

Extending Democracy: The Participatory Budgeting Experience

in Porto Alegre, Brazil, 1989-1999

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Abstract

The Participatory Budgeting (PB) experience in Porto Alegre, Brazil, initiated in 1989 by the Worker Party represents an extension of democracy beyond the liberal limits. It is an innovative institutional arrangement that puts the city's budget under the control of the large majority of Porto Alegre's citizens, in particular, of the poor and working sectors. This study describes and analyzes the origins, developments and some of the major results of PB. These results can be classified in two groups. The first one concerning the political aspects. There was a reduction of clientelistic practices in the community organizations and in the corrupt behavior by the government. The second one concerning the economic aspects. There was a redistribution of public investments and services leading to a welfare improvement in the poorest areas and an economic development of the city. At the same time, the fiscal equilibrium was maintained. The PB shows evidences that the leftist movement has an alternative, more democratic and humanitarian project of society than the one based on the liberal approach implemented in a series of developing countries in the 1980s and 1990s.

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1. Introduction¹

The state role and its reform is a topic present in the academic and political debate since the democratization process in Brazil in the beginning of the 1980s. In fact, the democratic transition in the entire Latin America happened simultaneously with the criticism and crisis of the developmental state as well as with a change in the economic policy towards to a market friendly approach. The liberal ideology sees both movements as being basically the same, free markets would be the basic institutional apparatus of a free-operating political system.

The leftist criticism of the liberal democracy might be located on the conception that equal political rights among social classes and fractions within classes with unequal economic power tends to reproduce the inequality between the large majority of population and the owners of means of production. These latter are the ones that really have the hegemony of political power and of control of the state intervention in liberal democracy (and in other forms of state organization in the capitalist system). Most of the time, state intervention will benefit the capitalist class or a segment of it. However, the state should be thought as being a category different from the capitalist class and that not only can move from time to time in contradiction to that class or parts of it but also can develop a bureaucracy who will defend its own interest.

Despite, significative parcel of the leftist movement recognizes that liberal democracy is an advance in relation to non-democratic forms of political organization, it is necessary to go beyond that, extending political participation and democratic rights to all citizens. For Marx the direct citizen participation in government decision-making is the basic form of transforming the liberal state. Inspired by the Paris Commune Marx saw a direct democracy replacing the liberal state with the population organized in neighborhood and workplace groups making decisions about issues directly affecting them in a pyramidal system. Delegates would be send to broader councils to convey the decisions made at lower

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levels. This form of popular decision making would substitute and qualitatively transform the bourgeois state machine.

The leftist movement also criticizes the conception that free-markets regulating capitalist production, being this organized as wage labor under the capitalist control, is the best form of allocating and distributing economic resources. Marx proposed a socialist organization of production, where big parcel of the means of production is under social ownership and the surplus product is under the control of the direct producers, as the basic way of eliminating the unequal distribution of wealth and income that characterizes capitalist society. Actually, Marx associates the project of socialism with the movement of democratic revolution (Foley, 1999). However, Marx analysis of socialist democracy and socialist economy are scanty and a series of very important questions received few lines. In particular, how to institutionalize in power the large majority of population and how to run the socialist society were questions almost not considered.

Lenin also addressed the popular councils and their role in the revolution process and in the government of a socialist society. But, the really existing socialism eliminated the decentralized, democratic system that Marx had thought and failed to empower the large majority of the population. The same is true for the liberal democracy, the realization of equal formal rights is not possible to be done due to economic, social and cultural inequalities, such as class, income, race, and gender (Abers, 1997).

Thus, large segments of the leftist movement in Brazil after the 1980s organized under the Worker Party (*Partido dos Trabalhadores* - PT) criticize the undemocratic form of socialist experiences as well as the liberal form of democracy. Without abandoning the socialist project, the empowerment of the large majority of the population, going beyond liberal democracy within a capitalist organization of production, was thought as a form of reduction in the enormous inequality that characterize the Brazilian society. Extending democracy was seen as a form of putting the state to function in benefit of the large majority of the poor population.

In part, this conception reflects the PT formation and organization. PT is formed by labor unions, urban and rural social organizations and Marxist groups that reject the ties with the former Soviet Union. PT since its origin has been organized in a participatory

organizational structure. In the 1988 municipal elections PT won 36 governments, its first important electoral victory since it included three state capitals, São Paulo, Vitoria, and Porto Alegre. However, soon it became clear that empowering the poor and the working class in a movement of extending democracy would be a very difficult piece of work. A considerable number of innovation in policy-making and new institutional arrangements were organized with this goal. In few cities PT was really capable of empowering the poor, being Porto Alegre the most successful case. In Porto Alegre the so-called Participatory Budgeting (*Orçamento Participativo*), referred as PB-PoA or PB, was the main innovation implemented. Resulting from the factors briefly mentioned above but also shaped by local aspects to be discussed later the PB has been in functioning since 1989. The PB-PoA was capable of institutionalizing in power large segments of population extending democracy well beyond the liberal limits. As a result, the local PT gained popular support, being reelected in 1992 and 1996 and establishing itself as the hegemonic political party in the city.

This study describes and analyzes the origins, developments and some results of PB-PoA. The paper is organized as follow: section 2 discusses the historical perspectives of PB-PoA implementation; section 3 describes the main instruments and features of PB; section 4 presents a brief historical evolution of this innovation; section 5 addresses popular participation in PB-PoA; section 6 analyzes the main results; section 7 discusses whether PB model is replicable in other urban context and, finally, section 8 concludes with some lessons that the leftist movement should learn from the PB-PoA experience.

2. Historical perspective in the PB-PoA implementation

Origin and circumstance of the Participatory Budgeting could be traced back to three main factors. First, the democratic transition experienced by Brazil and other Latin American countries in the 1980s. In Brazil, the new Federal Constitution signed in 1988 represented one of the major aspects in this transition. Second, the political history of the city itself. Third, the leftist tradition of PT and the political decision of extending democracy through popular participation.

The new Brazilian Constitution signed in October, 1998, on one hand, legitimized the civil regime, on the other, modified the balance power inside the country, transferring proportions of the power from the central government towards the states and the cities. The Constitution defined the Brazilian democracy as representative and participative. Several mechanisms of direct and indirect popular participation in government decision-making were opened, such as, referendum, plebiscite, the "popular initiative of law" and the co-management councils (Benevides, 1991). The PB-PoA finds its legal base on the first article of the Brazilian Constitution where it is written: "all the power originates from the people that exert it by elected representatives or directly" (Pont, 1999).

The Constitution also signaled a political and administrative decentralization, understood as the most rational form to enable the needs of people to be effectively dealt by public agencies. The constitutional process defined an unprecedented period of decentralization in the country, transferring power and new responsibilities to the states and municipalities. The point in which the federal state decentralization matched administrative and political responsibilities with correspondent financial transference is an open question. In fact, some transference of financial resources did happen. In 1988 from the total revenues nationally collected, in all levels, the entire group of Brazilian municipalities received 11,4% and the federal government a total share of 61,3%, while in 1992, as result of this decentralization figures were, respectively, 17,2% and 53,8%.

However, in a country where the federative pact is under the logic of the federal government any decentralization policy has a short life. In the 1990s the fiscal necessities of the central government drove a series of alterations in the tribute structure and further transfer of duties and services for the municipalities that neutralized those advances. Probably, the major impact of the new Constitution for the municipalities is that it opened up a window of political opportunity for a financial reform. In Porto Alegre this opportunity was embraced by the PT government which took over in January, 1989.

In its government program for the 1988 campaign the Worker Party established as an aim to democratize through direct popular participation the decisions about administration, public policy and, therefore, the future of the city. It was expressed in the idea of establishing "popular councils" in the city based on the very general principles from

the Commune of Paris (Tarso, 1997). However, these were general principles about the process, there was no ready model to be implemented. How to institutionalize in power the large majority of population was a matter of debate. There was a mention to a "substantive necessity of strengthening the autonomous organization of the civil society" with the creation of new mechanisms of the state", thus materializing a "shared management of the municipal administration". The lack of a model was a central aspect to break away with orthodoxy so common in the leftist tradition and to realize with great ingenuity and certain pragmatism the PB-PoA.

Despite the tradition of social participation in Porto Alegre, the political decision of implementing the PB-PoA was seen initially with certain curiosity and discredit by the majority of Porto Alegre citizens. The distant interest was not surprise for some reasons. The new administration, as stated above, had only a general and discursive notion of how to implement the PB-PoA. The former administration of Democrat Labor Party (PDT), which governed from 1985 to 1988, was elected under a strong "participatory program" and excitement generated by the passing of military regime in 1985. Broadly speaking, Collares's mandate (Alceu Collares won the 1985 elections with 42% of total votes) was frustrating as the majority of his promises was never implemented. PDT is a heir of a populist pro-workers tradition, which is strong in the state of Rio Grande do Sul. When commanding the municipal power the party utilized clientelist practices and developed a centralized structure, preventing the participation of community associations. Moreover, the financial heir of Collares' mandate was an important impediment to any investment plan, for example, in the last month at the City Hall his administration approved a law project that triplicates the expenses with the personal employed by the municipality comprising 98% of the total annual budget.

In light of these facts it was not surprise that Porto Alegre's population saw the PB-PoA proposal with some discredit. The associational history of Porto Alegre resembles closely that of the state of Rio Grande do Sul, undoubtedly the most vigorous in the country. In 1956 a municipal decree opened the door to various local councils and the state federation of community associations (*Fracab – Federação Rio-Grandense das Associações Comunitárias e de Bairros*) was founded three years later. In 1979, the

federation had 65 associations affiliated in Porto Alegre. A very politicized organization, the Community Associations' Union of Porto Alegre (UAMPA – União das Associações de Moradores de Porto Alegre) was established in 1983, as a direct result of the political transition in the country. This has been intensely involved in various areas of urban concern, such as housing, education, provision of health services, human rights, etc. Its first congress, in 1985, was attended by representatives of 78 associations of the city.

In 1989 Porto Alegre lived a situation where, on one hand, the civil society was relatively organized and disposed to participate, but it was discredited with the perspectives. On the other hand, the municipality lived a serious financial difficulty and the new public administrators had no previous experience, but were willing to extend democracy, sharing the political power with the large majority of the population.

3. Instruments and features of BP-PoA

The first year of the new administration, starting in January, 1989, was somewhat erratic and confusing. The financial situation was critical. In addition to the wage raise, "the supplier's payments were 6 months late, the contract payments 8, and a short run loan corresponding to 35 % of the month budget was due" (Cassel and Verle, 1994, p. 28). Furthermore, the executive control and finance management was shaken by several loopholes and, besides, the tax system prevailing was not indexed, preventing the city to cope with the high inflation rates of the moment. In 1989 the inflation rate measured by the consumer index was 1774% in Porto Alegre. The political promise of implementing policies for poor citizens made during the campaign, allied to the adverse reality of scarce resources bequeathed to the administration, made the first PB experience uncertain and hesitating at the beginning.

The new administration carried out a rigorous financial control, looking for debtors and devising new actions to avoid tax evasion as an attempt to regain financial credibility and capacity to invest. A financial reform was implemented, perhaps the major governmental initiative in its first year. From the expenses side a rigorous financial control was adopted with the rationalization of payments to suppliers and contractors, for example,

a payment schedule was adopted and followed, the utilization of loans were reduced to the indispensable to evict that debts were financed with new debts. However, the wage policy approved in the end of the Collares' administration was followed. From the revenue side there also were fundamental initiatives. The principal measures were the collection of debts, the end of fiscal amnesty, indexation of taxes to reduce inflationary loss, and a tax reform. The tax reform had in the new Constitution an "important allied" and was based on the principle "who has more pays more". The reform of municipal tributes and taxes had a redistributive effect, being based on a progressive principle. The success of these financial reforms can be observed on Table 1. The average revenue in the period 1989-1992 was 97% higher than the average revenue in the period 1985-1988. The total revenues are composed by municipal taxes and financial transference made by provincial state and/or federal government.

Table 1: Revenue and Expense of the City Hall, 1986-1998 (1000 US\$ 1998).

	1986	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Revenue	137265	146063	183073	306465	263550	266482	310876	380880	478388	544206	696459	709048
Expense	141330	159475	248694	336877	304701	288772	338528	427041	465932	538017	696104	689264
Surplus	-4065	-13412	-65620	-30412	-41151	-22289	-27652	-46161	12456	6189	355	19785

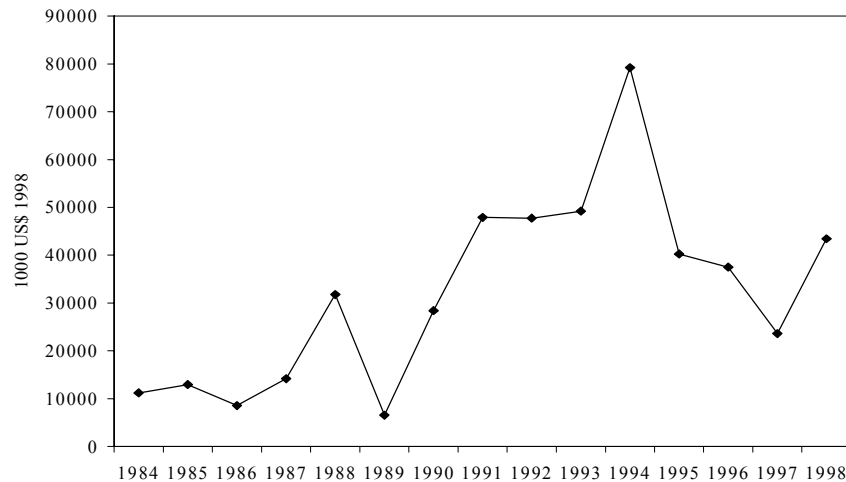
Source: Gaplan (1998, 1991)

The relevance of finding a solution for the existing financial problems affecting the municipality and the tributary reform then implemented can not be underestimated. It is unquestionable that both factors are the real pillars to guarantee PB appeal in the city. Moreover, the financial health of the municipal government has been maintained in the period. In fact, a solid financial position is very important for an active state role. The financial reform implemented in Porto Alegre demonstrates that it is possible to associate fiscal restructuring of the state with the expansion of social spending.

Actually, there is a link between PB-PoA and the financial health of the city. The default rate in urban property tax fell from more that 20% before the PB experience to approximately 12% in the present. When the Participatory Budgeting was presented and came into light in April, 1989, the investment capacity of the City Hall was at its minimum. The evolution of investments in the period 1994-1998 is shown in Figure 1. If the 1989 situation was maintained the Participatory Budgeting had no prospered, the

financial health is the real base that has attracted people to the PB-PoA. Perhaps this is a lesson learned through this innovation. It is clear that a "relevant minimum" level of resources must be offered to the citizenry if the process is to be attractive and participative _ its magnitude conformed by local particularities.

Figure 1: Evolution of Investment of the City Hall, Porto Alegre, 1984-1998.



Having taken the decision of implementing PB-PoA one of the first questions was how to regionalize the city based on some sort of community identity. This identity should incorporate not only general urban features but also social and economic homogeneities. Until 1989 the only subdivision was an official and technical-inspired one established in the end of the 1970s that divided the city in four regions, each region electing one councilmember while the 4 formed the Community Council. One of the first acts of PB-PoA was to reorganize this council. There was a discussion between municipal officials and community associations under the umbrella of UAMPA. The result was a regionalization of the city in sixteen regions. The regional assemblies are the main meetings of popular participation in the PB. This new regionalization was the result of an agreement between the community associations and the executive body and did reflect community identity. It was also agreed that each region would decide about the delegates they would indicate to represent themselves. A preliminary methodology for the process was also designed and proposed to be discussed with governmental officials. Furthermore,

it was decided to avoid the institutionalization of the process, keeping complete autonomy from the City Council and the new administration. The question of PB-PoA institutionalization in the City Council is a question in debate until the present.

The PB-PoA consists of a series of meetings occurring from March to June in each region. There are two main meetings coordinated by the municipality, called first and second *rodadas*, and several smaller meetings organized by the community itself between the *rodadas*, called *intermediárias*. The extent of these non-official gatherings depends on the organizational strength of each region and 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 a specific region, called *crops*. The *coordenadores regionais do orçamento participativo* (PB-regional coordinators) are municipal employees linked to the Community Relations Coordination, CRC. There is one *crop* for each PB region and they are in charge of relations between the community associations and the municipality. The CRC is linked directly to the mayor and has acted as a mediating agency linking the municipal authorities with community leaders, maintaining a close relationship with the community associations.

Starting in 1994, there were theme-oriented meetings supposed to attract other associations, such as trade unions and professional organizations to discuss not only the specific question of a region, but questions related to the city as a whole. These are the *plenárias temáticas* (thematic assemblies). The birth of meetings arranged to discuss themes of general interest of the city was pushed forward by the second "popular administration" elected in 1992. In the following year, with the consolidation of PB-PoA and the increase of participation, the municipality proposed to use the PB learning in other spheres, in particular, in the planning of the city. The aim was to produce answer to general issues concerning the entire city, thus probably providing an orientation for the future of Porto Alegre.

For that matter, the government suggested several discussion groups that produced a series of proposals which were presented and discussed in the "First Congress of Porto Alegre", held in December, 1993. The experience demonstrates that it was possible to

attract social sectors who still stood aside from the PB-PoA structure. The thematic assemblies were set for the 1994 cycle of Participatory Budgeting organized in the same way that the regional assemblies. The *coordinadores temáticos* (PB-thematic coordinators) called *ct* are municipal workers linked to the CRC with the same role of the crops. The five selected themes were: city's organization and urban development; health and social assistance; economic development and tax system; transport and circulation and education, culture and leisure. They were organized in the same features of PB regional meetings.

In the first *rodada*, the municipality presents its actions and accounts for the previous year, explaining the reasons why the approved plan of investment, called PI, did or did not work out and, in this case, the reasons for occasional changes. It is, in fact, a moment of public scrutiny of the municipal government performance. The municipality presents its PI for the current year, with a detailed explanation about those public works decided in the previous year, which ones are in progress, when others will start, etc. It also presents an estimate of financial resources available for the following year, with discussions on new criteria and methods of implementing the PB in the region itself. In short, the municipality must coordinate information and details for three years of administrative routine. Preparatory meetings happen in March, these are organized without the municipal government participation. The aims are to discuss a preliminary list of demands and the names for the PB structures.

The community in the first *rodada* elects part of the delegates who will represent the region and the thematic, in the proportion of one delegate for each ten citizens (older than 15 years) attending the meetings. In recent years, after these meetings became mass gatherings, it was decided that the number of elected delegates would be proportional to the number of participants.

In each *rodada* there are 21 meetings, one in each region and one in each thematic assembly. It is interesting to note that the *rodadas* are a especial moment for the municipal government to submit its idea about the city and secretaries, technical officers and the mayor himself attend all meetings. If they present any specif proposal, it will be discussed by those attending the meeting and accepted or not by a simple majority. The presence of

the government authorities was a political decision after PB-PoA started and is evaluated as a very positive gesture for all participants, the population and the government.

The *intermediárias* are the focus of local debate because the set of priorities are defined by the communities and the second group of delegates is elected following the same proportional rules. With the support of a regional government adviser, the crop, and with the participation of the community leaders and based on a network of associations rank-and-file, an intensive discussion arises eventually leading to a consensual list of priorities chosen by the region. The elected regional delegates discuss the community demands in face of the investment capacity informed by the municipality, deciding about the priorities, elaborating a list of hierarchical demands inside each priority. Since the total level of investment is known, this is the phase of negotiation and internal agreement in terms of priorities and demands. If a consensus is not reached, then in the second *rodada* the dispute will be settle through a voting process. The priorities, in the regions with greater organization, are chosen according to a micro-regionalization.

All delegates will form the "Forum of Delegates". Around one thousand delegates are elected annually. They are supposed to accompany all public works-in-progress, inform the community population, receive new demands, apart from maintaining close contacts with the elected PB councilmen. The number of delegates depends on the number of participants in the first *rodada* and in the *intermediárias*. Once a month they meet and discuss how public works are being developed. They may also inspect all investments and works and should divulge them to the population. The delegates also belong to a regional forum and they have the power of displacing the elected council-members in that region. The same happens in each *temáticas*. PB-PoA regulations forbid any person holding a position in other municipal council or a public mandate or those who hold positions in the municipality to be elected as a delegate and as a PB councilmember.

In the second *rodadas* the region and thematic participants will elect the PB councillors that form the PB Council, formally entitled as the "Municipal Council for the Government Plan and Budget", known as COP, which stands for *Conselho do Orçamento Participativo*. In these second meetings, the population also chooses the priorities, that is, where the municipality should invest. The second *rodadas* has attracted lower number of

participants since 1995 for two reasons. First, the delegates started to be elected in the first *rodada* and in the *intermediárias* from this year. Second, important decisions, such as the election of the councilmembers, are taken in the *intermediárias* and just endorsed in the second *rodada*.

When the second *rodada* is completed in all regions and thematic assemblies, usually in July, the PB-Council (known as COP) is formally installed and becomes the most important administrative sphere to establish the next budget since it has a final say on any issue related to the budget. The PB-Council is formed by two councillors (and two substitutes) elected by each region and thematic assembly, as well as one representative of the civil servants' trade union (SIMPA _ *Sindicato dos Municipários de Porto Alegre*) and another one indicated by UAMPA. It has two representatives from the government, but they do not have the right to vote in any case. There are 44 councillor-members in COP, they have a one year mandate with the right to be reelected only for a second consecutive term. COP meets once a week and coordinates the whole PB process of preparing the budget and the plan of investment. Meetings are open and may be attended by any interested citizen.

After installed, the COP has the technical support of Gaplan (*Gabinete de Planejamento*, the so-called Planning Cabinet of Participatory Budgeting) which is directly linked to the mayor. It was established in 1990 when PB centralization was decided in order to command the process in a smoother way. Both COP and Gaplan then started combining regions' and thematic assemblies' priorities with financial availability as well as technical considerations. All the municipal agencies and secretaries enter the process this time, offering appropriate data and providing technical studies. The link between the municipal agencies and Gaplan is made by the *assessores de planejamento* (planning advisers), who are governmental experts in charge of integrating the preliminary decisions taken by COP and Gaplan to other secretaries and municipal agencies, collecting information, requesting technical studies and so on. Sometimes, a decision taken in a *rodada* prove not be viable for various reasons and the COP must approve changes in demands. The main goal is to prepare a detailed budget which should harmonize demands and available financial resources.

The next task is to prepare the Plan of Investment (PI) and for that a series of general criteria inform the discussions. The PI is a booklet that lists the whole configuration of the budget and all public works finally approved, with all details, including which municipal division will effectuate the demand, its description and address as well as the allocated resource. This document has a large circulation and is distributed in all meetings so that citizens may check if their decisions are being implemented. The first step in the PI preparation is to determine the city's priorities. Initially, in each region a group of priorities is discussed and agreed upon. It follows a common rule: the region chooses in decreasing order of importance 5 priorities among 12 standard priorities (basic sanitation; land-property and human settlement regulation; transport and circulation; social assistance; education; health services; street paving, including water and sewage disposal systems; city's organization; leisure and sports; parks; culture and economic development). The remaining fields of possible priorities are also placed in a hierarchy, but without grades. Next, all grades are added and, then, it is possible to know the 3 main priorities selected for the investments of the following year as the result of all 16 regions' choices. The priorities provide an ordinal guide to distribute the investments. The decisions taken in the thematic assemblies and the demands raised by the municipal government are also considered in the final budget elaboration. However, the large majority of the resources are allocated according to the priorities defined in the regional assemblies. In 1999, for example, the top priority was basic sanitation (including regular system of water, sewage and drainage), while in 1998 it was street pavement and in 1997 land-property and human settlement regulation (including new offer of houses, land regulation, resettlements of marginalized population and so on).

Having established the order of city's priorities, the next step is to distribute the resources among the 16 regions. The investments are distributed according to regional criterions taking in consideration the differences among regions. These criterions are pondered by weights and grades. Today they are the following: a) lack of public services and/or infra-structure in the region that receives a weight 4 and grades from 1 to 5; b) total population in the region region that receives a weight 2 and grades from 1 to 4; c) priority chosen by the region vis-à-vis those chosen by the city as a whole region that receives a

weight 4 and grades from 1 to 5. After measuring the weight and grades it is possible to reach a final grade for a specific region and to discover the relative proportion that characterizes a determined region in relation to the total.

When the budget document and its detailed accompanying plan of investment is completed, it becomes a decree proposal and it is submitted to the City Council where it is analyzed and voted. If approved, it becomes the letter of the law. The annual cycle of PB-PoA is reproduced in Figure 2. Following such a succession of steps, however, the budget and its provisions carries a heavy legitimacy and the city council-members usually examine it with a scarce room to alterations. It is a concrete consequence that PB-PoA minimized the role of the official City Council.

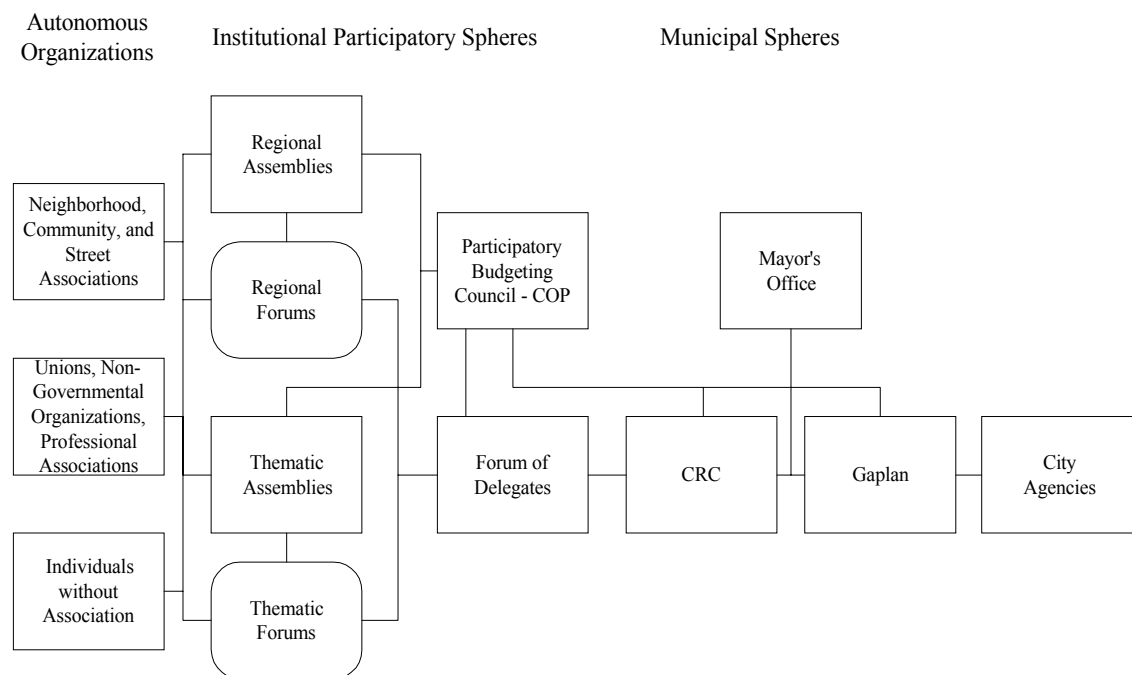
Figure 2: The Annual Calendar of "Participatory Budgeting" in the City of Porto Alegre

CIVIL SOCIETY	GOVERNMENT
March Preparations for the first <i>Rodada</i>	
March / April First <i>Rodada</i> in 16 regional assemblies and in 5 thematic assemblies	
March / June <i>Intermediárias</i> (regional and thematic assemblies)	May / June Governmental demands are prepared
June / July Second <i>Rodada</i> (regional and thematic assemblies)	
July / August Elected COP is installed	August Gaplan coordinates governmental demands with regional and thematic demands Elaborates a new budget proposal under COP supervision
August / September COP discusses and approves the budget	September New budget goes to the mayor and then to official City Council
October / November COP discusses the investments plan and follows the City Council budget approval	November The City Council votes the budget
December / January Discussion about the process and the PB-PoA internal regiment	

Source: Adapted from Navarro (1997)

Therefore, the PB-PoA framework is composed by three main features: a) an administrative structure formed by autonomous organizations, institutional participatory spheres and municipal spheres (Figure 3), b) by an annual calendar which describes the phases in the elaboration of the annual budget, and c) by a set of rules that regulate the PB functioning. Moreover, the PB is opened for any interested citizen, the set of rules is defined by the participants and combines participatory and representative democracy. The PB-PoA was successful in institutionalizing the large majority of population in power.

Figure 3: The basic administrative structure of PB-PoA



Source: Adapted from Fedozzi (1998).

4. Brief historical evolution of PB-PoA

In the historical evolution of PB-PoA five moments can be identified. Fedozzi (1997) distinguished four phases employing three criteria: a) alterations in the structure of PB-PoA and in the process of decision making; b) alterations in the methodology of resource distribution among regions and c) level of participation and stages of political

interaction between community and executive, and between these and the legislative. A fifth moment can be identified following the same criterions.

The first moment (1989-1990) was characterized, on one hand, by the inexperience of the new authorities that have just some general ideas of how participation should be, on the other, by the inexperience of the community associations in taking direct participation in the process of decision making. There was in some community associations a political culture based on clientelist relations that weakened or even demoralized popular participation. The PB-PoA requires, in large measure, the end of clientelism, a practice based on political subordination in exchange for material rewards. The decisions in the PB are a result of an open dispute based on a set of rules that put into political confrontation the existing forms of social representation of the city.

The PB-PoA in its experimental phase consisted of meetings realized in August, 1989, in five regions of the city. A council was organized to follow the budget preparation and an ambitious plan of investment in face of the financial resources was elaborated. As a result the plan of investment was a total failure.

The second moment (1990-1991) was characterized by alterations in the government structure and in the construction of channels for community participation. In the government the Community Relations Coordination, CRC, was reorganized 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 in internal actions. Gaplan, on its turn, "translates" community demands into technical formats and produces studies of technical and economic viability. The community participation was institutionalized with a new city division in sixteen regions, the organization of the PB Council and the Forum of Delegates. An important innovation in the 1991 budget was the resource distribution among the regions according to a methodology previously negotiated with community leaders. In this budget 70% of the resources were applied in priority regions, which were chosen based on objective criterions. In these criterions there was a political decision of redistributing investments toward the poorer areas. The financial reform allowed the realization of the plan of investments giving credibility to PB-PoA.

The third moment (1991-1993) was a period of PB-PoA consolidation with new methodological changes and increase in popular participation. Instead of allocating the investment by priority regions, the resources were distributed following priority sectors. These sectors are chosen according to objective, impersonal and universal criterions. With the passing of the time the use of these criterions became more and more sophisticated and complex in order to settle a final allocation of resources that would be as close as possible to an ideal and fair distribution of investments among all regions while maintaining the political decision of redistributing the resources to the poor areas. In 1992 these criterions were: lack of public services and/or infra-structure; population in areas of maximum privation; total population of the region and priority of the region in relation to the city's priorities.

The popular attendance increased substantially in this period. The attendants in the *preparatórias* and *intermediárias* are not counted, both are realized without official coordination. The number of participants in the sixteen regional meetings raised from 976 in 1990 to 7610 in 1992, the period with highest growth in popular participation. The PB-PoA consolidation motivated the administration to send, with the community approval, a project of institutionalization to City Council.

The fourth moment (1993-1998) is characterized by further developing the PB-PoA with the organization of the *plenárias temáticas*, the increase of the political power of the PB Council and the Forum of Delegates as well as the continuum increase of participants. The birth of meetings arranged to discuss themes of general interest was pushed forward by the second administration elected in 1992. In the following year the municipality stepped in again and proposed to use PB learning in other spheres and to attract social sectors who still stood aside from the PB-PoA structure. The initial idea was to promote particularly union participation. In general, however, unions have consisted of a minority in the meetings. Five themes were selected and then *plenárias temáticas* were set for the 1994 cycle of "Participatory Budgeting" and organized under the same features of regional assemblies. To some extent, as we will see in the next section, figures demonstrate that thematic assemblies have succeeded to attract new sectors to the process and they have added quality and complexity to PB orientations and proposals.

Under the community pressure, the administration reorganized the PB Council with the formation of two commissions that increased the political control of the popular associations over other governmental issues. First, the Parity Commission that is responsible for COP coordination, being formed by 4 government represents and 4 council-members. This commission directs and organizes the PB-PoA process. Second, the Tripartite Commission formed by two representatives from SIMPA, two from PB-Council and two from the government. The Tripartite Commission has as main goal to determine the necessity of new public servants.

In 1994 was decided that the delegates would be elected in the first *rodada* and in the *intermediárias*. The results was that the first *rodada* won in participation and that important decisions started to be taken in the *intermediárias*, such as, the name of the COP council-members. After this change the second *rodada* only attracts significative number of participants when a consensus is not obtained previously.

Another important political decision was taken at this moment, the decision of avoiding the institutionalization of the process in the City Council. The PB-PoA is seen by municipality and community associations as a work-in-progress, any change in PB regulations is decided by the PB-Council without the participation of executive and legislative. Thus, any form of institutionalization by the City Council would represent the end of the auto-regulation of the process and the lost of degrees of liberty by the community associations. The principle of auto-regulation is seen as an emblematic decision, for it guaranteed the "sovereignty of association control" which was a political objective from the beginning. But it also reopened the debate about the limits of this process of direct democracy in face of possible political changes in the future, if safeguards were not introduced.

The fifth moment (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 the "Participatory Budgeting" in other governmental spheres, in particular the PB in the Board of Education. The Planning and Participatory Budget in the Board of Education - PPBBE started in 1998 with an essentially educative character, a percentage of total investment in the schools is decided in a participative way by the school

community. For example, the school community might decide between a computer laboratory and a reform in the gymnasium. Organized according to the PB-PoA principles, but with its own regulation the PPBBE has called the attention by the large number of persons involved in the process, in 1998 there were 7623 participants and 11829 in 1999. There is a very important educational aspect in the PBBE, students learn that not only citizenship is a social construction but also they can have an active role in this construction. The Board of Education example has been followed by other government agencies, such as the Community and Social Educational Foundation, FESC (Fundação de Educação Social e Comunitária).

Other important change was, due to community suggestion, the increase in the number of priority sectors that population can opt for in the regional assemblies. Starting in 1988 the priorities were enlarged to twelve possible choices, including leisure, culture, sports and economic development, the later referring to productive projects and initiatives. The relevant aspect is the change in the population demands as the basic necessities are being fulfilled.

This moment is also characterized by a reaction in the City Council in favor of the PB institutionalization. In fact, some of the law projects presented would imply the end of PB-PoA in its present format and the "empowerment" of the City Council. A main difference between this attempt to institutionalize the PB-PoA and the previous ones is that at this time the political opposition found in main media an allied. This alliance resulted in the 1998 dispute of the government of Rio Grande do Sul. This dispute had as major candidates the governor at that time, a journalist that used to work for the major media company in the state, and the PT mayor that launched PB-PoA in 1989. Until the present the debate over the PB institutionalization is unsettled and it is a major question for the PB-PoA future.

5. Popular participation

If it is true that the Porto Alegre citizens were empowered, then a major question is who are these citizens? What are the social sectors that gained power? Moreover, it is important to know the level of popular participation and of social organization of these

citizens, especially, what is the participation of community associations and unions in the PB structures. The answer to these questions are directly linked to the PB-PoA effects in the city. Whether the aim of PB-PoA is to empower the social sector historically excluded from the government policies, these social sectors formed by the poor citizens must participate.

Initially, it is interesting to observe that the number of participants has increased since PB-PoA started in 1989. In fact, in relation to the number of participants, as can be observed in Table 2, there were three phases in the period 1989-1999. The first corresponds to the first two years when the popular participation was not expressive. The justification for this fact is that the level of planned investments to be spend in 1990 was not relevant because the budget was compromised with the municipality structure. The second corresponds to the period 1991-1993 when the level of investments increased and so did the interest of the population increased enormously. This period represents the PB-PoA consolidation, with a vigorous expansion in the number of participants. As the population demands were attended the "demonstration effect" drove an increase in the participation (Abers, 1996). The third corresponds to the period 1994-1999 when the number of participation continued to increase, but with a lower velocity. The thematic assemblies represented an expansion in the number of participants and, even more important, the inclusion of new social groups in the PB-PoA. The number of participants in the thematic assemblies more than doubled from 1994 to 1999.

Table 2: Number of Participants in the first and second *rodadas*, 1989-1999

	Regional assemblies			Plenary assemblies			Total
	first <i>rodada</i>	second <i>rodada</i>	total	first <i>rodada</i>	Second <i>rodada</i>	total	
1989			780				780
1990	348	628	976				976
1991	608	3086	3694				3694
1992	1442	6168	7610				7610
1993	3760	6975	10735				10735
1994	2638	7000	9638	598	1011	1609	11247
1995	6855	4966	11821	1640	806	2446	14267
1996	6574	3574	10148	1079	714	1793	11941
1997	8183	3725	11908	2895	1213	4108	16016
1998	9553	4134	13687	2237	532	2769	16456
1999	11736	5077	16813	3040	871	3911	20724

Source: CRC (1999)

In relation to participation in the *rodadas* there was an important modification in 1994 for the 1995 PB, when the second *rodada* lost some popular appeal. As stated above the most relevant decisions started to be taken in the first *rodada* and in the *intermediárias*. From 1995 on, the first *rodada* has attracted the large majority of participants. The *intermediárias* are also mass gathering meetings, but presence is not monitored. The CRC estimates in 40 thousand the number of participants in the entire 1999 PB process what represents, with a 30% reduction in the total population represented by those younger than 15 years who are not entitled to vote in the meetings, 4.5% of Porto Alegre population. However, regional participation presents significant variations as can be seen in Table 3. A group of ten regions with the largest population register low rate of participation, ranging from 0.41% to 1.99%. The other group formed by the regions with lower population presents a higher participation with a variation from 2.32% to 11.15%. As it could be expected there is a large association between the number of residents in a region and participation.

Table 3: Participation in the regional assemblies, 1999

Region	Rodadas		Participation (%)	Population
	first	second		
Nordeste	1424	469	11.15	24261
Lomba do Pinheiro	1885	469	6.95	48368
Restinga	1409	207	5.02	45999
Extremo-Sul	611	93	4.21	23905
Cristal	452	321	3.67	30054
Glória	439	168	2.32	37439
Centro-Sul	1190	220	1.99	101397
Eixo da Baltazar	487	686	1.95	86057
Sul	326	502	1.88	62837
Leste	610	527	1.47	110451
Partenon	768	397	1.46	114127
Ilhas/Humaitá/Naveg.	347	136	1.43	48199
Cruzeiro	402	227	1.38	64952
Norte	359	252	0.99	88614
Noroeste	499	147	0.72	127574
Centro	528	256	0.41	271294
Total	11736	5077	1.87	1285528

Source: CRC (1999)

The PB-PoA has three channels of participation for citizens and social organizations: a) the *rodadas* and *intermediárias* that are open to the general public and realized in sixteen regions and five thematic assemblies; b) the Forum of Delegates, and c) the PB-Council. Three researches were realized in 1993, 1995 and 1998 that allow us to investigate some socioeconomic and associative characteristics of the participants as well as the evolution of these characteristics in time. The 1993 research was realized by Gaplan and the other two by the Center for Urban Studies and Advising, CIDADE, an active non-governmental organization in the city of Porto Alegre. The results of these researches were published in Baierle (1999). The information for delegates and council-members refers to the elected ones.

The socioeconomic profile of participants are summarized from Tables 4 to 6. Table 4 presents participation in PB-PoA by household income. The typical participant in the *rodadas* has a monthly household income up to four minimum wages, but the attendance of this income group fell from 61.9% in 1995 to 55.8% in 1998. This reduction might indicate the incorporation of some middle class segments in the process. In the Forum of Delegates and in the PB-Council the majority of the members, around 56% in both cases, has a monthly household income greater than 4 minimum wages. If we consider that a middle class household is composed by 3.3 individuals and each person receives an income equal to 70% of the per capital income of Porto Alegre, which in 1996 was US\$ 6600, then a middle class household would have a monthly income of approximately thirteen minimum wages. This simple exercise demonstrates that the large majority of participants in all the PB-PoA structures has a household income below of a typical middle class family.

Table 4: Participation in PB-PoA by household income

	1995	1998	Delegate	Council-member
Until 2 monthly minimum wages	39.4	30.3	19.9	16.3
From 2 to 4 monthly minimum wages	22.5	25.5	23.1	24.5
From 4 to 8 monthly minimum wages	14.5	20.6	25.9	21.7
From 8 to 12 monthly minimum wages	5.5	9.4	15.2	24.5
Above 12 monthly minimum wages	3.2	11.9	14.8	10.9
No response	15	2.2	1.3	2.0

Note: The monthly minimum wage in the period 1995-98 corresponded to US\$ 100. The monthly minimum wage in October, 1999, was US\$ 70 due to exchange rate devaluation.

Source: Baierle (1999)

Table 5 shows participation in PB-PoA by formal education. In the *rodadas* the typical attendant, basically 50% of the total public, has no formal schooling or does not have complete primary education. This group represents in the Forum of Delegates and in the PB-Council, respectively, 37.1% and 23.1% of the total members. In the PB-Council 56.5% of the members have a formal education of more than 8 years of school. It is possible to identify the typical participant of the *rodadas* as belonging to the poor segment of Porto Alegre population, having a low family income and education. The delegates and council-members are better-off and better educated than the typical participant of the *rodadas*. However, only a minority of delegates and council-members belong to the middle class, the majority is part of the popular segments of Porto Alegre population.

Table 5: Participation in PB-PoA by education

	1993	1995	1998	Delegate	Council-member
No formal schooling	7.8	5.5	3	0.6	–
Some Primary	41.7	36.5	46.1	36.5	23.1
Complete Primary	18.2	11.9	12.2	12.6	15.4
Some Secondary	9.5	12.4	7.5	9.4	10.3
Complete Secondary	13.4	18.3	13.1	17.6	18
Some University	8	14	16	20.1	28.2
No response	1.5	1.4	2	3.1	5.1

Notes: Primary comprises the first 8 years of school. Secondary comprises the 3 following years.

Source: Baierle (1999)

Table 6 presents participation in PB-PoA by occupation. The poor character of the typical PB-PoA participant can be found again. There is a predominance of occupations in the service sector that are badly remunerated and require few qualifications. This predominance reflects the economic characteristics of Porto Alegre, where 76% of total employment in 1996 was in the service sector. In the *rodadas* there was an increase in participation of teachers, unemployed and retired people from 1993 to 1998. The Forum of Delegates is formed in its majority by people with low qualifications, pensioners, and teachers. In the PB-council 51,2% of councillors are pensioners and teachers. The time-consuming aspect of PB-PoA is exhibited in the participation by occupation. Housewife,

unemployed, and retired people represented, respectively 32,1% of attendants in the 1998 *rodadas*, 38.4% of delegates, and 46.1% of council-members.

Table 6: Participation in PB-PoA by occupation

	1993	1995	1998	Delegate	Council-member
Teacher	2.1	4.4	7.1	10.7	20.5
Student	5.5	2.3	4.4	0.6	–
Unskilled Service	18.1	21.2	28.7	31.5	10.2
Maid	7.8	5.1	6.4	2.5	–
Laborer	10.7	6.9	6.6	5.7	7.7
Public servant	6	6.1	5.4	8.2	10.2
Housewife	12.5	8.2	8.3	4.4	2.6
Unemployed	1.2	6.8	11.2	8.8	12.8
Retired person	8.1	11.4	12.6	25.2	30.7

Source: Baierle (1999)

Table 7 presents the gender profile of PB-PoA. It is observed that women have a slight higher participation in the basis of the process, while the inverse happens in the Forum of Delegates and in the PB-Council.

Table 7: Participation in PB-PoA by gender

	Porto Alegre-1996	1993	1995	1998	Delegate	Council-member
Female	53.2	46.7	46.8	51.4	45.3	48.7
Male	46.8	47.6	52.2	48.4	54.7	51.3
No Answer	–	5.7	1	0.2	–	–

Source: Baierle (1999)

Some of the associative characteristics of the PB-PoA participants are summarized in Tables 8 and 9. It is interesting to observe that, despite the fall in the participants with an associational vinculum, the majority of the *rodadas* attendants and basically all delegates and council-members have an associational representativeness (Table 8). There is a high level of association and organization among the PB-PoA attendants. In fact, the municipal administration prefers to interact with the organized civil society than to count on participants without social representation. The presence of leaders of community associations and a motivated rank and file seem to be more important than occasional participants with no dense ties established with their communities.

Table 8: Associative profile of the PB-PoA participants (%)

	1993	1995	1998	Delegate	Council-member
Neighborhood association	71.3	50.5	40.9	66.7	59
Church and cultural groups		10.6	9.1	11.3	10.3
Political party		4.5	6	14.5	30.8
Union		4.2	4.9	8.2	15.4
Popular council		8.7	4	15.7	28.2
Communitary center		5.3	3.5	5	5.1
Street association		6.9	3.3	6.9	5.1
Mothers' club		3.7	2	3.1	5.1
Without association		24.1	33.1	8.8	7.7

Note: Participants may belong to more than an organization.

Source: Baierle (1999)

The neighborhood associations are the organization with greater participation and relevance in all the PB-PoA structures. The large presence of neighborhood associations together with the participation of popular councils, communitary centers, street associations show the fundamental weight of local questions in the PB-PoA. In the thematic assemblies neighborhood associations are also the organizations with greater participation (Table 9).

Table 9: Associative profile of the PB-PoA participants in the thematic and regional assemblies (%)

	Neighborhood Association		Popular Council		Street Association		Political Party		Union		Total	
	1995	1998	1995	1998	1995	1998	1995	1998	1995	1998	1995	1998
Thematic assemblies	25.8	33.5	12.4	5	3.4	1.9	7.9	8.1	3.4	12.4	87.6	81.4
Economic develop./tax system	25	8	4.2	-	-	-	4.2	-	8.3	12	79.2	76
Health and social assistance	25	48.6	25	14.3	-	2.9	25	17.1	-	11.4	100	82.9
Education, culture and leisure	19.1	31.8	19.1	6.8	-	2.3	4.8	11.4	-	13.6	85.7	81.8
Transport and circulation	45.5	60	9.1	-	-	4	9.1	4	-	12	81.8	76
City organizat./urban develop.	24	18.8	12	-	12	-	8	3.1	4	12.5	96	87.5
Regional assemblies	54.6	42.3	8.1	3.8	7.5	3.5	3.9	5.6	4.3	3.5	73.9	64.2
Total of assemblies	50.5	40.9	8.7	4	6.9	3.3	4.5	6	4.2	4.9	75.9	66.9

Note: Participants may belong to more than an organization.

Source: Baierle (1999)

Despite the increase in participation from 1995 to 1998, unions have had a reduced role in the PB-PoA, especially in the regional assemblies. It is important to emphasize that the researches did not distinguish between work unions and other forms of unions, such as professional and patronal. The basic argument presented to explain the reduced role played

by unions is the regional character of PB-PoA that restricts a more effective participation. There are other two important aspects explaining this low participation. First, the large number of unions located in Porto Alegre have a bigger geographical representation than just the city. Second, some unionists feel themselves already represented in the PB-PoA since the municipal administration is a leftist one.

Moreover, unions should answer to questions related to general work conditions that are outside the municipal sphere. In this aspect it is interesting to observe that unions were the associations with the largest participation in the thematic assembly of economic development and tax system in 1998. This is the thematic assembly which has the greatest approximation to the role played by unions in Brazil.

In fact, the thematic assemblies were initially thought as a way to enhance union participation. They were able to include new social segments and organizations in the PB-PoA. Despite union members increased their attendance in these assemblies from 1995 to 1998, their participation, especially, of union leaders, is still lower than the expected by the public administration. There are some union members that participate representing other organizations. In conversation with union leaders it was possible to observe that most of them see PB-PoA as a significant experience, but the reasons pointed above as well as affiliation to national labor organization limit union participation. The unions linked to the Unique Worker Council, CUT (Central Única dos Trabalhadores) have a higher probability of participating than an union associated to other national labor organization.

Thus, the PB-PoA has attracted poor people from poor neighborhoods where lacks basic infrastructure. These participants are organized in a series of community associations. The middle class has some level of participation in the thematic assemblies. Labor unions tend to support PB-PoA, but despite the efforts of the municipal administration they have had a reduced role in the entire process. Delegates and council-members have a higher socio-economic and status than the typical participant in the *rodadas*, but they are poorer than the average population of the city. As we will see in the next section the empowerment of poor and organized citizens has been important distributive effects in the city. Navarro (1997) compares the redistributive aspect of the PB-PoA to an affirmative action program.

6. Main results

The analysis of PB-PoA impacts over the city reveals very interesting results. The major effects may be classified in two groups. The first concerning the political aspects, with the reduction of clientelistic practices in the community associations as well as corrupt behavior and administrative malpractice by the government. The second concerning the economic aspects, with the redistribution of public services leading to a welfare improvement in the poorest areas and the economic development of the city.

In the country as a whole, and Porto Alegre is not an exception, discredit on government proposals and political institutions is a general feeling shared by the majority of citizens, reinforced by a series of incompetent and corrupt government administrations which population has endured for many years. At the same time, there is a political culture based on clientelist relations that weakened or even demoralized popular participation in politics. PB-PoA represents a political development that is capable of breaking with this situation. Community associations choose their priorities based on objective criteria. Having chosen, the community associations have control mechanisms capable of guaranteeing the execution of their priorities and imposing performance standards on municipal state and even in the City Council.

The existence of objective rules, which are established under intense debate and everybody knowledge, in the process and the open dispute among demands, PB does not discriminate anyone on any grounds, in a region close substantially the possibility of clientelistic forms of political operation. As a result there was a notable improvement on the behavior of the political actors, the community leaders and the city council-members. According to evidence, though sparse and non-systematic, old community leaders accustomed to clientelist exchange with city councilors either changed their practice or were superseded by a new leadership. Moreover, the city councilors and would-be candidates now have to confront a more demanding and informed population as well as a more politicized community leaders with reduced space to "gift exchanges" and the bounds created by gift exchangers that characterizes the clientelistic political practices.

On the other hand, PB-PoA implies in an unprecedented transparency in the formation, allocation and implementation of the municipal budget, opening it to the citizenship scrutiny and control the administration reduced the room for poor performance and corruption. The permanent evaluation of governmental performance allows to detect poor execution and to correct the problems. The public knowledge of all government intentions and acts imply in a reduction in rent seeking behavior and in transaction cost. Both results have a positive impact among the population, creating a feeling of trust and empathy between the private and public spheres, which Evans (1996) called embeddedness.

The social control in the resource allocation has transformed the public budget in a real planing and control instrument as well as changed the structure of municipal agencies and departments. It is interesting to observe that these agencies have to implement the projects decided by the PB-PoA what increases the control of their performance by the mayor and population in general. The result is the improvement in the quality of public administration. Table 10 presents the ratio between the number of municipal employees who works in service agencies and those who work in administrative ones as well as the ratio between the expenses in services agencies and in administrative ones. Both ratios show a great increase in the capacity of the state to deliver public services after PB-PoA implementation.

Table 10: Ratio between the municipal employees in service and in administrative agencies and between the public expenses in services and in administrative agencies, 1984-1998.

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Public Employee	3.2	3.2	3.3	3.5	3.4	3.7	4.1	4.3	4.6	4.7	4.7	5	5.1	5.2	5.3
Public Expense	2.3	2.3	2.3	2.3	2.7	2.1	3	4.1	4	3.4	4.2	3.9	5	6.6	7.2

Source: Gaplan (1998, 1991)

The capacity of PB-PoA in monitoring the administrative performance of the municipality is also revealed by observing the Tripartite Commission effects in the number of public employees. This commission composed by PB-Council members, Municipal Employee Union and Government representatives was organized in 1994 to consent to all

hiring decisions. As can be seen in Table 11 the number of active municipal employees in the centralized administration in the period 1994-1998 increased due to the raise in the number of workers in the Boards of Education and Health. The Tripartite Commission reduced the rate of increase in the number of total municipal employees in the centralized administration from 4.4% per year in the period 1988-1994 to 0.4% in the period 1994-1999 at the same time that the public services offered to population increased. Similar results are observed looking at the total number of active municipal workers.

Table 11: Number of active municipal employees in Porto Alegre, 1986-1998

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Boards of Health And Education	3550	4034	4083	4491	4975	5357	6336	6373	6824	7064	7338	7424	7412
Other Boards	4954	5078	5368	4802	4837	4930	5068	5036	5469	5400	5393	5221	5097
Centralized Administration	8504	9112	9451	9293	9812	10287	11404	11409	12293	12464	12731	12645	12509
Total	16071	16864	17494	16553	17892	18158	19887	19978	20739	20737	21014	20830	20906

Note: Total includes centralized and non-centralized administration as well as City Council.

Source: Gaplan (1998, 1991)

It is interesting to observe that the PB-PoA was implemented at the same time that the wage of the municipal employees increased in real terms. The total annual compensation, which includes all benefits received per public employee in the centralized administration is presented in Table 12. The public workers in the centralized administration had two important wage gains in the period 1988-1998. First, as the result of the new wage policy approved in the Colares' administration and, second, due to the reduction of the inflation rate in 1994 and the overvaluation of the exchange rate. The devaluation of the Brazilian exchange rate in 1999 should reduce the wage of the municipal employees for the 1991-1994 average. The municipal workers of Porto Alegre are ones of the few categories whose wage policy is basically the same of the period of high inflation rate. They still receive a bimonthly wage raise according to the price increase.

The second aspect of PB-PoA effects is related to the economic impacts in the city. The most important is the redistribution of investments to deprived and poor neighborhoods and the welfare improvement of these population. Despite the evidence of

resource redistribution and the increase of public services in poor areas abounds throughout the city, the statistical information is not organized in a way that allows us to investigate the effects per region. There is information just for the entire city. Complete evidence of the redistributive effects of PB-PoA are still indirect and complementary research is needed to demonstrate how it works.

Table 12: Total compensation per public employee in the centralized administration, 1987-1998, US\$ 1998.

1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
3967	4005	7824	9255	7434	6169	7402	7991	10397	11533	11267	10619

Source: Gaplan (1998, 1991)

When the elected priorities are observed it calls the attention that just only 3 areas of action out of 12 priorities mentioned before received the main interest of the population over the period. They simply changed position in the period when regions selected their priorities at the *rodadas*: a) street pavement; b) basic sanitation and c) land-property and human settlement regulation. This report will present evidence in these areas and in health services and education, both were also selected as priorities by some communities.

The main demand by PB participants has been street pavement since this innovation started in Porto Alegre. Street pavement includes the offer of a series of new services such as public illumination, sewage disposal, garbage collection, public transportation and, in some city locations, drainage. Moreover, some basic services offered by private sector also increased after street pavement. In average twenty kilometers per year have been paved in the period 1991-1998. As a result of this large amount of investment the urban scenario changed radically in some areas, improving local infra-structure and increasing the value of households. Table 13 shows the evolution in garbage collection, public illumination and street pavement in the period 1982-1998. Most of these investments and expansion in services are benefiting the poor areas of the city.

The most important features in basic sanitation concern two main goals the government pursued, that is, to complete access to water distribution to all citizens and to enlarge as much as possible the sewage disposal system of the city. Results in this respect are very good, 99% of the population is now served by treated water and 82% by sewerage

system. As can be seen in Table 14 from 1989 to 1996 approximately 96 thousand household units became integrated in the water system and about 130 thousand in the sewerage system. The large majority of these benefited households concentrate in the poorer areas of the city, where these public services did not exist formerly.

Table 13: Evolution of garbage collection, public lighting and street pavement in the period 1982-1998.

	Garbage Collection(ton)	Public lighting (new points)	Asphalt (m2)
1982	157213	845	121979
1986	126188	925	177827
1988	147258	736	290454
1990	186118	1371	235122
1991	220247	2537	396686
1992	171130	5843	519151
1993	185904	2278	411177
1994	189516	2848	444758
1995	215674	2247	502565
1996	241208	2130	947816
1997	263744	1725	871809
1998	279582	2758	

Source: Gaplan (1998, 1991)

Table 14: Household units with water and sewage services, 1989-1998

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Water service	403603	413058	420957	433658	447885	459706	467936	477455	487249	499417
% of total units	94.7	95	95	95	98	98	98	99	99	99
Sewage service	284921	306618	309151	317551	325591	342178	355725	379562	396134	414170
% of total units	70	73	73	73	73	74	75	79	80	82

Source: Gaplan (1998, 1991)

The relevance of land property and human settlement regulation is revealed by the number of households living in badly-built houses, in 1998 there were 73057 units classified in this condition, comprising 22% of the total Porto Alegre population (Demhab, 1999). This label includes different activities from house construction, repairs, distribution of building materials, removals to other regions to actions of land regulation so that families considered land occupiers are transformed in legal households. Table 15 presents the house production and some data in land regulation in the period 1986-1996.

Actions for land regulation started after the PB-PoA. Again, the poorer regions received, basically, all the investments realized in this item.

Table 15: House construction and land regulation in the period 1986-1996

	1986-1988	1989-1992	1993-1996
House construction until 25 m2	1205	561	661
House construction above 25 m2	-	96	400
Habitation units	549	640	1446
Emergency houses and distribution of building material	164	199	512
Total	1918	1496	3019
Topographic actions for urban regularization (lots)	-	5364	12224
Urbanization (benefited households)	-	96	5736
Cooperative houses (benefited households)	-	160	5000

Source: Demhab (1997)

When analyzing education and health assistance, it must be initially registered that the 1988 Constitution formalized that primary education and health services would be municipalized, all activities and services would be commanded by the municipality. In relation to education there was a substantial growth in total enrollments, what can be seen in Table 16. Total enrollments increased 240% in the period 1988-1998. It is important to emphasize that the majority of municipal schools are localized in poor areas of the city, where the demand for basic education and child care has raised substantially. Moreover, the programs for young and adult primary education as well as for adult literacy were implemented answering demands from local communities. This expressive increase in the municipal services in education has benefited the poor population of Porto Alegre.

Table 16: Evolution of registration in municipal school, 1985-1999.

	1985	1988	1989	1990	1991	1993	1994	1995	1996	1997	1998	1999
Child care, preschool, and kindergarten	1248	1677	2659	2448	2415	6834	8164	10166	11080	11717	12079	12143
Young and Adult Primary Education				700	940	2340	2409	2430	2959	3577	4414	4105
Primary Education	10492	14838	20214	22140	23276	28110	28278	29312	31947	35411	38160	40800
Secondary Education	1617	1347	1359	1344	1330	1412	1361	1366	1448	1505	1541	1584
Adult literacy										2340	2780	2120
Total	13357	17862	24232	26632	27961	38696	40212	43274	47434	54550	58974	60752

Source: Smed (1999)

Regarding to health assistance it is important to point out that Porto Alegre concluded the transference of the activities. As a result, the city started to receive financial transfers from the federal and provincial governments, sometimes less than due and with delay. Porto Alegre spent in 1998 42% of its budget in health services and the global policy for the sector is entirely decided under another council leading with this area and integrated by all interested sectors. The number of patients served by the main municipal hospital increased rapidly and in 1998 a total of 217 thousand people received some sort of treatment there against a total of 141 thousand in 1988. The number of health posts also increased rapidly, today there are 27 in the city. It is also important to stress that the efficiency of the city in this sector contrast with other cities in the state and, as a consequence, public health services in Porto Alegre are flooded with patients from other locations. According to official statistics they represented 40% of total patients in 1996.

Certainly the PB-PoA has had effects in the economic growth of the city. However, evaluating these effects represents a research program by itself. It is just possible to present some initial evidence about the economic growth of the entire city. A major research program would be necessary to evaluate the economic effects of PB-PoA in each region and in the entire city. In the First Congress of Porto Alegre, held in December, 1993, two important elements for the economic development of the city were carried out: the elaboration of a Plan of Economic Development _ PED for the city and the establishment of the thematic plenary in economic development and tax system. The PED can be understood as a "political proposal of driving the economic growth of the city based on a democratic and popular perspective" (Alonso, p. 59, 1997). Since then, the thematic plenary in economic development and tax system have been implementing the basic program lines present in the PED: alimentary supply, support to small undertaking, technology and work, job and income; city promotion and popular economy. Contrary to the neoliberal paradigm, Porto Alegre has a developmental and active state.

The economic effect of the PB-PoA in the city might be observed looking at the evolution of the income share of Porto Alegre in the state income. It is presented in Table 17 and reveals an important change in the evolution of the city income in relation to the state after the PB-PoA. The city share declined from 34.38% in 1970 to 13.5% in 1990,

when it started to increase. In 1997 the city share was 14.58%. More relevant is the behavior of industrial sector share that fell in the period 1959-1990 and, then started to increase after 1990, the year that the PB began. It is not possible to determine the precise reason for this change in the income share evolution of Porto Alegre, but it seems clear that the PB-PoA and the Workers Party administration have a very important role in this process.

Table 17: 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)

Thus, the PB-PoA has expressive political and economic effects in the city. These were obtained by expanding democracy well beyond the liberal limits with the large majority of population having mechanisms to control the municipal state. At the same time, the local state has had its role increased, particularly extending the regulations over the capital. These measures are far away from the neoliberal paradigm.

7. Is PB-PoA model replicable?

An impressive list of changes occurred in Porto Alegre under the umbrella of Participatory Budgeting. The two most notable transformations were the redistribution of resources towards the poorer and the establishment of a new framework of political relations and decision making. Since it is a very creative experience that offers a record of very positive results, helping to transform Porto Alegre into a city that presents some of the best life quality indicators in the country, an immediate question is raised: is it possible to replicate PB in other urban contexts?

Although this paper tried to single out specific aspects of Porto Alegre social development, Participatory Budgeting is certainly a sensible experience to be applied in other municipal contexts under certain conditions. Most important and a decisive prerequisite to be observed is the local authorities firm political will to share power with their constituents in a movement of extending democracy. On paper, this political disposition seems logical and highly attractive for power holders due to political rewards, in practice, it seems to be unwarranted and it is a rare facet of politics. Usually those in power agree to consultative participation, but do not really share decision-making. In this case, experiences like PB do not actualize.

There are other important requirements that are emphasized. a) The organization of an institutional framework that includes: an organization and rearrangement of municipal agencies under the PB rationale (like Gaplan and CRC); structuring of channels of autonomous decision-making spheres (like *rodadas* and *plenárias*); organization of channels of supervision and control (like forum of delegates and PB-Council); regionalization based on communitarian identities are very important to attract people; establishment of a set of rules which directs the participatory budgeting implementation and also creates mechanisms to settle disputes among regions and part of specific regions and/or decisions to be made in terms of different options to allocate funds. b) The existence of a satisfactory proportion of the budget to invest. The meaning of satisfactory depends on local factors. The question here is to have something to offer so that the process can start, breaking the skepticism and disenchantment that population has with politics. But, even if not substantial resources are available the experience in some small agricultural cities in Brazil shows that population may be interested anyway. c) The existence of a cohesive group of leaders both at the government and within the community associations to inform this process is a relevant requirement. Obviously, a history of democratic practices and social organization will help to put the process under way. d) Parcel of public servants must be trained under participatory budgeting rationale. If it is not the case, the general efficacy of government actions may be reduced. Moreover, the participatory budgeting may introduce a new level of governance if municipal workers are conscious of the right of citizens to demand transparency in public affairs. e) Similarly, at least some sectors of the

population require a continuing training, especially if the innovation is successful enough to make viable alternatives in productive initiatives.

The lessons produced by PB-PoA indicate that a set of political, institutional, economic and skillful requirements is important to implement this strategy. However, it seems that the basic necessary condition to ignite a PB fever is the state action and strategy in order to divide power and start the process. As Evans (1996) called the attention the synergy between well functioning public institutions and community is sufficient to generate conditions capable of resulting in development. Porto Alegre's experience seems to confirm this line of thought and once the process started a reciprocal relationship based on trust with great advantages for all the "partners" seems to be established.

8. Conclusion

The PB-PoA is an institutional innovation that was capable of empowering large segments of the population, in particular, poor sectors of society, that traditionally never had an active role in the definition of state policies. The empowerment of the poor was possible since the PB is an institutional mechanism that goes well beyond liberal democracy. Actually, this process of extending democracy through participation shows that it is possible for the large majority of population to control the state, implementing a developmental and distributive economic policy that contradicts the neoliberal paradigm.

One of the major positive points in the PB-PoA is related to the possibility of implementing a positive relationship between the state and the society enhancing not only economic growth and distribution but also social organization. As some authors, such as Even (1996) and Amsden (1992), have been pointing out when there is a synergy between well functioning public institutions and society the conditions for economic development will be produced. A developmental state under the control of the large segments of population is capable of providing a discipline and regulating the capital. This form of state organization is in clear contradiction to the liberal state proposed by the advocates of the market friend approach which demands for greater liberty to the capital. 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 among the participants. The strengthening of the social groups outside the traditional political and economic elites opens up the possibility of emerging a new political coalition between the poor communitarian associations and the more traditional leftist movements, such as the unions, capable of backing the left-wing policies. Otherwise, as Abers (1997) pointed out, the reaction of the political and economic elites are capable of undermine the project. In fact, the working class, poor sectors, and middle class segments have had a fundamental role ensuring democracy in capitalism (Rueschemeyer, Stephens and Stephens, 1992).

Given the very positive aspects of PB-PoA it calls the attention the relatively reduced union participation in the process. The explanation for this might be located in a certain contradiction between the PB organization and in the role of the Brazilian unions. The PB-PoA has as central aspect in its functioning the regionalization of the city, solving the problems of local communities. On the other hand, the Brazilian unions are organized by categories, covering in their large majority a geographic area greater than a city. Moreover, the unions had in their origin a strong tutelage to the state, being organized basically to demand wage increase without a strong political independent project to the Brazilian society. In fact, union's participation in the Worker Party organization represents a break in this tradition.

The thematic assemblies were capable of attracting new participants in the process, reducing the contradiction between the local character of PB and the more general interest of the unions. For example, these were the organizations with the largest participation in the economic development and tax system thematic in 1998. The replication of the PB model in other urban context with a greater union participation would imply in thinking some new arrangements that would be capable of breaking with this contradiction. It seems that the utilization of proposals like PB in provincial and federal governments would increase substantially the interest of unions in participating since it would definitely

remove the micro aspect of the municipal participatory budgeting. In the Brazilian case it would have important effects in the organization and the role of unions.

The PB-PoA also represent an evidence that the leftist movement has a project of society more democratic and humanitarian to the one based on the liberal approach implemented in a series of developing countries in the 1980s and 1990s. The PB-PoA demonstrates that even in a capitalist organization of production it is possible to implement redistributive and socialist policies that enhance economic growth under the control of the majority of population and the working class. However, for doing that it is necessary to go beyond liberal democracy, extending political participation and democratic rights to the majority of the population.

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