

**Participation, democratizing practices and the formation of a modern  
polity — the case of ‘participatory budgeting’ in  
Porto Alegre, Brazil (1989-1998)**

**Zander Navarro**

[ Federal University of Rio Grande do Sul, Brazil ]

**Introduction**

As in elsewhere, recent years have witnessed major changes affecting the economic, political and institutional patterns of development in the majority of Latin American countries. Economic structures have been rapidly altered, thus introducing a series of impacts and new social problems which national governments in the region have been unable to cope with, so far. Political systems, on their part, engaged in political transitions, have observed more favorable results, for institutional structures and normative formats that resemble typical democratic regimes have been sprouting in the continent. In many cases, this transitional period was completed in open and *quasi*-free elections and flourishing discourses on democratic values as well as an unexpected freedom of press and party organizing, not to mention a relative low profile by the armed forces. These changes obviously modified various domains of social life in Latin America. Two of them are of utmost relevance, the first one referring to the very nature of the role played by the state and its agencies, whose actions were so deeply affected that analysts are commonly referring to “the crisis of the Latin American state”. On the other hand, but also *et pour cause* of the latter, regional and/or local environments such as provincial states and cities came under the spotlight and saw a growing agenda of new responsibilities and services fall under their jurisdiction, a transference operated under the banner of decentralization, democratic revigoration and the crisis of the federal state. The “local space”, a catch-word usually referring to the social and economic frontiers of Latin American municipalities, is the political and administrative unit seen by many as a *par excellence* social arena in these times. These spaces are claimed to possess immanent virtualities to regain the impetus of “public action”, weakened after the virtual failure of national governments — incapable of dealing with an increasead set of social demands under so many macroeconomic constraints erupted in the recent

period.

Therefore, the great number of innovations in policy-making and new institutional arrangements to confront these new and challenging contexts should not be surprising. Social groups and local organizations, government sectors and multilateral agencies that appear to be interested in the proclaimed virtuous impacts of political decentralization are searching for a better government efficacy and also expect to harvest a greater level of local resources mobilization — in short, the formation of the *good government*. This seems to be an era where emphasis on the democratization of local environments, consolidation of civil society and affirmation of citizenship, in addition to a greater level of social participation, epitomize the ultimate goals. A typical example of government innovation in the region is the case of “participatory budgeting” (hereafter PB-POA or PB), established in the city of Porto Alegre by the administration elected in the municipal elections held at the end of 1988. It is the capital of the state of Rio Grande do Sul, located in the very South of Brazil. This process has been maintained by governments that succeeded it, elected in 1992 and 1996, thus completing a ten-year cycle. Its promising results are linked to the very operation of public services, which improved substantially in the period, after PB-POA. Greater general administrative rationality and efficiency are among its outcomes but also more social justice when allocating public resources. Therefore, the initial goal of approaching people and the administration by means of a new proposal called “participatory budgeting”, where the whole structure of local decision-making would be radically transformed, seems to be at present a sheer reality in Porto Alegre.

## **Context and Origins**

Contextual aspects leading to the formative notions around PB-POA could perhaps be traced back to two main determining factors. The first related to the political transition experienced by Brazil in recent years, and the second one to the political history of the city itself. Apart from legitimizing an emerging civil regime, the signing of the new Brazilian Constitution in October, 1988, substantially modified the balance of political power inside the country, transferring proportions of power previously amassed by the central government towards the states and the cities themselves. In fact, the new Constitution signalled a political and administrative decentralization, understood as the most rational form to enable the needs of the people to be effectively dealt by public agencies. It also offered several mechanisms of direct and indirect social participation when it made the letter of the law new participative channels for the population in government decision-making. For PB-POA the importance of this debate, materialized in the Constitution, was its influence on local traditions of social participation, so strong in many areas of Rio Grande do Sul,

including Porto Alegre.

The associational history of Porto Alegre resembles closely that of the state of Rio Grande do Sul, undoubtedly the most vigorous in the country. As early as 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 in 1959, being quite active well into the Eighties. In 1979, the federation had 65 associations affiliated in Porto Alegre. On its turn, the Community Associations' Union of Porto Alegre (Uampa — *União das Associações de Moradores de Porto Alegre*), a very politicized organization, was established in 1983, as a direct result of the political liberalization in the country. It has been intensely involved in various areas of urban concern, such as housing, education, provision of health services, human rights, and so on. According to various estimates, there are today approximately 600 community associations established in Porto Alegre.

As a result, of an pre-existing inclination shared by some groups wishing to establish “popular councils” and of the associational strength of the city, the fact is that there has been an open disposition towards new experiences and proposals on popular participation. In other words, the ideas brought forward by the new administration in 1989, were not, in fact, quite a novelty for a population engaged in so many organizational attempts in the past. In some regions of the city, a solid history of community associations already existed and PB-POA's success, in consequence, simply ignited a “participational fever” that was unprecedented in the city's history.

### **PB-POA: How it operates in the city**

The first year of the new administration, starting in January, 1989, was somewhat erratic and confusing. Its financial situation had hit rock bottom because nearly 98% of revenues was destined to pay the staff. In addition to that, the executive control and finance management was shaken by several loopholes and, on top of that, the tax system prevailing was not indexed, preventing the city to cope with the high inflation rates of that moment. As a result, the government soon tried to implement a rigorous financial control, looking for debtors and devising new actions to avoid tax evasion in a desperate attempt to regain its capacity to invest. As a result, one of the main sources of municipal revenues, property tax, was transformed into a progressing scale and made comparable to those existing in other Brazilian cities. Indexation of taxes, in fact, was the main victory obtained at the City Council, given the inflation rates then affecting Brazilian economy — between 1988 and 1993, for example, the consumer prices index measured in Porto Alegre experienced an

astonishing rise, reaching an average 1,378.4% a year. After indexation, the permanent financial loss due to the so-called “inflationary tax” was suppressed.

The relevance of finding a solution for the existing financial problems affecting the municipality and the tributary reform then implemented, can not be underestimated. If 1988 is made equal to 100, in real terms the total participation of all municipal taxes increased to 307 and housing and land taxation alone increased to 285 in 1996. The resulting impact of all these factors was to increase a financial availability for investments to be decided under PB mechanisms — on average, the level of investments compared to the total budget has since ranged around 10% in the period.

In this challenging context, the proposal of “participatory budgeting” was presented and came into light in April, 1989. The first goal was to propose a set of actions based upon some sort of community identities, that is, a regionalization for the city. Community associations were then summoned for a debate coordinated by their Union (Uampa) and the product was a thorough transformation of the city’s regionalization, now being divided in 16 regions. The city’s regionalization did reflect community identity and was not supposed to be formally submitted by the government authorities to be legalized at the City Council. On the contrary, it was the result of an informal “grand pact” sealed by community associations and approved by the executive body.

Since it first started, “participatory budgeting” in Porto Alegre has consisted of a series of meetings occurring from March to June. There are two main meetings coordinated by the municipality, called *rodadas*, but they are accompanied by several smaller meetings (“intermediate meetings” or *intermediárias*) organized by the community itself. The extent of these non-official gatherings will obviously depend 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 government officials in charge of a specific region in accordance with the regional community leadership and are not only restricted to decisions about public works. Starting in 1994, there were theme-orientated meetings (*temáticas*) supposed to attract in particular other associations, like trade unions and organizations of professionals as well as sectors of the middle classes not interested in ordinary PB *rodadas*.

When the second *rodada* occurs, the participants attending the meeting will elect delegates who will act as PB councillors and will form the PB Council, formally entitled as the “Municipal Council for the Government Plan and Budget” — abridged as COP. In this second meeting, the local population also chooses the region’s priorities, that is, where the municipality should invest. All delegates will form the “Forum of Delegates” of the region. They are supposed to accompany all

public works-in-progress, inform the community population, receive new demands and channel them to the COP, apart from maintaining close contacts with the elected PB councillors of the region. It is interesting to note that the *rodadas* are a especial moment for the municipal government to submit its ideas about the city and most top-ranked officers and the mayor himself attend all the meetings. If they present any specific proposal, it will be discussed by those attending 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 alike. *Rodadas* created a rare opportunity not only to evaluate general government performance but also sectoral routines and planned operational actions. A positive coercion has gradually been exerted on the administration as a whole when submitted to these moments of public accountability.

When the second *rodada* is completed in all regions (usually in June), the PB Council is formally installed and becomes the most important administrative sphere to establish the next budget, for it has a final say on any issue related to the budget, counting only on technical assistance provided by the municipality. Meetings are open and may be attended by any interested citizen and the COP has gradually interfered over time in other government issues, like pay policies and a career system for government employees, sectoral policies, and so on. The whole mobilizing strength of PB thus converges to the COP which must present, as a result, a real representativity and power in matters concerning the budget. COP coordinates the whole PB process of preparing the budget and the plan of investments. According to legal stipulations, the final piece must be formally submitted to the official City Council not later than the 30th of September. If the official city councillors — chosen in general elections — approve its decisions, it becomes the guide to be put into practice in the following year. Starting in 1994, the COP also received two elected councillors from each of the five *temáticas* then constituted. As a result, nowadays 44 councillor-members take their seats at the PB council.

### **A broad view on results**

Not mentioning specific sectoral results, there are at least three extremely relevant changes in the city that stay at the core of PB impacts. The first one, highly significant in Brazilian political context and history (and perhaps important internationally as well) is the amazing reduction of corrupt behavior and administrative malpractices in day-to-day public affairs, so widespread in the country. By introducing an unprecedented transparency in the formation, allocation and implementation of the municipal budget, “opening” it to the general scrutiny by the citizenry, the

administrations of the period dramatically reduced the room for petty and backstage arrangements linking civil servants and private interests. Not to mention major illegal and/or ethically illicit proposals, rendered impossible when all acts and intentions are so loudly publicized. Therefore, a remarkable reduction of transaction costs and corruption became entirely visible and it is a relevant impact of this process. It also has a strong and promising consequence among the population, because it disseminates an embedded feeling of trust and empathy across the public/private divide, when public funds are concerned and when a policy of “open books” is the trademark of all three administrations.

A second emblematic result visible in so many parts of the city — but still claiming a rigorous research initiative — concerns clientelism and political relations. It seems that a striking reduction of clientelistic forms of political operation did occur in the period. As a result, there was a notable improvement on the political behavior of the main actors in this arena, e.g., city councillors and would-be candidates who now had to confront a more demanding and informed population. Such an impact seems reasonable and expected, given the operational format of PB-POA. Because it is an entirely normative process, with rules being established always under intense discussions and decisions that hold a clear legitimacy, a high degree of knowledge about the “rules of the game” is the landmark of it, although provisions of its results are uncertain. In this setting, particularistic behavior, which is supposed to fertilize clientelistic actions, can hardly prosper.

A third and general result deserving attention is the “redistributive factor” that PB rooted in Porto Alegre. Its operational functioning is easily identified and corresponds to two converging but separated mechanisms. First, the reform of municipal tributes and taxes, referred to before, that instituted the principle of “progressivity” imposed on tributes the municipality is entitled to legislate — meaning that the proportion in the total basket of local taxes paid by richer regions is proportionally higher than the poorer ones contribute, according to the infra-structure of the regions, location and conditions of households and buildings and related technical particularities. As a consequence, middle class sectors and the wealthiest social sectors of the city were imposed an enlarged share of the tributes collected. The other side of a “redistributive strategy” was to reverse priorities and to allocate available resources in deprived and poor neighborhoods and empirical evidence of this new priority abounds throughout the city (additional empirical results are discussed in detail in Navarro, 1997).

Impacts and changes observed in the city demonstrate that this decentralizing innovation, particularly in relation to allocation of investments, seems to be entirely consolidated and a possible radical revision and/or a ban of it seems unlikely in the near future, even if opposing parties won

electoral disputes. There is an almost unanimous opinion shared by many observers that a substantial part of the population would react with rage if the PB-POA mechanism were threatened of being radically modified in a new political setting. If and when this possibility occurs, most probably the attempt will be to subordinate the innovation to the City Council, thus diminishing the scope of community associations to enforce their decision-making power.

There is a growing interest in PB proposals, both in Brazil and abroad. The unusual characteristics of this process and, in particular, its results, have attracted attention of various local governments in the country and elsewhere. It is said that 70 Brazilian municipalities have adopted some sort of PB, although just a few are known to have accepted the fully implementation of the very first requirement of this innovation — the elected municipal authority to relinquish its policymaking power concerning investments to be made in the city. International interest, on the other hand, has also increased and a paradigmatic signal of it is a recent US\$ 153 million loan agreement signed by the city and the Inter-American Development Bank where a proportion of 14% of the total resources will be invested under the PB rationale.

## **Conclusion**

The social engineering built by this innovation in the city of Porto Alegre was transformed, from one year to the other, into an exercise of an ever-growing complexity and sophistication. Although conformed to a very particular urban setting, PB history perhaps indicates that its development and reverberations, informed by an intriguing record over ten years, leads this innovation towards the very center of a crucial *problematic* facing the new millenium: which should be the format of the state that will predominate in the near future in societies like Brazil and, moreover, what should be the ideal ensemble of its relations with society? An impressive list of changes occurring in Porto Alegre may allow observers to focus on the most notable transformations brought about by PB: not only to redistribute resources towards the poorer and install a fairer pattern of allocating public funds in the city, but also to establish a new framework of political relations and democratic format.

According to research findings, there are many lessons produced by PB-POA to inform its replication in other urban contexts, if transformed into operational tools, but a primordial issue remains to be mentioned. There are many analysts of PB in Porto Alegre who emphasize that the characteristics of local social endowments are so solid and peculiar that any attempt to replicate this

experiment would hardly find similar social foundations. But is social capital a necessary requirement? At this concluding point, it appears clear that this is not entirely the case. Pre-existing endowments in terms of material conditions prevailing, a strong associational history and/or higher social and cultural facets favoring innovative experiments do contribute to a favorable setting, but do not constitute a kind of iron law for participatory initiatives. According to local findings, what seems to be more relevant in order to ignite a PB fever is the role played by state actions and strategies because empirical evidence has demonstrated that a combination of strong public institutions and organized associations is a powerful tool for development. Lessons learned in Porto Alegre appear to have fully confirmed this set of conditionalities for the emergence of a modern and democratic polity in these times.

**Note:**

This article is an abridged version of a former unpublished report concluded in December, 1997, and entitled “*Affirmative democracy*” and *redistributive development: The case of “participatory budgeting” in Porto Alegre, Brazil (1989-1997)*. It was presented at the seminar “Social policies, poverty and citizen participation”, promoted by the Inter-American Development Bank (IDB) and held in Cartagena (Colombia), in March, 1998.

