



The Participation and Civic Engagement Team works to promote poverty reduction and sustainable development by empowering the poor to set their own priorities, control resources and influence the government, market and civil society institutions; and influencing governmental and private institutions to be responsive, inclusive, and accountable.

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Case Study 2 - Porto Alegre, Brazil: Participatory Approaches in Budgeting and Public Expenditure Management

Brazil : Participatory Budget Formulation in Porto Alegre¹

Background

Run by dictators for over 20 years (1964-1985), Brazil only had a democratic constitution promulgated in 1998 that allowed an already active civil society to function more freely. A country of 156 million, Brazil has been dubbed one of the most unequal, with one of the largest numbers of poor people among comparable middle-income countries. After the end of dictatorship in 1998, people who had earlier

opposed dictatorships formed the Workers Party (PT) to seriously take up the agenda of deepening democracy through “popular administration” of government. Having won several municipal elections in 1989, including Sao Paolo with over 10 million people, the PT began a creative experiment of engaging a wide spectrum of people to formulate city budgets. The Porto Alegre case has, in particular, having been nominated by the 1996 UN Summit on Human Settlements in Istanbul as an exemplary ‘urban innovation’, stood out for demonstrating an efficient practice of democratic resource management. The largest industrial city in Rio Grande do Sul with 1.3 million inhabitants, Porto Alegre has a local economy worth over US\$ 7 billion, and for long has had a reputation for hosting a progressive civil society led by intellectuals and labor unions experienced in mobilizing people to partake in public life, including opposing authoritarianism.

Process

¹Draws on De Sousa Santos, B. “Participatory Budgeting in Porto Alegre: Towards a Redistributive Democracy.” *Politics and Society* (26), 1998; Avritzer, L. “Public Deliberation at the Local Level: Participatory Budgeting in Brazil”, paper delivered at the *Experiments for Deliberative Democracy Conference*, Wisconsin, January 2000; Baiocchi, G. “Participation, Activism and Politics: the Porto Alegre Experiment and Deliberative Democratic Theory”, University of Wisconsin, November, 1999; Cagatay, et. al., “Budgets as if People Mattered: Democratizing Macroeconomic Policies”, UNDP, May 2000.

This note was prepared by Swarnim Wagle and Parmesh Shah of the Participation and Civic Engagement Group in The World Bank as a case study input on “Participatory Approaches in Budgeting and Public Expenditure Management” for the Action Learning Program on “Participatory approaches at the Macro Level”. Further details and documents related to this Action Learning Program are available at www.worldbank.org/participation

The municipal power structure is such that the mayor's office serves as the executive, and the Chamber of Deputies as the legislature. Municipalities have considerable autonomy over their revenues (raised through local taxes, tariffs, and federal transfers) and expenditures. The executive prepares the budget, which then has to be ratified by the Chamber. Two institutions at the mayoralty – the planning office (GAPLAN) and the Coordination of Relations with the Communities (CRC) – manage budgetary debates with city residents. While CRC works through its regional coordinators with community leaders to set up discussion assemblies and to aggregate community claims, the responsibility of squaring citizen demands with technical and economic viability lies with GAPLAN.

The city is divided into sixteen regions, and topics for discussion into five themes: i) transportation, ii) education, leisure and culture, iii) health and social welfare, iv) economic development and taxation, v) city organization and urban development. There are two rounds of plenaries in each region and on each theme held each year. The citizens meet around March just before the first round of formal assemblies to gather demands of individual citizens² and mobilize the community to select regional delegates. The municipality is not involved in these intra-community discussions. The first round of meetings between the citizens and the executive follows in April, in the presence of the mayor, to review investment plans of the previous year, discuss proposals for the new year, and to elect people to the Fora of Delegates for subsequent deliberations³. Between the first and the second rounds (March to June), informal preparatory meetings are held to discuss demands for investment in sectors as presented by the various community associations (unions, cooperatives, mothers' clubs, etc.). These

² The number of participants rose from under 1000 in 1990 to over 14,000 in 1996 in the two rounds of assemblies. Including informal consultations, almost 8% of the city's population – 100,000 – might have been engaged in some way in these participatory processes, reflecting the effectiveness and credibility of the process.

³ 1 delegate is chosen for every 10 people if up to 100 people attend; 1 for 20 if 101-250 people attend, 1 for every 30 if 251-400 people attend, and so on, with 1 delegate chosen for every 80 people if more than 1000 people attend.

demands are ranked on an ascending scale of 1 to 5 by the participants⁴. These are then aggregated by the executive⁵ together with points earned through two other criteria: i) need – measured by how much of access a region has had to a particular service, and ii) population size. Maximum points that can thus be attained is fifteen: 5 points if a region has had less than 20% access to a service, 5 if it has more than 120,000 inhabitants, and 5 if people rank it top on their list of demands.

The second round takes place in July when two councilors (and two substitutes) are elected from all 16 regions (32 delegates), from all the 5 themes (10 delegates), in addition to a member each from the civil servants' trade-union and an umbrella organization of neighborhood communities (2 delegates) to constitute a 44-member Council of Participatory Budgeting (COP), which is essentially the main participatory institution. These Councilors then familiarize themselves with the state of municipal financing, debate criteria for resource allocation, elaborate their constituents' demands, and revise the budget proposal prepared by GAPLAN and the mayor's cabinet. For these tasks, the COP convenes for two-hourly meetings once a week until September 30 when a final budget proposal is submitted to the legislature. Between September and December, the COP follows the debates in the Chamber and lobbies intensely, while working on a detailed investment plan that lays down all specific public works and corresponding amounts to be allocated to each region. The executive drives the COP process by coordinating the meetings, setting the agenda, having its departments present information before allowing interventions from the Councilors to seek clarifications. In the end, the way resources get divided is through a weighting system that combines the subjective preferences

⁴ Five sectors are ranked in order of preference from a list of 12 consisting of sewage, housing, pavement, education, social assistance, health, transportation, city organization, sports, leisure areas, economic development and culture. A sector can be subdivided, like housing into land legalization, relocation, urbanization, etc.

⁵ In 1999, under the need criteria, 80% previous access to a service earned 1 point with under 20% access earning the full 5; similarly grades earned increases with population, and with increased preference of the community.

of citizens with the objective quantitative criteria. Annex I is illustrative of this useful method, and annex II summarizes the cycle of deliberations.

Results

Since 1989, the Workers Party has won three consecutive municipal elections in Porto Alegre, which stands out against a record of well-known electoral failures of comparable leftist municipal administrations across Latin America⁶. Its share of votes has also risen sharply, from 34% in 1988 to over 56% in the 1996 elections. An influential business journal has nominated Porto Alegre as the Brazilian city with the 'best quality of life' for the fourth consecutive time. A city in an indifferent financial state before 1989 because of de-industrialization, in-migration, indebtedness and poor revenue base, not only have these indicators been improved with major fiscal reforms between '89-'91, but it has witnessed some spectacular achievements in recent years, credit for which has largely been given to the participatory budget process. Between 1989 and 1996, the number of households with access to water services rose from 80% to 98%; percentage of the population served by the municipal sewage system rose from 46% to 85%; number of children enrolled in public schools doubled; in the poorer neighborhoods, 30 kilometers of roads were paved annually since 1989; and because of transparency affecting motivation to pay taxes, revenue increased by nearly 50% (budget resources for investment only went up from US\$ 54m in 1992 to US\$ 70m in 1996). Over 80 Brazilian cities⁷ are now following the Porto Alegre 'model' of participatory budgeting, with the neighboring city of Viama even willing to cease its independent identity to turn itself into a region within Porto Alegre.

The Porto Alegre experiment also presents a strong example of democratic accountability, equity, and re-distributive justice, with the participation part guaranteeing legitimacy to decisions, and objective budgeting ensuring fairness in an otherwise arbitrary process of

translating political decisions into distributed resource. The poorest region of the city, Ilhas with around 5000 people, for example, has the same decisional weight as the wealthiest region, the Centro, with nearly 300,000 people⁸. Around 40% of the people participating in the deliberations have been seen to have modest household incomes of one to three times the minimum wage. There is a fair gender balance, although presence of women decreases at higher decision-making tiers. The middle-class people who were skeptical of the 'demagoguery' of the Worker's Party in the early years, have now begun to actively participate partly after seeing that the city has been supportive of services that this class cherishes (like garbage collection and public spaces) lending a hand to a 'trans-classist' revival and pride in the city⁹.

A notable change in attitudes of technical staff, well-versed in matters of budgeting and engineering, has also been observed as a result of their increasing interface with lay citizens. Called a jump from 'techno-bureaucracy to techno-democracy', the technical staff have changed the way they communicate with the communities and have tried to make themselves understood in simple language. Lively debates have been witnessed between the increasingly assertive delegates and staff over the latter's technical criteria and solutions proposed. But still it has been said that they are perhaps more interested in making themselves understood than listening to what people say, for delegates have complained even in COP meetings that some information continues to be withheld from them in the pretext of technicality, despite laudable attempts in general to make much of that accessible to lay people. Overall, from a protest-based culture of the 80s, these participatory budget exercises have fostered a more 'civil' and less disruptive form of conflict resolution through dialogue and negotiations.

Concerns

⁶ Baiocchi (1999) cites Sao Paulo, Fortaleza, Florianopolis in Brazil, and Caracas in Venezuela, as such failures.

⁷ 90% of which are run by the Worker's Party.

⁸ This is so because, almost everyone in Ilhas is considered 'needy', while in Centro, only around 7000 of the 300,000 people are considered 'needy'.

⁹ This trend has been compared with a similar Spanish experience in Barcelona.

How best to strike a fine balance between participation and quality representation has been raised as an issue with particular concerns expressed over such risks associated with the latter as manipulation of assembly mandates and professionalization of short term elected posts. But on grounds of efficiency, the executive has insisted on the need for a narrower representative form of democracy, increasing the ratio of representation with increased number of attendees, while citizens have continued to demand more representatives on the Council. This has created tensions, with some claiming that the government has co-opted the popular movement and subjected priorities to the executive's political maneuvers through the COP, which is a relatively small forum of only 44 members. As the process has widened to include discussions on not only ^{infrastructure} projects but also topics like culture, questions such as, to what extent do the delegates reflect popular opinion have been asked. Also, serving at the COP demands an intense voluntary, non-remunerative commitment. This is both a strength and a weakness, with the latter manifest in serious absenteeism of delegates in important meetings that often require voting.

The practice of participatory budgeting in Porto Alegre has no constitutional recognition – it still is a mayoral initiative with no decisive power to set the agenda, timing, and debates. Conflicts regarding the agenda have often arisen in the past with councilors demanding to see more than what the executive has been willing to share (the executive points out that the COP has parochial interests, while it's mandated to serve the 'whole' city). Similarly, councilors have complained about the limited time given to them to process information and consult for ideas, provoking a charge that the COP is being manipulated to legitimately endorse pre-determined executive programs. A bigger tension has, however, emerged between the participatory process and the legislature which feels increasingly insecure with the former's growth in popularity and influence. While the Chamber can potentially reject the budget presented by the executive, it finds it difficult to do so because the budget package it receives embodies a substantial degree of popular endorsement. Some legislators thus

see their role in the process as mere formality, and resent the fact that a representative sitting in the COP elected usually by a fewer number of voters through a constitutionally unrecognized process has more influential powers in this exercise than a legally elected legislator. The Chamber is also not allowed to debate specific works and projects, giving the executive much leeway in budget execution. Proponents of the participatory process counter argue by saying that it was precisely because the Chamber was abusing the budget process by i) never deliberating substantively, and ii) promoting a 'clientelist' system of distributing budgetary largesse to vote banks, that a parallel structure that was more in tune with people's needs had to be created.

A point that has also been raised is that as participation gets socially institutionalized, common citizens may be replaced by specialized 'participatory citizens' to take part in the process. While this risk calls for occasional 'reflective self-subversion', attempts at 'radicalization' in order to moderate the 'routinization' of the process presents, as Dos Santos argues, an 'indeterminable threshold' beyond which radicalization could begin to compromise the success of the experiment¹⁰.

¹⁰ De Sousa Santos, B. "Participatory Budgeting in Porto Alegre: Towards a Redistributive Democracy." *Politics and Society* (26), 1998.

Annex 1: The Arithmetic of Equitable Democracy in Porto Alegre

In 1997, the 16 regions of the city expressed differing levels of interest in seeking investment for street pavement which later determined how much money they received for the sector. The amount distributed depended on three criteria and a relative weight for each. Take two regions: the Extremo Sul, a region with 80.21% need for pavement, and the Centro, with 0.14%. Under the need criterion, with a general weight of 3, the Extremo Sul received the highest grade (4) and so got 12 points (3 x 4), while Centro, with the lowest grade (1) got 3 points (3 x 1). Under the population criterion, which carried a weight of 2, the Extremo Sul, with a population of 20,647 inhabitants, had the lowest grade (1) and hence got 2 points (2 x 1), while the Centro, with a much bigger population (293,193 inhabitants), had the highest grade (4), getting 8 points (2 x 4). Finally, under the criterion of priority, which carried a general weight of 3, the Extremo Sul gave the highest priority to pavement earning grade 4, and ending up with 12 points (3 x 4), while the Centro gave a very low priority grade to pavement, thus receiving no points (3 x 0). As a result, the total sum of points of the Extremo Sul for street pavement was 26 points (12 + 2 + 12), while the Centro's total sum was 11 points (3 + 8 + 0). Since the total number of points for all regions was 262 points, the Extremo Sul received 9.9% of the investment, that is, 1,985 meters of street pavement, while the Centro received only 4.2% of the investment, that is, 840 meters of pavement.

Source: De Sousa Santos, B. "Participatory Budgeting in Porto Alegre: Towards a Redistributive Democracy." *Politics and Society* (26), 1998.

Annex 2: Yearly Cycle of Participatory Budget Formulation and Monitoring

March: Informal citizen gatherings to collect demands; no interference from the executive (mayor's office).

April: First regional plenary held between the citizens and the mayor's office to account for previous year's projects, discuss new proposals and elect delegates to the second round.

April to June: Intermediary meetings for delegates to learn technical criteria and discuss needs and priorities in each region; informal preparatory meetings held with citizens and civic associations who rank their demands. The executive aggregates these together with two other criteria: i) how much access a region has had to a service, and ii) what its population size is.

June: Second plenary held when Councilors are elected and regional priorities voted.

July: 44 Councilors installed at the Council of Participatory Budgeting (COP) – 2 from each of the 16 regions, 2 from each of the 5 themes and 2 other reps.

July to September: Council meets for at least two hours a week to discuss chosen criteria, demands of their constituents, allocation of resources as proposed by the mayor's office, etc.

September: New budget approved by the COP, and sent to the legislature for debate and endorsement. September to December: COP follows the debate in the Chamber, and lobbies, while working separately on a specific sectoral investment plan for different regions; rules are also set for next year's round of meetings.

