

Characteristics of Brazilian cities experiencing the Participatory Budgeting

Adalmir Marquetti

Pontifícia Universidade Católica do Rio Grande do Sul, PUCRS, Departamento de Economia, Av. Ipiranga 6681, Porto Alegre, RS, 90910-000, Brazil, e-mail: aam@puers.br

Abstract

This paper analyzes the adoption of Participatory Budgeting, referred as PB, starting in the late 1980s, and its rapid expansion in the late 1990s. PB is an institutional innovation in which citizens and civil society organizations participate on the elaboration of the municipal fiscal policy. It is mostly implemented in large and well-off municipalities governed by a left of center party, in particular, the Workers Party. There is also some indication that PB is more likely to be adopted by cities where there is a well-established history of civil society organization. Another important result is that leftist parties implement the PB and the right of center parties maintain it when they win the election. Probably it happens due to the high political cost to end the process. The political will of the new administrations is crucial for the continuity of the experience because citizens will not engage in a process whose decisions are not carried out.

Keywords: Participatory Budgeting, Local Government, Direct Democracy, Brazil

JEL Codes: E62, H61, H72

First Version, May 2005

1. Introduction

The Participatory Budgeting is an institutional innovation from both democratic and fiscal perspectives. The citizens and civil society organizations have the right of participating in the elaboration of the fiscal policy of their municipalities, taking part on the definition of how and where the resources will be obtained and how and where they will be employed in their neighborhood. It is a new form of making the fiscal policy.

Initially implemented in Porto Alegre in 1989 after the electoral victory of the Worker Party, the Participatory Budgeting, referred as PB, transcended the limits of this city. It became one of the central subjects of the debate about democracy, participation and pro-poor development in the local context. In the 1990's, the number of municipalities employing PB expanded in Brazil. In the 2000's, it expanded in Latin America and Europe.

Among the cities with PB experiences in 2003 there were the following: Porto Alegre (1,360,590 in inhabitants, Brazil), Recife (1,422,905 in inhabitants, Brazil), Belém (1,280,614 in inhabitants, Brazil), Belo Horizonte (2,238,526 in inhabitants, Brazil), Campinas (969,396 in inhabitants, Brazil), São Paulo (10,405,867 in inhabitants, Brazil), District of Cuauhtémoc in Mexico City (8,600,000 in inhabitants, Mexico), Buenos Aires (3 million in inhabitants, Argentina), Rosario (908,399 in inhabitants, Argentina), Montevideo (1,382,778 in inhabitants, Uruguay), Villa el Salvador (350,000 in inhabitants, Peru), Cuenca (417,632 in inhabitants, Ecuador), Port Asis (66,385 in inhabitants, Colombia), Cordoba (317,953 inhabitants, Spain), Seville (700,000 inhabitants, Spain), Saint-Denis (86,871 inhabitants, France), Pieve Emanuele (16,409 inhabitants, Italy), Rheinstetten (20,529 inhabitants, Germany)¹.

The literature on PB argues that it improves the governmental performance in the fiscal area, the quality of life of the poor citizens by distributive public investments and spending and involves a learning process by the citizens about democracy, rights and responsibilities. Thus, there is a growing interest on a better understanding of the PB among intellectuals, non-governmental organizations and international development agencies, such as United Nations and World Bank.

¹ Cabannes (2004) discusses some of the differences between these experiences.

The raising number of municipalities with PB experiences brings two important and related questions. The first is what are the cities experiencing this process. The second is what are the characteristic of these municipalities. There is an attempt to answer the first question for Europe (Allegretti and Herzberg, 2004). Ribeiro and Grazia (2003) investigated what the Brazilian municipalities employed the PB in the 1997-2000 government term. Marquetti (2004), building from Avritzer (2003) and Wampler (2003), investigated which the large Brazilian cities, those with population above 100,000 in 2000, adopted the PB in the 2001-2004 government term.

Brazil had a population of 169,799,170 inhabitants in 2000, living in 5561 municipalities. In the 223 large Brazilian municipalities resided half of the population of the country. In the 1997-2000 term about 17.5 million inhabitants of the large Brazilian cities lived in municipalities with PB, this number raised to 36.7 million in the 2001-2004 term. These figures represent, respectively, 8.5% and 21.6% of total Brazilian population.

The goal of this paper is to analyze the characteristics of the large Brazilian cities that adopted the PB in the 1997-2000 and 2001-2004 terms. In order to investigate this question, initially it is discussed basic criterions to classify a municipality as having or not a PB experience. These criterions are building looking at the case of Porto Alegre. Then, it is proposed a logit model to investigate the characteristics of municipalities that adopted the PB. Before the econometric analysis, a preliminary investigation is made to learn about some main figures of the PB experiences.

The paper is organized as follow. Next section presents the basic features of the PB as well as a characterization the process. Section 3 discusses the logit model employed in the econometric tests. Section 4 displays some basic information about the municipalities with PB experiences. Section 5 presents the basic econometric results. Section 6 offers a

conclusion, raising further unanswered questions about the PB in the Brazilian and international experiences.

2. Basic PB features

The discussion of the features of PB is based on the case of Porto Alegre. It has the goal of establishing basic criterions to define a experience as being of PB. Most of the municipalities with PB adapt the institutional engineering of Porto Alegre to their own reality. However, it is important to consider which the PB experiences are different even among the Brazilian cities.

The discussion of the PB features will be related on how it modifies the traditional budget process. This process can be broken in four phases: preparation, adoption, execution and auditing. The budget cycle is the period of time in which these four phases are completed, between three to four years. This first phase, the preparation of the budget is a responsibility of the executive branch². The second phase correspond to the debate and approval of the budget by the legislative power. The third phase is the execution of the budget. In Brazil, this period corresponds to the civil year, starting on January 1st ending on December 31st. The auditing is the last phase, being a responsibility of both executive and legislative powers.

Apparently, the adoption of the PB does neither alter the basic budget cycle nor the basic roles of the executive and legislative powers in the process. It adds some complexity to the budget cycle, particularly in the preparation of the budget. This phase can be divided in three sub phases: revenue raising, definition of priorities, and budgeting. The definition of the revenue rising in Porto Alegre depends mainly on the executive branch that provides

the basic financial information about the next budget. Forecast of fundamental figures such as of total revenue, total expenses and investments are provided by the executive. Despite these pieces of information could be debated and modified by the PB councilors, they are the basic figures employed to write the budget. The PB councilors might even propose new taxes and modifications in the legislation about the existing ones. However, these proposals must be approved by the City Council to become law. Moreover, the public borrowing must be approved by the PB councilors.

The second sub phase consist on the definition of the city preferences. Here lies one of the central aspects of the whole process. In the case of Porto Alegre, these preferences are defined in public meetings and all citizens have the right of participating, speaking and voting. The preferences are defined by direct democracy. There are public assemblies organized per regions and per themes. They are one of the main vehicles of popular participation. Porto Alegre was divided in sixteen regions. The goal of the regional assemblies is to discuss local questions and to define local priorities. The City Hall might propose projects of its interest for the regions. In the thematic assemblies (*plenárias temáticas*) themes of general interest to the city are discussed. They started to be held in 1994, being organized in the same way as the regional assemblies.

Initially, the PB consists of a series of meetings from March to June. From 1990 to 2001 there were two main regional meetings - called “first and second *rodadas*”, which were co-ordinated by the City Hall. The main themes to be discussed in the two *rodadas* are settled by the regional community leadership and the government officials in charge of specific regions. Several local meetings called “intermediaries” are organized by the

² According to Brazilian legislation the budget must be consistent with two plans previously submitted and approved by the legislative power: the Multi-Annual Plan and the Law of Budget Directrix. In the case of Porto Alegre both plans are discussed in the PB.

communities between the *rodadas*. The extent of these non-official gatherings depends on the organizational strength in each region.

Each region chooses three out of fourteen standard priorities (basic sanitation; water and sewerage system; land, human settlement regulation and housing construction; street paving; education; social assistance; health; transport and circulation; parks; leisure and sports; public lighting; economic development and tax system; culture; and environment.). There are six thematic assemblies: city organization and urban and environmental development; health and social assistance; economic development and taxation; transport and circulation; culture; and education, sport and leisure. Each thematic discusses and chooses priorities from a series of topics previously established.

In the first *rodada*, in March/April, the municipality presents its activities and accounts for the previous year, explaining the reasons why the approved Plan of Investment and Services- called PI - did or did not work out. This provides the opportunity for a public scrutiny of municipal government performance. An explanation about public works already decided on and those that are planned is given. Municipal officials also present estimates of the financial resources available for the following year and the investments under consideration by the government, with discussions on new criteria and methods for implementing the PB. The community also elects delegates who will represent the region in the Forum of Delegates. Approximately 1,000 delegates who are elected annually make up the 'Forum of Delegates'. They monitor public works projects, keep the community informed, receive new demands and maintain close contacts with the elected PB councilors.

The *intermediárias*, in March/June, are the focus of local debate where local priorities are defined. Delegates are also elected in these meetings. In the second *rodadas*, in June/July, each regional and thematic elect two delegates (and two substitutes) to the PB

Council (the *Conselho do Orçamento Participativo - COP*). A representative of the civil servants' trade union (SIMPA _ *Sindicato dos Municípios de Porto Alegre*) and a representative of association of community organizations of Porto Alegre (UAMPA _ *União das Associações de Moradores de Porto Alegre*) also sits on the COP. It has also two, non-voting representatives from the government. There are 48 titular councilors, they have a one year mandate with the right to be reelected only for a second consecutive term. After the second *rodadas*, the COP coordinates the elaboration of the municipal budget and the Plan of Investment and Services (PIS). It is a very important monitoring mechanism since it lists all public works finally approved and details about their implementation, including which municipal division is responsible for carrying them out.

The process of direct citizen participation was changed in 2002. Now, the debates start in March/April in the regions and thematic with the preparatory meetings (*reuniões preparatórias*). In these meetings the City Hall accounts for the previous year, presents the Plan of Investment and Service and the population discusses its priorities. Then, in April/May happens the unique round (*rodada única*). At this moment, each region and thematic define its priorities and elect the COP councilors. Then, local meetings in the regions define the order of their demanded works. The basic aim of this change was to simplify the cycle of participation.

In July happens the municipal assembly and the new COP takes power. The third sub-phase consists on writing the budget. The COP coordinates the elaboration of both the municipal budget and PIS. It meets at least one a week. The meetings are open to the citizens. Technical support is provided by government personal linked to the mayor's office.

The priorities of the regions are used to select the three main priorities for the city as a whole for the coming year employing a set of rules previously established. The top priorities have been land and human settlement regulation (including new houses and the resettlement of disadvantaged population) and street pavement (including water and sewage disposal systems).

Having established the order of city's priorities, the next step is to distribute the resources among the regions. The criteria for the allocation are the following:

- lack of public services and/or infra-structure in the region;
- total population in the region; and
- priority chosen by the region vis-à-vis those chosen by the city as a whole.

Each criterion gives a certain number of points for a region, the resources invested are proportional to the points obtained by that region in relation to the sum of points of all regions. These criteria are previously known by the PB participants and they have the goal of benefiting the poor areas of the city.

In the elaboration of the budget, the COP also takes in consideration the proposals of thematic assemblies and government. The budget document is submitted to the City Council in end of September.

It starts the second phase of the budget cycle. When the budget is approved it becomes the law. The PB does not alter the role of the legislative power. However, following such a succession of steps, the budget and its provisions carries a heavy legitimacy and the city councilors usually examine it with reduced room to alterations. It is a concrete consequence that PB minimized the role of the official City Council.

In December, the COP prepares the PIS. This booklet is a powerful monitoring mechanism, listing the whole configuration of the budget and all public works finally

approved, including information on which municipal division will effectuate the demand, its description, address as well as the allocated resource. It is distributed to the population so that the citizens can check if their decisions are being carried out. In January, the COP discusses the whole process and the internal regiment of the PB. Proposal of changes in the process are discussed in this period.

The third phase of the budget cycle, its implementation by the executive power, also starts in January. There are various monitoring mechanisms build in the PB that begins to function almost simultaneously with the budget implementation. Among these are the regional and thematic meetings which starts in March, the Forum of Delegates and the COP have as one of their functions to organize monitoring commissions for the public works under execution, moreover the citizens have access to the PIS. These are potent monitoring mechanisms and are independent of the traditional processes associated with the executive and legislative branches embedded in the law.

Therefore, the PB can be seen as a new form of organizing the local fiscal policy. It is defined by a combination of direct and representative democracy. The preferences of the municipality are defined though direct democracy where the debate between the participants resembles a deliberative process. All citizens have the right to talk and vote. The aggregation of the preferences and the decisions about the distribution of the new investments and services are based on rules previously established. These rules benefit the disadvantaged population of the city. The aggregation of the preferences, distribution of investment and the organization of the budget itself are coordinated the COP Council under the assistance of the executive power. There are various monitoring mechanisms build in the process, these start to operate since the very beginning of the budget implementation.

This characterization rules out a series of interesting experiences as PB. There are cases in which meetings are organized to listen the citizens' preferences. These are important experiences of popular hearing, but there is no participation in writing budget and rules defining the aggregation of these preferences and the distribution of the investment and services in the municipality. Moreover, in most of these cases the monitoring mechanisms are weaker and even they are no established. These experiences lack enforcement mechanisms that give warranties to the citizens that their decisions will be written in the budget and will be implemented.

There are municipalities in which the participation is not open to all citizen, the preferences are defined trough representative democracy. Only selected delegates and leaders from civil society organizations have the right to vote in the definition of the priorities. These cases might involve either just the definition of the preference or a process similar to the PB. The choose of preferences and the election of representatives are made by representatives of the social movements, such as NGO's, neighborhood associations, unions, and professional organizations. There is no direct democracy in the process, being based just on representative democracy. Participation is limited in these experiences. Cabannes (2004) calls these cases of community based representative democracy.

The characterization of PB employed is just one of the possible institutional engineering that might be employed in real experiences. In the Brazil, the municipalities tend to adopt an institutional organization similar to this due to the influence of Porto Alegre.

However, the institutional engineering is just one factor that influences the outcomes of these experiences. The literature points out to three other important determining factors of PB outcomes (Silva, 2003). First, the political will of the executive

power in relation to the PB. The legal responsibility of writing the budget and its implementation still belongs to the executive power. Thus, for the PB does not be just an artifice, the executive power must have the political will to share power with their constituents. Second, the civil society organization plays an important role in the PB capacity to produce sound results to the disadvantaged population. The citizenry has a culture of participation in municipalities with an organized civil society, a higher knowledge of their needs and a better knowledge of the relevance of monitoring. Third, the financial capacity of the City Hall is the real base that has attracted people to the PB. There is a minimum level of resource that must be offered to the citizens to decide on if the process is to be attractive and participative _ its magnitude is given by local particularities.

4. Preliminary Investigation

In this section it is investigated basic questions about the PB experiences in the large Brazilian cities in the 1997-2000 and 2001-2004 administrative terms. This investigation raises important aspects of the PB experiences and displays some characteristics of the large Brazilian cities. Among the examined questions are the numbers of PB experiences in the 1997-2000 and in the 2001-2004 administrative terms, the relationship of these experiences with the population of the municipalities, with the Worker Party and leftist parties, and with geographical location. Moreover, it is analyzed the connection between the PB experiences and income distribution as well as between PB experiences and the social organization of the cities.

Table 1 presents the number of PB experiences and the year in which happened the first PB meeting in the 1997-2000 and 2001-2004 administrative periods. The criterions employed to classify a city as having a PB experience were based on the characterization of

PB discussed above. It involves direct democracy in the definition of the preferences, citizenry participation in written the budget and rules for investment distribution as well as the existence of monitoring mechanisms. An experience was classified as PB if it observed at least two of these criterions.

In the 1997-2000 administrative period there were 33 cases of PB among the 223 large Brazilian municipalities, representing 14,8% of these cities. This number increased to 69 in the following administrative period, representing 31% of the large Brazilian of cities.

Table 1: Number of PB experiences in large Brazilian cities in the 1997-2000 and 2001-2004 administrative terms

PB 1997-2000		PB 2001-2004	
Previous	5	Previous	29
1997	24	2001	34
1998	2	2002	2
1999	2	2003	4
2000	0	2004	0
Total	33	Total	69

Source: See Appendix

There are other three interesting pieces of information on this table. First, almost 88% of the cities with PB in the 1997-2000 administrative period kept the experience in the following period. It might indicate which once the process is started it is not easy to end it. Further investigation is necessary in order to notice if this pattern is observable in the transition from the 2001-2004 to the 2005-2008 government term and to explain the possible reasons for the high rate of continuity in the experiences. Second, the high expansion in the number of PB experiences, it more than doubled between both administrative terms. Very probably, this expansion will be smaller in the 2005-2008 administrative term at least among the large Brazilian cities. Third, most of the new PB experiences start to operate in the first year of the administrative term. For the 1997-2000

period, 85.7% of the new experiences started in 1997, while 85% of the new experiences started in 2001 for the 2001-2004 period.

In Table 2 it is possible to observe the number of PB experiences classified according to four categories of population size in the 1997-2000 and 2001-2004 administrative terms as well as the percentage of municipalities with PB experiences in each category. There was an expressive increase in the number of experiences in all categories, but the highest expansion happened in the municipalities with the population between 100,001-200,000 and 200,001-500,000 inhabitants. It indicates that the PB is spreading to municipalities with lower population. Other piece of information is that the percentage of municipalities with PB experiences rises as the population increase. The PB tends to be associated with municipalities with large population.

Table 3 displays the number of inhabitants living in the large Brazilian municipalities with PB experiences in the 1997-2000 and 2001-2004 administrative terms. The Brazilian population in 2000 was 169,799,170 inhabitants, half of them resided in the large municipalities. The population living in cities with PB experiences rose from 14.5 millions in the 1997-2000 administrative term to 36,7 million in the 2001-2004 term. These figures represent, respectively 17,1% and 43.4% of the population domiciled in large cities. The percentage of population living in cities with PB experiences increases as the size of the municipalities increases.

Table 2: Number and percentage of PB experiences by classes of population size in the 1997-2000 and 2001-2004 administrative terms

Population	Number of cities	Cities with PB		Cities with PB, %	
		1997-2000	2001-2004	1997-2000	2001-2004
100,001-200,000	117	12	26	10.3	22.2
200,001-500,000	76	13	29	17.1	38.2
500,001-1,000,000	18	4	7	22.2	38.9
Above 1,000,000	12	4	7	33.3	58.3
Total	223	33	69	14.8	30.9

Source: See Appendix

One possible explanation for the rapid expansion of the number of PB experiences and its spread to municipalities with lower population is the association between the Worker Party and the PB. At first, the Worker Party won the election in the largest cities, thus these were the first ones to employ this institutional innovation. As the Worker Party started to win elections in places with lower population, the number of experiences increased in these municipalities.

Table 3: Number of inhabitants living in municipalities with PB experiences by classes of population size in the 1997-2000 and 2001-2004 administrative terms

Population	Population in the cities	Population in cities with PB		Population in cities with PB, %	
		1997-2000	2001-2004	1997-2000	2001-2004
100,001-200,000	16,406,325	1,789,205	3,783,654	10.9	23.1
200,001-500,000	23,221,680	3,722,307	9,013,421	16.0	38.8
500,001-1,000,000	12,58,3713	3,032,478	5,00,8011	24.1	39.8
Above 1,000,000	32,338,174	5,952,447	18,902,611	18.4	58.5
Total	84,549,892	14,496,437	36,707,697	17.1	43.4

Source: See Appendix

Table 4 shows the number of cities governed by the Worker Party and the number of these cities with PB experiences by categories of population size in both terms. In the 1997-2000 term, the Worker Party governed 19 large Brazilian municipalities, in 18 there were experience of PB. In the next term, the Worker Party governed 47 municipalities, in 42 there were PB experiences. It is important to emphasize that in four of these five remaining cities there were attempts to implement the PB. Moreover, from the 40 new PB experiences in the 2001-2004 administrative term, 24 cities were governed by the Worker

Party. Therefore, municipalities governed by the Worker Party will very likely adopt the PB.

Table 4: Number of cities governed by the Worker Party and number of these cities with PB experiences in the 1997-2000 and 2001-2004 administrative terms

Population	Number of cities	Cities governed by the Worker Party		Cities governed by the Worker Party with PB	
		1997-2000	2001-2004	1997-2000	2001-2004
100,001-200,000	117	7	19	6	15
200,001-500,000	76	9	19	9	18
500,001-1,000,000	18	1	3	1	3
Above 1,000,000	12	2	6	2	6
Total	223	19	47	18	42

Source: See Appendix

However, considering both terms there were PB experiences in municipalities governed by ten political parties, most of them are leftist. Table 5 presents the number of PB experiences according to the ideology of the political party in charge of the municipal government in the 1997-2000 and 2001-2004 administrative terms. It confirms that municipalities governed by leftist parties, in particular, the Worker Party adopt the PB.

Table 5: Number of cities with PB experiences by political ideology of the mayor's party in the 1997-2000 and 2001-2004 administrative terms

Political Ideology		1997-2000	2001-2004
Left	Worker Party	18	42
	All others	9	18
Center		5	7
Right		1	2
Total		33	69

Source: See Appendix

The relationship between political ideology and the presence of PB is further investigated in Table 6. This matrix displays the evolution of both the number of PB experience and the ideology of the political party in power between the 1997-2000 and 2001-2004 terms.

The first column shows that from the 40 new PB experiences in the 2001-2004 term, 34 were under the administration of a leftist party. The second column informs that from the 29 cities with PB experiences in both administrative terms, leftist parties governed 25. The third column displays information about the municipalities that did not have PB experiences in both periods, 110 of these 150 cities were never governed by leftist a party. The fourth column shows that the four municipalities with PB in the 1997-2000 term and without PB in the 2001-2004, two were administered by leftist parties and two by non-leftist parties. Altogether, these numbers might indicate that the leftist parties started the process and its abandonment has a political cost for these parties.

The association between PB experience and the leftist parties is also confirmed by the information present in the third line of Table 6. It shows that from the 120 cities never governed by leftist parties in the 1997-2000 and 2001-2004 administrative terms, 110 never had a PB experience. The fourth line displays the information on the municipalities governed by leftist parties in the 1997-2000 period and by non-leftist parties in the 2001-2004 term. In none of 14 municipalities in which the left lost the control of the City Hall there were experiences of PB. It might indicate that the PB impacts positively the maintenance of leftist governments in power³.

³ The leftist parties won the 2000 election in 96,3% of the municipalities governed by the left and with PB experience in the 1997-2000 term. In places governed by leftist parties and without the PB in the 1997-2000 term, the reelection occurred in 56,7% of the municipalities.

Table 6: Evolution of the large Brazilian municipalities in relation to the existence of PB and the ideology of political party in power between the 1997-2000 and 2001-2004 administrative terms

	No PB 1997-2000 PB 2001-2004	PB 1997-2000 PB 2001-2004	No PB 1997-2000 No PB 2001-2004	PB 1997-2000 No PB 2001-2004	Total
No Left 1997-2000 Left 2001-2004	25	1	19	1	46
Left 1997-2000 Left 2001-2004	9	25	8	1	43
No Left 1997-2000 No Left 2001-2004	6	3	110	1	120
Left 1997-2000 No Left 2001-2004	0	0	13	1	14
Total	40	29	150	4	223

Source: See Appendix

Next Table shows the distribution of the large Brazilian cities per geographical region as well as the number of municipalities with PB experience in each region in both administrative periods. As it is possible to observe the number of PB experiences increased in all regions in the second term. The Southeast region had the largest number of PB experiences, it had almost half of the PB cases in both terms, however the percentage of its municipalities with PB experiences is similar to the Northeast region. The South region displayed the largest percentage of its municipalities with PB experiences, indicating that the cities in this region might have a higher probability of engaging into PB experiences.

A relevant question in the discussion of the cities with PB is if there is a relationship between income distribution and the adoption of the experience. Table 8 shows the mean Gini coefficient for the cities with PB and without this form of participatory democracy by population size in the 1997-2000 and 2001-2004 administrative term as well as the average Gini coefficient for all cities. The Gini coefficients were obtained in PNUD (2003) and the information for the 1997-2000 administrative term is the estimative for 1991 and the data for the 2001-2004 term is the coefficient for 2000.

Table 7: Number of large Brazilian cities, number of PB experiences and the percentage of cities PB experiences per geographical region in the 1997-2000 and 2001-2004 administrative terms

Region	Number of cities	Cities with PB		Cities with PB, %	
		1997-2000	2001-2004	1997-2000	2001-2004
South	39	8	17	20.5	43.6
Southeast	114	16	33	14	28.9
Northeast	48	8	14	16.7	29.2
Center-West	10	0	3	0	30
North	12	1	2	8.3	16.7
Total	223	33	69	14.8	30.9

Source: See Appendix

There are three important results in this Table. First, the large Brazilian cities became more unequal in the 1990s, there was an increase in the mean Gini coefficient in all categories of population size from 1991 to 2000. Second, inequality is higher in cities with large population than in the other municipalities. It is more pronounced for cities with population above 1,000,000 inhabitants. Third, the municipalities with PB experiences had a lower mean Gini coefficient than the cities without this form of participatory democracy in both administrative periods, but for municipalities with population in the interval of 500,000 to 1,000,000 inhabitants. It might indicate that equalitarian cities are more likely of employing PB.

Table 8: Mean of the Gini coefficient for the large Brazilian cities by population size with and without PB experiences in the 1997-2000 and 2001-2004 administrative terms

Population	1997-2000			2001-2004		
	PB	No PB	All cities	PB	No PB	All cities
100,001-200,000	0.514	0.531	0.53	0.551	0.558	0.557
200,001-500,000	0.505	0.538	0.533	0.56	0.563	0.562
500,001-1,000,000	0.585	0.531	0.543	0.601	0.568	0.581
Above 1,000,000	0.568	0.604	0.592	0.62	0.634	0.626

Source: See Appendix

The literature has called the attention for the relationship between civil society organizations and the PB experiences. For example, in the case of Porto Alegre the neighborhood and community associations had an active role in the implementation of the PB. This might be present in other municipalities that adopted the PB. However, a major problem is to find data about civil society organization. Recently, the IBGE (2004) published a research about the non-profit organization in the Brazilian cities in 2002. Table 9 shows the mean number of neighborhood associations, community centers and organizations, and defense groups of minority rights per 10,000 inhabitants for 2002 in the cities with and without PB per category of population size in the 1997-2000 and 2001-2004 administrative terms⁴. It is possible to observe that cities with PB experiences had a higher average number of neighborhood associations, community centers and organizations, and defense groups of minority rights per 10,000 inhabitants in 2002 than the other municipalities in the same population category. It might indicate that municipalities with PB experiences had a better civil society organization than the other. However, there is no similar data for the 1990's. However, there is a possibility of this result to be reflecting the effect of PB in stimulating a higher social organization in the municipalities.

Table 9: Mean Number of neighborhood and rights organization in 2002 per 10,000 inhabitants in the cities with and without PB per category of population size in the 1997-2000 and 2001-2004 administrative terms

Population	1997-2000		2001-2004	
	PB	No PB	PB	No PB
100,001-200,000	2.15	1.9	1.94	1.92
200,001-500,000	1.3	1.42	1.53	1.31
500,001-1,000,000	1.29	1.04	1.33	0.95
Above 1,000,000	1.32	1.17	1.28	1.14

Source: See Appendix

⁴ This data also includes information on the number of organizations for rural development, for employment and training as well as other forms of social organization for development and rights defense. However, for

Thus, the results pointed out that the PB experiences are associated to the cities which are governed by mayors from the left, in particular from the Worker Party, in cities located in the South region and municipalities with large population. Moreover, there is preliminary evidence that, considering similar population size, the cities with PB experiences have a more egalitarian income distribution and better social organization.

4. Framework for the Econometric Analysis

The description and the characterization of the PB point to the basic elements that could explain its adoption in large Brazilian cities. These elements compose the logit model employed to analyze this question. It is formed by four groups of explanatory variables.

The first group is made up of the economic and structural characteristics of the municipalities. The first variable is per capita income of the city. As per capita income raises the demand for public spending by citizens increases as well as the financial capacity of the City Hall. Therefore, citizens have the incentive to organize themselves and to ask for a greater say in the definition of how and where the public money will be spend. Thus, higher per capita income is associated with higher probability of the city to adopt the PB.

The second variable is the composition of the economic sectors of the municipality. Cities with developed industrial sectors tend to have a tradition of unionization. It might impact positively in other forms of civil society organizations, particularly the ones associated with grass roots movements. These organizations had a major role in the adoption of PB in Porto Alegre as well as in shaping its institutional evolution (Silva,

2002). Therefore, cities with developed industrial sectors tend to have higher probability of adoption the PB.

The third variable included in the model is the population of the cities. The expected signal of this variable is positive. On one hand, municipalities with larger population tend to have bigger structural problems and an unattended demand for public works and services. On the other hand, populous municipalities are usually metropolitan cities with a tradition of organized grass root movements. Moreover, most of these cities had a vigorous industrial sector in the past and went through a process of de-industrialization in the last 30 years. Therefore, these cities tend to have a more leftist tradition than the smaller municipalities.

The fourth variable is income inequality. A high-income inequality leads not only to lower social bounds and organization between citizens but also to a discredit by the population in the functioning of public institutions. Moreover, it opens room for clientelist relations, a practice based on political subordination in exchange for material rewards that weakened or even demoralized popular participation. Thus, higher income inequality is associated with lower probability of the city to adopt PB.

The second group is formed by political determinants. The fifth variable is a dummy if the mayor belongs to the Worker Party. The expected signal of this variable is positive. This party not only first adopted the PB in Porto Alegre but also has had a major role in adopting institutional innovations at local level. Moreover, the Worker Party transformed the PB in one of its main political flags in the electoral campaigns. Thus, municipalities governed by the Worker Party very likely will adopt the PB.

The sixth variable is a dummy if the mayor belongs to another leftist party. The expected signal of this variable is also positive. The leftist parties are not only more open to

institutional innovations and popular participation than the other parties but also more influenced by the Worker Party experience. Leftist parties and coalitions tend to favor the adoption of mechanisms associated with social participation.

The third group is composed by variables on civil society organization. The seventh variable is number of neighborhood associations, community centers and organizations, and defense groups of minority rights per 10,000 inhabitants in the municipalities. The expected signal of the variable is positive. Higher is the number of these organizations, higher is the civil society organization and the pressure for adoption of the PB. The PB increases the political power of the civil society and grass root organizations in the municipalities. It might feed back in better functioning public institutions which generates a reciprocal relationship between local state and social movement with advantages for all “partners” in the process. A possible advantage for the party that adopts the PB is the increase in the chances of winning the next election. The Worker Party in Porto Alegre won four consecutive elections. Some of the economic and structural variables discussed above are associated with the civil society organization, in particular, industrialization and income distribution. Municipalities with important industrial sector and better income distribution tend to have a more organized civil society organization.

The fourth group comprises the variables of geographical location. The eighth and ninth variables are dummies for municipalities located, respectively, in the states of São Paulo and Rio Grande do Sul. The expected signal for both dummies is positive. The Worker Party was found in São Paulo a state with historical industrial tradition and organized trade unions. Porto Alegre is located in Rio Grande do Sul, the city has had a very important demonstrative effect, influencing the adoption of PB in the region itself, in Brazil and worldwide.

Hence, for the empirical analysis the following logit model is proposed:

$$P_m = \alpha + \beta_1 Y_m + \beta_2 I_m + \beta_3 P_m + \beta_4 G_m + \beta_5 W_m + \beta_6 L_m + \beta_7 C_m + \beta_8 SE_m + \beta_9 S_m + e_m$$

where P_m is a dummy variable for the presence of PB in city m , Y is the per capita income, I is the proportion of employment in industrial sector in total employment, P is the population, G is the Gini coefficient for income distribution, W is a dummy if the mayor belongs to the Worker Party, L is a dummy if the mayor is affiliated to a leftist party, C is a measure of civil society organization, DSP is a dummy for the municipalities located in São Paulo, DRS is a dummy for cities situated in Rio Grande do Sul, and e is the stochastic with the traditional properties.

The appendix discusses how each variable was computed and presents the data source.

5. Econometric Results

In this section it is discussed the results of the logit model for the adoption of PB by large Brazilian municipalities. The estimations are performed for both government periods since the rapid expansion of PB experiences might have caused a structural break between both terms.

Table 10 displays the estimated models for the 1997-2000 term. Model 1 exhibits the results for all variables in analysis. According to model 1, the coefficient on income per capita is positively and significantly associated with the adoption of PB. The same result is obtained for all estimated models. As it was expected, the PB experiences had higher probability of occurrence in richer cities than in poorest ones.

Table 10: Results of the logit model for the 1997-2000 administrative term

Variables	Model 1	Model 2	Model 3	Model 4
Constant	-16.9 ^a (5.722)	-17.9 ^a (5.717)	-13.8 ^a (4.203)	-11.4 ^a (3.818)
Y	0.972 ^b (0.496)	0.904 ^c (0.502)	0.966 ^b (0.452)	0.795 ^b (0.426)
I	2.971 (2.795)	2.375 (2.809)		
P	0.622 ^c (0.339)	0.583 ^c (0.325)	0.625 ^b (0.298)	0.512 ^b (0.289)
G	5.090 (6.927)	7.830 (6.581)		
W	7.691 ^a (1.534)	7.284 ^a (1.386)	6.932 ^a (1.287)	6.573 ^a (1.202)
L	2.348 ^a (0.623)	2.341 ^a (0.617)	2.203 ^a (0.595)	2.124 ^a (0.582)
C	0.292 (0.203)	0.306 (0.204)	0.324 ^c (0.197)	
DSP	-0.758 (0.841)			
DRS	-1.474 (1.288)			
N	222	222	222	223
McFadden R ²	0.526	0.516	0.508	0.496
LR statistic	98.2	96.3	94.8	92.7

Note: a indicates significance level of 1%, b of 5% and c of 10%.
Source: See Appendix

The share of workers occupied in the industrial sector did not affect the probability of a municipality to employ PB, its coefficient is not significantly different from zero in models 1 and 2. This result was not expected. It might be explained by three reasons. First, there is a low participation of labor unions and unionists in the PB experiences (Marquetti, 2000). Second, the landless movement is organized and politically active in all Brazilian regions. Thus, some municipalities linked to agricultural activities might have as well as a

leftist tradition. Third, the process of de-industrialization, in particular, of the large cities reduced the importance of the industrial workers in these municipalities.

The population size has a consistent impact over the probability of a city to employ the PB. The estimated coefficient is positive and significant different from zero in the four estimated models. Large municipalities had a higher probability of adoption the PB. This result is consistent with the previous section.

The distribution of income does not influence the probability of adoption of PB in the large Brazilian cities, the coefficient for this variable is not significantly different from zero in all estimated models. However, it is important to have some caution in relation to this result. The Gini coefficient might influence the adoption of PB in a nonlinear way, this relationship is not captured in the present model.

The municipality being governed by a mayor from the Worker Party strongly impacts the probability of adoption of the PB, the coefficient for the dummy variable is positive and significant in the four models. The same result is true if the mayor belongs to another leftist party, the coefficient for this variable is also positive and significant. The political variables have a major influence in the adoption of PB by a municipality.

The coefficient for the variable on the civil society organization was not significant in models 1 and 2, but it was positive and significant at 10% in model 3. This result shows the existence of a link between civil society organization and PB experiences. However, it is important to consider the low quality of the measurement of the civil society employed in the estimates. Silva (2003) describes the role of civil society organization in the adoption and shaping of PB in Porto Alegre.

The coefficients for the regional dummies for the municipalities located in São Paulo and in Rio Grande do Sul are not significant, indicating that these cities have the same probability of adopting the PB than the municipalities located in other states.

Thus, the adoption of PB in the 1997-2000 administrative term was positively influenced by the economic and structural variables, the per capita income and population, by the political variables, the mayor to belong to a leftist party, in particular, the Worker Party, and by civil society organization. Once these variables are taken in consideration, the location and the level of industrialization of the cities did not influence the adoption of PB.

It is expected a change in the role of the determinants of employment of the PB in the 2001-2004 term due to the increase in the number of experiences. First, as a statistical matter as the number of PB experiences raises the characteristics of these cities tend to become more similar to the other municipalities. Second, the political variables tend to become more important in late 1990's, in particular in the large cities, as the Brazilian political life started to be more strongly influenced by two political parties, the Worker Party and the Brazilian Social Democracy Party⁵.

Table 11 presents the estimates for the 2001-2004 administrative term. The coefficient for income per capita is not significant in all estimated models. It implies that the probability of richer municipalities to adopt PB is similar to the poorer municipalities. The coefficient on the share of laborers occupied in the industrial sector is not significantly different from zero, also indicating that the probability of an industrial city to adopt the PB is similar to other municipalities.

The coefficient of population size is positive and significant, large cities have higher probability of employing PB. This result appears in all estimated models for both

administrative periods. The coefficient for income distribution is not significant from zero. However, income distribution might influence the adoption of PB through channels that the present models are not capturing.

Table 11: Results of the logit model for the 2001-2004 administrative term

Variable	Model 1	Model 2	Model 3	model 4	Model 5
Constant	-13.675 ^a (5.293)	-13.579 ^a (5.224)	-13.949 ^a (4.855)	-13.076 ^a (4.504)	-10.207 ^a (3.471)
Y	0.486 (0.377)	0.494 (0.371)	0.378 (0.339)	0.350 (0.334)	
I	-1.638 (2.281)	-1.741 (2.214)			
P	0.576 ^c (0.313)	0.567 ^c (0.312)	0.626 ^b (0.286)	0.588 ^b (0.276)	0.609 ^b (0.274)
G	-0.580 (5.174)	-0.664 (4.936)			
W	4.809 ^a (0.620)	4.850 ^a (0.612)	4.817 ^a (0.609)	4.813 ^a (0.605)	4.779 ^a (0.598)
L	2.423 ^a (0.488)	2.376 ^a (0.482)	2.369 ^a (0.480)	2.380 ^a (0.479)	2.383 ^a (0.477)
C	0.108 (0.184)	0.124 (0.182)	0.097 (0.175)		
DSP	-0.181 (0.568)				
DRS	0.770 (0.892)				
N	222	222	222	223	223
McFadden R ²	0.465	0.461	0.459	0.459	0.455
LR statistic	128	126.9	126.3	126.7	125.6

Note: a indicates significance level of 1%, b of 5% and c of 10%.

Source: See Appendix

⁵ For example, in the 1997-2000 term, 14% of the cities governed by other leftist parties employed the PB. This number rose to 23,4% in the 2001-2004 term.

The coefficients on the dummies for the mayor to belong to the Worker Party and to a leftist party are positive and significant at one percent level in all five models. It confirms the strong links between the PB and the parties with a leftist tradition.

Another change in relation to the results from the 1997-2000 administrative term is that the coefficient for the variable on the civil society organization is not significant. The link between civil society organization and PB experiences that seemed to exist previously is not present in the new administrative period.

The coefficients on the dummies for regional location were not significant, showing that cities in the state of São Paulo and Rio Grande do Sul had the same probability of adopting PB than the municipalities located in other states.

The estimated results for the 2001-2004 administrative term confirm the expected change of the influence in the determinants of the adoption of PB by the large Brazilian municipalities. On one hand, the increase in the number of experiences reduces the differences between the municipalities with and without PB. On the other, the higher political polarization enhances the role of the political variables in the adoption of the PB. These results raise the question about the characteristics of the municipalities that elect mayors from leftist parties.

6. Final Remarks

The PB is an institutional innovation where the citizens and civil social organizations have the right of participating actively in the fiscal policy of their municipalities. It allows the local's citizenry to engage in the process of decision-making, elaboration and monitoring of the budget. Thus, it represents a breakthrough in both democratic and fiscal perspectives.

Implemented in 1989 in the city of Porto Alegre, it expanded to other municipalities in Brazil and worldwide.

The literature is starting to investigate a series of question related to the PB. This paper adds to this growing literature, analyzing the characteristics of large Brazilian cities, those with population above 100,000 inhabitants, with PB experiences in the 1997-2000 and 2001-2004 administrative terms. In the former term, 33 large municipalities employed the PB, this number raised to 69 in the later term. The experience of a municipality was considered as a PB if the process involves at least two of the following criterions: direct democracy in the definition of the preferences, popular representatives in writing the budget and the existence of rules for the distribution investment as well as the existence of monitoring mechanisms. It rules out various interesting experiences, in particular, those with participation just in the definition of preferences, a process of public hearings, and those in which only representatives of the civil society organizations participate in the process of definition of the preferences. In this later case there is no direct democracy in the process.

Preliminary investigation pointed out that the PB experiences are more commonly employed in large cities, the percentage of municipalities with PB raises with the increase of population. It might be partially explained by the electoral success of the Worker Party in big cities. Municipalities governed by the Worker Party usually have the PB. Cities administered by other leftist parties also adopt the PB, but in lower percentage. In both administrative periods in analyzes there were PB experiences in cities administered by ten political parties, most of them from a leftist tradition. In Brazil, democratic institutional innovation, such as, the Participatory Budgeting tend to be supported by leftist parties.

From the 40 municipalities that started their PB experiences in the 2001-2004 term, 34 were administered by leftist parties. From the 33 existing experiences in the 1997-2000 term, in four cities the process was finished. From these four cities, two had a mayor from a non-leftist party. It might indicate that mayors from the left start the process, and that leftists parties tend to maintain the PB experience. However, an important factor is the political will of the new administration in relation to the existing PB.

There were also indications that for municipalities with similar population, the ones experiencing the PB have a more equitable income distribution and higher civil society organization.

A logit model was employed to study the characteristics of the municipalities that employed PB. This model is composed by variables on the economic and structural characteristics of the municipalities, political party in charge of government, civil society organization, and geographical location. The estimates for the 1997-2000 term show that the probability of a municipality to adopt the PB is positively associated to income per capita, population size, the city to be governed by the Worker Party or a leftist party. There are also some indication the social organization of the municipality influences positively the probability of PB adoption. The results for the 2001-2004 term are somewhat different from the previous one. The probability of a municipality to employ the PB is positively associated to population size, the city to be governed by the Worker Party or a leftist party. This change in the role of the determinants of PB adoption was expected due to the expansion in the number of experiences and the increase in polarization of the political dispute between the Worker Party and the Brazilian Social Democracy Party.

These results bring a better understanding about the PB process and its adoption by the municipalities, shedding some light in the expansion of the experiences in Brazil. They

also raise further questions about the PB. Probably the most important one is about the political will of the new administrations in relation to the existing PB experience. Citizens will not participate in a process whose decisions are not carried out. This issue is fundamental independently of the political ideology of the new municipal government.

7. References

Allegretti, Giovanni, and Herzberg, Carsten. 2004. Participatory Budgets in Europe: between efficiency and growing local democracy. TNI Briefing Series N. 5, Transnational Institute, Amsterdam.

Avritzer, Leonardo. 2003. Municípios brasileiros com experiências de Orçamento Participativo na gestão 2001-2004. Departamento de Ciência Política, UFMG, Belo Horizonte.

Cabannes, Yves. 2004. "Participatory budgeting: a significant contribution to participatory democracy". *Environment and Urbanization*, vol. 16, no. 1, pp. 27-46.

IBGE. 1998. *Base de informações municipais*. Instituto Brasileiro de Geografia e Estatística, Rio de Janeiro.

IBGE. 2001. *Perfil dos municípios brasileiros: pesquisa de informações básicas municipais 1999*. Instituto Brasileiro de Geografia e Estatística, Rio de Janeiro.

IBGE. 2003. *Base de informações municipais 4*. Instituto Brasileiro de Geografia e Estatística, Rio de Janeiro.

IBGE. 2003b. *Perfil dos municípios brasileiros: pesquisa de informações básicas municipais 2001*. Instituto Brasileiro de Geografia e Estatística, Rio de Janeiro.

IBGE. 2004. *As fundações privadas e associações sem fins lucrativos no Brasil, 2002*. Instituto Brasileiro de Geografia e Estatística, Rio de Janeiro.

IBGE. 2005. *Produto interno bruto dos municípios 1999-2002*. Instituto Brasileiro de Geografia e Estatística, Rio de Janeiro.

Marquetti, Adalmir. 2000. "Participatory budgeting in Porto Alegre". *Indicator SA*, Johannesburg, v.17, n.4, pp.71-78.

Marquetti, Adalmir. 2004. *Democracia Direta, Performance Fiscal e Distribuição: a evidência dos grandes municípios brasileiros*. Departamento de Economia, PUCRS, Porto Alegre.

PNUD/IPEA/FJP. 2003. *Atlas do Desenvolvimento Humano no Brasil*. Programa das Nações Unidas para o Desenvolvimento, Instituto de Pesquisa Econômica Aplicada, and Fundação João Pinheiro. Brasília.

Ribeiro, Ana C., and Grazia, Grazia de. 2003. *Experiências de orçamento participativo no Brasil: período de 1977 a 2000*. Vozes, Petrópolis.

Silva, Marcelo K. 2001. *Construção da "participação popular": análise comparativa de processos de participação social na discussão pública do orçamento em municípios da Região Metropolitana de Porto Alegre/RS*. Departamento de Sociologia, UFRGS, Porto Alegre.

Silva, Marcelo K. 2003. A expansão do orçamento participativo na região metropolitana de Porto Alegre: condicionantes e resultados. In: Avritzer, Leonardo, and Navarro, Zander (eds). *A inovação democrática no Brasil: O orçamento participativo*. São Paulo, Cortez.

Wampler, Brian. 2003. *Experiences of Participatory Budgeting in Brazil: 2001-2004*. Department of Political Science, Boise University, Boise.

Appendix: Definition of variables and data source

This appendix presents the data source and a description of the how the variables were computed for each administrative term.

P is a dummy variable with value 1 if there is PB in the municipality or 0 if there is no PB. The classification of a city as having a PB experience in the 1997-2000 term was based on the questionnaires applied by Teixeira and Grazia (2002). For the classification of the PB experiences in the 2001-2004 term was employed the questionnaires applied by Marquetti (2004). Avritzer (2003) and Wampler (2003) provided the basic information about the municipalities with popular participation of in the elaboration of the budget in the 2001-2004 term.

Y is the per capita income. The per capita income employed in the estimations of logit model for the 1997-2000 term was calculated as the ratio between the GDP of 1999 at constant price of 2000 and the population of 1996. The per capita income employed in the

estimates for the 2001-2004 term is the ratio between the GDP of 2000 at constant prices of 2000 and the municipal population of 2000. The data source is IBGE (2005).

I is the proportion of occupied persons in the industrial sector in relation to the total occupied persons. For the 1997-2000 estimates was employed the data for 1996 and the information for 2000 was used in the models of the 1997-2000 term. The data source is IBGE (1998) and IBGE (2003).

P is the population of the municipalities. The municipal population of 1996 is used in the estimates for the 1997-2000 term and the population of 2000 is employed in the models for the 2001-2004 term. The data source is, respectively, IBGE (1998) and IBGE (2003).

G is the Gini coefficient. In the estimates for the 1997-2000 term was employed the Gini coefficient of 1991. In the estimates for the 2001-2004 term was used the Gini coefficient of 2000. The data source is PNUD/IPEA/FJP (2003).

The information on the elections of 1996 and 2000 were obtained, respectively in IBGE (2001) and IBGE (2003b). The leftist parties with PB experiences are the Worker Party, Green Party, Democratic Labor Party, Communist Party of Brazil, Brazilian Socialist Party, and Popular Socialist Party.

C is a measure of civil society organization of the city. There is information on this variable for all large Brazilian municipalities just for 2002. In the estimates for the 1997-2000 term this variable was computed as the number of neighborhood associations, community centers and organizations, and defense groups of minority rights per 10,000 inhabitants of 1996. For the 1997-2000 term it was calculated as the number of neighborhood associations, community centers and organizations, and defense groups of minority rights per 10,000 inhabitants of 2000.

This document was created with Win2PDF available at <http://www.daneprairie.com>.
The unregistered version of Win2PDF is for evaluation or non-commercial use only.