

JOURNAL FÜR ENTWICKLUNGSPOLITIK

herausgegeben vom Mattersburger Kreis für Entwicklungspolitik
an den österreichischen Universitäten

vol. XX, No. 1–2004

JUNGE ZUGÄNGE

Schwerpunktredaktion: Gerald Faschingeder, Atiye Zauner

Mandelbaum Edition Südwind

Inhaltsübersicht

4	GERALD FASCHINGEDER UND ATIYE ZAUNER Zu den Rahmenbedingungen entwicklungsbezogener Forschung
21	VIKTÓRIA GY. DUDA Globale Patentrechte an Pflanzen
33	PHILIPP BUDKA Indigene Widerstandsbewegungen im Kontext von Globalisierung und Informations- und Kommunikations- technologien
45	INGRID PRANGER Globalisierung und der informelle Sektor
54	KAAN TASLI The Empowerment Approach and the Women
70	JULIA KLOESS Auswirkungen der Dezentralisierung auf das Empowerment von Frauen
85	PATRICIA REITER Participatory Budgeting in Porto Alegre
95	BERNHARD LEUBOLT Glokalisierungsdispositiv und radikaler Reformismus
104	KUNIBERT RAFFER Applying Musgrave's Branches of Government Expenditures to ODA
119	Rezensionen
122	Autoren und Autorinnen
124	Informationen für Autoren und Autorinnen

PATRICIA REITER

Participatory Budgeting in Porto Alegre:

A Tool for the Economic Empowerment of the Poor?

1. Introduction

In recent years the economic and institutional structures in Brazil and other Latin American countries have been rapidly changing, leading to a myriad of political challenges and often leaving national governments unable to cope and adjust. Brazil being one of the most unequal societies in the world, furthermore had to deal with the ever widening income disparities. Like many other recent democracies, Brazil had embarked on the task of boosting its democratic institutions and as a result, several experiments have been carried out at all levels of government aiming at, among other things, strengthening the social and economic inclusion of the poor and increasing the participation of citizens in the decision-making process. One of these experiments is that of participatory budgeting at the local, municipal level, which was first introduced in Porto Alegre, the capital of Rio Grande do Sul, one of the most vigorous states in Brazil in 1989. In this paper, I want to take a closer investigation into participatory budgeting, which gained a remarkable national and international reputation, and particularly want to analyze its virtues regarding the economic empowerment of the poor. Whereas the vast majority of the literature on participatory budgeting has primarily focused on it in the light of democratization and public deliberation (Avritzer 1999, Baiocchi 1999, Navarro 1998), so far less attention has been paid to participatory budgeting as a redistribution strategy. Furthermore, I analyze the distinctive institutional framework found in participatory budgeting drawing from the experience in Porto Alegre. More specifically I try to provide answers to the question whether the institutional setting of participatory budgeting and its outcome is replicable and if so what political and socioeconomic conditions countenance its establishment.

2. The Origins and Emergence of Participatory Budgeting

The novelty and innovative character of participatory budgeting becomes clear when we look at its emergence in Porto Alegre. It was by far not the case that a re-

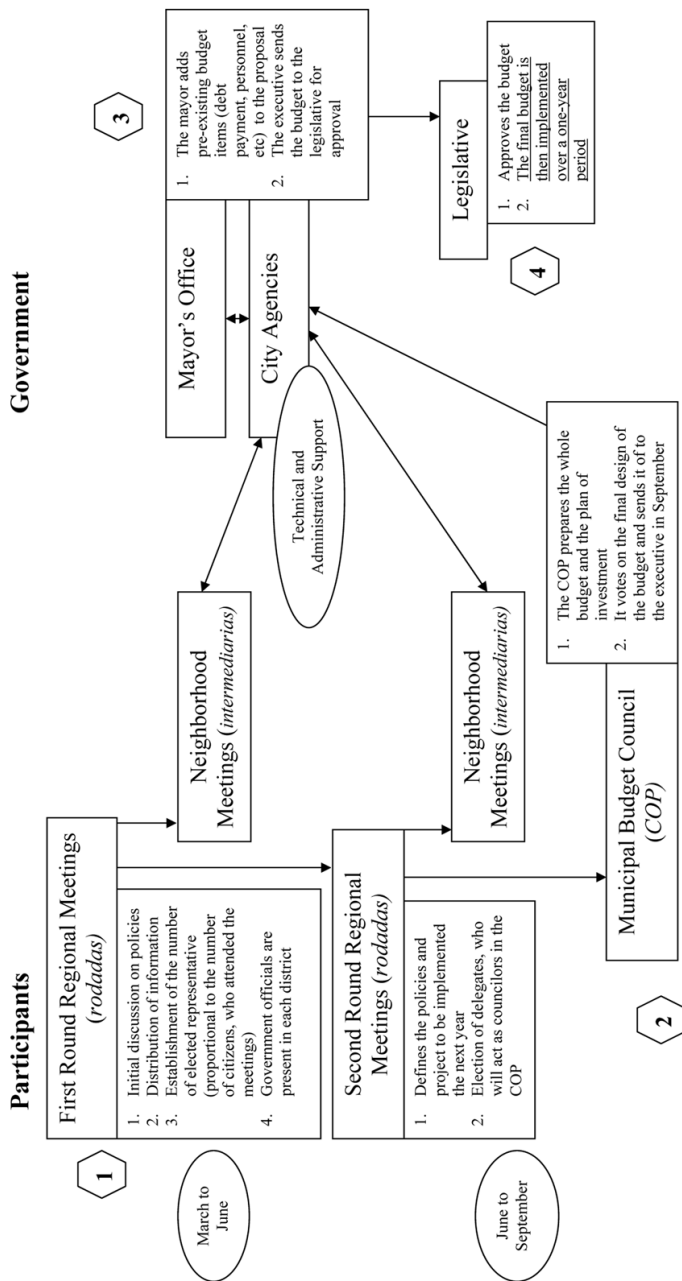
ady-made institution was put over the previous. It was born through an experimental and dynamic process. Political actors and the civil society searched for a mechanism, which tackles the mechanism of public spending or the lack thereof and additionally provides citizens with a direct role while setting new spending priorities (Wampler 2000). Historically and conceptually, the emergence of participatory budgeting can be traced back to two main determining factors embedded in the broader political environment. One lies in the political transition and the upcoming democratization process experienced by Brazil in the 1980's, the other is related to the city Porto Alegre itself, having a solid and continuous history of active community participation, which showed in a broad political landscape of various associations and a longstanding leftist tradition (Santos 1998). Brazil, moving out of an authoritarian regime, adapted a new Constitution in 1988, which ultimately altered the political and economic power structure. The overwhelming majority of the political power was delegated away from the national government and therefore opened up the possibility, among others, to incorporate the state and the cities in the budgeting process. Moreover, the constitution defined the young Brazilian democracy as representative and participative, which provided the potentiality for "opening up a window of political opportunity for a financial reform" (Marquetti 2001) and the prospect for efficient, decentralized spending of public resources in a country notoriously ridden by corruption and clientelism. In Porto Alegre the local actors and associations embraced this opportunity and called for a dramatic refurbishment in the allocation of public resources. The main local actors comprised, first, the civil society of Porto Alegre, who was mainly represented through the federation of neighborhood associations in Porto Alegre (UAMPA) and, second, the Workers' party (Partido dos Trabalhadores), who based their 1988 election campaign on the prospect of installing a participatory budgeting mechanism (Avritzer 1999). The interconnection of both actors served as the driving force behind the creation of participatory budgeting. UAMPA, a direct institutional result of the political liberalization in Brazil in the 1980's, was an influential and highly politicized force in Porto Alegre and was involved in numerous urban issues, among others, housing and provision of health service. UAMPA's share in the innovation and creation of participatory budgeting can be largely summed up as contributing the vision of making the budget within the process of the distribution of public goods. As Wampler (2000) additionally notes, two important demands emerged from the civil society. One of them being the need for transparency and openness through the decentralization and democratization of the state and the second an increased participation of citizens in policy making areas. The participatory budgeting program installed by the Workers Party is the outgrowth of those widely held and outspoken demands. When the Workers' Party, which not surprisingly had a strong leftist tradition, took over the office of the mayor in Porto

Alegre in 1989, they encountered first of all a bankrupt municipality and a largely corrupt administration. The financial situation was disastrous, as 98% of revenues were allotted for paying the administrative staff and employees of the city. In addition, the tax system was not inflation-indexed, leaving the city unable to cope with the outrageously high inflation rate, which was between the years 1988 and 1993 on average 1378.4% (!) a year, and its devastating consequence on the availability of budgetary resources for public spending. After implementing rigorous financial control, which consisted mainly of the indexation of taxes and the introduction of a progressive property tax, the Workers' Party planned to introduce participatory budgeting in this challenging climate. Promptly it started educational advertising and negotiations with and within the civil society. Navarro (1998) refers to it as the making of "an informal grand pact sealed by the community associations and approved by the executive body." The emergence of participatory budgeting in Porto Alegre can be seen in the light of a negotiation process and the newly established syntheses between a progressive, leftist party, which motivation was driven by the recently gained democratic rights and self-determination through the decentralization of the state, and a highly active and politicized civil society. The later provided first-hand knowledge and experience on the urban situation, which proved to be indispensable in the installation of participatory budgeting.

3. Participatory Budgeting as an Institutional Innovation: The Main Instruments and Features

Participatory budgeting incorporates social actors, neighborhood association members and common citizens in an ongoing process of negotiations and participation. As participatory budgeting was introduced in Porto Alegre, the city was divided into 16 neighborhoods. The division of municipality into regions was established in order to facilitate meetings and the distribution of resources. A Quality of Life Index was assigned to each district on an annual basis, which demonstrates the need in public goods in a certain area and assures that the poorest areas get a proportionally bigger share of the total investment taken in the subsequent year. *Figure 1* provides a concise overview of the institutions and actors of participatory budgeting, the timing of events and the division of responsibilities between government and citizens. Since participatory budgeting started in Porto Alegre in 1989, the two main participatory meetings (*rodadas*) are scheduled by the municipality and take place from March to June. In the first round regional meetings (first *rodadas*) the policies and the priorities for public investment are discussed for the first time and the government distributes information on the single districts among the participants. The neighborhood meetings accomplish this first round and the subsequent frequency of the meetings depends largely on the organizatio-

Figure 1: The Institutional Setting: Yearly Participatory Budgeting Cycle in Porto Alegre
(adapted from Wampler (2000) and Navarro (1998) and Marquetti (2001))



nal strength, the grade of mobilization through the local actors and the involvement of citizens in a district. The city agencies provide the neighborhood meetings with technical and administrative support. The more people participate in the neighborhood meetings, the more representatives they are allowed to send to the Municipal Budget Council (COP), hence increasing the probability of their prioritized projects to be implemented. In the second round regional meetings, the policies and projects to be implemented the next year along with their prioritization are defined and the election of the representatives who will act as the participatory budgeting councilors in the COP are carried out. When the second rodada is completed in all regions, the Municipal Budget Council is formally established (in 1996 it had 44 members) and becomes the most important administrative sphere for preparing the budget process as a whole, along with the plan of investment, which is made up of the specific projects and spending priorities. In September it votes on the ultimate design of the budget and sends it off to the executive. The mayor adds the preexisting budget items (debt payment, personnel, etc) to the proposal and forwards it to the legislative, who given its weak standing in Porto Alegre and most other cities in Brazil, generally approves the budget. Without much doubt the legislative would face massive opposition from the civil society and the executive for turning down a budget, which reflects the will and demands of the citizens established in a democratic procedure. The final budget is then implemented over the next year. In 1994, Porto Alegre installed in addition to the rodadas, the so called tematicas, which serve as theme-oriented meetings with the aim to attract sectors of the society, like the middle class and unions, which haven't been incorporated in the immediate decision making process so far. While the majority of the attention of the budgeting process focuses on the selection of policies and projects, another crucial aspect is the implementation of the selected projects, which is an ongoing process and takes place all year long. To assure the delivery of the respective monetary resources and the necessary support in the implementation of public spending, the mayor of Porto Alegre has to present the list of projects, which have been carried out the previous year, at the first *rodada* of the year and therefore can be held publicly accountable for projects, which have not been executed.

4. Can Participatory Budgeting serve as a Redistribution Strategy?

Over the last decades the project of economic modernization in Brazil created sharp social and economic inequalities at the local level, resulting in a meager supply in public goods, like basic infrastructure, sanitation, etc. for the urban poor. Accomplished by a drastic increase in the urban population, two reasons can be specified for the low level of public investment: The strong tradition in the country and the absence of organizational structures, in particular, among the poor ur-

ban population (Avritzer 1999). Among other reasons, participatory budgeting was created and put in place to address the low provision of public services and to allocate public resources to the most deprived neighborhoods, where they are mostly needed.

While analyzing the redistributive effects of participatory budgeting, two converging but separate mechanisms can be identified. First, the introduction of participatory budgeting demanded the rehabilitation of the municipal budget and as the very basic and indispensable condition, revenues to spend for immediate investment in public services. The pressing need for financial resources led the Workers' Party to introduce "progressivity" on the property tax, the main source of municipal revenue, and an inflation-indexed tax rate. As a result the middle class and the wealthiest sectors were imposed an enlarged share of the tributes collected (Biaocchi 1999). It is also essential to mention the importance of having a sufficient amount of revenues to distribute in order to attract people to participate. Souza (2000) blames the initial lack of financial resources in the first years after the implementation for the slow and troublesome take off of participatory budgeting in Porto Alegre in the late 80ies.

Second, the other side of the redistribution strategy was to reverse spending priorities and to allocate available resources to poor neighborhoods. Between 1996 and 1998 the participatory budgeting program in Porto Alegre spent 260 million US dollar in total, and the vast majority of these resources went to under-served and poorer districts, an amount of funding that has not been available in the area previous to participatory budgeting (Wampler 2000). But not only the increase in total revenues led to a disproportional distribution towards the poor. Moreover, certain institutional features built-in the participatory budgeting mechanism favor redistribution and the empowerment of the poor. The Quality of Life Index, which the government of Porto Alegre establishes on a yearly basis ranks the administrative districts according to their shortage in public services and assures that those most deprived of basic needs, like sanitation, housing, etc. have a prioritized access to the financial resources. Goldfrank/Schneider (2002) tested the effect of variables like income of the citizens in a certain district, Worker's Party supporters and the ranking according to the Quality of Life Index, among others, on investment and found that the ranking of a district according to the Quality Life Index had the greatest influence on the amount of investment dedicated to the district, among all variables tested. In short, participatory budgeting clearly redistributes funds to municipalities that lack basic services and infrastructure. Furthermore, the decision making process embedded in participatory budgeting allows citizens, who have been traditionally excluded from the political system, to raise and point out to their needs in a democratic environment and gives them the opportunity and right to participate in new decision-making venues. Social justice is also fostered

red by means of more efficient, community oriented policies and spending of public resources. The highly transparent process of participatory budgeting decreases clientelism and corruption. Therefore it guarantees that public resources will be spent more efficiently, resulting in a greater number of projects being implemented. The empirical evidence (Wampler 2000) underlines the redistributive characteristic of participatory budgeting, as for example, the number of functioning public municipal schools has increased from 29 in 1988, to 86 in 1998. Furthermore, between 1986 and 1988, 1,714 families received housing assistance, compared to 28,862 in the period from 1992 to 1995. Baiocchi (1999) calls the overall outcomes of participatory budgeting investments “an impressive testament to how redistributive this process has been”.

In order to find out which demands have been considered and implemented through the public funding process one needs to take a closer look at the socio-economic profile of the participants. Marquetti (2001) shows that a large majority of participants had a household income below the typical middle class family and that around 50% of the participants in the *rodadas* have neither formal schooling nor completed primary schools. He concludes that participatory budgeting has especially attracted the poor from deprived neighborhoods and gave them a common voice to raise their needs.

However, the limitation of participatory budgeting as a redistribution strategy has to be acknowledged and one needs to analyze what it can and can not do. Participatory budgeting clearly doesn't serve as the panacea for the economic and social empowerment of the urban poor on the larger dimension of the economic and social power structure. As shown above, it can be a great measure providing the urban poor with their immediate day-to-day needs like housing, sanitation, street pavement, among others. Furthermore it gives them a joint voice to raise their issues and it acts as a mean to fight social exclusion. However successful participatory budgeting is in promoting and supporting redistribution on a micro level, its existence and evolution is highly dependant on the economic macro structure and the national political environment. A shift in power in the national government, which possibly disregards the institution of participatory budgeting, can bring it to an immediate end, by, for example, declaring a new constitution, which doesn't allow for participative elements in public spending. Furthermore, it is obviously outside the scope of participatory budgeting to influence economic macro conditions, such as the rising rate of unemployment, which today can be called one of the major threats of the urban poor in Brazil.

5. Is Participatory Budgeting Replicable?

An impressive list of changes occurred in Porto Alegre under the umbrella of participatory budgeting, the two most notable being the redistribution of resources to

the poor and the establishment of a new framework of political relations and decision making. This immediately raises the question whether this experience from Porto Alegre can be replicated in a different urban setting, or maybe, even on a state level. The literature on the participatory budgeting experience in Porto Alegre seems to be in strong agreement that it is a sensitive project to be replicated (an elaborate discussion on the issue can be found in Santos 1998, Wampler 2000 and Marquetti 2001), but under certain conditions participatory budgeting can be successfully installed, as already seen in other Brazilian cities (like, for example, Bela Horizonte). The central concern, whether the local conditions in Porto Alegre had certain features and preconditions, which fostered the emergence of participatory budgeting and its positive impacts on redistribution, needs to be addressed. The lessons produced from the experience in Porto Alegre prove that a set of political, economic and institutional requirements is important to implement the participatory budgeting strategy. As already mentioned above Porto Alegre had a highly politicized civil society to begin with, moreover it had a progressive, leftist background and was historically in opposition against the authoritarian regime. All of these factors and the interconnected system they formed, cannot be underestimated. Navarro (1998) asks whether the unique environment and the social capital in Porto Alegre were a necessary condition for the emergence of participatory budgeting. He strongly emphasizes that many analysts of participatory budgeting in Porto Alegre believe that the characteristics of the local social endowment are so peculiar and solid that any attempt to replicate this experiment would be difficult, as it is hard to find similar social foundations. However, he concludes that higher social and cultural facets favoring innovative experiments do contribute to a supportive setting, but do not “constitute a kind of iron law for participatory initiatives”. Additionally, a history of democratic practices and culture should also prove as fostering participatory elements. Another crucial requirement has already been mentioned above. There needs to be a satisfactory proportion of the budget to invest to offer an incentive for citizens to participate and additionally there needs to be a certain degree of financial autonomy. Regarding the institutional requirements, it can be said that the participatory mechanism and the rules, which were put in place in Porto Alegre clearly can serve as a guideline for the implementation of future participatory budgeting projects elsewhere. First, a clear set of rules, which navigates the decision making process and the implementation, proved to be an absolute necessity. Second, an open space for discussion and channels of autonomous decision making spheres (like *rodadas* in Porto Alegre) have to be created (Marquetti 2001). Third, the creation of districts should be based on communitarian identities and/or social classes to foster the cooperation of people with similar interests (Wampler 2000). Fourth, city agencies have to be reorganized under the participatory budgeting rational. Fifth, training has to be pro-

vided for the civil servants as well as for the population in general. Whereas these requirements evolve from the participatory budgeting experience in Porto Alegre, the list of necessary institutional arrangements has to be extended according to the environment, in which participatory budgeting is being newly introduced. A further question is whether participatory budgeting can be replicated in developed countries, where the distribution of public goods doesn't center around basic necessities of daily life. It is comparably easy to find consent on spending priorities among people who are lacking, for example, basic infrastructure, sanitation or housing. As soon as the available resources can be devoted to, for example, cultural activities or the design of a park, heterogeneous preferences and values among the participants of a certain district are likely to be present, hindering the consent-building process. Additionally, once the dependence of urban citizens on public provision goods declines, their willingness to participate might also decrease. It can be expected that participatory budgeting will face new challenges in these settings, which can't be anticipated from the experience in Porto Alegre.

6. Conclusion

The experience of participatory budgeting in Porto Alegre proved that a combination of strong public institutions and organized associations, along with the necessary monetary resources, is a powerful tool for redistributive economic development. Among its outcomes were the reallocation of public resources to the poor, as well as greater general administrative rationality and efficiency. Furthermore, it confronted the Brazilian political legacies of clientelism, social exclusion and corruption by making the budgetary process transparent, open and public. Although the political and social conditions in Porto Alegre had very distinctive features, which undoubtedly enabled the evolution and fostered its success, it should be applicable to different cities. To sum up, the experience in Porto Alegre showed that participatory budgeting proves to be a strong tool in redistributing resources towards the urban poor on the micro level and, moreover, it opens up the prospect of a more inclusive society by strengthening the social groups outside the social and economic elite.

References:

- Abers, Rebecca Neaera. 2000. *Inventing Local Democracy-Grassroots Politics in Brazil*. Colorado: Lynne Rienner Publishers.
- Avritzer, Leonardo. 1999. *Public Deliberation at the Local Level: Participatory Budgeting in Brazil*. Working Paper. Universidade Federal de Minas Gerais.
- Baiocchi, Gianpaolo. 1999. *Participation, Activism and Politics: The Porto Alegre Experiment and Deliberative Democratic Theory*. Working Paper. University of Wisconsin-Madison. <http://www.ssc.wisc.edu/~wright/Baiocchi.PDF>, 20.02.2004.

- Goldfrank, Ben, Aaron Schneider. 2002. *Budget and Ballots in Brazil: Participatory Budgeting from the City to the State*. IDS Working Paper 149.
<http://www.ids.ac.uk/ids/bookshop/wp/wp149.pdf>, 20.02.2004.
- Marquetti, Adalmir. 2001. *Extending Democracy: The Participatory Experience in Porto Alegre, Brazil, 1989-1999*. Working Paper. Universidade Católica do Rio Grande do Sul.
- Navarro, Zander. 1998. „Participation, Democratizing Practices and the Formation of a Modern Polity – The Case of the ‘Participatory Budgeting’ in Porto Alegre, Brazil (1989-1999).“ *Development*, Vol. 41, Nr. 3 (1998), 68-71.
- Souza, Celina. 2000. *Participatory Budgeting in Brazilian Cities: Limits and Possibilities in Building Democratic Institutions*. IDD Working Paper No. 28, International Development Department, University of Birmingham, Birmingham.
- Santos, Boaventura De Souza. 1998. „Participatory Budgeting in Porto Alegre: Toward a Redistributive Democracy.“ *Politics and Society*, Vol. 26, Nr. 4 (1998), 461-510.
- Wampler, Brian. 2000. *A Guide to Participatory Budgeting*. Prepared for the International Budget Project (IBP). October 2000.
<http://www.internationalbudget.org/resources/library/GPB.pdf>, 20.02.2004.

Abstracts

The article tackles the innovative character of participatory budgeting, as it was established in Porto Alegre (Brazil) in 1989, with special regards to its redistributive ability and its repeatability. While providing a concise description of the institutional set up of the participatory budgeting process, it gives evidence that under certain conditions it can serve as a strong tool for the distribution of public resources to the urban poor.

Der Artikel behandelt die partizipative Budgetpolitik, die 1989 in Porto Alegre (Brasilien) eingeführt wurde, mit besonderem Augenmerk auf ihre umverteilende Wirkung und ihre mögliche Wiederholbarkeit in anderen Städten. Die politischen Rahmenbedingungen sowie der institutionelle Aufbau werden genauer untersucht. Unter gewissen Voraussetzungen gelingt es durch die partizipative Budgetpolitik öffentliche Ausgaben redistributiv zum primären Nutzen benachteiligter städtischer Bevölkerungsschichten einzusetzen.

Patricia Reiter,
 Veronikagasse 14/19,
 1170 Wien.
 Email: patricia.reiter@reflex.at