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**Budgets and ballots in Brazil: participatory budgeting from
the city to the state**

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Summary

Budgeting institutions in the state of Rio Grande do Sul bring participatory democracy to public finance. A chief impact of participatory institutions is to change the relative power of groups within society. In this case, with the Workers' Party in state office, participatory decision-making strengthened lower-class groups interested in redistribution to the poor. Putting participatory budgeting (PB) in place was no easy task, however, as it required overcoming the difficulties of incorporating face-to-face decision-making at a scale unprecedented in terms of the number of people and the amount of money at stake. More significantly, implementing participatory budgeting sparked the political opposition of those who had benefited from more closed decision-making structures. Despite these obstacles, the PB has attracted hundreds of thousands of participants and has had a significant impact. Institutionally, PB opens avenues for participation to previously ignored segments of society and enhances government accountability. Politically, participatory budgeting shows signs of shifting the balance of power in the party system. And fiscally, the PB has promoted a redistributive development model while improving budgetary planning and efficiency. In short, the PB is the instrument and example of a lower-class political project that includes a participatory vision of democracy and a redistributive vision of development.

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1 Introduction

Last year, the Brazilian Workers' Party (PT) won its fourth consecutive municipal election in Porto Alegre, the capital of Brazil's southern-most state, Rio Grande do Sul. This impressive string of electoral victories can be attributed largely to the PT administration's commitment to a novel government policy called the *orçamento participativo* (participatory budget, or the PB). The success of the PB in Porto Alegre, and the promise to implement it at the state level, also helped the Workers' Party to win the governor's race in Rio Grande do Sul in 1998. Over 140 Brazilian cities and six states have implemented participatory budgeting in some form, and the World Bank has become so enamoured of the process that it translated a book on the PB from Portuguese to Spanish to distribute it throughout Latin America. This year, in Rio Grande do Sul, 378 thousand people participated in PB assemblies in the state's 497 municipalities. The rise of participation in budget processes and on such a large scale comes as something of a surprise to traditional thinking on both budgets and participatory democracy. This paper examines the PB in Rio Grande do Sul as an innovative process that can help us advance our previous understandings in both of these areas.

The paper begins by analysing how the Workers' Party translated its success with the PB from the city level to the state, against most expectations from the participatory democracy literature. It then applies the public policy perspective to measure the PB impact on fiscal and planning outcomes. In the last two sections, we use regression analyses of data from over four hundred municipalities to search for systematic patterns in levels of participation and the use of public resources. This analysis offers a new lens through which to examine participatory budgeting institutions – participatory budgeting is the most prominent and most successful example of a lower class political project. It is a project that aims to expand participatory democracy and promote a redistributive model of development.

In more specific terms, the PB is a process in which citizens meet in open, public assemblies to decide which investments are most important to them locally and for the state as a whole. The meetings begin long before the legislative budget cycle, and occur in regional meetings and thematic meetings throughout the state. After setting budget priorities, the participants elect regional delegates, who in turn elect state budget councillors. Both the regional delegates and the state councillors continue to meet throughout the year to negotiate the final budget document. State planning officials use the priorities decided by the community, population size, and levels of need to allocate investments throughout the state.¹ The state aggregates the municipal priorities to develop an annual investment and services plan included in the budget that is then passed through the state legislature and distributed to the budget delegates and councillors. In the following year, budget delegates receive a list of the investments and

¹ A region is given a weighted score according to the size of the population, the level of need for each public project or service, and the level of priority given to each policy area. This score is used to calculate the region's proportion of the total amount allocated for investment in each policy area. For example, each region assigns a level of priority to each of three policy areas (1,2, or 3). The population score increases by .5 for each 150,000 people in the region (.5 to 4). The level of need in each policy area increases by .5 for each 10 per cent increment in the population without access (.5 to 5). The scores are then weighted according to the following formula to determine the allocation for each region in each policy area: $\text{Regional Proportion} = \frac{(3 \times \text{Priority}) + (2 \times \text{Population Score}) + (4 \times \text{Level of Need Score})}{\text{Sum of all Regional Scores}}$. $\text{Proportion per Municipality} = \text{Level of Priority}$

services planned and actually provided, allowing PB participants to evaluate government performance and directly question government officials in public assemblies.

2 Putting PB in place

After having operated at the municipal level, installing the participatory budget process in the state of Rio Grande do Sul was not an easy task. The government faced the challenges of overcoming the much larger scale of the state and the powerful opposition of rival parties. In the city of Porto Alegre, the challenges of the PB were somewhat different, as several authors have shown (Abers 2000; Baiocchi 2001). Investigating PB at the state level is particularly interesting because most of the literature on participatory democracy deems workplaces, neighbourhoods or, at most, small cities as the ideal sites for participation. This section briefly shows how participatory theorists generally think ‘small is beautiful’ and then examines the problems the government in Rio Grande do Sul faced when it adapted the PB model from Porto Alegre as a state-wide programme. While problems of scale have not prevented the implementation of the PB at the state level nor the continual growth in the number of participants, they do seem to have affected the regularity and quality of participation. Some problems the PT government encountered in Rio Grande do Sul mirrored those the party faced when it started the PB in Porto Alegre ten years earlier, and this prior experience at the local level helped the PT take its participatory innovation to a higher level of government and a wider geographic scope.

For mainstream democratic theory, citizen participation primarily means voting. Voting can be for representatives who make policy decisions or, less frequently, in referenda which directly affect policy. In contrast, theorists of participatory or direct democracy suggest that the crucial form of participation is face-to-face decision-making, in which citizens learn not only about substantive policy issues but also learn important skills of citizenship such as how to debate, negotiate, and compromise. While these theorists acknowledge, like Rousseau, that a truly participatory democracy – in which all citizens gathered to make all decisions collectively – would be impossible outside tiny city-states, they argue that forms of direct participation beyond voting should be incorporated into and made compatible with representative democracy (Mansbridge 1980; Pateman 1970; Dahl 1970).

The emphasis, however, is almost always on small-scale participation. Pateman focuses on factory-level worker participation, Dahl on citizen participation in local government at the city and neighbourhood levels, and Mansbridge on small NGO and town meetings. As for citizen participation at higher levels of government, these theorists seem sceptical of the possibility of incorporating direct participation. Pateman surmises that in polities of ‘say, thirty-five millions the role of the individual must consist almost entirely of choosing representatives’ (1970: 109). Dahl maintains that the optimal site for widespread participation would be in smallish cities, and that ‘smallness’ is a ‘necessary condition for effective participation’ if not a sufficient condition (1970: 132). And Mansbridge argues that for small groups, ‘unitary democracy’ – face-to-face decision-making by consensus – is preferable, but as groups increase in size, ‘adversary democracy’ – decision by majority rule and expectation of conflict rather than

consensus – becomes more necessary (293). Finally, Olson’s work on collective action shows how encouraging participation is often easier in small groups than in larger ones, given that each member’s share of the collective good provided by the group is greater in small groups than in large groups (1965: 33–6). The general expectation from this literature is that direct forms of participation are best suited for the lowest level of government (or workplaces).

From this perspective, the direct participation of hundreds of thousands of citizens in the PB in Rio Grande do Sul for three years in a row (1999–2001) seems somewhat surprising. In fact, up until the late 1990s, the only state government that attempted to implement participatory budgeting failed to institutionalise the process. In 1995, the PT in Espírito Santo tried to implement the PB at the state level after successfully implementing it in the state capital of Vitória, but was unable to sustain the process after the first year (Bandeira 1999). The party also failed to consolidate the PB in São Paulo (a city of 10 million) when it held the mayor’s office there from 1989 to 1992. Of all the 140 PB programmes by Brazilian municipal governments in the 1997–2000 tenure, only two per cent were in cities of over one million people, and 67 per cent were in cities of less than 100,000 (*O Estado de São Paulo*, 5 March 2001).

What problems has the PT state administration faced as it scaled up its participatory programme from the city level in Porto Alegre – where given its smaller size we might expect participation to succeed – to the state level? Implementing a participatory programme in a city, even one with over a million people, is simply not the same as attempting to do so in a state. As Table 2.1 shows, Rio Grande do Sul has almost 600 times the area of Porto Alegre, and nearly 7.5 times the number of inhabitants. And while nearly all of Porto Alegre’s residents are urban, nearly one-fifth of Rio Grande do Sul’s population lives in rural areas.

Table 2.1 Challenges of scaling up

	Porto Alegre	Rio Grande do Sul
Area***	476 km2	282,062 km2
Population 2000*	1,359,932	10,179,801
% Urban	97.07%	81.64%
Density	2,857/km2	36/km2
Budget 1999***	R\$944million	R\$8.8billion
Budget per capita 1999	R\$694	R\$864
PIB per capita 1998**	R\$6,948	R\$7,186
Infant Mortality Rate 2000**	12.2/1000	14.99/1000
Illiteracy Rate 2000****	1.39%	7.54%
Per cent of Roads Paved 1999	79%*	39%***

*From IBGE website

**From FEE website

***From RS & POA official government websites

****From TRE website

In order to adapt the PB to the much larger state arena, the administration used the decentralised model developed in Porto Alegre, but reduced the number of meetings held and added an additional layer of representation. In Porto Alegre, two massive public assemblies are held annually in each of the sixteen districts that the city was divided into to facilitate participation and separately on six themes, such as health, education, and transportation. In Rio Grande do Sul, one public assembly takes place in each of the state's 497 municipalities and one thematic assembly in each of the twenty-two regions. Also, just as some of the sixteen districts in Porto Alegre hold additional meetings at the sub-district level, many of the larger municipalities in Rio Grande do Sul are further sub-divided.

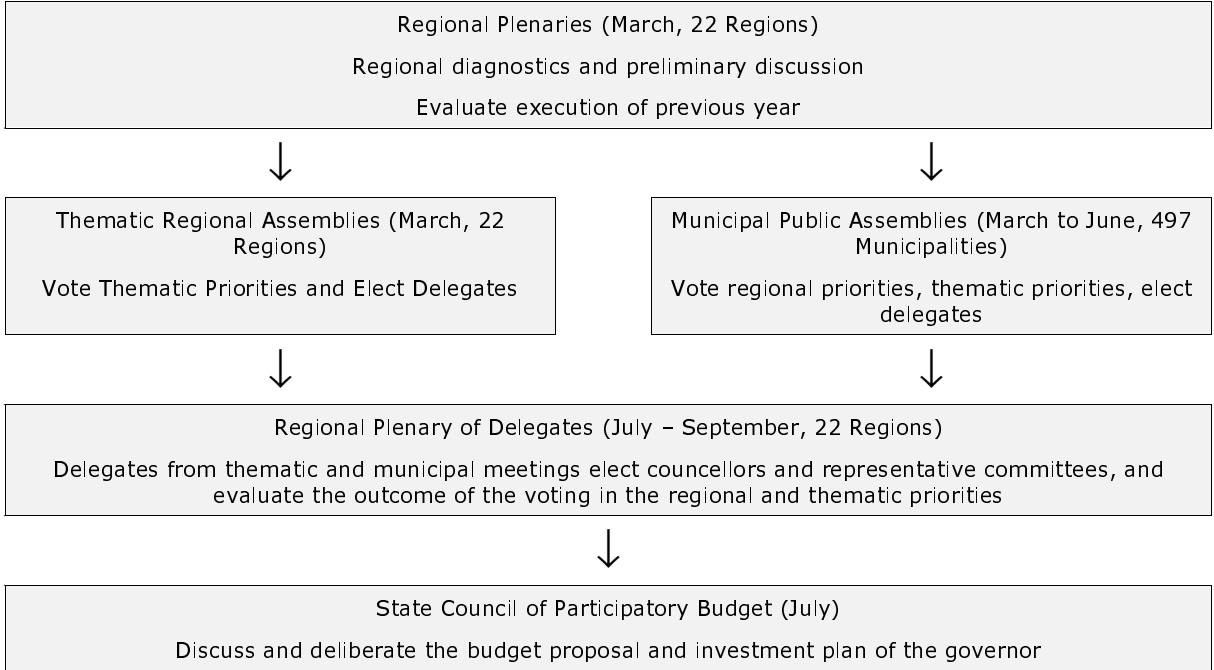
In Porto Alegre, the process combines direct decision-making and one layer of representation. The participants in the district and sub-district meetings vote on their budget priorities, select delegates to the district budget forums, and elect councillors to the city budget council. In Rio Grande do Sul, the participants in the municipal assemblies vote on budget priorities and elect delegates to the regional forums, but it is the delegates to the regional forums who, in turn, elect their representatives on the state budget council. Finally, whereas the district budget forums meet once or twice a month and the city budget council meets once or twice a week in Porto Alegre's PB, in Rio Grande do Sul, both the regional forums and the state budget council meet less frequently.

The larger scale of Rio Grande do Sul forced some administrative innovation which allowed a greater number of people to participate, but may have created costs for the quality of participation. The contrasting views of state officials involved in the PB and those of citizen participants illustrate this trade-off. António Mattos, the government coordinator for the Metropolitan Region of the state PB who also played a founding role in Porto Alegre's PB as a community activist, argued in favour of the state system: 'Everything is close in Porto Alegre. The state is much bigger, which made us have a more perfect, more efficient method. The state has one assembly per year and we do everything in two and a half hours. The city [Porto Alegre] has too many meetings, it takes up too much of people's time' (Interview 6/5/01). According to Ubiratan Souza, Special Secretary of the State Budget and Finance Cabinet, the introduction of computerised voting and tabulation of demands in the state meetings has helped the PB become more efficient. State officials are telling the large cities with new PT administrations (Recife and São Paulo) to use the state PB method rather than that of Porto Alegre (Interview 6/6/01). On the other hand, for 'Celina', who has been a delegate in both the city and the state versions of the PB, the city version provides participants with greater knowledge about the budget process and offers more information for participants to base their decisions on: 'In the PB-POA there are more meetings, so there is more exchange of information ... In the PB-RS, the people would like to have more meetings in order to become more informed. It is very difficult to succeed in gathering all the state budget delegates and councillors in meetings' (Interview 6/6/01). 'Celina' told us that state officials were improving their provision of information in the budget meetings as participants pressured them to do so.

The difficulties of scale encountered at the state level represented administrative difficulties that any institutional change would be likely to face. More problematic was the political opposition that PB attracted, as stakeholders in the old institutions sought to defend advantages they had built into traditional

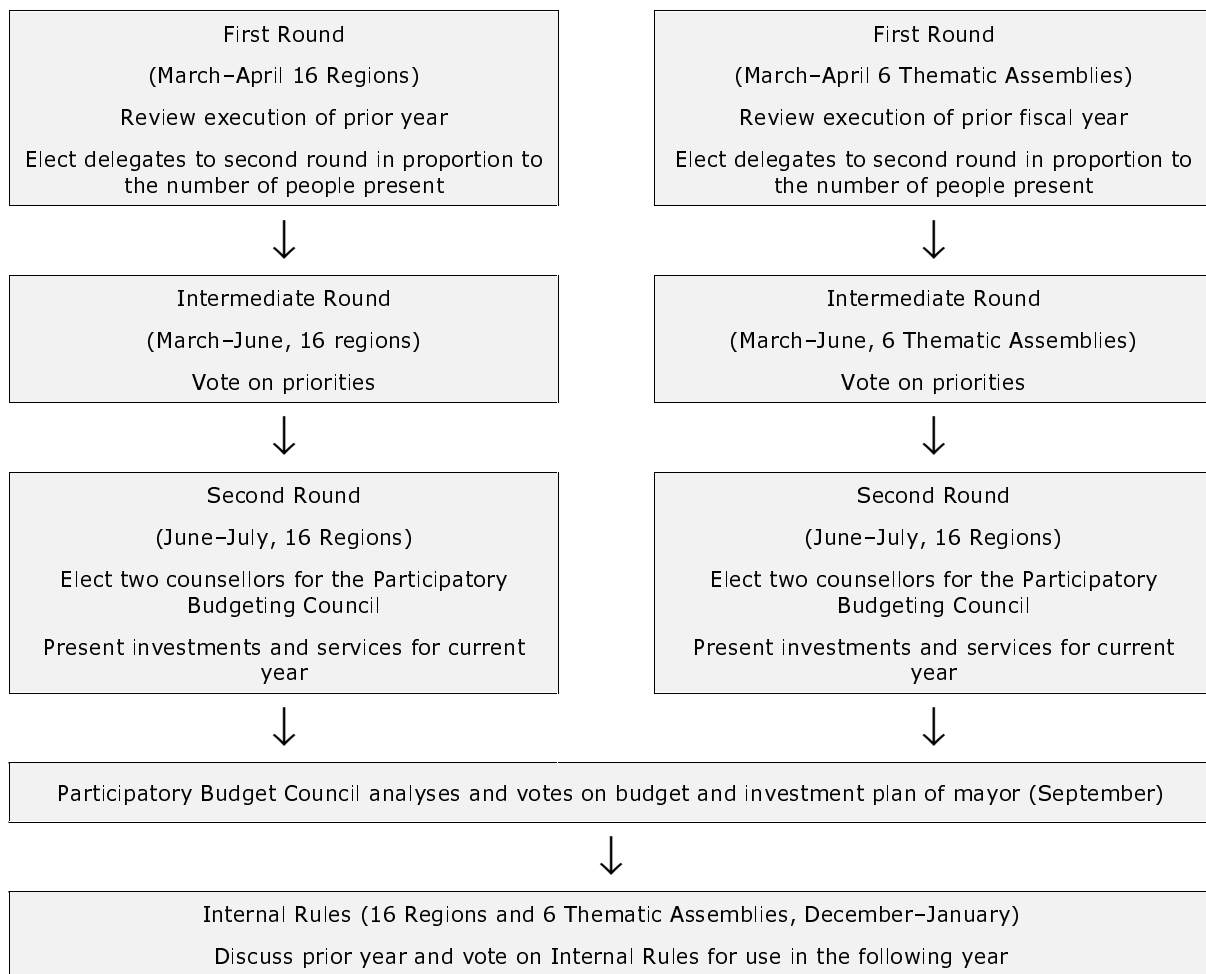
budgeting institutions. In Rio Grande do Sul, the political reaction against PB was much stronger than it had been in Porto Alegre. When the PB was introduced in the city in 1989, local opposition parties and the major newspapers and television station largely ignored it; when the PB was implemented in the state ten years later, it became the centre of the opposition’s attention.² There are at least two reasons for this difference. First, in Porto Alegre the PB came into existence ‘under the radar’ of the opposition. In its first few years of existence, the number of participants was low and the PT administration was focused on other issues (the most important of which was its attempt to reclaim the municipal transportation system from private business, which captured the attention of the business elite, the opposition parties, and the media). By the mid-1990s, the PB had won state-wide fame, and even national and international recognition when it was chosen as one of the forty-two ‘best practices’ in city government at the UN’s Habitat II Conference. Both the PT and its opposition considered participatory budgeting to be a significant factor in the PT’s electoral success in Porto Alegre and nearby cities in Rio Grande do Sul.

Diagram 2.1 State participatory budgeting structure



² The major media outlets in Porto Alegre and Rio Grande do Sul are controlled by RBS, a large corporation with ties to important figures in the PMDB, particularly Antônio Britto, who was governor of Rio Grande do Sul from 1995 to 1998.

Diagram 2.2 Municipal participatory budgeting structure



Second, when the PT won the Porto Alegre mayor’s office in 1988, it faced a weak, poorly organised and disunited opposition. The strongest local party in terms of membership and constituency was the PDT, yet it was a Left of Centre party that had an ambiguous relationship to the PT (and to the PB itself). Centre and Right of Centre parties like the PMDB and the PDS (later to become the PFL and PPB) did not have municipal branch organisations, and were only organised at the state level. Thus, the frequent criticism of the PB by opposition city councillors in Porto Alegre was not initially backed by concrete action by opposition parties nor by attacks in the press. By contrast, at the state level opposition was more cohesive. The PMDB had built an alliance with other centrist and conservative parties (the PSDB and the PPB), and the entire centre-right spectrum supported the PMDB gubernatorial candidate in the second rounds of the 1994 and 1998 state elections. Thus, when the PT won the governor race in 1998 and attempted to introduce the PB at the state level, they faced an organised opposition that was terrified that the PB would keep the PT in power permanently, as seemed to be true in Porto Alegre.³

³ The PT led an electoral coalition – the Frente Popular – that included the various Communist and Socialist parties, and more importantly, in the second round of voting, the PDT.

Immediately upon the PT taking state office, the opposition parties in the state legislature sought to sidetrack the PB by offering participatory institutions of their own, mobilising old ones in one instance and creating new ones in another. In 1994, then governor Collares (who had previously served as mayor of Porto Alegre) had created twenty-two Regional Development Councils (COREDES) made up of local notables. The COREDES had been little noticed by either Collares or the subsequent governor, Britto, until they were used in Britto's 1998 re-election campaign to compete with the PT's participatory image. Britto created a programme of 'popular consultation' on the state budget that would be run by the COREDES. Rather than public assemblies to discuss the budget in its entirety, this programme involved an election in which citizens would choose among budget priorities previously selected by the members of the COREDES. The PT won the election, and then side-stepped the opposition's attempt to mobilise the COREDES by negotiating directly with the members of the COREDES and offering seats on the state budget council to two members from each region.⁴

The opposition in the state legislature also attempted to delegitimise the PB by creating a new participatory institution that would judge the outcome of the PB process: the Democratic Forum. The Forum consists of a series of public assemblies held in September, after the budget priorities have been set in the PB. Like the lawsuit, this attempt by the opposition also seems to have failed. In 1999, Democratic Forum assemblies were held by the state legislature in all twenty-two regions, with the attendance of 7,549 people (Souza 2000: 6). The following year, three assemblies were held in macro-regions, and approximately 3,000 people attended (Mattos, Interview 6/5/01). Once again, the opposition appears to have failed; the assemblies ratified the decisions made in the PB, adding to, rather than detracting from PB legitimacy.

In addition to these failed attempts, the opposition also turned to the courts. Collares, now a federal deputy, sued the state government for spending money on the PB assemblies without explicit authorisation.⁵ The lawsuit initially succeeded, and the state was prevented from supporting the PB financially or with state employees in the year 2000, though a higher court overturned that ruling before the 2001 PB assemblies began.

According to Johnny Budrys, Adjunct Secretary in the State Cabinet of Community Relations (in charge of coordinating the PB), the opposition to the PB has declined in 2001 (Interview 6/6/01). In previous years, the opposition mayors in the interior of the state did not support the PB, but in 2001 the new mayors in the small cities are helping to organise the PB and even paying for the sound equipment in the assemblies and providing meeting halls.

In addition to the opposition the PB encountered in the legislature and in the courts, state administration officials worried that the public's interest in the PB might decline, especially because of the

⁴ The state PB also adopted the same 22 regions used by the COREDES. The presence of 'automatic' counsellors on the budget council alongside those elected in the public assemblies is another way in which the state PB differs from its counterpart in Porto Alegre.

⁵ The fact that Collares is a member of the PDT exemplifies some of the intricacies of Brazilian party politics. In suing the PT, Collares was suing an administration which his party had helped elect (by allying with them in the second round) and in which several members of his party held cabinet positions.

small amount of money the government had been able to dedicate to investments.⁶ The previous government had invested over 280 million *reais* in 1998, whereas the PT administration invested little more than half that amount in 1999 (approximately 150 million *reais*).⁷ In 2000, the government invested approximately 206 million *reais*, but this was well below the amount called for in the budget plan (around 751 million *reais* – see Souza 2000: 5). Still, participation began high, and increased over time. The first year was relatively successful, with 188,528 participants, and participation increased to 281,926 people in 2000 and 378,340 people in 2001. Continued support in the face of reduced investment capacity may be due to the fact that the public largely supports the new fiscal strategy of the PT, which eschews privatising state assets in order to raise funds for investments but still maintains investments in crucial areas. In 1997 and 1998, privatisation receipts provided R\$3.6bi to previous administrations. Still, despite budget receipts that declined from R\$12.4 billion in 1998 to R\$7.3 billion in 1999 and R\$8.8 billion in 2000, the PT increased the percentage of state spending dedicated to education, health, housing and sanitation.

Given the problems of the large scale, the fierce opposition, and the meager resources available for investments, establishing participatory budgeting in Rio Grande do Sul clearly has not been an easy process. Yet the PT state administration had two advantages in comparison to the earlier PT city administration. One was precisely the experience of the earlier administration, both that of the administrators and of the population at large. The key players in bringing the PB to the state level – Olívio Dutra (governor), Ubiratan Souza (budget secretary), and Iria Charão (community relations secretary) – had all played similar roles in Porto Alegre. Perhaps more important than the knowledge and training acquired by administration officials was the general familiarity and trust that much of the population had developed in relation to the PB. This was true not only in Porto Alegre and the forty other cities in the state with municipal PB programmes, where the population had had direct experience with the PB, but in general because of the fame acquired by the PT's competent municipal administrations in Porto Alegre. A regional PB coordinator, Mattos, noted that the POA experience contributed to support at the state level, 'In the state, the people had the good experience of Porto Alegre, the people had a positive reference of the PB. In the state, participation was big in the first year of the PB and it keeps growing each year. We are always saying in the meetings that "in Porto Alegre, the PB started like this." We always give Porto Alegre as a reference.'

The other advantage for the PT state administration was the existence of powerful social movement allies in Rio Grande do Sul. Whereas in Porto Alegre, the neighbourhood movement was divided and the main federation of neighbourhood associations (UAMPA) initially refused to participate in the PB, at the state level, the administration could count on the support of the landless movement (MST), the central union federation (CUT), the small farmers movement (MPA), and progressive church organizations, both Catholic and Protestant. Therefore, when the state was prohibited by the court injunction from

⁶ All participation numbers for the PB in Rio Grande do Sul are taken from the state's official count (see Rio Grande do Sul, 'Dados Participação OP-RS,' Excel file).

⁷ All budget numbers come from the State Budget section of the state government website: www.sefaz.rs.gov.br/asp/d6/internet/ISF-WEB-DOC-CON_Saida.asp?cod_grupo=45

supporting the PB in 2000, all of these movements organised a committee in defence of the PB. Again, Mattos is worth quoting at length: ‘In 2000, Collares won the injunction that impeded the state to spend money on the PB. So the MPA, the unions, the CUT, and the MST rented halls, paid for sound, paid for the pamphlets ... In the state, the MPA and the MST are strong. The MST was founded in Rio Grande do Sul, its national coordinator is from here ... The social movements provide political support for and control over the state so the government does not deviate from its project.’ In the smaller cities where social movements are weak, according to Budrys, progressive churches provide the most support for the PB, particularly Catholic priests who follow Liberation Theology, but Lutheran and Methodist pastors as well. Even after the government was allowed back in to the PB in 2001, the movements continued providing support, along with the new crop of mayors elected in 2000. Budrys reports that ‘the large majority, 70 per cent, of the assemblies were free this year,’ meaning that the churches, mayors, and social organisations paid for the meeting halls and sound equipment.

3 Participatory budgeting as institutional innovation and political project

Despite political opposition, scarce resources, and the problems of scaling-up, the PT has successfully installed participatory budgeting institutions in Rio Grande do Sul. Yet, even after implementation at the municipal and the state levels, there has been little attempt to systematise the political and fiscal impact of PB. What causes wider participation in some regions than others, and does it matter to the use of public resources? We measure PB impact by applying public policy tools that focus on the way budgeting institutions help control the size of government, rationalise the use of resources, and offer opportunities for planning (Schick 1971). In addition, we apply political science budgeting approaches that consider budgeting from the perspective of the distribution of costs and benefits (Wilson 1981).⁸ These analytic tools shed light on PB impact, but the novelty of the PB process only becomes clear, however, when PB is treated as an institutional innovation that is part of a larger political project. The PB seeks to promote a new vision of democracy and development that includes partisan competition, participatory democracy, class struggle, and legitimation.

3.1 Public policy

Public policy literature considers budgeting from the perspective of control, efficiency and planning, and the relative emphasis of one goal over another gives budgeting institutions their particular flavour. Control refers to the use of the budget to allow society or its representatives to limit the size of government and the amount of wealth government extracts from taxpayers.⁹ In the American case, separation of powers

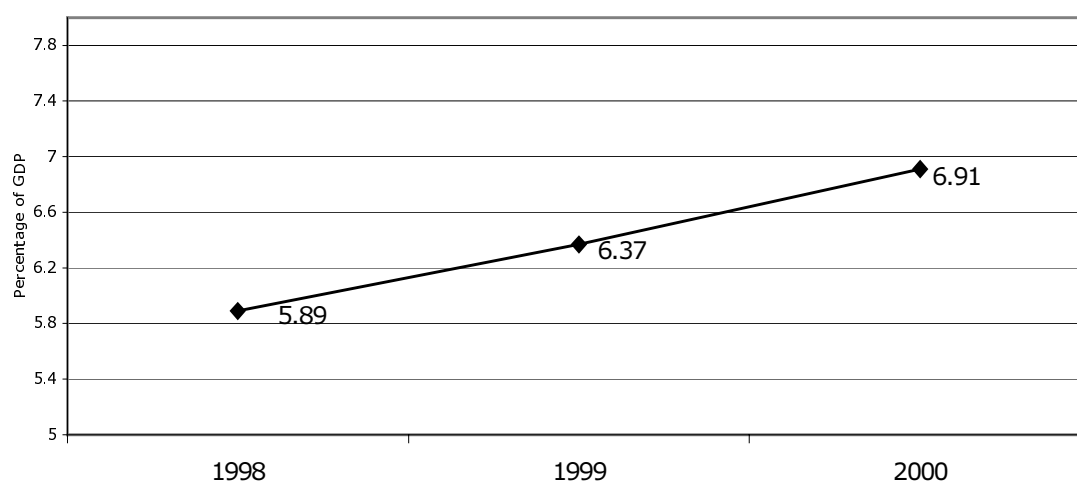
⁸ There are many ways in which budgets can be analysed. One approach applies the tools of traditional welfare economics, which views budgeting from the perspective of optimizing fiscal policy to match social welfare (Musgrave 1958).

⁹ This is not to argue that ‘control’ is equivalent to fiscal restraint. Control is equally important in applying orthodox fiscal restraint or Keynesian expansionary fiscal strategies; the key is the degree to which these decisions must be negotiated with society, either directly or through their representatives.

and legislative authority over enacting taxation offer examples of institutional mechanisms that impose constraints on the use of resources, helping to oversee and limit the actions of government.

In Brazil control has been poorly exercised, especially in lower level governments, who have taken advantage of loose controls to run deficits, amass debts, and provoke central government bailouts (Dillinger and Webb 1999; Dillinger 1995; Ter Minassian 1997).¹⁰ Some might argue that PB will increase control problems, as it opens the state to multiple demands and decentralises decision-making authority to multiple centres of power.¹¹ Indeed, the PB has coincided with a larger deficit and an increase in the tax burden. An average surplus of R\$403 million in 1997 and 1998 was reversed to an average deficit of R\$670 million in 1999 and 2000. Tax collections increased from 5.89 per cent of GDP in 1998 to 6.91 per cent in 2000. Critics of the PB might argue that these results indicate that the PB decreases societal control over the state, though the increased tax share of GDP was probably more the effect of a PT policy that cracks down on tax evasion and that eschews privatisation.

Figure 3.1 Taxes as a percentage of GDP at current market prices



Efficiency goals differ from control goals in focusing on the role of the budget in promoting rational-legal administration in the Weberian sense. For example, in an efficient government, each organ of government receives only the funds it requires and the total amount of funds are allocated to best achieve general objectives.¹² In the United States, budgeting institutions were created that prioritised efficiency in the production of public services, such as the General Accounting Office and the Congressional Budget Office (Mosher 1984).

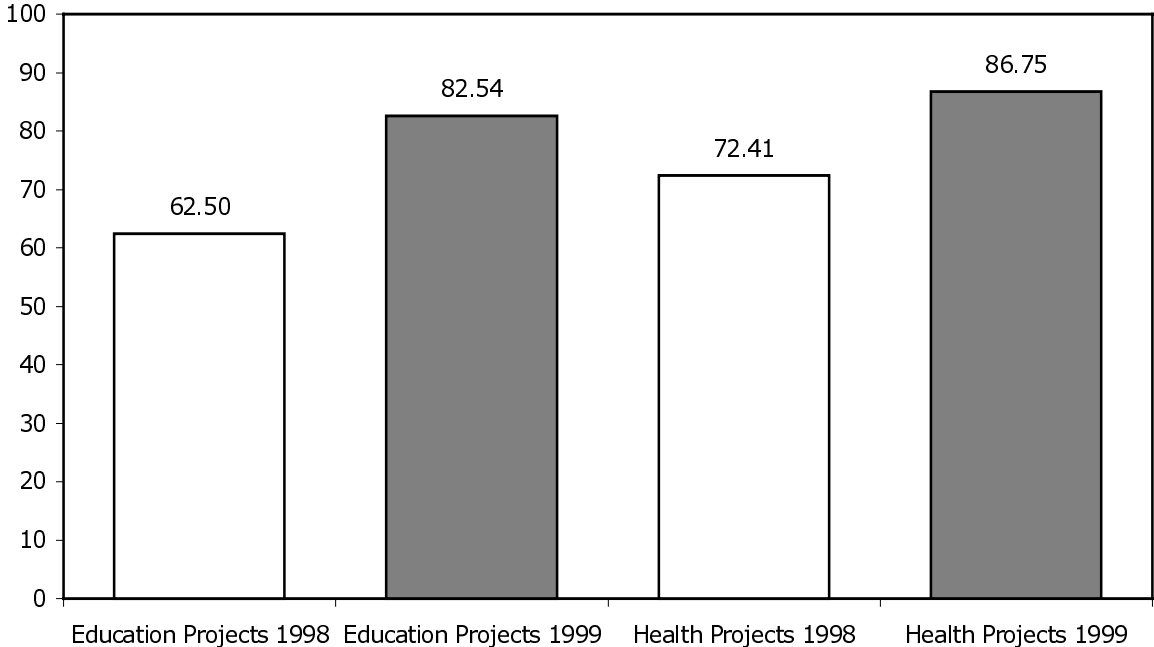
¹⁰ In terms of the physical design of the budget, a budget oriented towards control might categorise ‘things’ the government will purchase, listing their cost such that society and its representatives in the legislature can limit government expenditures to those specific items named (Schick 1969).

¹¹ Alesina, Hausmann, Hommes and Stein (1996) argue that control is most efficiently exercised by budgeting institutions that centralise power.

¹² A budget oriented towards efficiency might be categorised according to agencies or branches of government, allowing society and its representatives to use the budget to manage and evaluate the administrative structure of government (Schick 1969).

Though it is difficult to measure efficiency, one indication is whether the PB process allocated sufficient funds across organs to enact the projects they were meant to implement. This is especially difficult under conditions of economic uncertainty, when the government does not always know if it will be able to collect the funds it has budgeted. In 2000, for example, the government was able to outlay an average of 88.5 per cent of the funds each organ had been allocated. Nevertheless, in the critical areas of health and education, government efficiency improved after the PB had begun. Education projects completed in 1999 were 82.54 per cent of those budgeted as compared to 62.50 per cent in 1998: health projects completed in 1999 were 86.75 per cent of those budgeted compared to 72.41 per cent in 1998 (Tribunal de Contas 2000: 298, 301; Tribunal de Contas 1999: 346, 349). It would appear that the PB process in that year did not hurt efficiency, and might even have improved it.

Figure 3.2 Health and education – per cent of projects completed



The final goal public policy literature associates with budgets is planning, in which budgets are a tool to achieve the objectives of society over time. Planning suggests that budgets should somehow help to equilibrate the actions of government to desired policy outcomes, and should do so for an extended period. In the 1960s, the practice of Planning-Programming Budgeting that began in the U.S. was internationally disseminated to include goal-setting and evaluation of the budget process.¹³

Some might argue that PB will damage capacity to plan by fragmenting state decisions into a series of regional choices. There is little guarantee that isolated decisions made in multiple jurisdictions will

¹³ A budget oriented towards planning might be categorised by policy outcome, naming government actions that address the policy area, the programmes that organise those actions, the agency or bureaucracy that implement them, and the measurable results that will be used to evaluate the impact (Schick 1969).

aggregate into a coherent plan at the state level. Of course, there are many ways in which a plan can go awry, including fiscal surprises such as economic downturns, inflation, or projects that surpass their expected cost. Still, the PB appears to have actually increased the planning capacity of the state. The PB process produced a budget that included more accurate estimates of receipts, and the state spent an amount that was closer to planned expenses (see Figures 3.3 and 3.4). One explanation for why the PB contributes to planning could be because it opens decision-making to more discussion before any investment is approved and creates mechanisms that society can use to hold the executive accountable for any proposed investments that fail to be implemented. Effective planning under the PB process appears even more impressive when one considers the change in resources available. Before 1999, privatisation gave the government significant extra resources with which to attain budgeted goals. After 1999, the Workers' Party refused to privatise and was faced with a much tighter budget constraint, but was still able to stay remarkably close to budgeted goals.

Figure 3.3 Amount received as per cent of planned receipts

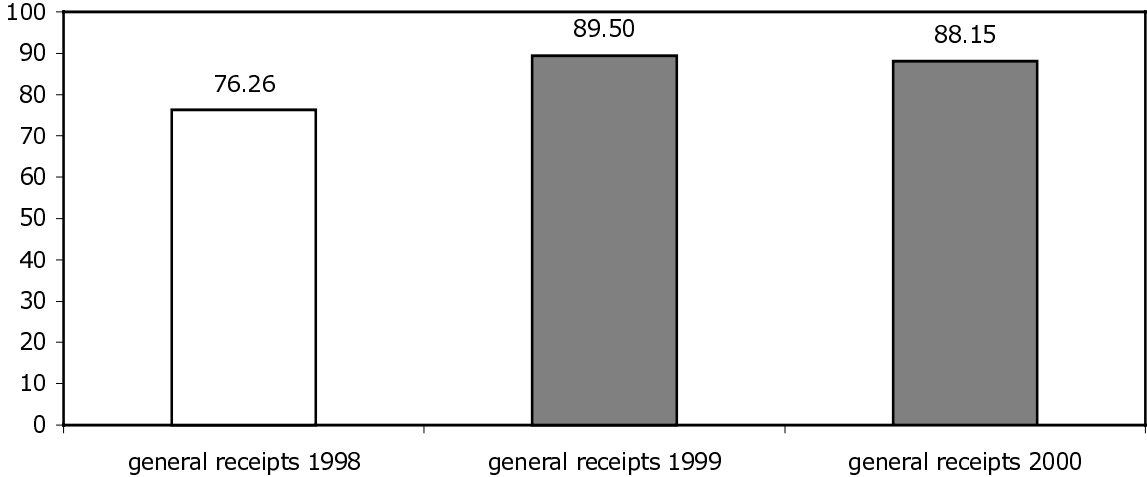
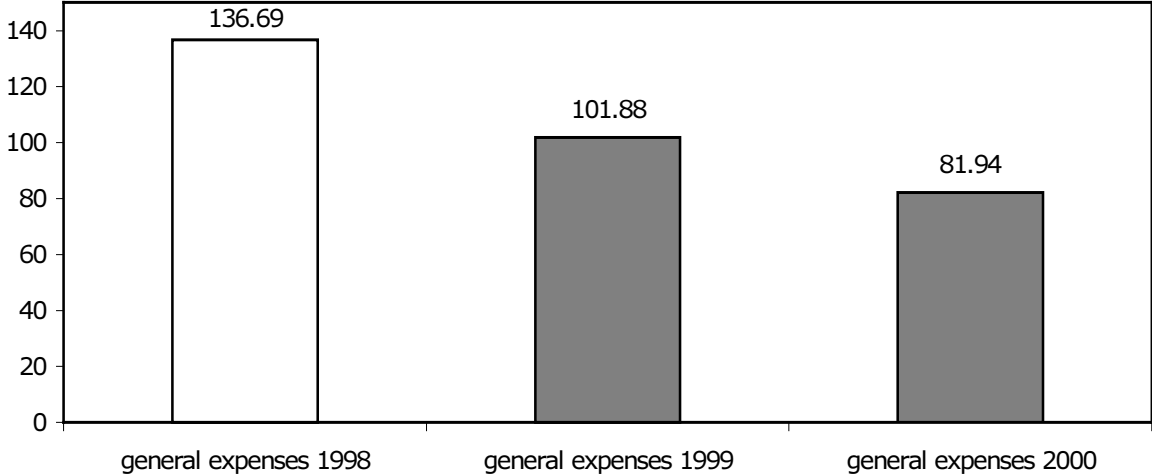


Figure 3.4 Amount spent as percentage of planned expenditures



4 The political project approach: participatory democracy and redistribution through participatory budgeting

Traditional public policy and political science approaches to budgeting shed light on some of the ways in which PB has changed the use of resources but do not capture the political project that PB both exemplifies and advances. Participatory budgeting articulates first and foremost the political project of excluded groups who seek to promote a popular vision of democracy and development. Through the PB, they seek to expand their alliances and legitimate their vision, and they must contend with an opposing class coalition that advances a decidedly narrow version of democracy and a neo-liberal vision of development. Their opponents are dominant at the national level and powerful within the state of Rio Grande do Sul, but the PB has been incredibly successful at exemplifying and solidifying lower class visions of democracy and development.

The PB advances a political project that includes a popular vision of democracy and a redistributive approach to development. Four components of the PB advance this project: (1) Partisan Competition, (2) Participatory Democracy, (3) Class Struggle, and (4) Legitimation.

4.1 Partisan competition

The budget provides an opportunity to channel benefits to political allies while shifting costs to political opponents, which makes the introduction of the PB a unique opportunity to influence partisan competition.¹⁴ In advancing an alternative vision of democracy and development, lower class groups must overcome fierce opposition from those who were able to capture benefits in previous budgeting institutions. As the discussion of the difficulty of putting the PB in place demonstrated, opposing interests and their leaders fought hard to block the PB in the legislature, in the courts, and in civil society. Once in place, however, PB provided a useful source of electoral and institutional support. For example, by giving lower class groups a chance to participate, the PB in Porto Alegre solidified lower class support for the Worker's Party. In addition, by using PB to make their administration more transparent and responsive to demands from multiple strata of society, the PB enabled the Workers' Party to expand its base to middle-class and upper-class voters who disapproved of corruption and waste. In the 1998 elections, the PT received over 80 per cent of the vote for governor in the capital city, a clear indication that multiple strata of society were willing to support the Workers' Party. At the state level, there is evidence that a similar process is occurring, as support for the Workers' Party has spread as the PB has been put in place. In the municipal elections of 2000, the PT was the party that gained the most electors compared to their 1996 performance.

¹⁴ This has been the crux of debate in political science, where observers have argued that budgets serve to build political support. Some focus on executives, who attempt to use the budget to cause economic upswings prior to elections (Roubini and Sachs 1989; Edin and Ohlsson 1991; Roubini 1991; Drazen and Grilli 1993; Alesina and Perotti 1995). Others focus on bureaucrats, who build ties to civil society actors and politicians to secure larger agency allocations (Niskanen 1971; Buchanan and Wagner 1977; Buchanan 1987). Others focus on legislators, who seek pork-barrel benefits for constituents (Arrow 1951; Shepsle 1989; 1986; Ellwood 1982; Ferejohn and Krehbiel 1987).

At the same time, PB also served to diminish the power of partisan rivals who held power in other branches of government. The Workers' Party has never held a majority in either the Porto Alegre or Rio Grande do Sul legislatures, and partisan competitors have often used their majority in the legislative branch to block Workers' Party initiatives. The PB neutralises this source of opposition, however, by stamping the budget with popular approval and increasing the power of the executive branch with respect to the legislature. In addition, members of the bureaucracy left over from previous administrations are forced to incorporate the priorities of the PB process into their administrative routines.

Ultimately, the PB has been successful in weakening opposition bases of power in the legislature. One example is in the number of amendments presented by the legislature. In 1997, legislators demonstrated their power vis a vis the executive by offering over 17 thousand amendments to the budget. In 1999, the first year of the PB, legislators offered only 1099 (Souza 2000: 6).

4.2 Participatory democracy

The PB has done more than simply expand the political power of lower class groups; PB exemplifies and advances a novel vision of popular democracy in which citizens participate directly in decision-making. Popular actors are invited into the budget process, and their participation has a direct impact on the allocation of resources.¹⁵

The degree of popular democracy seems even more striking when one considers the narrow, autocratic process that was in place before PB (Giacamoni 1997). Before, the executive branch budgeted with little input from society or the legislature, except for a few legislative amendments meant to benefit narrow groups of political supporters (Schneider 2001: chapter 3). PB allows new actors into government decision-making, and forces old actors to respond to demands that are more representative than a few powerful lobbies and important electoral constituencies. One example of the change PB has brought to democratic practice is in the extent of participation. By its third year of existence, PB has increased to 281 thousand participants, a total of 10.5 per cent of the electorate.

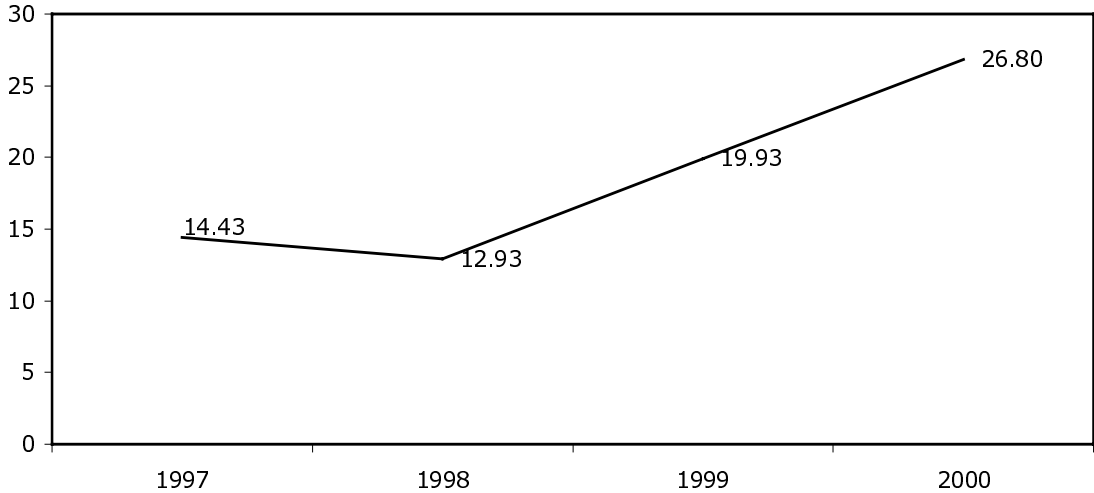
4.3 Redistributive development

The significance of PB in advancing a novel view of democracy is only part of the story; it also advances the class interests of the poor and the working class. These groups have an interest in a model of development in which the state plays an active role in providing services and redistributing wealth. Such an approach to development stands in opposition to the model that operates at the national level, where government has prioritised macroeconomic stability and structural adjustment. At the national level, lower class groups have been unable to advance a redistributive development model, but PB gives them an avenue at the state level.

¹⁵ There are representative elements in participatory budgeting, and there are limitations on the amount of money and portions of the budget that are opened to popular discussion. Still, elements of direct democracy are a defining element of the participatory budgeting structure.

By opening budgeting to popular consultation and making decisions according to majority vote, PB gives organised groups in society an opportunity to voice their demands. It is not uncommon for civil society leaders linked to the Workers' Party to dominate PB proceedings, and, as a result, they have been successful in imposing a progressive agenda on some aspects of state services. In 1997 and 1998, spending on progressive functions was 14.4 and 12.9 per cent of total spending. In 1999 and 2000, such spending rose to 19.9 and 26.8 per cent.

Figure 4.1 Progressive spending as % of total: education, health, sanitation, housing



4.4 Legitimation

One of the most important contributions of PB is to legitimate these popular visions of democracy and redistributive visions of development. Lower class groups and their leaders are the base of the Workers' Party, but to win power and keep it, these groups have to convince others in society to accept their vision of participatory democracy and redistribution.

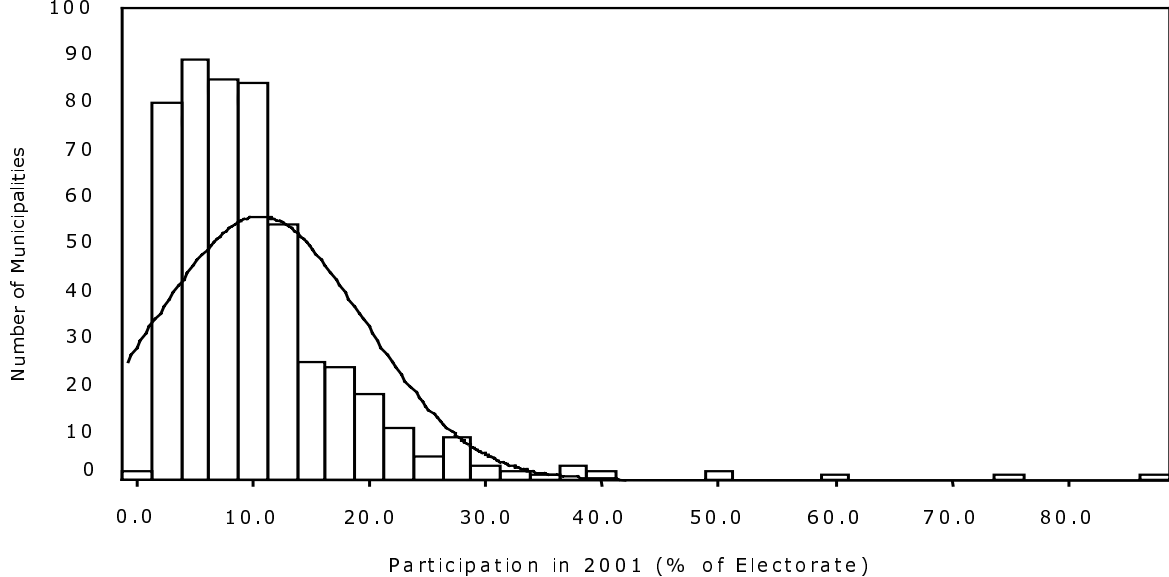
Two elements of PB have expanded support for these visions to outside groups: the PB emphasis on good government and its openness. Because the PB includes transparency and efficiency elements, it offers benefits to middle class groups who might otherwise oppose the lower class project. More importantly, the openness of the PB process prevents these same potential opposition groups from claiming to have been excluded from the process. Opponents who wish to advance an alternative political project must do so within the PB structure, where decisions about development policy are made.

5 Looking for the political project in the PB: participatory democracy and redistributive development

The PB process is the mechanism that the Workers' Party uses to implement and legitimise their version of democracy and development. Our interviews suggest that prior experience in Porto Alegre and powerful social movement allies helped the Workers' Party to overcome opposition and adapt the PB

process to the scale necessary for the state level. The PB's success in attracting participants was not uniform in all parts of the state, however. As the histogram shows, the rate of participation in PB assemblies ranged from 0.81 per cent of the electorate to 88 per cent.

Figure 5.1 Per cent participation in PB 2001



As noted above, theories of participatory democracy suggest that participation is easier among smaller groups. The current approach brings in another, and we think more important, dimension. PB is more than simply a mechanism of participation; it is an alternative vision of democracy advanced by a specific group seeking to solidify and expand its base of support through a novel and innovative budgeting institution. If this framework is correct, participation in the PB process will depend more on the level of support for the PT and the size of its particular support base than on the variables proposed by traditional participatory democratic theory. In addition, the distribution of resources through the PB will favour municipalities that house Workers' Party supporters and municipalities where they would like to expand their base.

To test these hypotheses about participation, data was collected from each of the municipalities in Rio Grande do Sul. The dependent variable, participation in the PB, was measured as the percentage of the electorate that participated in the PB process during 2001 in designing the 2002 budget. The first hypothesis was that participation is inversely related to the size of the participatory group, measured by the population of the municipality. The second hypothesis was that participation increases with levels of education in the population, indicated by a higher percentage of voters who are literate. Finally, the principle hypothesis is that participation depends on the support of the group seeking to implement an alternative vision of participatory democracy, measured by the percentage of the electorate that registered as a Workers' Party member in 2000. Two variables that indicate levels of municipal development, income

per capita and contribution of municipal industry to the state product, were included to control for differences in the determinants of participation in municipalities of different economic characteristics.¹⁶ The statistical impact of the explanatory variables was tested using linear regression.

Table 5.1 PT political supporters and PB participation

Variable	Coefficient (Standard Error)
Constant	11.623*** (1.611)
Income Per Capita	7.178E-05 (0.000)
Industry as Per cent of GDP	-0.115*** (0.026)
Municipal Population (10,000)	-0.166** (0.054)
Per cent of the Electorate Illiterate	-0.255*** (0.123)
PT Members as Per centage of the Electorate	1.054*** (0.282)

R Squared: 0.129
Valid N: 465

Table 5.1 displays the regression coefficients for each of the explanatory variables and the standard errors, and shows that the PB was a political project aimed at introducing a novel vision of participatory democracy. The other explanations were not as statistically significant. The impact of development on participation remains somewhat unclear. Measured simply as per capita income, there was no statistical significance to the relationship between development and participation. However, although the level of development as indicated by the contribution of industry to gross income was statistically significant, its effect was opposite to the predicted direction: every unit increase in industry as a per cent of GDP corresponded to a 0.12 per cent drop in participation. One explanation for this outcome could be that this indicator was picking up part of the impact of the Workers’ Party supporters. As noted above, some of the most active PB participants have been members of the highly organised, rural workers movement, the MST, who largely reside in the more agricultural municipalities.¹⁷

¹⁶ The data forced two exceptions to standard practice. First, analysis excluded one case on the basis of its score on the income per capita variable. Triunfo has a per capita income that is more than 20 standard deviations from the mean of the rest of the state. In addition, the analysis makes use of municipal level on participation, despite the likely problems of ecological inference.

¹⁷ When the same regression was run using agriculture as a percentage of GDP as an explanatory variable, there was a positive and statistically significant relationship between agriculture share of GDP and levels of participation.

There was support for the hypothesis that collective action constraints make participation in larger groups more difficult. The size of the municipal population was statistically significant and in the predicted direction; every 10,000 person increase in municipal population corresponded to a 0.17 per cent drop in participation. There was also support for the hypothesis that municipalities with lower levels of education would show lower levels of participation. A percentage increase in the illiterate portion of the electorate corresponded to a decrease of 0.26 per cent in the per cent of participation.

The principle hypothesis about the unique political project of the Workers' Party appears to be supported by the regression results. Workers' Party support, measured in the percentage of the electorate registered as PT, was statistically and substantively significant. Every percentage increase in Workers' Party membership corresponded to an almost equivalent (1.05 per cent) increase in PB participation. These results confirm the notion that the PB is part of an alternative vision of democracy, in which previously excluded social actors gain an opportunity to participate.

Of course, these results only confirm the existence of part of the lower class political project. The activism of core Workers' Party supporters has obviously been essential to defend and legitimate the lower class project in the face of opposition and to extend the scope of democratic practice. It remains to be demonstrated that the PB was also effective at providing incentives for potential opponents to support the lower class project and in promoting a redistributive vision of development. Using data from each municipality from the year 2000, the results of a second regression analysis demonstrates that the lower class political project sought to encourage supporters, incorporate potential opponents, and advance a redistributive development strategy.

To measure the impact of the PB, the analysis measured invested amounts per capita in each municipality. The vagaries of Brazilian budgeting include several stages between approving a budget and spending the money, and here, the strictest criteria were applied to measuring investments. Only projects in which the sum of money had been spent were counted. Approved projects, projects under technical analysis, projects under contract, and projects in process were not counted, as the state could have reneged at any stage prior to payment.¹⁸

Table 5.2 displays the regression coefficients for each of the explanatory variables and the standard errors and shows that the PB process generated expenditures that were likely to encourage supporters, incorporate potential opponents, and promote redistribution. Municipalities in which more of the electorate participated in the PB process were rewarded with approximately \$R0.71 per capita more in investments spent for each percentage increase in participation. This correlation suggests that the PB has built-in mechanisms to encourage citizens to become further involved.

¹⁸ As noted above, the PB process has improved planning, and projects have not been cancelled at anything near the rate of past governments. No doubt the openness of the PB process makes it particularly embarrassing for a government to renege on promises to constituents or service providers. Nevertheless, it seems only fair to use the strictest judgement for the PB, which is likely to be what its opponents use.

Table 5.2 The PT political project and investments per capita

Variable	Coefficient (Standard Error)
Constant	110.538*** (17.552)
Per cent Participation in the PB	0.709* (0.356)
PT Members as a Percentage of the Electorate	5.427** (1.877)
Vote for PT in 1998	-0.471** (0.239)
Income per Capita	1.989E-03** (0.001)
Social Indicators Index	-185.243*** (39.653)

R Squared: 0.135

Valid N: 421

Rewarding municipalities with higher participation was also a means to solidify the allegiance of core supporters. As Table 5.1 showed, municipalities with higher participation were also the ones with more Workers' Party members. Table 5.2 gives further evidence. A higher percentage of Workers' Party members earned municipalities a full R\$5.43 per capita increase in investment money paid for each percentage of the electorate registered as PT. In short, the PB targeted money to the core of the Workers' Party.

At the same time, the PB sought to incorporate constituencies that were potential opponents to the Workers' Party. Though they may have had more Workers' Party members, municipalities that were already voting for the PT in the 1998 Governor race actually received less, by R\$0.47 per capita. This suggests that even though the PB had mechanisms to encourage core supporters, it also included incentives to potential opponents to attempt to bring them into the fold. As further evidence, municipalities in which incomes per capita were higher, i.e. there were fewer lower class voters, on average, received more investment money. For every R\$1000 more income per capita, R\$1.99 more was spent per capita.

Finally, the money invested through the PB gave substantive expression to a lower class redistributive development. Municipalities were ranked on a zero to one scale on a social index that combined education, health, and income indices. For every 0.10 drop in the social indicators index, municipalities received an extra R\$18.52 in investment money. In short, the PB redistributed funds to municipalities that lacked basic services.

6 Conclusions

When the Workers' Party came to power in Rio Grande do Sul in 1999, they sought to advance a lower class political project that included a participatory vision of democracy and a redistributive model of development. One of the chief mechanisms to consolidate that project was the institutional innovation of participatory budgeting. PB solidified the core electoral base of the Workers' Party while expanding into the bases of their opponents. In addition, PB introduced participatory mechanisms of democratic decision-making, and produced investment decisions that advanced a development model with important redistributive elements. Political opponents tied to conservative visions of democracy and development recognised the threat to their power, and attempted to derail PB, but powerful social movement allies and the experience of PB in Porto Alegre provided protection. In part, the future success of the lower class political project may well depend on the consolidation and reproduction of PB institutions in Rio Grande do Sul and elsewhere.

More generally, the experience of participatory budgeting in Rio Grande do Sul contradicts some accepted wisdom within theories of participation and theories of budgeting. First, participatory democracy appears to be both possible and advantageous in large groups. Second, participation does not necessarily imply a loss of capacity to operate efficiently and plan effectively. Third, budgeting institutions can be understood as part of a more general political project to exemplify and advance class interests in participatory forms of democracy and redistributive models of development.

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