

# Where There Is a Way, There Is No Will! The Dichotomy between State Capacity and Quality of Public Spending in Brazil and Spain

Marco Aurelio Marques Ferreira (Corresponding author)

Graduate Program at Public Administration (PPGadm/UFV-Brazil)

Universidade Federal de Viçosa - UFV

Viçosa MG – 36570 000, Brasil

E-mail: marcoufv1@gmail.com

Carmen Pineda Nebot

NAPGS Research Group – Brazil

Universidade Federal de Viçosa - UFV

Viçosa MG – 36570 000, Brasil

E-mail: carmenpinedanebot@hotmail.com

Daiane Medeiros Roque Ferreira

Graduate Program at Public Administration (PPGadm/UFV-Brazil)

Universidade Federal de Viçosa - UFV

Viçosa MG – 36570 000, Brasil

E-mail: daianemroque@gmail.com

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## Abstract

The analytical basis of this work relies on the disclosure of the relationship patterns between budgetary capacity and human development, providing the argument that sometimes “where

there is a way, there is no will". The argument provided is that the budgetary capacity can be either spoiled by the quality of public administration, by lack commitment or even by money displacement. Thus, we mean that sometimes the public managers, especially the mayors, may fail to convert a satisfactory budget conditions in public product and services aligned to contribute to human development. The purpose of this study is to investigate these dimensions regarding local governments of Brazil and Spain, considering the advantages of the differences and similarities between these countries on many issues. Among the main findings a curious fact has been observed, many municipalities with a great budgetary capacity show low quality of services and products provided to the citizens. The results highlighted several factors, which affect the relationship between municipal budget and human development. These factors could be considered by policymakers to build more equitable resource redistribution policies and to improve the quality of public spending in local government.

**Keywords:** public administration, accountability, public spending

## 1. Introduction

The quality of life in the society is largely determined by public goods and services, of common use and zero marginal cost. In that regard, several studies have found that the quality and quantity establish differences in terms of access to these public goods, especially those provided by local governments (Gandelman, Piani, & Ferre, 2012). Many conflicts we experience in the developing world are related to differences of consumer's classes, people, citizens, especially concerning the access of good and services connected to the quality of life.

There is no doubt that money is one of the major sources of conflict, especially in the federalism system of government, where some practice of redistribution of money takes place. Although in the literature a strong relationship between budget capacity and provision in the form public services and investment has been observed, these differences are blurred by other contextual factors and by the existing demographic differences between regions, states and countries as stated by Alesina and Glaeser (2004) and Lind (2005).

The access to public goods determines the amount of social and intellectual capital also affecting the degrees of competitiveness and human development at the local, regional and international levels especially because they are associated to, among other factors, education, health, infrastructure that affect what Dolan, Peasgood and White (2008) defined as "economic happiness". That can be seen as the absence of economic disruptions, not only concerning personal finances, but also in the public offering that determines the quality of collective provision.

The thesis of this work reinforces the influence of these contextual factors adding the quality of public expenditure or the efficient allocation of public resources, providing the argument that sometimes "*where there is a way, there is no will*". By that, we mean sometimes the public managers, especially the mayors can fail to take advantage of budget conditions to improve human development, in general, by misuse of public resources due to pursuing

personal goals above public interest. This is largely discussed by the principal-agent problem (Brown, Potoski & Van Slyke, 2006; Milward & Provan, 2000; Waterman & Meier, 1998).

On the other hand, several outlier municipalities are able to improve human development and quality of life despite a relatively minor budgetary power. In this case, “want is power”. These experiences could be defined as benchmarks<sup>1</sup> i.e. references of good management practices. Many authors describe how benchmark can help to improve performance in public sector (Bannister, 2007; Dometrius & Sigelman, 1984; Janssen, Rotthier & Snijkers, 2004; Melkers & Willoughby, 1998). According to them knowing these experiences allow us to break the veil of ignorance that offers a myopic view about the budgetary capacity as the central determinant factor for the effectiveness of local government actions as posed by theory.

In this sense, the purpose of this work is to test this thesis in the light of scientific knowledge relying on a number of comparative cases of Brazil and Spain, based on outlier local governments in both countries.

## **2. Public Expenditure and Human Development**

Several authors argue that the living conditions of society are influenced by socio-economic structures and public expenditures, especially by the capacity and power of the public sector to mitigate the inefficiencies inherent to social welfare (Anderson & Tverdova, 2003; Bardhan, 1997; Del Monte & Papagni, 2001; Marinho & Jorge Neto, 1999). In the international literature, it is clear the connection between these phenomena, although the greater relationship is attributed to the supply capacity, i.e., the budget ability of the government as a central element of development.

The argument provided is that the budgetary capacity alone can mean little, once it can be ruined by poor quality of the public administration.

In fact, this is the argument provided by the allocative efficiency theory in the public sector, which offers elements to understand the ability to provide more and better products and goods despite the government budgetary constraints.

Addressing social demands with limited resources is part of the daily work of public managers and hence, it is relevant the quality of public spending in a scenario that seeks efficiency in state actions. Therefore, the effectiveness of providing human development requires attention to essential factors to the concept of comfort and well-being at individual and collective levels including the satisfaction of life basic necessities such as: health, education, housing, drinking water, labor, education, salary, leisure, which are all related to welfare (Minayo et al., 2000).

Regarding that, in one hand, there are the provision actions with positive benefits from public policies; on the other hand, there are efforts to expand the capacity of tax collection, which comes as a negative effect of the state action, considered as a "necessary evil".

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<sup>1</sup> We use the terms benchmark and anti-benchmark to refer, respectively, the municipalities that are used as a positive or negative standard.

Marinho & Jorge Neto (1999) points out that the growth of the social demand for public policies to improve the living conditions imposes the tax collection as a way to feed the need for municipal self-financing. Otherwise, it seems inappropriate to rely on that action as means of supporting public policies without taking into consideration the proper use of public resources, particularly efficiently and ethically committed to maximizing quality of life and human development.

### **3. Efficiency and Quality in the Allocation of Public Resources**

For decades, the World Bank has been arguing against the effects of public mismanagement and its impact in social condition, especially in developing economies (World Bank, 1997). However, there are not many comprehensive studies about this relationship in local government, especially from the stand point of comparative public administration.

Empirical studies have shown that in Brazil and in many regions of the world, there are other factors able to affect the quality of the State provision. However, there are several municipalities with plenty of provision; nevertheless, low quality of services and products are provided by the local government (Coelho, Crozatti & Silva, 2015).

Furthermore, the purpose of this study is to investigate these dimensions regarding local governments of Brazil and Spain, considering the advantage of differences and similarities of these countries. These elements are the key factors to contextualize the findings in the light of cultural values, government arrangements and very different structures of governance.

Among the variables of influence, it is possible to describe some which have already been explored by other studies, such as: a) the size and structure of the municipality (Santerre, 2009); b) the political competition (Ghosh, 2010); c) the per capita hours worked (Dhont & Heylen, 2008); d) the nature of the investment, especially universal services, social protection, human capital and infrastructure, among others (Castles, 2004; Huber & Stephens 2001; Iversen & Stephens 2008; Nketiah-Amponsah, 2009).

Others, especially related to management, could be pointed out as examples, such as: the lack of management infrastructure, the absence or poor quality of management, the allocative inefficiency, the excessive accumulation of resources and the corruption.

In this type of relationship, it is essential to understand the causes of both, the inefficiency and the misuse of public resources as a central element in establishing good governance in the public sector (Quinn, 2008). Thus, it is necessary to describe benchmark municipalities that influence the good practices of local governments.

Goldsmith (1999) highlights three key elements causing inefficiency in public spending: a) extortion and bribing, b) nepotism and favoring of the least qualified ones and c) misuse of public resources in their various dimensions.

Therefore, it is fair to suggest that not only the quality of local government budget, but also its governance structure and quality of the bureaucracy will influence the allocative efficiency of public resources and, consequently, will result in different levels of human development.

In addition, it is important to understand that not only the size or economic values are important for human development, but fundamentally the way in which public money is allocated.

The misuse of public funds and corruption is pointed out as the main factors preventing the developing countries to catch up the most developed ones. Mo (2001) points out the misuse of public funds and corruption as inhibitors of economic growth, mainly due to the negative externalities they generate according to the example set by political instability, reduction of private investment and the decrease of human capital, thereby affecting the level of human development in a short and long term.

The cases of corruption and unethical administrations – as indicated by Ramírez-Alujas and Villoria (2012) – originate a profound institutional distrust (Anderson & Tverdova, 2003; Bowler & Karp, 2004; Pharr & Putnam, 2000) as well as unaffordable costs (Ades & Di Tella, 1997; Della Porta & Vannucci 1997; Dreher & Herzfeld, 2005; Hodgson & Jiang, 2007), among other negative effects. The authorities managing with high levels of corruption block the development of the country. Corruption hinders development because it prevents effective and efficient administration, which is why it is the greatest obstacle to economic and social progress (World Bank, 2006) and its effects on the social foundations of communities - such as the intersubjective trust, the trust in institutions and the culture of legality – which are very negative (Villoria & Jimenez, 2012).

It is expected a more evident presence of corruption at local government level, (Tanzi, 1994) since from its own institutional size it is more likely that politicians and officials give in to pressure from interest groups (Prud'Homme, 1995).

In many countries, there is a consensus on the need for institutions to raise their level of openness and transparency of information contributing to austerity, budgetary rigor, and a more effective control of public finances. In this context, transparency becomes an important component of the good governance, the quality of institutions and the barrier against corruption (Vila i Vila, 2013).

#### **4. Data Sources and Methods**

The analytical basis of this work relies on the disclosure of the relationship patterns between budgetary capacity and human development, which, basically, requires the identification of municipalities in Brazil and Spain that deviate from the dominant pattern. Therefore, the study focuses on cities that have done a lot with few resources and vice versa, revealing the relationships of efficiency in the allocation of public resources and the optimization of the quality of public spending.

The analytical proposal, explained in Table 1, consists of carrying out case studies, which highlights the presence of “outlier” municipalities, or simply, discrepant subjects. These municipalities will be addressed from two groups:

Group 1: The municipalities with HIGH BUDGET CAPACITY and LOW HUMAN DEVELOPMENT LEVEL.

Group 2: The municipalities with LOW BUDGET CAPACITY and HIGH QUALITY OF LIFE OR HUMAN DEVELOPMENT.

Table 1. Analysis Dimensions of the study

		Quality of life		
		High	Average	Low
Bugetary Capacity	High (Rich)	Expected	Likely	<i>Outlier Anti-benchmark</i>
	Average	Likely	Expected	Likely
	Low (Poor)	<i>Outlier Benchmark</i>	Likely	Expected

Source: Authors

The proposed research framework was the quantitative comparative case study, including municipalities in Brazil and Spain. Among the research techniques used are the exploratory analysis of data (EAD) and the parametric and non-parametric tests, especially the Chi-square test. In the qualitative approach, the case study will be used aiming to identify benchmarks and anti-benchmarks among the municipalities.

The comparative case technique is used in the models proposed by Ferreira and Pineda (2014) indicating that if these conditions are adequately planned, studied and understood, information can be generated and interpreted from the mechanisms of relationship.

From case studies, researchers can use strategies to investigate how the initial conditions are articulated to produce certain changes in the outcome variable. This type of analysis is highly recommended when analysts try to compare explanations that can not be further considered in researches with large samples (Rezende, 2011). According to King, Keohane and Verba (1994), if the case study is used correctly and based on well-developed research designs, as in the comparative cases, it can be taken as essential for the social sciences, both for the description, in a narrow approach, and for the production of causal explanations, in a broader approach.

From the identification of benchmarks and anti benchmarks in Brazil and Spain, new insights can be proposed to the literature of the area, allowing an increase of knowledge about the relationship between public spending and quality of life.

## 5. Study of Case

The two countries chosen for comparison are part of two different continents, South America and Europe; they have different levels of development, Brazil ranks 79<sup>th</sup> in the ranking of the Human Development Index of 2013 with a value of 0.744 and Spain the 27<sup>th</sup> with a value of 0.869. Their local political systems are different, in Brazil, mayors are elected by direct vote and people freely elect their government. In Spain, however, the mayor is the first in the list of the party that wins the election and the government is formed by the candidacy members who have been elected (councilors).

### 5.1. Brazilian Case

Regarding Brazil, 645 municipalities were analyzed in the state of Minas Gerais, Southeastern Brazil, which is equivalent to approximately 11.58% of the country's municipalities. Table 2 illustrates the great disparity of municipalities in the variables of interest, per capita income and municipal human development (IFDM - FIRJAN Municipal Development Index), size and own collection effort.

There are several ways to measure human development in local jurisdiction in Brazil. This study chose the FIRJAN Municipal Development Index (IFDM), calculated by the Federation of Industries of the State of Rio de Janeiro - (FIRJAN), since it is one of the most understandable. However, the per capita income variable is part of the total municipal budget with its own income and transfers, and the IFDM variable is a proxy for Human Development, calculated on a national basis.

The IFDM, which was created in 2008, annually reviews the human development conditions based on three dimensions universally known: "Employment and Income", "Education" and "Health", with the Brazilian municipalities as geopolitical elements of analysis. Thus, the IFDM consolidates into a single indicator from 0 (lowest) to 1.00 (highest) the local development through simple means of the results obtained in each of the three perspectives (FIRJAN, 2014).

Table 2. Descriptive analysis of Brazilian municipalities

	Mean	Stand. Dev.	Asymmetry	Kurtosis
Per capita income	1,601.08	974.04	3.21	17.15
IFDM	0.64	0.10	0.98	5.19
Tax effort	0.08	0.08	2.12	5.86
Total population	27,355.00	108,539	17.06	356.36
N				645

Source: Study Results

In order to corroborate the theory that the level of revenue is associated with the development levels, these variables were tested with parametric (Pearson's  $r$ ) and non-parametric (Spearman's  $r$ ) correlation, resulting in significant levels of 1.9% and 5.7%, respectively. Thus, in order to test whether there is a relationship of dependency between those concepts, the Chi-square test was used for a set of 650 Brazilian municipalities, in which the  $H_0$  hypothesis of independence between facts was rejected with a significant level of 0.02% (Table 4). It confirms the existing expectations from various authors who claim that living conditions are determined, as a rule, by the capacity of the public sector in providing social

welfare (Anderson, & Tverdova, 2003; Bardhan, 1997; Delavallade, 2006; Marinho & Jorge Neto, 1999).

However, this study is based on the investigation of the outliers, contradicting the theoretical expectations. According to Table 3, sixty-eight municipalities, that is, 10.53% of the total, even with a low or very low tax collection, present high or very high human development levels. Correspondingly, there are 21 municipalities, 3.25% of the total, that even with a high or very high tax collection rate, present very low or low development levels.

Table 3. Test on relationship between Municipal Collection and Municipal Development

		Municipal Development Index					Total
		Very Low	Low	Average	High	Very High	
Per capita collection	Very Low	3	0	2	0	1	6
	Low	48	36	75	31	37	227
	Average	33	48	124	44	37	286
	High	4	7	27	8	9	55
	Very High	3	7	43	9	10	72
Total		91	98	271	92	94	646

Source: research results.

Table 4. Validation of the Association Test

	Value	Sig.
Pearson correlation	0.092	0.019
Spearman correlation	0.075	0.057
Chi-square	37.889	0.020

Source: research results.

This set of 89 municipalities represent approximately 15% of the total and will be object of a qualitative exploration in order to better understand the phenomenon of the association between capacity (be able to) and effort to achieve (want to).

Table 5 shows the differences of these groups regarding some key variables discussed in the literature that affect both the tax collection and the human development index among the groups of municipalities.

It is worth mentioning, for example, that, in the Brazilian case, the benchmarks are large municipalities, with better employment rate, better activity rate and with a higher collection effort when compared to the anti-benchmarks. The fact of having better performance aspects related to quality of life, measured by the proxies of access and quality of education and health is also relevant<sup>2</sup>.

The anti-benchmarks mainly stand out for being small municipalities with low revenue-raising capacity and low population density. In addition to having higher unemployment rates, their indicators of quality of life in the areas of health and education are

<sup>2</sup>The indicators of education, health and activity rate range from 0 (lower performance) to 1 (highest performance).



much lower. The access to the public determines the accumulation of social and intellectual capital, also affecting the levels of competitiveness and human development at the local, regional and international levels as it is advocated by Dolan et. al. (2008).

Table 5. Main differences among groups of municipalities

	<b>Variable</b>	<b>Average</b>	<b>Standard deviation</b>
<i>Benchmark (69)</i>	Total population	79,720.39	106,339.31
	Fiscal effort	17.00	9.00
	Population density	180.74	420.01
	Employment rate	94.54	2.17
	Education	0.80	0.04
	Health	0.78	0.08
	Activity Rate (Employment and Income)	0.68	0.05
	Population 0-14	9.54	1.25
	Population 15-64	66.33	2.73
	Population over 65	24.12	1.74
	<i>Anti-benchmark (20)</i>	Total population	3,669.75
Fiscal effort		7.00	14.00
Population density		16.71	19.84
Employment rate		10.32	10.33
Education		0.70	0.05
Health		0.59	0.09
Activity Rate (Employment and Income)		0.59	0.09
Population 0-14		8.96	.66
Population 15-64		69.85	1.22
Population over 65		21.19	1.08
Population over 65		22.87	1.91

Source: research results.

These findings highlight the existence of systematic and contextual factors in the relationship between collection capacity and municipal development in Brazil. These factors confirm the arguments of the literature that state that the budgetary capacity *per se* is not enough to define the quality of provision, which is consistent with several authors, such as Bardhan (1997); Marinho and Jorge Neto (1999); Del Monte and Papagni (2001); Anderson and Tverdova (2003).

Therefore, this study intends to perform the same examination regarding Spain aiming to observe differences and similarities between these countries in order to provide inputs for the increase of theoretical knowledge of the area in a more broaden perspective.

## 5.2 Spanish Case

One hundred seven municipalities were chosen for the study, they represent 47% of the total population of Spain, and most of them are considered big cities (more than 50,000 inhabitants).

The chosen municipalities have been part of a European project on quality of life called The Urban Audit for years. This selection has given us homogeneous data, which is difficult when working with municipalities in Spain. Despite the gradual changes, in terms of transparency and open data, the difficulties in obtaining disaggregated data in a centralized framework are still present. It is necessary, in many cases, to investigate on the website of each municipality to gather the data, and even in these cases, there are problems because not all information is available or easily obtained. Another advantage of this choice is that there are municipalities of all the Autonomous Communities<sup>3</sup>.

Table 6 illustrates the great disparity of municipalities in the variables of interest: per capita expenditure, municipal human development, and its size and collection effort, reproducing a pattern common to the Brazilian reality.

Table 6. Descriptive analysis of the Spanish municipalities

	Average	Standard deviation	Asymmetry	Kurtosis
Municipal Development Index	0.87	0.05	-0.25	0.48
Per capita public spending	932.43	192.99	0.94	0.66
Fiscal effort	0.59	0.10	-0.55	-0.17
Population 2014	204.952.96	346.750.51	6.70	52.76
N				107

Source: research results.

In Spain, there is no specific “municipal development index” as well as in Brazil, so the authors had to create a proxy, that is, an approximate measure of the municipal human development based on a set of available variables measured by an index.

That index was calculated with the average of three dimensions of importance, already consolidated in the literature of the area, such as: Employment rate; Activity rate and Relative longevity (percentage of older people compared to the adult population), according to the following formula:

$$IDM_i = \frac{TE + TA + LO}{3}$$

In which:

*IDM* = Indicator of municipal development, ranging from 1 (highest) to 0 (low).

<sup>3</sup>The Autonomous Communities with a greater number of municipalities are Catalonia (23), Andalusia (18) and Madrid (15).

*TE = Employment rate, calculated by the National Statistics Institute (INE), 2014*

*TA = Activity rate calculated by the National Statistics Institute (INE), 2014*

*LO= Longevity, expressed as the ratio between the percentage of people over 65 years old and the percentage of adults (15 < X < 65 years), 2014*

*i = Each municipality of the study.*

From the data that constitute each of the measures, it was possible to build 5 groups for the variable of interest, i.e. Per capita expenditure on Relative Municipal Development. The groups were built from either adding ½ standard deviation below or above the average for the groups Average and High; or 1 standard deviation below or above the average for the groups Very High and Very Low. The outlines from the association between Municipal Budgetary Capacity and Municipal Development are presented in Table 7. All procedures were performed with the Statistical Package for Social Science - SPSS™.

Table 7. Association Test between Municipal Collection and Municipal Development

		Municipal Development					Total
		Very Low	Low	Average	High	Very High	
Budgetary capacity	Very Low	2	3	6	0	2	13
	Low	5	5	13	4	0	27
	Average	3	5	7	3	4	22
	High	3	3	11	3	1	21
	Very High	5	0	7	6	6	24
Total		18	16	44	16	13	107

Source: research results.

In order to confirm the theoretical expectations the level of tax collection is associated with level of development, these variables were tested with parametric (Pearson's r) and non-parametric (Spearman's r) correlation, resulting in levels of significance of 7% and 4%, respectively. Thus, aiming to test whether there is a relationship of dependency between those concepts; the Chi-square test was used for the group of 107 Spanish municipalities, in which the HO hypothesis of independence between events was rejected at the level of significance of 3.4%. So, the alternative hypothesis was accepted, confirming the relationship of dependency between per capita budgetary capacity and municipal development, as a general rule (Table 8).

Table 8. Validation of the Association Test

	Valor	Sig.
Pearson correlation	0,176	0,070
Spearman correlation	0,195	0,044
Chi-square	27,287	0,034

Source: research results.

The basis of the study is to explore the outliers, which contradict the theoretical expectations

provided by the current theory.

According to Table 9, six municipalities can be seen (5.6%) even with a very low or low level of budgetary capacity, present high or very high development levels, which classifies them as *Benchmark*. Among the *benchmarks*, the following 6 municipalities were identified: Coslada and Fuenlabrada, with Very High Municipal Development and Very Low Per Capita Expenditure and Alcalá de Henares, Getafe, Logroño and Mostoles with High Municipal Development and Low Per Capita Expenditure.

Similarly, there are 10 municipalities (9.3%) that even with high or very high levels of revenue present very low or low levels of development, therefore being considered *anti-benchmark*. Among anti-benchmarks, 11 municipalities were identified being grouped as follows. Very Low Municipal Development and High Per Capita Expenditure: Puerto de Santa Mar á, San Fernando and Sevilla; Low Municipal Development and High Per capita Expenditure: Cordoba, Jaén and León; and Very Low Municipal Development and Very High Per Capita Expenditure: Cádiz, Granada, Jerez de la Frontera and Santa Cruz de Tenerife.

This set of 16 municipalities represents approximately 15% of the total and will be object of a qualitative exploration aiming to better understand the phenomenon of the association between capacity (be able to) and effort to achieve (want to).

Table 9. Classification of Spanish municipalities

	Frequency	Percentage	Cumulative percentage
<i>Benchmark</i>	6	5,6	5,6
<i>Anti-benchmark</i>	10	9,3	15,0
Comparative Model	91	85,0	100,0
Total	107	100,0	

Source: research results.

Table 10 shows the differences in these groups for some key variables discussed in the literature that may somehow influence their different behavior.

It is important to highlight, for example, that the *benchmarks* are precisely the small municipalities with better employment rate, better activity rate and a higher revenue effort when compared to the *anti-benchmarks*.

The *anti-benchmarks* are larger municipalities on average with less fiscal effort and much lower employment and activity rates.

Table 10. Main differences between the groups of municipalities

	<b>Variables</b>	<b>Average</b>	<b>Standard deviation</b>
<i>Benchmark (6)</i>	Population 2014	169,368.33	44,292.42
	Fiscal effort	0.58	0.04
	Population 0-14	15.05	1.32
	Population 15-64	70.66	3.52
	Population over 65	14.30	3.62
	Average age	40.65	1.51
	Employment rate	79.04	3.09
	Activity rate	63.51	3.43
<i>Anti-benchmark (10)</i>	Population 2014	223,192.40	182,755.04
	Fiscal effort	0.54	0.12
	Population 0-14	15.09	2.21
	Population 15-64	67.31	1.66
	Population over 65	17.61	3.59
	Average age	41.94	2.48
	Employment rate	68.03	5.80
	Activity rate	56.96	2.87

Source: research results.

These findings highlight the existence of other factors besides generalizations in the relationship between budgetary composition and effectiveness of public action, as it is advocated by Glaeser (2004) and Lind (2005).

Clearly, both in the Brazilian and Spanish experiences, not all municipalities with budgetary capacity have managed to turn it into public action in favor of development.

On the other hand, there are some municipalities with less budgetary capacity, but with higher levels of human development. The results also confirm observations of Minayo et al., (2000).

The results reinforce the idea that the effectiveness in the provision of quality of life and human development requires meeting basic life conditions such as health, education, employment, income, among others. The provision quality of these factors relate to welfare, as Minayo et al. (2000) pointed out, which goes through the transformation of available resources in products and essential services for human development. Therefore, resource itself is necessary but not enough to provide better human conditions.

The study also confirms the thesis of Coelho et. al. (2015), who defends the existence of many municipalities with high capacity of revenue and low quality of public services and products delivered to society, which can affect the municipal development. Finally, the paper adds efforts to the accumulation of knowledge in the area, reinforcing the importance of understanding the causes of both inefficiency and misuse of public resources, as the basis for establishing an effective structure of governance in the public sector (Quin, 2008).

## 6. Conclusions

The study offers contributions to a better understanding of the relationship between budgetary capacity and the levels of municipal development, which is lacking in the public administration literature, especially from the perspective of the outliers. Most of the papers rely on the positive association between these dimensions, taking for granted the experiences of the existing outliers. This work showed that these atypical cases account for approximately 15% of the municipalities for both the Brazilian and Spanish cases and it is, therefore, not as uncharacteristic as expected. They can provide insights for doing better with less, which is a current requirement in developing economies.

Among the main findings, it is possible to highlight some common factors between Brazil and Spain, such as: they both reveal the existence of outliers, confirming that although the budgetary capacity is statistically a relevant variable to explain the levels of local human development, there are many low budgetary cities well ranked proving an exception to the rule.

Therefore, the findings confirm the influence of contextual factors and demographic differences among regions, states and countries on the municipal development level, as pointed out by several authors, including Alesina and Glaeser (2004) and Lind (2005).

Among the main factors, which together exert positive influence on the performance of municipalities, the Collection Effort and the Employment Rate can be mentioned. Included in the differences observed between Brazil and Spain, municipality size and age composition stand out.

The size had a positive association in the Brazilian case and a negative effect in the Spanish case. Then, it is clear that the size of the municipality is important, as advocated by Ghosh (2010). However, it must be examined according to local context since it offers conflicting explanatory arguments. On one hand, a larger municipality can mean greater capacity of scale advantages due to higher revenues, in contrast to the maintenance of much of its fixed costs (administrative costs and salaries of workers, mainly). On the other hand, population concentration, if not followed by a responsive and efficient local government, can adversely affect the quality of life.

In this judgement, what is gained in scale (because part of the public services would be "public goods" of common use, such as street paving, public lighting, maintenance of squares and gardens, among others) would be compromised or lost by the poor quality of public service. In this case, it would generate a negative impact on the municipal human development.

Another factor of diversity between the Brazilian and Spanish cases is in the composition by population ages. In Spain, there is a greater presence of the adult population (15-65) among the benchmarks than among anti-benchmarks, while in Brazil the situation is the opposite.

In Brazil, it is worth saying that the rapid aging and increased longevity, in addition to the existence of many small towns, overload public services and bring many obstacles to public

managers. Great part of small municipalities' population is from low-income layers, relying on social security as the major source of income, depending so much on universal public services. Therefore, this issue deserves deeper look in further studies. A better understanding of these municipalities, through qualitative approaches is part of the continuity plans of this research agenda.

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