

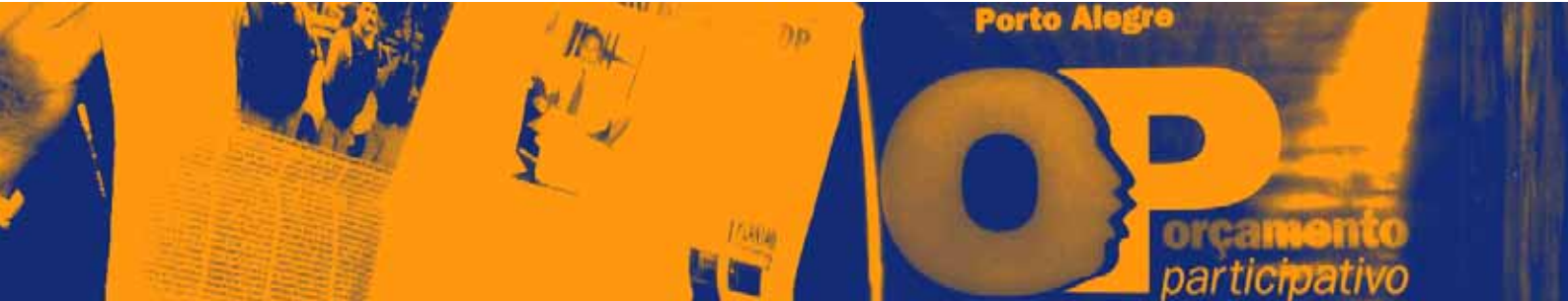


PARTICIPATORY BUDGETING

IDEASS

BRASIL

Innovation for Development and South-South Cooperation



Introduction

By Eduardo Mancuso

In many countries, planning and executing public budgets involve waste and come up against difficulties due to power concentration. For decades, Brazil experienced high inflation rates, which made budget management and control difficult.

A change in this historical trend occurred in 1989, when the city of Porto Alegre, capital of the state of Rio Grande do Sul, with a population of 1.4 million inhabitants, elected Olívio Dutra as mayor. He and his team decided to set up a new mechanism for municipal administration, called “orçamento participativo”, participatory budgeting, based on social justice and the inclusion of social classes that had, until then, been excluded from representation.

It was felt that popular participation would be the most democratic way of consolidating a model of participatory democracy in the city, in which society could express itself to the full. Large-scale public works were made possible by sound financial policies supervised by the population, which earned the government broad negotiation capacity and credibility with financial institutions. In fact, all action was accompanied by careful planning and popular deliberation.

The city was modernized through large and small-scale public works in sanitation, roads and transportation, which, together with new social and economic development policies, were of fundamental importance in establishing Porto Alegre as the city with the best quality of life index and the best transport system in the country, with recognised environmental policies and excellent opportunities for investment.

Participatory budgeting was an innovative form of direct participation by the people in formulating and implementing budget policies in the city. Participatory budgeting brought democracy to decisions on how the city’s public



resources were used. In the following years, this innovative experience of participatory budgeting led to the creation of other channels of popular participation such as forums, councils, committees, and conferences. Porto Alegre came to be known as the Capital of Democracy.

People take part in discussions to define budget proposals and have a say in how it is implemented. Participatory budgeting is a means of social inclusion, strengthening the power of the people and providing a more equal use of resources.

Participatory budgeting in Porto Alegre has gone through many operational and structural changes since it was first introduced, due to a dynamic process in which three characteristics are fundamental: the city is



divided into geographical areas, administrative centres are established to bring the people closer to the government, and action is grouped around major "priority issues". In operational terms, participatory budgeting involves various "rounds of public meetings" spread throughout the year. The aim is to establish a participatory budget, which is then used to formulate the municipal budget.

This experience is an example of democratic administration at the local level and has been adopted by more than 100 Brazilian municipalities, and many others throughout the world. In 1996, Porto Alegre's "participatory budget" process was selected by Habitat II of the United Nations as one of the 40 best innovative experiences.





What problem does it solve?

Before the days of participatory budgeting, only a few cities knew the answers to questions such as: what happens to public funds at the municipal level? Where does the money come from? How are budget priorities determined? Broadly speaking, a significant gap exists between the elected, local politics and the people. This diminishes social cohesion, reduces the sense of citizenship, undermines the relevance of public investment and makes for unequal allocation of resources.

Participatory budgeting helped establish new relations between the elected, local politics and the population. It was necessary to find ways to end passivity and favouritism, and stimulate participation. Objective criteria were needed to determine investment and expenditure in a way that was acceptable to the community and capable of involving the entire city, and through which an order of priorities could be established that took into account the enormous differences that existed in the city.



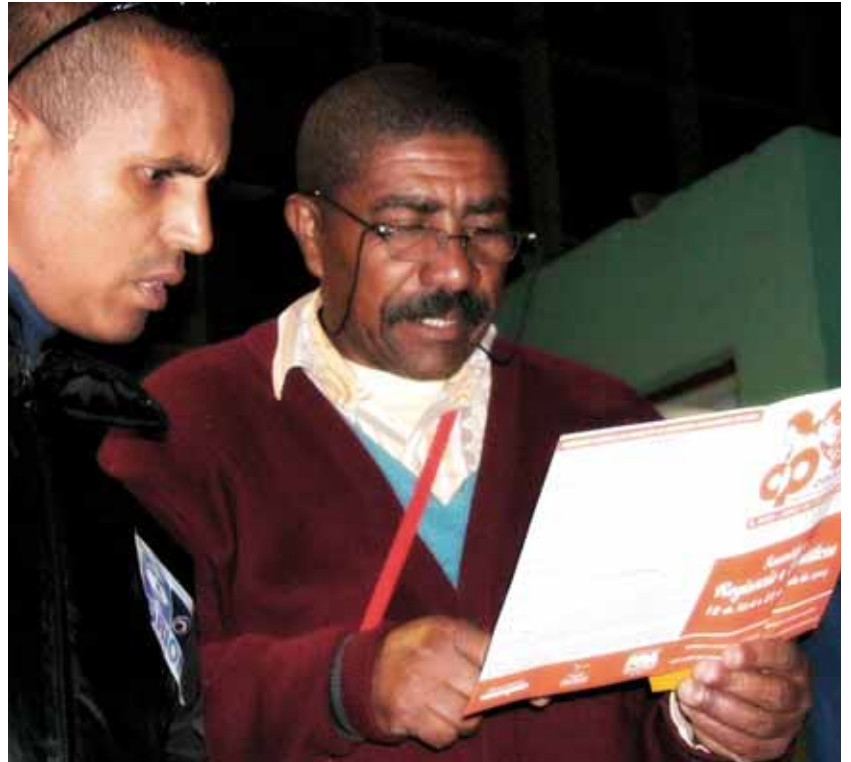
Various elements contributed to the success of participatory budgeting:

- Municipal authorities (Mayor, Mayor's Office and Chamber of Deputies), technical offices and agencies
- The population, by taking a direct part in various meetings to determine municipal budget priorities
- The community (district organisations, cooperatives, associations, etc.)

As a result of debate on priority issues and needs of each district, decision-making powers granted to the direct representatives of the people, and transparent criteria used in budget implementation, the attitudes of both municipal authorities and the population began to change. The municipality has a greater responsibility towards the people in terms of expenditure, investment and results. The people are more aware of the needs of the inhabitants and the

difficulties involved in satisfying them; they have a greater responsibility in the choices that are made and are more motivated to pay taxes. This change has strengthened relations between the municipality and the population, making them more democratic and transparent. It has reinforced the sense of belonging that different groups of the population have towards the city, and produced greater social inclusion.

Apart from changing the geography of the 'Gaucho Capital' with hundreds of public works, participatory budgeting has established a new relationship between the government and the population. The residents have taken part in decision-making processes, supervising and following up municipal investment for 16 years. Since 1989, numerous modifications have been



made to strengthen the efficiency and democratic nature of the process. In fact, participation has grown considerably: fewer than 1,000 inhabitants took part in the first participatory budget in 1990, while today the yearly average stands at over 40,000 people, with a renewal index of around 50%.

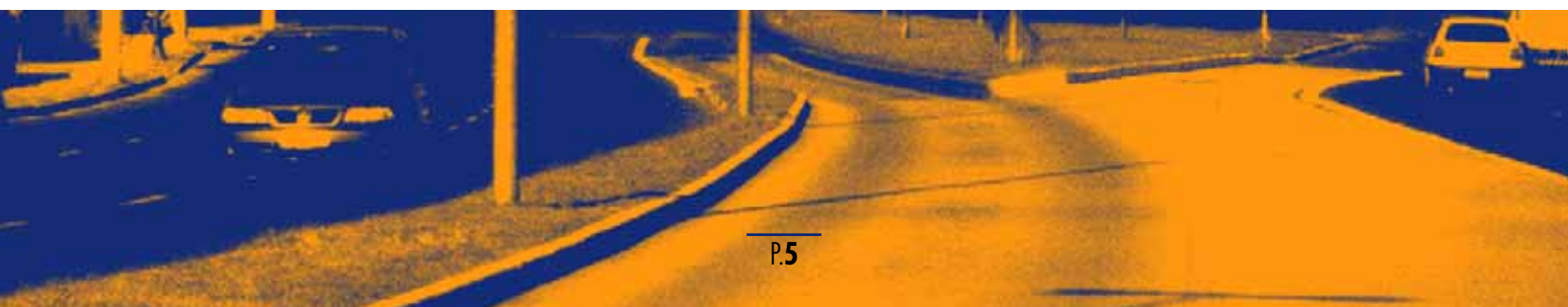
ABC OF PARTICIPATORY BUDGETING

- **Municipal Assembly** — a major event for people to meet. New participatory budget councillors take office; the government is given a prioritised list of demands for public works and services throughout the city. It also provides an opportunity for discussions on general issues, for example the 4th City Conference.
- **Participatory Councillors** — representing regions of the city or thematic areas. They form the Participatory Budgeting Council. Two councillors and two substitutes from each of the 16 regions and the 6 thematic sectors are elected during the major regional and thematic plenary assemblies.
- **Participatory Budgeting Council (COP)** — the most important deliberative body in the participatory budget process. It is made up of 96 councillors, of which 88 are elected directly by the people in regions and thematic areas; two (a main representative and a substitute) are nominated by the Porto Alegre Union of Residents Associations (Uampa); two (a main representative and a substitute) are appointed by the Municipal Workers Union (Simpa) and four (two main representative and two substitutes) represent the Mayor's Office, who do not have voting rights in deliberations. The COP plans, proposes, inspects and deliberates on municipal budget revenue and expenditure. It also carries out a yearly review of internal regulations, including the general and technical criteria used in participatory budgeting.





- Criteria — approved by the COP and subdivided into general criteria (used to determine procedures for allocating resources throughout the city) and technical criteria (used by the Mayor's Office to analyse needs and verify feasibility).
- Delegates — chosen by people in meetings held between May and July in the 16 regions and six thematic areas, at a ratio of one per ten participants. Delegates are the direct representatives of the people in the participation process.
- Demands — public works and services selected by the people, which are then assessed according to technical criteria by the Mayor's Office.
- Delegate Forums — occasions for delegates chosen by the people to meet and discuss regional and thematic issues. A general plenary assembly of delegates may be convened to debate an issue of general importance.
- Investment and services plan — a yearly statement of all the work and services that people have requested in participatory budgets, and which is put up for approval in regional and thematic forums.
- Four-year Plan — general goals and guidelines for government action over the next four years.
- Regional Meetings — meetings for residents interested in discussing and defining public works and services in a certain region of the city.
- Thematic Meetings — occasions for discussing and defining actions, policies and public works in a certain sector, as well as global directives for the city.
- Budgetary proposal — revenue and expenditure forecasts, endorsing the execution of public works and services under municipal responsibility.
- Internal Regulations — set of rules applied to participatory budgeting.
- Grand Regional and Thematic Plenary Assemblies — periodic meetings in which the government gives both written and spoken accounts of the previous year's investments. In plenary assemblies, people prioritise demands for the following year, elect councillors, and determine the number of delegates, one for every ten participants, for each of the 16 regions and six thematic areas of participatory budgeting.



Participatory budgeting in practice

Participatory budgeting is a form of public administration in which the government presents proposals, provides information, technical advice and infrastructure in the various deliberative meetings, in which it has no voting rights. Two municipal departments are directly involved in participatory budgeting: the Planning Office (Gaplan) and the Community Relations Office (GRC).

Participatory budgeting is a democratic process that gives the population a chance to decide how municipal resources are allocated

GAPLAN

The Planning Office is responsible for formulating budget proposals, the Budget Directives Law (LDO), the Four-year Plan, and the Investment and Services Plan, based on community demands and proposals made by municipal offices. It is responsible for coordinating the municipal budget.

GRC

The Community Relations Office is responsible for formulating municipal policies on community relations. It coordinates the political and organisational processes of participatory budgeting for the population. It also coordinates municipal administrative decentralisation and the eight Regional Administrative Centres (CARs) that were created for this purpose.

ADMINISTRATIVE DECENTRALISATION

The processes of administrative and political decentralisation began in 1989, when the popular administration took over. To bring public services closer to the population, eight CARs were set up to attend to the needs of the 16 participatory budgets regions.

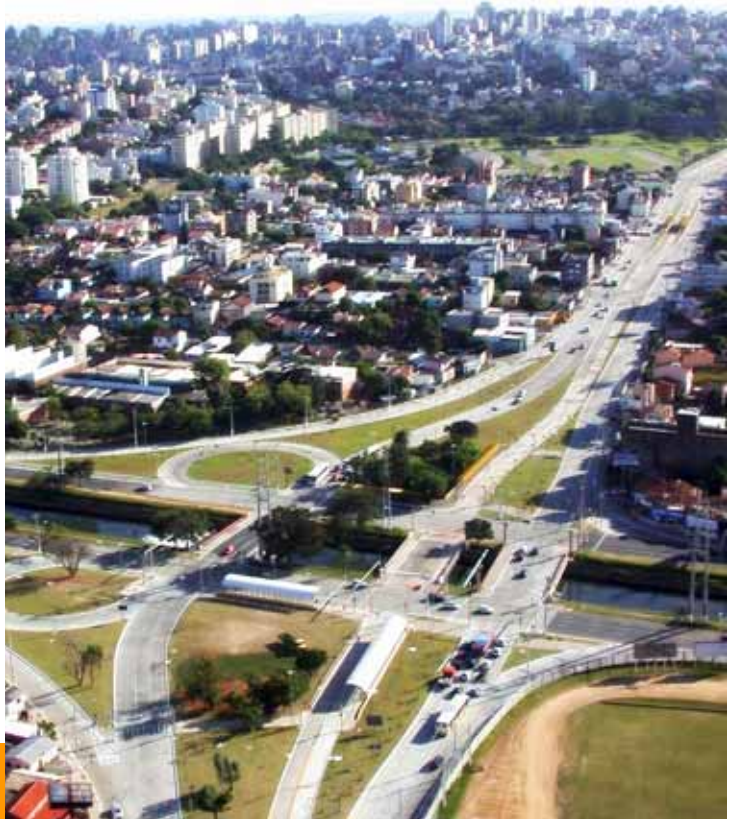
There are four basic stages to participatory budgeting:

- **Preparatory meetings** are held in regions, micro-regions (subdivisions created to broaden and democratise community discussion on regional needs) and in the six thematic participatory budget forums. Participants set the agenda for a single round of regional and thematic plenary assemblies.
- **Regional and thematic assemblies** take place in pre-established dates set by the Participatory Budgeting Council. The assemblies attended by the mayor and are used to determine the number of delegates, elect new councillors and decide on the thematic priorities of the city
- **Municipal Assembly**, in which regional and thematic delegate forums give the mayor a prioritised list of the works and services that the people want the administration to carry out the following year. It is also a time for new councillors to meet and discuss general urban issues.
- **Deliberation of the Investment and Services Plan.** Discussions take place between October and December. The municipal administration presents the regional and thematic forums with a technical and financial analysis of the demands made by the population, which were delivered to the mayor in the municipal assembly. After presenting, discussing and analysing the demands, the delegate forums approve an Investment and Services Plan Proposal, based on criteria defined by the Participatory Budget Council.



REGIONAL AND THEMATIC FORUMS

To facilitate participatory budget operations and dynamics, the city is divided into 16 regions and six thematic areas. The thematic forums define directives and needs for the whole city in the themes of: 1) Culture; 2) Transportation and circulation; 3) Health and Social Assistance; 4) Economic development and taxation; 5) City organisation, and Urban and Environmental Development; 6) Education, Sport and Leisure.



PARTICIPATION VIA INTERNET

To broaden involvement in shaping and developing the city, the Mayor's Office set up a website at www.portoalegre.rs.gov.br/op to enable the population to send participatory budgeting suggestions (after registering) for public works and services in a region or thematic area, or both. The suggestions are examined in delegate forums between May and July. Citizens making suggestions receive an email informing them of the dates of meetings and inviting them to take part.

Participation via the Internet is facilitated by a step-by-step approach that guides surfers through registration, and allows them to choose a region or sector, send suggestions, and follow up progress. Should the need arise, they are then contacted by email by technical experts in participatory budgeting.

The Internet can also be used to follow progress in the implementation of public works and services prioritised by the population the previous year. It also provides information on demands, regions or offices. Information on public works or services is available from the beginning of the process to the end of the project.



PARTICIPATORY BUDGET CYCLE 2004

March and April – Preparatory Meetings.

The aim of these meetings is to set an agenda, organize and prepare participatory budgets in regions, micro-regions and thematic areas. They involve:

- Statement of accounts;
- Presentation of Investment and Services Plans;
- Presentation of internal regulations, general and technical criteria;
- Discussion of thematic priorities;
- Criteria for councillors;
- Suggestions and requests via the Internet;

April to May (second half) - Regional and Thematic Assemblies.

- Thematic priorities are chosen;
- Councillors are elected;
- Number of delegates is determined.

May to July – Regions and Thematic Areas.

- Delegates are chosen;
- Public works and services are prioritised;
- Delegate Forums deliberate on demands proposed via the Internet.
- Before establishing priorities, delegates visit areas targeted for priority public works or services and follow progress on work.

July (first half).

- New councillors take office;
- List of public works and services handed in;
- General discussion on thematic issues.

July to September – Analysis of demands and participatory budget.

Government:

- Technical and financial analysis of demands;
- Participatory budget.

August to September – Vote on participatory budget

- COP discusses and votes on the participatory budget and allocates resources to regions and thematic areas

October to December – Detailed Investment and Services Plan

- COP allocates resources to regions and thematic areas;
- Investment and Services Plan Proposal (technical and financial analysis of demands made by the population) presented and voted in regional and thematic delegate forums.

- GRC and Gaplan coordinators present public works and services that have no legal or technical impediment. Explanations are given as to why certain demands cannot be met. Investment and Services Plan Proposal is made known to the forums before presentation.

November to December

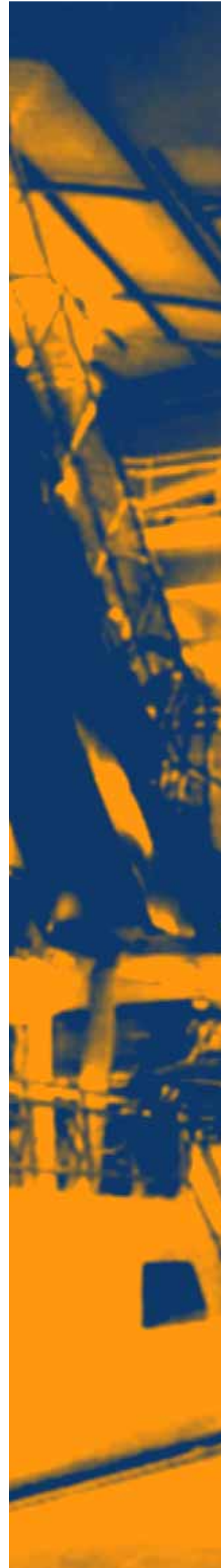
- Any changes to internal regulations, and general and technical criteria for participatory budgeting are discussed in regional and thematic forums.

January

- COP discusses and votes on internal regulations, general and technical criteria.

February

- COP retires





Results

The most obvious result of participatory budgeting can be seen in the improvements to people's living conditions. In 15 years, investment has gone up to over 700 million dollars. Between 1989 and 1996, the number of households with access to water services rose from 80% to 98%; the percentage of the population

served by the municipal sewage system rose from 45% to 85%; numbers of children enrolled in public schools doubled and illiteracy rates dropped by half (from 6% to 3%); since 1989, 30 kilometres of roads have been paved annually in the poorer neighbourhoods.

As a result of the transparency and decision-making processes introduced by participatory budgeting, people are more motivated to pay taxes and revenue has increased by 50%.

Around 40% of the people taking part in participatory budgeting meetings have modest 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. Middle-class people, who were sceptical at first, now take an active part in participatory budgets.

To reduce exclusion, the administration has implemented programmes and projects of its own and in partnership with society to find new ways of including the population in budgeting activities. The practice set up by the municipality of Porto Alegre involves structured interdepartmental action in the fields of public policies, social control and social justice

PUBLIC POLICIES

The people of Porto Alegre have made the themes of education, health, housing, and social assistance the priority issues in participatory budgets, guaranteeing investment of public resources in social areas.

The government has guaranteed resources for housing, paving of roads and sanitation, together with international financial organisations such as the Inter-American Development Bank, the World Bank and FONPLATA.

The Mayor's Office, which sees public policies as a way of guaranteeing people's rights, has developed projects and programmes to set up internal and external networks that enable social needs to be met in full.



The best example of joint action can be seen in the Social Policies Forum (FPS), where efforts are made to overcome sectoral divisions over the implementation of public social policies. One of the permanent challenges of the Forum is to make sure that the government takes effective and integrated action, with joint participation from municipal institutions.

Besides forums within the government framework, intra-municipal action is also fostered, which constitutes an effective counterweight to the process of exclusion that exists in the country. Thus, public policies are formulated both within the framework of municipal government, which encourages interdepartmental discussion and action, and in partnership with people's forums.

SOCIAL CONTROL

Social control means creating mechanisms for popular participation. It is the civil society, in partnership with the municipality, which defines policies for children and adolescents, health, education, housing and social assistance using mechanisms such as participatory budgeting, municipal councils and other types of democratic participation.

To consider only statistical data would be to underestimate the effects of participatory budgets. The progress made has profoundly changed mentalities and restored dignity to entire groups of the population.



Participatory budgeting has also changed the attitude of municipal technical staff in their relations with citizens. They pay greater attention to what people say and communicate in a language that people can understand.

The feasibility of the experience essentially depends on the political will of the municipality. In effect, participatory budgeting is an annual process and renewal is decided by the municipal authorities.



SOCIAL JUSTICE

Participatory budgeting is also an instrument of social justice in three ways: in terms of taxation, distribution and politics. This means not only regenerating the public sector's financial, strategic and administrative capacity, but also making sure that those that earn most pay most. The increases in revenue witnessed in Porto Alegre clearly show that co-management of the municipal budget has given political credibility to the government to improve the municipal finances and obtain international recognition and funding for the city (World Bank, Inter-American Development Bank, FONPLATA). With the advent of participatory budgeting, there has been a drop in non-payment of direct municipal taxes.

Secondly, it effectively involves establishing positive discrimination and rightly giving more to those who have the least. Participatory budgeting regulations take into account community needs and population densities.

Thirdly, it involves changing state-society relations, providing openings for those that have never had any say, giving greater political power to those who have the least economic power. Of course this power sharing process does not just depend on will alone. Learning a new way of exercising power and establishing strong participatory governance is not something that is easy. It is a challenge that local authorities and citizens must build on together.

Participative budgeting has proved that democratic and transparent administration of resources is the only way to avoid mishandling of public funds and to ensure that investments are directed towards the most pressing needs of the most number of people. Participative budgeting



has also proved that the creation of effective participatory tools and government commitment to meet people's demands are essential in overcoming the bureaucratic barriers that separate society from the state, and forming an active and mobilized citizenship. In Porto Alegre, the citizens know and decide on public issues, transforming themselves, therefore, in agents of their own future.



International interest

Numerous municipalities from all over the world have come to Porto Alegre to see how participatory budgeting works and many have adopted its approach, including the municipalities of Saint-Denis (France), Rosario (Argentina), Montevideo (Uruguay), Barcelona (Spain), Toronto (Canada), and Brussels (Belgium). In Brazil, more than 100 cities make use of participatory budgeting.

The city has won three 'Prefeito Criança' prizes, in 1999, 2000 and 2004, awarded by the 'Fundação Abrinq para os Direitos da Criança' and UNICEF. This is the major national prize for cities that have distinguished themselves in activities for the protection of children and adolescents

Porto Alegre won the title of 'Mercocidades Cultural Capital' in 2000.

It is considered by the UN as one of the 40 best urban administration practices in the world. Participatory budgeting is also recommended by the World Bank as an example of successful joint action by the government and civil society.





Adopting participatory budgeting in other countries

Few means, but ones that can be freely used

A vital factor in the success of participatory budgeting is the degree of financial and administrative autonomy of the local authorities. The municipality must be able to decide where and how local resources are allocated. Otherwise, participatory budgeting will be no more than an educational tool for local democracy and not a means of distributing limited resources. Previous decentralisation experiences can facilitate the establishment of participatory budgeting, making local administrators more open to administrative reforms involving the population.

The need for political cohesion

Participatory budgeting is a long and complicated process, and a certain degree of political and administrative stability is required. On the other hand, political authorities must be flexible enough to accept the population into the decision-making process. They must have the resources and the capacity to reform bureaucracy so that the process of participatory budgeting can be guaranteed in accordance with established regulations. Changes in regulations may be necessary vis-à-vis procedures for formulating the budget by local authorities. Still, it must be underlined that participatory budgeting intervenes in the planning stage of budgetary proposals, while formal approval remains under the authority of the municipal chamber of deputies.

A pre-existent social basis

Participatory budgeting will have a greater chance of success if there are organised citizen networks and associations to support it. During the initial phase, most of those taking part in participatory budgeting will come from political backgrounds. Therefore, participatory budgeting should quickly be placed on a broad popular basis, which can be facilitated by the existence of networks. This will give credibility and legitimacy to reforms implemented by the local government in participatory budget planning.

Participatory budgeting involves joint management. Porto Alegre is a benchmark for similar experiences of democratic management and administrative transparency in more than a hundred towns and cities in Brazil and the rest of the world. Ways need to be found to overcome political passivity and favouritism, and to



stimulate participation. Objective criteria must be used to define plans for investment and expenditure that are accepted by communities and involve the entire city, following an order of priorities that take into account the enormous differences that may exist.

To learn more

Municipality of Porto Alegre

www.portoalegre.rs.gov.br

Fax: 51-32288725

World Bank

[http://www.worldbank.org/poverty/strategies/sou
rctoc.htm](http://www.worldbank.org/poverty/strategies/sou
rctoc.htm)

[http://www.worldbank.org/participation/web/we
bfiles/cepemcase1.htm](http://www.worldbank.org/participation/web/we
bfiles/cepemcase1.htm)

UNESCO

<http://www.unesco.org/most/southa13.html>



Who to contact

The municipality and the GAPLAN and GRC offices can provide technical assistance for disseminating the experience.

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The IDEASS Programme — Innovation for Development and South-South Cooperation — is part of the international cooperation Initiative ART. IDEASS grew out of the major world summits in the 1990s and the Millennium General Assembly and it gives priority to cooperation between protagonists in the South, with the support of the industrialised countries.

The aim of IDEASS is to strengthen the effectiveness of local development processes through the increased use of innovations for human development. By means of south-south cooperation projects, it acts as a catalyst for the spread of social, economic and technological innovations that favour economic and social development at the local level. The innovations promoted may be products, technologies, or social, economic or cultural practices. For more information about the IDEASS Programme, please consult the website: www.ideassonline.org.



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Innovation for Development and South-South Cooperation



ART - Support for territorial and thematic networks of co-operation for human development - is an international co-operation initiative that brings together programmes and activities of several United Nations Agencies. ART promotes a new type of multilateralism in which the United Nations system works with governments to promote the active participation of local communities and social actors from the South and the North. ART shares the objectives of the Millennium Development Goals.

In the interested countries, ART promotes and supports national co-operation framework programmes for Governance and Local Development - ART GOLD. These Programs create an organized institutional context that allows the various national and international actors to contribute to a country's human development in co-ordinated and complementary ways. Participants include donor countries, United Nations agencies, regional governments, city and local governments, associations, universities, private sector organizations and non-governmental organizations.

It is in the framework of ART GOLD Programmes where IDEASS innovations are promoted and where cooperation projects are implemented for their transfer, whenever required by local actors.