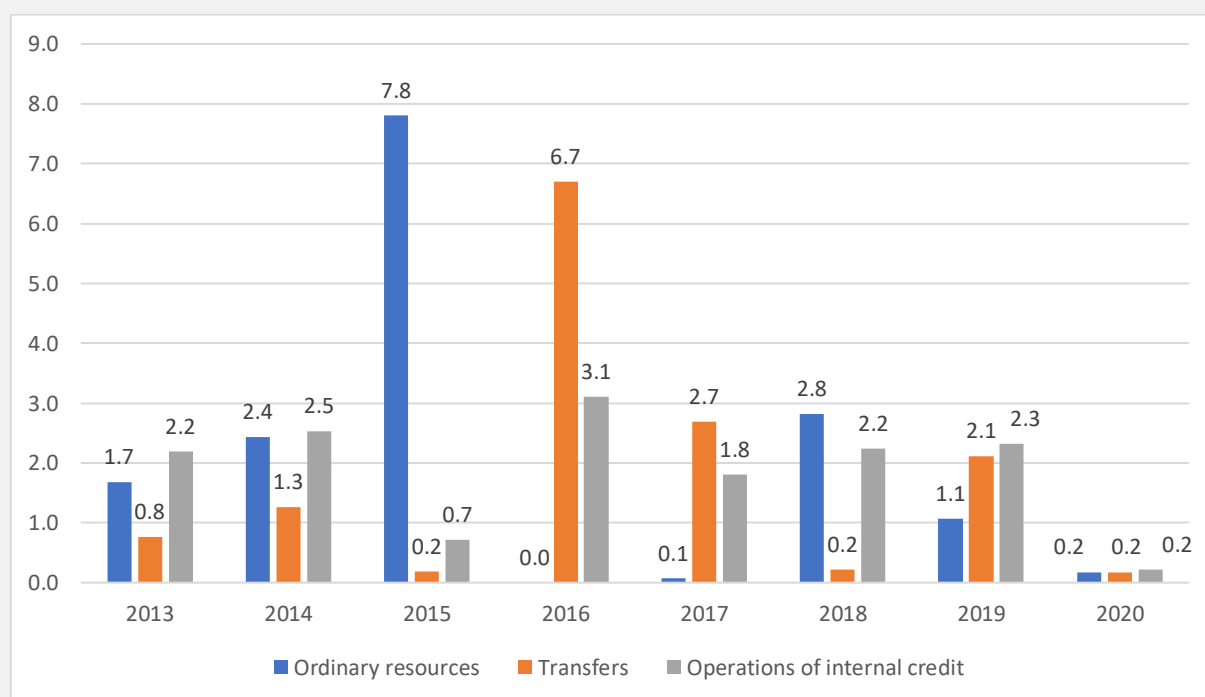
Since most of the expenditure allocated to housing policy is discretionary, it remains subject to municipal management constraints throughout the year. The situation becomes even more evident in the last years of the historical series, marked by the economic crisis and the containment of public spending, especially in capital expenditure.

Regarding discretionary transfers, Garson (2005, p. 08) observes that these are “of a more unstable character and that they can meet the objectives of decentralized execution of sectorial actions, through agreements between federation entities, or simply the demands of the political game - amendments by federal and state parliamentarians to the respective budgets, with the objective of meeting the demands of their political bases”.

It is worth noting that investments made by municipal governments, which also include those in the area of urban development, are basically financed with resources obtained over a given fiscal year.

The relative instability in the budget execution in the housing area can be verified in more detail from the classification by source of resources (figure 6). Between 2013 and 2020, it is observed that 35% of the expenses settled by the Municipality of João Pessoa come from ordinary resources, 33% originate from credit operations, and 31% through transfers. Figure 6 details the composition of expenditures by source of funds each year.

Figure 6: Expenses settled in Housing function by source (nominal values)



Source: produced by the authors based on data from Sagres (TCE-PB).

Note: The analysis of the source of resources spent on the Housing function considered the period between 2013 and 2020, since this information only started to be made available by Sagres from that year onwards.

The analysis of figure 6 makes evident that João Pessoa is highly dependent on onerous resources (credit operations with the Severance Indemnity Fund - FGTS resources) arising from onlending contracts between the Union and the municipality and non-onerous resulting from agreements formalized between these two, through the use of resources from the General Budget of the Union (OGU). It is noteworthy that to the State, in the case of this article to the municipal management and with regards to onerous resources, there is a requirement that the financing amounts be returned, with the municipality having the role of directing its application.

Although the analysis carried out in this study indicates a balance between the sources of resources applied in the housing function, it is clear that even the expenditures made with ordinary resources result from the federal induction from the PMCMV or other

federal programs, such as the PAC and the Pro-Moradia. In the period between 2013 and 2020, data from the Sagres System indicate that the projects that received the highest volume of funds were the PMCMV projects: Saturnino de Brito (BRL 14, 3 million), Vista Alegre (BRL 5.8 million) and Nice Oliveira (BRL4.5 million).

The municipality of João Pessoa has 03 transfer contracts⁸ in the scope of the Pro-Moradia Program, namely: i) Upgrading of the Riverside Zone of the Sanhauá River - Ilha do Bispo, Alto Mateus, Favela do S and Varadouro Communities (Contract 0229026-30; Year: 2008; ii) Removal and Resettlement of 400 housing units, Sewage Network Installation, Water Supply, Paving, Drainage, Retaining Walls, Community Equipment, Social Work and Land Regularization (Contract: 0350330-84, Year: 2012); and iii) Upgrading and Regularization of the Riachinho Community (Contract: 0527630-83; Year: 2019). The total investment value of the three projects is BRL 62,515,858.65, of which BRL 55,020,192.89 come from transfers and BRL 7,495,665.76 from the municipal management.

It is credible to assume that the values expressed in figure 5, especially in the period between 2013 and 2016, relate to the project indicated in item ii, in view of the beginning of its execution, but also with the execution of the aforementioned in item i, as according to information from the Public Power Works Monitoring System anchored on the Caixa web portal, the last measurement occurred in 2016.

Considering the above, there are relevant aspects of the housing policy, to some extent already approached in previous sections, and that dialogue with the empirical findings: (i) the high cost of programs/projects/actions in the housing area are predominantly capital expenditures, meaning that its demand is concentrated in time, demanding that resources be ensured, in general, in the medium and long term; (ii) it is clear that resources from other sources (transfers and credit operations) significantly affected the final budget in the housing function. In any case, it is highlighted that both transfers and the composition and size of the economic base affect the budget, not only in that function, but in its entirety; (iii) housing policy is complex, multifaceted and multisectoral and different actors (state and non-state, of different scales) act in its production, which requires state capacity in the technical-administrative and political-

⁸ Information from <https://webp.caixa.gov.br/siurb/ao/pag/filtro-cid.asp>. Access in: Jun, 10th 2021.

relational dimensions "tuned", since ensuring the effectiveness of such a policy requires time and synchrony.

6. Final Remarks

This article aimed to provide an overview of the budget execution in João Pessoa, as a way to shed light on the understanding of the financial capacity of the municipal management to develop housing policy. The results obtained from the analysis of this municipality cannot be generalized to all Brazilian municipal administrations, given the heterogeneity in terms of state capacity in its different dimensions that exist among them. However, they offer interesting inputs for thinking about the potentials and limits of the implementation of social interest housing policies by municipal governments.

First, they reinforce the view that there is a significant municipal dependence on federal resources, mainly from ad hoc housing programs. This indicates low municipal financial autonomy in the area of housing, while demonstrating the growing importance that cooperative federalism acquired from the beginning of the 2000's onwards, with the promotion of different federal programs/actions for local implementation.

Second, given the financial dependence on sources of funds outside the municipality, largely due to the concentration of resources and decision-making power at the federal level, it can be assumed that, in a way, this induces the behavior of municipal administrations. In principle, this would not be a problem if such induction took place in a perennial, coordinated, cooperative and participatory manner, it could even start from pre-existing structures and instruments, enhancing them, both in the technical-administrative and political-relational dimensions. As a result of this enhancement, municipal administrations could diversify their action strategies and provide housing alternatives in different modalities.

However, what is observed is the impermanent character of such incentives, which affect the housing policy developed locally. When there are opportunities for federal financing, municipal governments tend to adhere to the housing programs proposed by the Union, directing their resources and capacities to make feasible this implementation or to complement such actions. On the other hand, in the absence of such incentives, subnational governments reduce the size of interventions and find themselves impelled to reorganize their actions, directing their scarce resources to try to respond, albeit in an incipient way, to the local housing problem.

The results also point to the relevance that onerous operations have in João Pessoa for the financing of housing projects, revealing not only the financial dependence, but an intrinsic “additional cost” to those operations, which tends to be even greater when it comes to programs and/or projects whose object is integral or partial slum upgrading actions, removals and/or resettlement in communities. This is the case of the capital of Paraíba when the transfer contracts signed are verified.

Fourth, the results also show that the social housing policy, in comparison with other areas of public policy, has weaknesses that affect the availability of financial resources and its budget execution. In public policies in which there are consolidated systems with guaranteed transfer of resources, such as health, education and assistance, and/or involving personnel expenses, such as the administration area, a better behavior is observed when analyzing the ratio between amounts provided for in the Annual Budget Law and committed by function.

This also highlights the difficulty in guaranteeing permanent resources for the housing policy, mainly due to its high cost, as noted above, and the possibility of contingency by the municipal administration itself.

Finally, it is noteworthy that this research has some limits, such as the focus on a single case, João Pessoa, and on statistical analyses. Future studies can investigate other municipal contexts, with a view to ascertaining if they also face the challenges related to the financial dimension of the state capacity at the municipal level to promote housing policy that were found in this article. They can also explore, explanatory reasons that contribute to broadening the understanding of the reduced municipal financial allocation and the low budget execution rate.

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