

# PARTICIPATORY BUDGETING IN PORTO ALEGRE

*ADALMIR MARQUETTI shows that the extension of democracy in Porto Alegre has had positive spin offs for the poor.*

THE DEMOCRATIC TRANSITION IN LATIN America occurred at the same time that the 'developmental' state came under attack from those supporting a more 'market-friendly' approach. The role of the state has been a much debated issue since the democratisation process began in Brazil.

In the 1980s, large sections of the Brazilian left united in the Worker Party (*Partido dos Trabalhadores – PT*). The party's main preoccupation was to reduce the massive inequalities that characterised Brazilian society. One of the tools to achieve this was extending democracy to the poor.

In the 1988 municipal elections, PT gained control of 36 local governments. These included three state capitals – São Paulo, Vitoria and Porto Alegre. Innovative policy-making measures and new institutional arrangements were introduced in these cities.

In Porto Alegre, the capital of the province of Rio Grande do Sul, the Participatory Budgeting (*Orçamento Participativo*) – referred to as PB-PoA or PB – was the main innovation. The system has been functioning since 1989. Largely as a result of this process, the PT gained popular support and was re-elected in 1992 and 1996.

In the 1988 campaign, the PT's main election platform was the democratisation of local government through 'popular councils'. The details of how to go about setting up such a model were, however, somewhat vague. Popular suspicion, caused by the failure of the former administration (under the Democrat Labour Party) to fulfil its promise of participatory government, undermined the project. The municipality also faced serious financial difficulties.

## REDISTRIBUTION TAXATION

The first year of the new administration, starting in January 1989, was somewhat erratic and confusing. The financial situation was critical. A wage raise approved in December 1989 doubled the wage bill, "supplier payments were six months late, the contract payments eight months, and a short run loan corresponding to 35% of the month budget was due" (Cassel and Verle, 1994). Executive control and financial management were weakened by several administrative loopholes. Taxation was not linked to inflation, which reached 1 774% in Porto Alegre in 1989.

The new administration imposed rigorous financial control. At the same time, a progressive tax system was introduced. This had a redistributive effect. Average revenue in the period 1989-1992 was 97% higher than in 1985-

## SHIFTING POWER

The new Brazilian Constitution, which was signed in October 1988, both legitimised civil rule and modified the balance of power inside the country, shifting power from central government to the states and cities.

The Constitution defined democracy as representative and participative. Several mechanisms to encourage popular participation were introduced. These included referenda, the plebiscite and co-management councils (Benevides, 1991).

While the states and municipalities gained substantial power, this was not always matched with financial resources. In 1988, the municipalities received only 11,4% of government revenue and the federal government 61,3%. This rose to 17,2% and 53,8% respectively in 1992. During the 1990s, however, the fiscal needs of central government undermined transfers to local government.

The new arrangements did, however, open a window of opportunity for financial reform.

1988. The urban property tax default rate fell from 20% to 12%. The financial reform implemented in Porto Alegre shows that it is possible for state fiscal restructuring to be accompanied by an expansion in social spending.

#### PARTICIPATION

A new, participatory administrative structure complemented the financial reform. The city was divided by the PB-PoA into 16 regions, each of which elected members to superior councils in the regional assemblies. The assembly became one of the main vehicles of popular participation.

Initially, the PB-PoA consisted of a series of meetings from March to June in each region. Two main regional meetings – called "first and second *rodadas*" – are co-ordinated by the municipality. Several smaller meetings, called *intermediárias*, are organised by the community between the *rodadas*. The extent of these non-official gatherings depends on the organisational strength in each region. Community leaders are entitled to summon technical help from the municipality if they need it. The main themes to be discussed in the two *rodadas* are settled by the regional community leadership and the government officials in charge of specific regions, called *crops*. The *coordenadores regionais do orçamento participativo* (PB-regional co-ordinators) are municipal employees linked to the Community Relations Co-ordination (CRC). The CRC is linked directly to the mayor's office and has acted as a mediating agency linking the municipal authorities with community leaders. It maintains a close relationship with the community associations.

*Plenárias temáticas* (thematic assemblies), which discuss themes of general interest to the city, started to be held in 1994. They are organised in the same way as the regional assemblies. The five themes selected were: city organisation and urban development, health and social assistance, economic development and taxation, transport, circulation and education and culture

and leisure.

In the first *rodada*, the municipality presents its activities and accounts for the previous year, explaining the reasons why the approved plan of investment – called PI – did or did not work. This provides the opportunity for a public scrutiny of municipal government performance. A detailed explanation about public works already decided on and those which are planned is given. Municipal officials also present estimates of the financial resources available for the following year, with discussions on new criteria and methods of implementing the PB in the region itself.

The community also elects delegates who will represent the region. The *rodada* happens in the same period in the regional and thematic assemblies. The mayor attends all the meetings. The presence of political authorities is a sign that the views of ordinary people are taken seriously.

The *intermediárias* are the focus of local debate because this is where priorities are defined.

The approximately 1 000 delegates who are elected annually make up the "Forum of Delegates". They monitor public works projects, keep the community informed, receive new demands and maintain close contacts with the elected PB councillors.

In the second *rodadas* the regional and thematic participants elect two delegates (and two substitutes) to the PB Council (*the Conselho do Orçamento Participativo* – COP). A representative of the civil servants' trade union (SIMPA – *Sindicato dos Municipários de Porto Alegre*) also sits on the COP. It has two, non-voting representatives from the government. All in all, there are 44 councillors. The COP meets once a week. It prepares the municipal budget and investment plan. It has the final say on the budget. Meetings are open to all citizens. Technical support is provided by officials from the mayor's office.

#### PRIORITIES

The next task is to prepare the Plan of Investment (PI). This lists all public works projects finally approved and details about their

implementation, including which municipal division will be responsible. The PI is widely distributed so that citizens can check that their decisions are being carried out.

Each region chooses five out of 12 standard priorities (basic sanitation; land and human settlement regulation; transport and circulation; social assistance; education; health services; street paving, including water and sewage disposal systems; city organisation; leisure and sports; parks; culture and economic development). The 16 regions' choices are used to select three main priorities for the coming year. In

1999, the top priority was basic sanitation, while in 1998 it was street paving and in 1997 land and human settlement regulation (including new houses and the resettlement of marginalised people).

#### DISTRIBUTION

The next step is to distribute resources among the 16 regions. The investments are distributed according to the:

- lack of public services and/or infrastructure;
- total population; and
- priorities chosen by the region;

#### EVOLUTION

Five distinct phases can be distinguished in the evolution of the PB-PoA:

- The first phase (1989-1990) was characterised, on the one hand, by the inexperience of the new authorities and on the other, by the inexperience of the community associations participating in decision making. Some community associations were characterised by a political culture based on patron/client relations that weakened or even demoralised popular participation.
- The second phase (1990-1991) was characterised by alterations in government structures and in the construction of channels for community participation. The Community CRC was reorganised and Gaplan was created in 1990. Both are linked directly to the mayor. Over the years the CRC developed sensitive ears and was capable of rapidly translating social demands into action. For its part, Gaplan transforms community demands into technical formats and produces studies of technical and economic viability. Community participation was institutionalised with the setting up of 16 regions, the organisation of the PB Council and the Forum of Delegates. An important innovation in the 1991 budget was regional resource distribution among the regions according to a methodology negotiated with community leaders. In this budget, 70% of the resources were applied in priority regions, which were chosen by means of objective criteria. The criteria reflected a political decision to redistribute investment toward the poorer areas.
- The third phase (1991-1993) was a period of PB-PoA consolidation. This saw an increase in popular participation. The number of participants in the 16 regional meetings increased from 976 in 1990 to 7 610 in 1992. Instead of allocating investment by priority regions, resources were distributed by priority sectors.
- The fourth phase (1993-1998) is characterised by the fur-

ther development of the PB-PoA with the organisation of the *plenárias temáticas*, the increase of the political power of the PB Council and the Forum of Delegates, as well as a continuing increase in participation, with new sectors coming in.

In response to community pressure, the administration reorganised the PB Council. Two commissions were formed – the Parity Commission, which directs and organises the PB-PoA process and the Tripartite Commission, made up of two representatives of SIMPA, two from the BP-Council and two from government. Its main purpose is to determine the need to employ more public servants. The commissions increased the political control of the popular associations over other governmental issues.

Another important political decision was taken at this point. The PB-PoA is seen by the municipality and community associations as a 'work-in-progress'. Any change in PB regulations is decided by the PB-Council without the participation of the executive and legislature. Any form of institutionalisation by the City Council would mean a loss of liberty on the part of the community associations. The principle of auto-regulation guaranteed the 'sovereignty of association control', which was a political objective from the start. But it also re-opened the debate about the limits of this process of direct democracy in the face of possible political changes in the future, if safeguards were not introduced.

- The fifth phase (1998-1999) is distinguished by small changes in the methodology, reflecting new demands by the population, the City Council reaction to the PB-PoA and the adoption of Participatory Budgeting in other governmental spheres, in particular the PB in the Board of Education. It was during this phase that there were some attempts by the City Council to institutionalise the PB. This issue remains a hotly contested one.

IT IS POSSIBLE FOR  
STATE FISCAL  
RESTRUCTURING TO  
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SOCIAL SPENDING.

The budget document and investment plan are submitted to the City Council. If approved, it becomes the law. After such an exhaustive process, however, it is unlikely that council members will make many alterations.

#### WHO GAINED POWER?

If it is true that the Porto Alegre citizens were empowered, then a major question is who are these citizens? Which social sectors gained power?

The typical participant in the *rodadas* has a monthly household income of up to four minimum wages (the monthly minimum wage in the period 1995-98 was US\$100). In October, 1999 it was US\$70 due to exchange rate devaluation (Baierle, 1999). However, the attendance of this income group fell from 61,9% in 1995 to 55,8% in 1998. This might indicate the incorporation of some middle class segments.

In the Forum of Delegates and in the PB-Council the majority of the members – around 56% in both cases – have a monthly household

income greater than four minimum wages. If we consider that a middle class household is composed of 3,3 individuals and each person receives an income equal to 70% of the *per capita* income of Porto Alegre, which in 1996 was US\$6 600, then a middle class household would have a monthly income of approximately 13 minimum wages. This demonstrates that the large majority of participants in all the PB-PoA structures have a household income below that of a typical middle class family.

In the *rodadas* the typical participant has no formal schooling or has not complete primary education. In the PB-Council, 56,5% of the members have completed more than eight years of school.

It is therefore possible to identify the typical participant in the *rodadas* as belonging to the poor segment of Porto Alegre's population, having a low family income and little or no formal education.

The majority of participants in the PB-PoA work in the service sector, where wages are low. In the *rodadas*, there was an increase in the participation of teachers, unemployed and retired people from 1993 to 1998. The Forum of Delegates is formed mainly by people with low qualifications, pensioners, and teachers.

Slightly more women than men participate in the lowest structures, while men predominate in the Forum of Delegates and in the PB-Council.

The majority of participants in the PB-PoA structures are affiliated to neighbourhood associations. Despite an increase in their participation from 1995 to 1998, unions have had a reduced role in the PB-PoA, especially in the regional assemblies. The main reason for this is the regional character of PB-PoA. Most of the unions span a larger geographical area.

#### RESULTS

In days gone by, the majority of Brazilians viewed government proposals and institutions with a great deal of mistrust. This was reinforced by a series of incompetent and corrupt administrations. At the same time, a political culture based on patron/client relations weakened popular participation in politics.

The PB-PoA represented a political development with the potential to break with this situation. Community associations choose their priorities based on objective criteria. Having chosen, they have mechanisms to ensure that their wishes are carried out.

The PB-PoA has led to a noticeable improvement in the behaviour of political actors, community leaders and city council-members. Community leaders accustomed to a client/patron relationship with city councillors either changed their ways or were replaced by a new leadership. City councillors and would-be candidates now have to confront a more demanding, informed and politicised populace.

The PB-PoA has also led to unprecedented transparency in the formation, allocation and implementation of the municipal budget. The permanent evaluation of governmental performance allows for poor execution to be detected and problems to be corrected.

CITY COUNCILLORS  
NOW HAVE TO  
CONFRONT A MORE  
DEMANDING,  
INFORMED AND  
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Municipal agencies and departments implement the projects decided on by the PB-PoA. Public control of their performance has been increased, leading to an improvement in public administration. Workers have not been forgotten – the municipal workers of Porto Alegre are one of the few categories who still receive bimonthly wage increases in line with inflation.

#### EXTENDING SERVICES

The most important effect of the PB-PoA is the redistribution of resources to deprived and poor neighbourhoods and the improvement in the welfare of the population.

The table shows the increase in provision of garbage collection, street lighting and street pavement in the period 1982-1998. The expansion in services is mainly benefiting the poor areas of the city.

Ninety nine percent of the population is now served by treated water and 82% by a sewerage system. Between 1989 to 1996, approximately 96 000 household units were incorporated in the water system and about 130 000 in the sewerage system.

In 1998, 73 057 housing units were classified as poorly built – comprising 22% of total houses in Porto Alegre (Demhab, 1999). The table shows improvements in housing between 1986 and 1996.

The 1988 Constitution placed primary education and health services under the control of municipalities. In Porto Alegre, total school enrolments increased by 240% in the period 1988-1998. The majority of municipal schools are located in poor areas of the city, where the

#### EXTENSION OF SERVICES, 1982-1998

	Garbage collection (tons)	Public lighting (new points)	Asphalt (m <sup>2</sup> )
1982	157 213	845	121 979
1986	126 188	925	177 827
1988	147 258	736	290 454
1990	186 118	1 371	235 122
1991	220 247	2 537	396 686
1992	171 130	5 843	519 151
1993	185 904	2 278	411 177
1994	189 516	2 848	444 758
1995	215 674	2 247	502 565
1996	241 208	2 130	947 816
1997	263 744	1 725	871 809
1998	279 582	2 758	–

Source: Gaplan (1998, 1991)

#### HOUSE CONSTRUCTION AND LAND REGULATION, 1986-1996

	1986-1988	1989-1992	1993-1996
House construction until 25 m <sup>2</sup>	1 205	561	661
House construction above 25 m <sup>2</sup>	–	96	400
Habitation units	549	640	1 446
Emergency houses and distribution of building material	164	199	512
Total	1 918	1 496	3 019
Topographic actions for urban regularization (lots)	–	5 364	12 224
Urbanisation (benefited households)	–	96	5 736
Co-operative houses (benefited households)	–	160	5 000

Source: Demhab (1997)

#### ENROLMENTS IN MUNICIPAL SCHOOL, 1985-1999.

	1985	1988	1989	1990	1991	1993	1994	1995	1996	1997	1998	1999
Child care, preschool, and kindergarten	1 248	1 677	2 659	2 448	2 415	6 834	8 164	10 166	11 080	11 717	12 079	12 143
Young and adult primary education	–	–	–	700	940	2 340	2 409	2 430	2 959	3 577	4 414	4 105
Primary education	10 492	14 838	20 214	22 140	23 276	28 110	28 278	29 312	31 947	35 411	38 160	40 800
Secondary education	1 617	1 347	1 359	1 344	1 330	1 412	1 361	1 366	1 448	1 505	1 541	1 584
Adult literacy	–	–	–	–	–	–	–	–	–	2 340	2 780	2 120
Total	13 357	17 862	24 232	26 632	27 961	38 696	40 212	4 3274	47 434	54 550	58 974	60 752

Source: Smed (1999)

PORTO ALEGRE'S SHARE BY SECTOR IN THE INCOME OF RIO GRANDE DO SUL, 1959-1980, (%)

	Agriculture	Industry	Services	Total
1959	0,29	27,69	30,33	21,99
1970	0,40	27,25	31,79	24,38
1980	0,40	18,87	30,09	21,71
1985	0,43	12,45	26,32	17,37
1990	0,94	9,49	20,69	13,50
1995	2,45	10,05	20,22	13,87
1996	2,45	10,27	20,66	14,39
1997	2,45	10,27	21,00	14,58

Source: Macedo (1999) and Alonso and Bandeira (1988)

demand for basic education and child care has increased substantially. Moreover, programmes for young and adult primary education, as well as for adult literacy, were implemented.

In 1998, Porto Alegre spent 17% of its budget on health services. The number of patients served by the main municipal hospital increased rapidly. In 1988 a total of 217 000 people received some sort of treatment there, compared with 141 000 in 1988. The number of health posts also increased rapidly. The services offered are better than those provided by neighbourhood regions.

#### ECONOMIC GROWTH

A major research program would be necessary to evaluate the economic effects of PB-PoA in each region and in the city as a whole.

One way to measure this in relation to the state as a whole. Porto Alegre's share declined from 24,3% in 1970 to 13,5% in 1990 (the year that the PB began), when it started to increase. In 1997 the city share was 14,58%. The industrial sector share fell in the period 1959-1990 and then started to increase after 1990.

#### LESSONS

The lessons produced by PB-PoA indicate that a set of political, institutional, economic and skill

requirements are important to implement this strategy. However, it seems that the basic necessary condition to ignite a PB is state action and strategy. The synergy between well functioning public institutions and the community is sufficient to generate development.

The PB-PoA is an institutional innovation that is capable of empowering large segments of the population, particularly, poor sectors of society that traditionally never had an active role in the definition of state policies. The empowerment of the poor is possible because the PB is an institutional mechanism that goes well beyond liberal democracy. Porto Alegre's experience shows that it is possible for the large majority of the population to control the state, implementing a developmental and distributive economic policy that contradicts the neo-liberal paradigm.

This form of state organisation is in clear contradiction to the liberal state proposed by the advocates of the market-friendly approach. Such policies have the effect of redistributing the income from the working class and the majority of the population to the capitalist class, in particular to the financial capitalists.

The PB-PoA is also an institutional environment that generates a gradual process in which a reciprocal relationship is established between the participants. The strengthening of the social groups outside the traditional political and economic elites opens up the possibility of a new political coalition between poor community associations and the more traditional leftist movements, such as the unions.

The PB-PoA also shows that the leftist movement has an humanitarian alternative to the liberal approach implemented in a number of developing countries in the 1980s and 1990s. It demonstrates that, even in a capitalist system, it is possible to implement redistributive and socialist policies that enhance economic growth under the control of the majority of the population and the working class.

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