

THE PORTUGUESE CONNECTION

LOCAL GOVERNMENT NEWS, May 1988



In January and February LGN reported on the local government and housing scene in war-torn Ulster – and picked up an award in so doing (see page 1).

This month reporter Des McConaghy and cameraman Bob Reid send us an exclusive bulletin from Portugal where local government's perennial problems are wrestled with against a backdrop of revolution and continuing political instability.

Two short years ago I found Lisbon walls sporting colourful Socialist graffiti: red posters, the hammer and sickle, and everywhere the message "Avante", "Avante!"

A street demonstration protesting about a reduction of real earnings over the last four years – Portugal is by far the poorest country in Western Europe

For the most part they have disappeared: faded with the memories of the Revolution of 25 April 1974. Since then, there have been ten governments – including six constitutional governments – and the Portuguese go to the polls once again in October. The centre/right coalition "Aliança Democratica" which formed Portugal's first majority government in December 1979, seeks a mandate to revise the neo-Marxist constitution and liberalise the economy: bringing it more in line with the mainstream of Western European traditions.

Prime Minister Sa Carneiro, a Social Democrat (PSD) makes no bones about what this means: curbing public intervention, encouraging private enterprise, reform of protective labour laws, compensation for nationalisation, a limited re-introduction of private banks and insurance companies, and so on.

It means centralisation too. Returning to Lisbon on 22 March, I saw an encounter between the police and a Left demonstration. The issue was the cost of living and the erosion of real wages over four years. Sa Carneiro's response is tax cuts and a promise to reduce inflation – sounds familiar!

With a per capita GNP of £927, Portugal is by far the poorest country in Western Europe: it has no money to spend and still less to give away.

UNDERLYING

If Sa Carneiro wins a good majority in October it will be because the Portuguese want, most of all, a strong and stable government, without which chaos and poverty may become worse. The underlying question bothering all Sa Carneiro's opponents, and the demonstrators, is whether stability and democracy are reconcilable!

I looked at local democracy and its relation to housing as one very visible executive programme. Both the Alliance, comprising the PSD and Christian Democrats, and all other parties,

reflect widespread commitment to de-centralisation and local autonomy.

All are pledged to protect Portuguese democratic institutions while opponents see this 'democratic' image as a gloss: a Trojan horse linked to the dictatorship of the past rather than a democracy of the future. After all, Salazar provided a stable government!

Since he was overthrown, the internal administration of the country remains an institutional vacuum. It could be filled either way.

The Vacuum

With the gentle revolution of 1974, the Portuguese found themselves experiencing one of those rare moments in the history of a nation when the mass of people feel that everything has become possible.

They immediately set about organising themselves into thousands of small co-operatives, workers' management units, residents' associations and the like, to solve at a stroke all the daily problems that had dogged their lives for centuries. Running riot in the spring-time of emancipated emotion, they shook off the frustrations and repressions of forty years of dictatorship under Salazar and Caetano.

They did so with no experience of democratic government – or the bureaucracy that must support it. Worse still, self-management was seen in Utopian terms and expres-

sions of Socialist ideology failed to understand the importance of resources.

Salazar had given no appreciable powers to local government. Districts were ruled by prefects appointed by Government – as were the chairman of constituent councils.

Without a free press, unions or effective elections, the political environment was unimportant. Salazar's National Economic Plans, from 1935, were technically competent and of greater constitutional importance than elsewhere in Western Europe. Everything was subordinate to these and to the power base of cartels they served – and like central planning everywhere, they were pre-occupied with growth and not social and distributional issues.

The 1976 constitution places a new national plan at the centre of a "socialist economy". Unlike Salazar's "directed economy" it should ensure "the fair distribution of the national product among individuals and the regions".

Why cannot this be the framework for a new internal administration? Simply because it is technically impossible for developed Socialism where personal consumption and elections are considered important. The still doggedly Stalinist Portuguese Communists are untroubled by this contradiction – essentially they lost out when agreeing to elections. People did not want to replace one form of central direction by another.

But sweeping away central corporatism left a hole, since nowhere in Europe is there such a profound consensus in favour of de-centralisation and local control.

□ Conditions in Portugal's shanty towns (Bairros) are more reminiscent of Calcutta than of a European state seeking entry to the Common Market

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The constitution defines a state "organised to respect the principles of the autonomy and democratic decentralisation of the administration". What is being done about it?

There is local government administrative legislation so vague as to be fairly valueless. There is an astonishing finance law that is interesting but ill-considered. There is an attempt to apply the finance law although nobody has decided who does what: draft legislation sorting out what functions municipalities will have is stuck in the Parliamentary assembly. Portugal's swollen and inefficient bureaucracy remains concentrated in Lisbon. Local staffing and technical skills are negligible. I will come back to this, but we should look at "housing" and see how anarchy fills the present vacuum.

The housing problem and ...

More than half of the 8.9 million mainland population is concentrated within the coastal urban agglomerations of Lisbon, Setubal and Porto, Braga and Aveiro. The social legacy of autocracy was appalling but demographic regression lasted up to the revolution: population (and unemployment) was exported to the colonies and to France, Germany and the USA.

Following decolonisation policies, the coastal cities absorbed 500,000 refugees and "retornados" between 1974 and 1976. Massive rural de-population continued and, following the recession,

expelled "guestworkers" returned from the EEC. Within one six-month period, the population of Lisbon increases by 6%.

In 1970 a quarter of the Portuguese had no dwelling and lived in over-crowded slums. 50% of families had no sewerage and roughly 68% no electricity supply. The majority of "retornados" and refugees reaching Lisbon in 1974/75 were either herded into camps or built rough shacks out of hardboard, old crates, corrugated iron - or anything that came to hand.

The 1970 Lisbon base situation finds only 75% of families with running water - and less than 50% in Setubal. A recent estimate still shows 25% of Lisbon's population in need of housing. Half Lisbon's dwellings have neither running water or sanitation and a third no electricity supply. About 550,000 Lisbon families live in slums and 35,000 families remain in shanty-towns ("Bairros").

... **The Anarchic response** Before the revolution, the total annual number of dwellings completed varied between 28,000 in 1970 and 43,000 in 1974 with state housing at 7%: 2,000 to 3,000 completions annually.

Only 20% of the population in high income brackets could compete for the 93% of housing promoted by the private sector. Statistics were - and remain - abysmal. A good proportion of private housing was "Clandestinas": development constructed illegally. This phenomena expanded

rapidly from 1974, although nobody knows the full extent. Immediately south of the Tagus 8,000 hectares has been divided up for future illegal construction - the same area as Lisbon Municipality.

Unlike illegal development in other countries, these are no shanties but often individual buildings constructed to high standards by wealthy owners.

There are also "clandestine" factories, warehouses and "clandestine" building firms forming the basic organisation of the legal building industry. Bureaucratic procedures for the approval of plans can take over ten years and developers are required to provide services and infrastructure.

Therefore, the official procedure is by-passed, creating massive future servicing problems for the public sector. The public sector may intervene when a clandestine settlement reaches 15,000 - as in Brandoa near Lisbon, where I saw some signs of schools and construction of some public housing.

In Evora, the communist controlled capital of the Alentejo, officials told me that clandestine development exceeded both public and legal private development combined. They did not consider clandestine "illegal" since everyone knew about it.

This municipality initiated deals with clandestine developers in exchange for land to the value of future services. I asked how one part of their bureaucracy

□ "Effective management" is the priority for Dr. Jorge Lopes, Secretary of State for The Budget.

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SAAL low density new developments in Lisbon where "Technical Support Brigades" help the residents. Right: This Lisbon Bairro "boasts" 980 families living in rough shacks.

could initiate such formal contracts while another – or the same part – insisted on protracted procedures and services. There were smiles: "That's why we don't consider it illegal!" Evora intervened with basic services when one development reached 20,000 inhabitants.

Future servicing is only one difficulty. At base, "Clandestinos" illustrate both absence of local control, and dislocation of the financial system from the public sector.

While providing access to housing for modest ownership and outlets for personal savings, 90% of many clandestine settlements are private rental. There is no security of tenure, rents (like interest rates for owner occupiers) are individually negotiated at inflated levels. Clandestine developers operating at this scale – and nine-storey apartments are not uncommon – escape clear tax liability and so impoverish other services. In 1970, over 37% of the Portuguese had no primary education – In Evora district 47.4%.

The attempt

Nun Portas, an ex-Minister of Housing in the first provisional Socialist government, expressed some of the aspirations of the early revolutionary days.

He explained the three





main parts of his 1975 plan. Firstly, he wanted to control the private sector through "development contracts", where the state bought houses not exceeding 1.35 times the cost of construction. Secondly, a housing development fund initiated by Salazar (FHH) was to be used to vitalise the public housing sector. Finally, he set up the Service Ambulatoria de Apoio Local (SAAL) to stimulate self-management cooperatives.

But the 1974 "flight of capital" hit the building industry and, with frozen rents and private sector controls, led to a slump. The tradition of permissiveness allowed the expansion of clandestine housing to take over. Annual completions of public sponsored housing were less than under Salazar until 1977. Then a liberalisation of FFH and revision of "development contracts" brought a rapid increase of completions until the government's agreement with the IMF resulted in the Economic Stabilization Programme of April 1978. Public expenditure cuts created near paralysis.

Conservative municipal administrators can be just as critical. Martins Captao, Director of Services in Lisbon, described how government fully completed one FFH development contract for 15,000 people without any concern about schools or other social equipment.

Nevertheless, the same officials also dislike Portas'

local community "cooperatives". They can appear as hostile "collectives". Allegations are made of the strident resident demands and even housing layouts designed for micro-political control, defensive action and the prevention of policing. Thus there can be extreme bi-polarised attitudes at each level, stalemates, budgetary confusion and - always - the ambiguities of existing law and administration.

I walked through Lisbon's worst "Bairros" where 980 families live in rough shacks. Jose Pires, the chairman of this co-operative showed me well-designed medium and low density flats but complained, "the bureaucratic machine is crushing everything". I saw conditions more reminiscent of Calcutta than a European state seeking entry to the EEC. Progress was grinding to a halt through legal battles and lack of finance. Pires approved of elections but "only with a gun in my hand".

Portas remains enthusiastic about SAAL "Technical Support Brigades - teams of engineers, architects and sociologists sent in to serve "Bairros" resident committees. 3,653 cooperative homes have been completed to standards of architecture that would delight professional journals. Indeed, much Brigade talk, "formation of real, autonomous societies", etc., sounded more like middle-class academia than the world of Jose Pires.

And it was perhaps naive to attempt standards neither Hungary, Poland, the UK or the USA could now afford. Seeking isolated and immediate success outside a properly constituted framework could not improve municipal action but only ensure hostility. Attempting spurious constituencies also!

The missing framework

Portas acknowledged he had been labelled just another "anarchist/populist" but that local housing responsibilities were still unresolved. Crucial services, such as education and housing, are inefficiently administered by central departments. The neglect of such a unifying theme as local government control must partly stem from unstable Governments. This contributes to political instability in internal administration: a sort of vicious circle.

In any event, Law 79 of 1977 merely puts some clothes on the constitution's design for local government without any specific reference to transferred functions.

Portugal was divided into 22 districts corresponding, on the mainland, to general election constituencies. The Constitution describes Districts as transitional pending a system of regional assemblies. The latter has never been implemented. District councils comprise members already elected to subordinate levels.

□ A state-sponsored housing development on the Brandos clandestine settlement - local government intervened only when the settlement's population reached the 15,000 mark.

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The Hondt system of PR is used. The two levels involved in local elections are municipalities (concelhos) and parishes (freguesias). There are 305 municipalities and 4045 parishes. In the December 1979 elections there were 6,642,143 registered electors. 45% of municipalities have less than 10,000 electors, 46% less than 50,000 and 6% less than 100,000. In 1979, the elections were taken seriously by all parties and the poll was 73.8%.

Proposals for the essential matter of the competence of authorities fell with the fourth government. The next government was appointed by the President and rather too boldly it presented a local finance bill. Since all the political parties were then in opposition they welcomed a measure transferring not less than 18% of the total state budget to authorities. Parties felt that if they could not rule the country they could try to rule through local government.

The Local Finance Law of 1979 provides at least 18% of direct taxation towards local current expenditure: 50% in ratio to the electoral census population, 10% in ratio to the territorial area and 40% in ratio to the per capita tax of the area.

The law also provides at least 18% of the State Capital Investment Plan in aid of local capital expenditure by a distribution formula, involving indicators similar to our "needs element".

The grant for current and capital expenditure, taken together, must be equal to or not less than 18% of the total state budget. Municipalities also have some local taxes - property, fire, car, etc., - at rates specified by the government. Finally, local government borrowing should not exceed 20% of its capital investment budget.

Beyond giving rich authorities a greater share, hardly any have sufficient staff or expertise to spend such resources and no clear range of responsibilities in any event. If the current expenditure allocation were applied literally there might not be even enough to pay central salaries. If central investment falls in theory authorities would still receive at least 18% of the state budget.

The rationale of the local ratio between current and capital expenditure also depends on the "missing law" about the duties of local government, and so on!

Admission

Dr. Lopes, Secretary of State for the Budget agreed that the situation had little logic without the "missing law". A draft had been agreed but following elections the matter would be revised.

On the possibility of implementing the Finance Law in the meantime, Dr. Lopes thought the government would act pragmatically. They would arrange a deal with the parties guided by past expenditure: circumstances of previous party support for the measure were perhaps unusual.

If the government becomes entirely responsible for local income the credit and votes go to local politicians for spending while Ministers raise the money: it was an

Lisbon) and salaries increased over 28% last year. Current expenditure had to be cut, staff had to be rationalised and modern management methods introduced; for example, Dr. Lopes seems interested in "zero-budgeting". His position, with its control over the budgets of other departments, was well placed for such personnel and management reforms. Few would - or could - disagree!

Which is where we began: with the language of corporatism and with Dr. Sa Carneiro intent on "getting the biggest bang for his buck".

Nevertheless, it is beyond dispute that central stability is overdue and that political continuity is the prior condition for internal or local reforms.

Zero-budgeting won't

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Prime Minister Sa Carneiro - fighting a Thatcher-type campaign for October elections.

interesting contradiction. But Dr. Lopes saw movement for de-centralisation continuing because of party interests, and since municipalities are strongly represented in the National Assembly. The problems of recurrent expenditure were foremost in his mind: territorial planning was still mainly concerned with development; regional studies remained, in effect, a list of engineering projects. Development of local institutions would have to come at a sensible pace, perhaps making greater use of Gabinetes de Apoio Técnico (GATs): central teams to give local technical support.

His main problem was not directly a matter of the Budget, there were 400,000 civil servants (300,000 in

help - except perhaps to draw more attention to budgeting. Politically, we shall have to see if central stability is really compatible with democracy - local or otherwise. Portugal remains an interesting study for our more prosperous economies which, in this matter, are exhausting their remedies. ●