

Summary of the Research Thesis

Collective Choice and Participatory Budgeting: the Brazilian case

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Introduction

The research examines the experiences of Participatory Budgeting, implemented in Brazil during the last decade in more than one hundred cities, including some state capitals as Porto Alegre, Sao Paulo, Belo Horizonte e Recife.

The term "Participatory Budgeting" expresses the adoption of practices in the management of municipal budgets where the establishment of grass-roots participatory channels in the deliberation process on the destination of municipal investments is the peculiar feature.

In spite of a great heterogeneity in the forms of implementation in the Brazilian municipalities, I noticed some common elements that allow to describe the Participatory Budgeting as an annual cycle process. The cycle consists of: a deliberation phase in which citizens can participate in assemblies to demand public works and to vote the investment priorities of their neighborhood; a negotiation phase between the city government and the participants of the process in order to draw up a city investment plan satisfying redistributive criteria for the resources, technical and efficiency criteria for the projects; a last phase, after the Municipal Budget has passed, in which the citizens do monitoring of the execution of the approved public works.

These experiences of city management have aroused great interest in some international organizations (UNDP and World Bank) regarding a better efficacy in Poverty Reduction Programmes and Local Development programmes.

In economics, experiences of Participatory Budgeting are relevant for aspects related to the collective choices since the process is a rule of collective decision about the public goods delivery. In this regard I have used both the Public Choice and the NewInstitutions contribution. The former have developed rational choices theories on the individuals' behaviors in the political action and in the pursuit of collective interests, while the latter studies individuals' behaviors in relation to the formal and informal rules developed inside of the social organizations.

The analysis is divided in three parts: the first one describes the causes that have led some political parties to the proposal and the application of a new institution ; the second part examines the effectiveness of the mechanisms and the dynamics that mark the collective choice instrument;the last part presents a valuation of the costs and the benefits that the Participatory Budgeting implies for the actors (city government and population) and afterwards indicate factors influencing the outcome and the efficacy of the process.

The proposal of implementation of the Participatory Budgeting

To understand the causes leading some political forces (especially the Partido dos Trabalhadores) to set the implementation of the Participatory Budgeting in the municipal management it is necessary to examine the institutional context of Brazilian municipalities, considering the new process of collective choice as an institution.

The NewInstitutions approach offers theoretical frameworks to analyze the significance of the change due to the introduction of new institutions, with the assumption that rational self-interested individuals tend to institutional change only if their benefits exceed the costs of establishing and maintaining new institutions.

According to the literature in the Brazilian municipal institutional context there is a strongly inefficient component as such as the clientelism, caused both by unbalanced powers between the executive and the legislative branch and by an electoral system that encourage the candidates to create their own "catch basin" of voters . Clientelism takes shape in a system of informal ties between voters and their representatives that creates vertical ties, that is, distinct individuals transactions: the representative/patron has public resources to distribute to his voters/clients that pay with their economic and political resources (vote). Though Clientelism could be acceptable in an economic view, because it is consistent with the objectives of representatives in achieving the consent maximization and advantageous to a relevant share of population than a democratic system, based on universalistic rules for the distribution of benefits and costs of public action, it creates a strong stickiness of political markets . The vertical ties between representatives and voters increase the inhibition of political competition and make representatives achieve and maintain political rent positions.

Therefore the Brazilian institutional context, marked by strong clientelistic politics, would prove that the proposal of implementation of the Participatory Budgeting rises in the political competition among parties with the purpose of some of the minority ones to increase the electoral support challenging the vertical ties between representatives and clients that make the market of votes sticky.

The Participatory Budgeting as a Collective Choice system

The only benefits obtained by some political parties with the implementation of the Participatory Budgeting can not explain the whole institutional change. It is necessary to examine the mechanisms and the dynamics of the new system of collective choice identifying what benefits has led to the demand side, that is to the citizens, in comparison with the previous systems of collective decision.

Since the Participatory Budgeting provides the direct and voluntary involvement of the community for taking decision in a set of collective choices, it can be considered a constitutional rule creating a form of direct democracy.

In the economic literature, especially in the Public Choice school there has always been an heated debate about the feasibility and the efficiency of the two opposite democratic systems, representative and direct one. For many decades

the assessment on the direct democracy as a set of inefficient collective choice rules has prevailed. This conclusion is based on the analysis of the tradeoff between "decision-making" and "external" costs expected by individuals when they have to take a decision using a collective choice rule. The decision-making costs represent the expected participation costs in decision that need the consent of two or more individuals and they are proportional to the group dimension. Instead, the external costs for an individual rise from decisions over which he has not direct influence and the greater the share of individuals necessary to an approval is the lower the external costs are. The agency costs have been subsequently inserted in this class of costs. For those reasons direct democracy would be difficult to implement because the costs of decision-making become too heavy relative to the possible reductions in expected external costs that collective action might produce.

The adverse opinion to direct democracy has been mitigated by the researches in the last years that state how there has been an undervaluation of the expected external costs and an overvaluation of the decision-making costs. In the light of the elements in support of the positive judgment on direct democracy, some elements and dynamics have been found in the process of the Participatory Budgeting that are able to reduce the distortion between the individual preferences and the outcome of the collective choices e per minimize the costs of the collective decision.

First, the Participatory Budgeting could reduce agency costs: directly, as each year the citizens have the right to participate to the process for the formulation of their priorities in the area of investment resources and public infrastructures delivery, taking specific collective choices that have direct effects on the public resources allocation; indirectly, because the projects developed in the Participatory Budgeting always need the legislative approval. For this reason, there are incentives in the control of the members of the legislative branch by the participants to the process that will obtain benefits from the proposed investment plan.

Second, the organization of deliberative assemblies in each neighborhood, leading to decisional decentralization, causes more homogeneous political units, and therefore more efficient in taking collective decisions. Furthermore, inside the assemblies, where there is political competition of group of interest in order to obtain scarce resources such as municipal investments, logrolling practices happen frequently leading to the satisfaction of the demands of the various groups. This is possible since the Participatory Budgeting is a one year cycle process and the vote exchange on issues about the redistribution of resources is a positive sum game.

Third, in the definition of the investment priorities, often is used the Borda count, considered by the literature one of the voting rules less twisting between individual preferences and the outcome of the collective choice.

A relevant issue in the study of experiences of the Participatory Budgeting is the interpretation of the levels and the quality of the participation. In the cases studied the share of the participants in the deliberative assemblies each year is about 5% of the city population, and moreover the greatest share of the participants are low income people and have a formal or informal employ. Such a low level of participation give cause for critics in the collective choice theory as a small minority would take decisions for the whole community, growing up the individual expected external costs.

The only way to refuse those critics is to consider the principal objective of the Participatory Budgeting, that is a process of collective choice implemented to reduce the lack of infrastructures in the Brazilian municipalities by the direct involvement of the community in public choices. If we assume that rational self-interest individuals attend the assemblies to obtain the public works delivery when the expected benefits exceed the costs, once they have satisfied their demand, they will not participate till the rising of new needs or the change of their preferences. For this reason the Participatory Budgeting is a collective choice process that reduce the bounds to the political action of groups involved in the achievement of public goods.

With regard to the quality of participation the literature seems to clash with the empirical evidence. In fact in the assemblies political participating propensity would belong only to individuals with a low cost of the time, that is the not employed, or to high income people because of a greater productivity of collective decisions taken by the rich. On the contrary, since deliberation issues in the Participatory Budgeting consist in the supply of public works and in public service delivery, if we consider the contributions spent in the political participation (monetary or time contribution) in relation with demand levels of the public goods, we obtain a model on participation propensity useful to explain the cases studied. In this sense the Participatory Budgeting represents a collective action dilemma.

Factors influencing the efficacy of the Participatory Budgeting

The local participatory processes in collective decisions could be analyzed as an agency problem between two actors: the local government and citizens. According to this assumption, are examined the benefits and the costs of the agency relation for the actors and the importance those factors could have in the outcome and in the efficacy of the new institution.

The benefits and the positive effects for the population are: redistributive effects on the resources for the investments that make the more lacking neighborhoods of the city obtain more public works; an high capacity in carrying out public works deliberated by the community (about 70 %), drawing attention to the efficacy of the institution in public politics implementation. Benefits for the local government instead are expressed as electoral benefits that might rise from positive outcomes generated by the implementation of the Participatory Budgeting.

In the analysis of costs I have examined the costs of transactions existing in each exchange relation where asymmetry of information exists. The previous costs are divided in costs of information, of implementation and of enforcement, that are supported both by the city government and by the citizens participating to the process. Furthermore, in the Participatory Budgeting, costs of divergence are present. They can rise in the agency relation, when there are divergent preferences between the decisions maximizing citizens' utility and the ones maximizing local government's utility, and in presence of *capture* by the community elites that manipulate the decisions at detriment of the community. In both cases collective choice outcomes can be distorted.

Conclusion

Participatory Budgeting processes as collective choice instruments demonstrated to have many significant elements for a comprehensive study with the economic approach. The analysis led to positive results in the qualitative interpretation though the lack of data made quantitative empirical research difficult and necessary in future.

The model of city management risen in many Brazilian cities is an innovative process among the historically known forms of public decision. The reduction of the bounds to grass-roots political participation for the achievement of public goods is its main peculiarity. At the same time, the implementation and the outcome of the new institution are due to numerous factors and conditions that sometimes could lead to negative effect as it was found in some of the studied experiences.