

Assessment of Participatory Budgeting in Brazil



DOCUMENT - ANNEXES - CD-ROM

**Harvard University
Graduate School of Design
Center for Urban Development Studies**

This study is based on research undertaken by the Center for Urban Development Studies on participatory budgeting in Brazil as part of its continuing documentation and case study preparation on participatory processes in urban planning and management.

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Front Cover Image: Santo André, Plenary Meeting.

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LIST OF ABBREVIATIONS

AEIS	“Areas de Especial Interests” is the Portuguese planning term for areas of special social interest.
CBO	Community Based Organizations.
COMFORÇA	Belo Horizonte’s regional commissions for OP Forums.
COP	“Conselho do Orcamento Participativo” is the Portuguese term for Participatory Budget Council.
CRC	Porto Alegre’s municipal department of Community Relations.
CUDS	Center of Urban Development Studies at the Graduate School of Design – Harvard University
FEE	“Fundação de Economia e Estatística” is the Portuguese term for Foundation for Economics and Statistics.
GAPLAN	Porto Alegre’s municipal department of Planning and Budgeting.
GDP	Gross Domestic Product.
IBGE	“Instituto Brasileiro de Geografia e Estatística” is the Brazilian Institute of Geography and Statistics.
ISMA	“Índice Social Municipal Ampliado” is the Portuguese term for Amplified Municipal Social Index.
MDG	Millennium Development Goals.
MST	“Movimento dos Sem Terra” is the Portuguese term for Landless Owner Organization.
MSC	“Movimento dos Sem Casas” is the Portuguese term for Homeless Organization.
NGO	Non Governmental Organization.
OP	“Orcamento Participativo” is the Portuguese term for Participatory Budget.
OPH	“Orcamento Participativo da Habitação” is the Portuguese term for Housing Participatory Budget.
PT	“Partido dos Trabalhadores” is the Portuguese term for the Workers Political Party.
SEHAB	“Secretaria da Habitação e Desenvolvimento Urbano” is the Portuguese term of São Paulo’s Municipal Secretariat for Housing and Urban Development.
SMA	“Secretaria de Meio Ambiente” is the Portuguese term of São Paulo’s Municipal Secretariat of Environment.
SMHAB	“Secretaria Municipal de Habitação” is the Portuguese term of Belo Horizonte’s Municipal Housing Secretariat.

1.0 EXECUTIVE SUMMARY

The main objective of the study is to assess the extent to which participatory budgeting (OP)¹ is fostering the efficient and democratic allocation of resources and citizen involvement in the planning and management of their localities. The report draws upon extensive field research undertaken by the Center for Urban Development Studies in: Porto Alegre (population 1.3 million), the initiator of the OP in 1989; Gravataí (population 230,000), an industrial city in the Porto Alegre metropolitan area; Caxias do Sul (population 360,000) an urban center in a predominately rural area; Belo Horizonte (population 2.1 million), which implemented the first participatory housing budget (OPH); Santo André, (population 650,000), in the São Paulo metropolitan region, the city which has interlinked its participatory planning and budgeting processes; and, Rio Grande do Sul (population 10.2 million), the only state to have successfully implemented participatory budgeting.

Institutional Context

The 1988 constitution defined Brazilian municipalities' as federal entities and stipulated their share of the national tax receipts. Dynamic mayors used their new constitutional authority to institute reforms and innovate in areas critical to sound municipal governance: primarily participatory planning and management, and partnerships with private enterprise and NGOs for economic and social development initiatives.

Successive constitutional amendments reformed state and local governance, culminating in the Law on Fiscal Responsibility (Supplementary Law 101 of May 4th, 2000). Its purpose was to introduce responsibility and transparency in public finance at all levels of government through control of excessive and recurrent deficits, sound management of public debts, stable tax policies and public access to fiscal and budget information. "The Statute of the City" (Law 10.257 of July 10, 2001) established general directives for urban policies and mandated the regularization of informal settlements and the upgrading of areas occupied by lower income communities. Most recently, in April 2003, President Lula announced a new housing fund of R\$ 5.3 billion (US\$ 1,588,776,642)² to fund new housing constructions for lower income families, upgrading of favelas, and related municipal programs. It will also provide credit for housing construction and improvement. Simultaneously, the financing provided by the Caixa is to be reoriented to cover social projects as well as economic development projects.

Emergence and Spread of Participatory Budgeting

The requirement of popular participation in local decision-making prompted municipalities to experiment with citizen participation, ranging from the presentation of budget proposals for public comment to the actual involvement in decision-making of delegates representing individual sub-areas the municipality. Participatory budgeting was first instituted by the city of Porto Alegre in 1989, and gave this city international recognition as a leader in democracy transparency and accountability in local governance. The concept, spread rather cautiously at first, but has expanded rapidly since 1996 and is now adopted by about 180

¹ The Portuguese term for Participatory Budget is "Orçamento Participativo".

² The foreign currency rate exchanges for values from 1994 to 2003 are detailed in Annex IV, and the source is the Banco Central do Brasil's web site www.bcb.gov.br.

Brazilian Municipalities.³ The OP has also spread beyond Brazil in Latin America to cities in Argentina, Uruguay, Peru, Ecuador, Colombia, Bolivia, Mexico and Chile. More recently, cities in other parts of the world are also experimenting with adapting the process to their own situation.

Key Features of the Participatory Budget (OP) Process

The OP process allows each sub-area to have a voice in the annual allocation of capital investments. It entails a delegation of the statutory powers of the executive branch of local governments and is initiated by the Mayor. There is no similar delegation of authority from the legislative branch since the city council remains the body holding the statutory authority to approve the municipal budget prepared by the executive branch and submit it to the Ministry of Finance.

- **The Annual Report on the Budget (Prestação de Contas).** The OP requires municipal officials to report on what has been accomplished with the previous year's budget. Either in the plenaries or in the forums, or both, estimates of revenues and expenditures for the upcoming year are presented and the budget envelope for capital investments defined. These features allow some public scrutiny of the total budget.
- **The OP Rules and Cycle.** The OP ensures direct popular participation through voting at the plenaries to select priorities for investments and elect representatives on the forum and the OP council. It is structured to ensure transparency and objectivity through an open voting system and the use of quantitative criteria at every step leading to the budget allocation.

Popular assemblies are the corner stone of the OP. Each year, over a four-month period, citizens, area representatives and delegates from local community-based organizations and NGOs meet with public officials to determine investment priorities. From March through April, a series of preparatory meetings are held to review the implementation of the previous year's allocations, and the technical and general criteria for the allocation of funds. From April through early June, regional and thematic assemblies are held to vote on thematic priorities and elect representatives to a Forum of Delegates and Municipal OP Council.

In June, the Forum reviews the city administration's projections of revenues and expenditures for the next fiscal year, visit sites that have been identified for capital improvements and prioritize the investments requested under each theme. In July, the rank-ordered proposed projects are submitted to the city executive. The City OP Council (COP) then takes over and has the responsibility of harmonizing the proposed investments and the city's own requests. By September, the investment budget is voted upon and submitted to the Mayor and City Council.

The OP process covers all capital investments, which range from 5% to 15% of the total budget. There is some flexibility built in the OP process since the rules (Regimento interno) can be amended in response to requests and proposals made during the plenaries and forums.

- **The State Level OP Process: the Experience of Rio Grande do Sul.** The State of Rio Grande do Sul, with a population of 10 million, is the only state in Brazil to have successfully

³ The Forum Nacional de Participação Popular has, just completed (2003) a review of the OP in 103 municipalities in Brazil from 1997 to 2000. This overview complements the present study, which is based on an in-depth review of the experience of a State and five municipalities.

implemented participatory budgeting. The OP process is similar in structure but very different in scale as the state is divided into 23 planning regions (*corredes*) and includes no less than 497 municipalities. Public Assemblies are held in each region and municipality. The allocation criteria favored the smaller settlements to ensure adequate representation of the population in rural areas.

The Office of Community Relations estimates that a cumulative total of 1.2 million people participated in the OP over the four years, 1999-2002, including 12% of the gaúcha population mostly in the rural areas and small towns. The share of the state's capital budget that each of the 497 municipalities can get is small. Rural programs and the provision of inter-regional public facilities are seen as the state's most important contributions.

The Social Dimension of the OP

The OP is primarily an instrument of empowerment and social inclusion. Viewed in this light: participation and social impact are the most important dimensions.

- **Participation.** At the municipal level, attendance patterns have grown steadily over the years, somewhat slowly at first then at a faster rate, as the importance of participation became evident to a wider spectrum of the population. There are notable differences in the participation rates of different socioeconomic groups.

Taking the OP to the community level has allowed poorer segments of the population to be part of the decision making process. It has also allowed more women to participate since they tend to avoid meetings away from their communities. This tendency was best illustrated by attendance records at the state OP of Rio Grande do Sul, where in 2002, women represented 44% of participants in municipal assemblies, 36% in the regional forums, and less than 17% at the council meetings. The cost of attending OP sessions is significant for lower income citizens in terms of direct expenses mainly transportation, and the opportunity cost of the time spent. In Porto Alegre in 2002 the lowest 20th percentile of the population accounted for 30% of the participants in the plenaries, less than 20% in the forum of delegates, and approximately 15% in the OP Council; hence the importance of the micro-regional plenaries.

Lower-income communities coordinate their action to ensure that their demands are included in the list of funding requests. The participation of middle-income groups in the OP process has grown steadily, spearheaded by individuals and groups active in social movements and organizations affiliated with the *Partido dos Trabalhadores*. In contrast, upper-income groups typically do not attend meetings, probably due to a combination of social distance and lack of pressing needs.

The opportunity to participate in decisions regarding the allocation of public funds for projects has fostered a shift in the local political culture from confrontational tactics and corrupt political bargaining to constructive debate and civic engagement in governance. It has triggered changes in the relations between the poor and their municipality as each side develops a better understanding of needs, constraints and mutual roles and responsibilities.

Priorities for investments are selected during the regional and thematic plenaries in accordance with the overall number of votes cast for each theme, and the three highest scores determine the thematic priorities for the whole jurisdiction. Even though different priorities are

expressed in each OP cycle, recurring themes are evident in the consistent ranking of “*housing*,” “*education*,” “*street paving*,” and “*basic sanitation*” among the top priorities. At the state level, “*agriculture*,” “*education*” and “*transportation*” emerged as consensus investment priorities.

- **Investment in Lower Income Areas.** In all municipalities reviewed, the proportion of investments serving lower income communities has increased. The location of projects is related to participation which in turn is related to household income. Mapping statistical information from Porto Alegre, Santo Andre, Caxias do Sul, and Rio Grande do Sul confirms these correlations. It highlights the impact of the OP’s participation rules and resource allocation criteria on empowerment, social needs and redistribution in a region and a country where income disparities are large and the gap is growing.

- **Impact on Unplanned Urbanization: the Experiences of Participatory Housing Budgets.** Belo Horizonte has a special participatory process for its housing programs. This OPH runs in parallel and interlinks with the OP. Integrating the MSC social movement as a key partner in the housing delivery system has led to constructive cooperation and a better understanding of options and financial constraints. The process is open and transparent and participation gives access to home ownership albeit with some delay. It is worthy note that land invasions have declined precipitously, and there have been no land invasions during the past 3 years.

In 2000 the city of São Paulo instituted a participatory housing budget. The Secretariat for Housing and Urban Development (SEHAB), manages this demanding task. São Paulo’s OPH is similar in structure to Belo Horizonte’s but adapted to the scale of a megacity. In addition to working on slum upgrading in 30 slums, SEHAB is implementing approximately 31,000 housing units. In 2002 the city council approved an amendment proposed by SEHAB, to increase the representation of civil society on the Council and give a greater voice to social movements as a way to increase outreach efforts to expand participation to lower income communities. Integrating the social movement as full partners in the OPH process on equal footing with the municipality and other civil society organizations has already boosted participation in the 2003 plenaries.

Criteria, Indicators and Formulas for the Allocation of Capital Investment Resources

The OP has opted for transparency, objectivity and relevance in its quest to engage citizens in local governance. The resource allocation process has made it a rule that only quantifiable criteria and indicators are used.

- **Allocation Procedures: General Criteria and Formulas.** Allocation procedures differ slightly among municipalities, but are generally based on a two-step process. The capital investments are allocated among thematic categories for both developments programs and works and services projects in accordance with the popular vote at the regional plenaries. The resources under each thematic category are then allocated among the different sub-areas in the municipality according to a formula combining voting patterns and indicators of deficiency in infrastructure and services.

The OP resource allocation procedures ensure that most budget categories receive resources to meet the highest priority needs of the citizens. In general, the apportionment of the budget among thematic categories is rather complex and is not well understood outside the

departments most directly involved in the OP. At the state level, the resource allocation process has to balance between urban and rural interests and the criteria clearly favor smaller size communities.

- **Technical Criteria, and Indicators of Deficiencies in Infrastructure and Services.** Technical criteria for each thematic category and subcategory give the different guidelines, regulations and requirements, including urban development standards that must be met in order for a project to be submitted for OP funding. In addition to documentation and demonstration of need, demands must secure the approval of concerned local agencies, departments, commissions and councils.

In the quest for comprehensiveness, the formulas for the computation of deficiency can become cumbersome and overly complicated. Despite its complexity, the workings of the OP are well understood by professionals, technical staff, and civic group leaders. Other participants comprehend the gist of the allocation process. They appreciate the transparency and objectivity of the quantitative indicators and formulas, which are rarely discussed and hardly ever challenged.

Reliance on national statistics helps address questions of robustness. Whether the selected indicators provide the best measurements is another issue. As long as participants feel that the indicators are relevant to local concerns and meaningful to their communities and that the rules are fair, they accept them. The benefits of popular participation in local governance far outweigh any lack of scientific rigor in the methodology.

Concluding Remarks

Participatory planning and management processes in local governance are a precondition to the success of social inclusion strategies of which poverty alleviation is a key component. The OP has proven to be a more versatile and flexible instrument than originally envisaged by both proponents and opponents. It has offered the poor and the marginalized an unprecedented opportunity to participate in local governance without preempting the statutory powers of elected representatives or the executive authority of municipal officials. The popular response is a clear testimony to the significance that social inclusion and citizenship can make to the lives of previously disenfranchised populations.

An economic assessment comparing the OP to traditional budgeting processes would require a costly and time consuming effort clearly beyond the scope of this brief assessment report. Such a study is technically feasible but its practical relevance should be questioned. In many ways, appraising the OP by the standard techniques of economic analysis would fail to capture the multifaceted impacts of a system that is primarily an instrument of empowerment. Irrespective of the detailed methodology used, the assessment will depend on the value attached to social inclusion versus other development goals.

The fundamental premise of the World Summit on Sustainable Development is that social equity and inclusion are preconditions to sustainable global development. This premise is reaffirmed by the commitment to the targets of the Millennium Development Goals. Participatory budgeting contributes towards several of these goals and on that account offers a model worthwhile instituting.

The OP has not implied a dilution of responsibility for budgetary planning, management and control. Municipalities play a major role. They can and do get all important funding requests approved through the OP, even in the face of tight budgets and urgent demands by organized social movements and community groups. As the scale of the operation expands with the size of the city, there is a significant but manageable cost to institute and implement the OP. Assessment of feasibility depends on the value placed on empowerment and participatory local governance. It is primarily a political decision because the constraint on successful implementation is institutional capacity rather than costs per se.

Participants in the OP include the leadership that shapes popular opinion, drives the social agenda and mobilizes communities. Hence the important practical dimension of the OP as a partnership building process rather than an expedient electoral strategy.

2.0 INTRODUCTION

The main objective of the study is to assess the extent to which participatory budgeting (OP)⁴ is fostering the efficient and democratic allocation of resources and citizen involvement in the planning and management of their localities. The study addresses the following topics:

- The participatory budget process, its organization and the activities occurring in the different phases.
- The results of participatory budgeting in selected local governments of different level and size focusing on the impact of project prioritization and resource allocation criteria.
- The institutional effort involved in the organization and management of the OP.
- Factors contributing to the success of the OP with special emphasis on the participation of lower income groups and women.

The report draws upon extensive field research undertaken by the Center for Urban Development Studies in several municipalities and the State of Rio Grande do Sul in 2001 and 2002. The field trips provided an opportunity to interact with mayors, local officials and civic leaders, as well as community groups and citizens at the OP meetings and in the different project areas we visited. Discussions with NGOs, social movements and community groups helped to assess the impact of participation on raising awareness of citywide issues, fostering civic involvement and empowering poorer populations, particularly women and youth.

Discussions with municipal officials in charge of the OP helped to clarify the challenges of managing the OP process, the manner in which the municipality seeks to foster participation and the ways by which it ensures the incorporation of the projects deemed particularly important for local economic and social development.

The detailed information from the following local governments was considered to be the most pertinent for the purpose of this report.

- Rio Grande do Sul. (Population: 10.2 million). The only state having instituted a participatory budget, it provides a unique opportunity to examine the challenges involved in organizing and implementing popular participation at the regional level. The scale of the operation is daunting and the impact potentially far reaching.
- Porto Alegre. (Population: 1.3 million). The city which first developed and institutionalized the participatory budget, it provides a rich experience going back 13 years.
- Gravitai. (Population: 230,000). A town located on the transport corridor leading to the Porto Alegre industrial zone.
- Caxias do Sul. (Population: 360,000). A medium sized urban center in a predominantly rural area further out from the metropolitan zone.
- Belo Horizonte. (Population: 2.1 million). The only municipality to have instituted a special participatory housing program with a separate budget allocation linked to the municipal OP budget and has integrated social movements and community groups in the process.
- Santo Andre. (Population: 650,000). A city that has undertaken participatory planning improved the interface with citizens and initiated a social inclusion program while

⁴ The Portuguese term for Participatory Budget is “Orçamento Participativo”.

participating with 6 other municipalities in regional economic restructuring and development programs.



Map of South America showing the municipalities and state case studies locations.

3.0 INSTITUTIONAL CONTEXT

The 1988 constitution gave a new dimension to the role of states and municipalities in Brazil's governance. It defined their authority as federal entities and stipulated their share of the national tax receipts. This privileged status relative to other local government entities elsewhere in the developing world strengthened the role of mayors and governors in the national administrative framework.

Dynamic mayors used their new constitutional authority to institute reforms and innovate in areas critical to sound municipal governance, including:

- Participatory planning and management including the OP.⁵
- Partnerships with private enterprise and NGOs for social and economic development initiatives.

These same constitutional guarantees provided an impetus for the creation of new municipalities through fragmentation and multiplication. As their numbers increased to reach 5,500 in 2002, the proportion of small and fiscally weak entities grew in an alarming way. About 90% of the 2000 municipalities created during the past decade have less than 5,000 inhabitants. The dependence on central transfers of shared revenue and excessive politicization of local governance accounts in no small measure for the reluctance of municipalities to collaborate, and the difficulties encountered in setting up inter-municipal compacts even in the same economic region or metropolitan area.

Subsequent legislation attempted to impose a degree of control over runaway municipal management:

- The 1996 constitutional amendment aimed at preventing the multiplication of municipalities, but met with little success and;
- The 1998 constitutional amendment aimed at imposing controls on public finance and was enacted in conjunction with the fiscal stability program launched in October 1998.

The ensuing legislation on fiscal responsibility drafted in 1999 was finally passed in May 2000. It is referred to as the Brazilian Law on Fiscal Responsibility (supplementary law 101 of May 4th, 2000). The objective is to introduce responsibility and transparency in public finance at all levels of government through control of excessive and recurrent deficits, sound management of public debts, stable tax policies and public access to fiscal and budget information. The law capped expenditures on personnel and related them to tax revenue. It limited borrowing to the financing of capital expenditures, and mandated the insurance of adequate resources to offset increases in long-term financial obligations.

More recently "The Statute of the City" (law 10.257 of July 10, 2001) established general directives for urban policies and other provisions affecting urban planning and management at the local level. In particular, it mandated regularization of informally settled sites and upgrading of areas occupied by lower income communities. By emphasizing social and environmental

⁵ World Bank, Brazil. Financing Municipal Investment, Issues and Options, Report #20313 – BR, V, April 2001, Washington D.C.

objectives, the law affects the priorities attached to specific programs and projects. These priorities are in turn reflected in the municipal budgets.

Cities that have instituted OP prior to the laws taking effect will provide valuable insights regarding the respective impacts of the laws and the OP process.



Santo Andre. Open space and children's playground project voted by OP in a favela.

4.0 EMERGENCE AND SPREAD OF PARTICIPATORY BUDGETING

Yves Cabannes, Regional Coordinator for the UNDP PGU/LAC,⁶ credits three factors as having fostered the emergence of OP in Brazil:

- The strengthening social movements opposing corruption in local governance prior to the 1988 elections. In particular, the *Movimento dos Sem Terra* (MST) and the *Movimento dos Sem Casas* (MSC) actively advocated direct popular participation in decision making as part of their agenda for social inclusion.
- The capacity of left leaning parties to win local elections in an increasing number of municipalities from 32 in 1988 to 187 in 2000. These parties, particularly the *Partido dos Trabalhadores* (PT), placed the OP at the center of their platforms for the reform of local governance. However, some mayors affiliated with other parties have also adopted the OP.
- The significant increase in local revenue following the adoption of the 1988 constitution. In 2000, municipalities accounted for 19% of public revenues, and 13% of public expenditures. For the first time, local governments had guaranteed resources. The bulk of these resources were applied to defray operating expenses. In the best managed municipalities, the share of capital investments in the total budget ranged from 5% to 15% and fluctuated significantly from one year to the next, reaching 20% in exceptional years. Nevertheless, the availability of resources that the municipality could allocate at its own discretion became a key factor prompting demands for greater accountability and popular participation in decisions regarding the use of these funds.

Participatory budgeting was first instituted by the city of Porto Alegre in 1989, and gave this city international recognition as a leader in democracy transparency and accountability in local governance. The concept spread rather cautiously at first with only 12 municipalities attempting to implement it by 1992. Since the mid 1990's, OP has taken off exponentially with 36 municipalities adopting it between 1993 and 1996; 70 between 1997 and 2000 and; about 180 today. It has also spread beyond Brazil in Latin America to cities in Argentina, Uruguay, Peru, Ecuador and Chile. Most recently, cities in other parts of the world are also experimenting with adapting the process to their own situation. The Forum Nacional de Participação Popular completed a review of the OP in 103 municipalities in Brazil, from 1997 to 2000, in early 2003. This study provides an overview that complements the assessment which is presented in this report based on the in-depth review of the experience of the State of Rio Grande do Sul and the municipalities of Porto Alegre, Belo Horizonte, Santo Andre, Gravatai, and Caxias do Sul.

4.1 The Legal and Institutional Framework for the O.P.

The OP concept derives from the requirements for popular participation in decision-making embodied in the “Lei Organica”, the charter of local governments. However, the law does not stipulate the method by which this mandate is to be discharged. This gives discretion to municipalities to institute procedures adapted to their own situation. Conversely, there is no guarantee of continuity of any process from one administration to the next, particularly when a change of political party is involved.

The legal backing for the OP entails a formal delegation of some statutory powers regarding budget preparation from the executive branch of local government to the population

⁶ Urban Management Program for Latin America and the Caribbean.

residing in the locality. In the municipalities, the Mayor initiates this delegation of authority. There is no similar delegation of authority from the legislative branch since the city council remains the body holding the statutory authority to approve the municipal budget prepared by the executive and submit it to the Ministry of Finance.

This situation has generated an ongoing debate in Brazil. Proponents view the OP as the most effective mechanism to ensure transparency and accountability in local governance and to give poorer communities and disadvantaged groups a voice in the allocation of resources in their localities. Opponents view the OP as a politically motivated preemption of the statutory powers of elected councilors.

This debate casting “popular democracy” vs. “representative democracy” as mutually exclusive options is fraught with pitfalls and incoherencies. Inasmuch as elected councilors represent the views of their constituents, there should not be fundamental conflicts between direct and indirect expression of needs and preferences regarding the use of local resources. However, the issue is far from settled, and Brazil will continue to debate the legality and appropriateness of participatory processes construed as preempting, in one way or another, decision making powers vested in elected bodies.

4.2 First Round Experiments with Popular Involvement in the Budget Preparation Process

With the notable exception of Porto Alegre, municipalities experimenting with the OP in the first municipal electoral cycle after the promulgation of the 1988 constitution (1989-1992) often introduced local participation by instituting hybrid systems allowing the municipal administration to retain control over the preparation of the budget while affording citizens an opportunity to express their views. The municipal staff drafted a budget proposal, which was presented to the citizens in a series of public meetings held in the city’s different sub-areas. The residents could comment on the budget proposal and put forth their own demands. The municipal administration was responsible for the “harmonization of demands” and the preparation of the draft budget that the mayor submitted to the city council for approval.

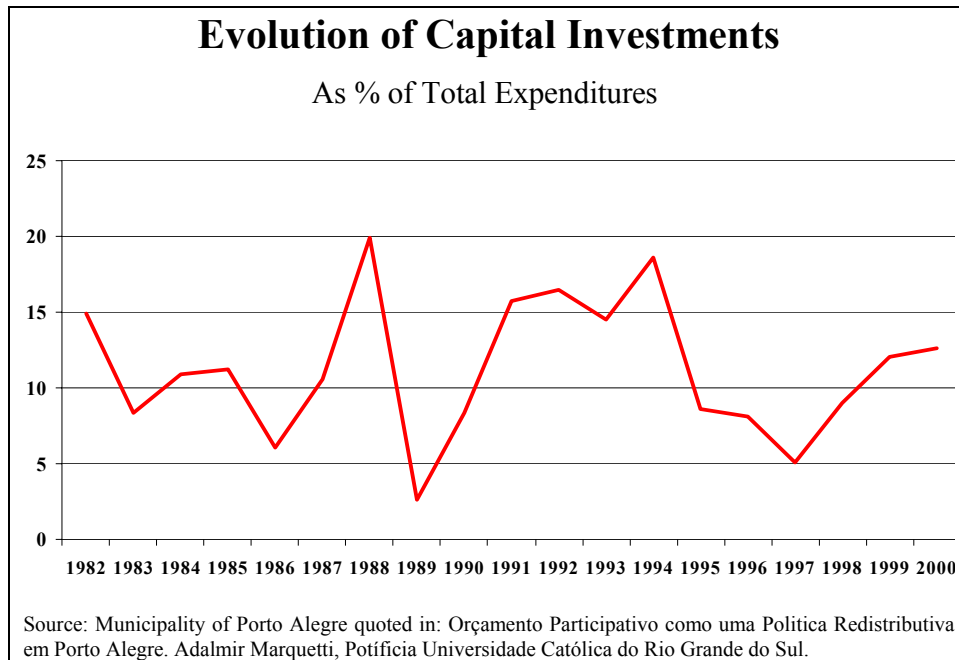
These early experiments, as in Santo Andre, are often viewed and referred to as OP, but should not be considered as such. They are essentially consultative rather than decision-making processes. They allow for an expression of demands without committing the municipality to integrate these demands in the prioritization leading to the final draft budget, and therefore lack the transparency, accountability and popular involvement in decision-making that are the hallmarks of the OP.

Apart from forceful and sustained popular pressure, there are no legal instruments to enjoin municipal governments to institute an OP, or abandon and dismantle an ongoing OP process. Consequently, changes in the political party heading the Municipality leads to movement back and forth between options giving the population more control or less control over the allocation of budget resources. Hybrid models continue to be used in transition situations. The newly elected government in the state of Rio Grande do Sul, which took office in January 2003, is considering such a system as it seeks an alternative to the statewide OP instituted by the previous PT administration four years earlier and judged to be too onerous, without appearing to abandon the principle of popular involvement in the budget process.

5.0 KEY FEATURES OF THE PARTICIPATORY BUDGET (OP) PROCESS

The OP allows communities to decide on the allocation of resources for capital investments in the annual municipal budget.

In general, the capital budget consists of two segments. The first segment groups the programs that benefit from special funds and credits earmarked for specific purposes. The second segment includes funds that can be allocated for various purposes. In any given jurisdiction both segments fluctuate from one year to the next depending on the funds needed to cover operating expenditures, and the debt obligations contracted by the municipality. A summary information sheet and a recent budget for the municipalities of Porto Alegre, Belo Horizonte, Santo Andre, Caxias do Sul and Gravatai and the State of Rio Grande do Sul are given in Annex I.



5.1 The Annual Report on the Budget (Prestação de contas)

Interestingly, the first step in the OP process requires the administration to report on what has been accomplished with the previous year's budget. Similarly, either in the plenaries or in the second phase, or both, the administration presents estimates of revenues and expenditures for the upcoming year in order to determine the budget envelope for capital investments.

In as much as these features allow public scrutiny of the total budget, they raise four interesting questions worth exploring:

- To what extent has the open “prestação de contas” contributed to citizen's understanding of the structure of the municipal budget?
- To what extent can this review generate a full discussion of expenditure patterns, and do municipal authorities allow such a discussion to take place?
- Has it fostered an awareness of the impact of recurrent expenditures on maintenance and multi-year commitments?

- Has it enhanced accountability in local governance?

Comparison of Expenditures and Capital Investments Rio Grande do Sul, Porto Alegre, Belo Horizonte						
Years	Rio Grande do Sul		Porto Alegre		Belo Horizonte	
	Expen-ditures*	Capital Investments as % of Expenditures	Expen-ditures*	Capital Investments as % of Expenditures	Expen-ditures*	Capital Investments as % of Expenditures
1997	-	-	-	-	R\$ 1,046 US\$ 966	7.0%
1998	R\$ 12,062 US\$ 10,352	7.0%			R\$ 1,091 US\$ 936	7.0%
1999	R\$ 8,098 US\$ 4,608	4.0%	R\$ 545 US\$ 310	12.06%	R\$ 1,243 US\$ 707	14.0%
2000	R\$ 9,394 US\$ 5,196	4.0%	R\$ 374 US\$ 207	12.62%	R\$ 1,097 US\$ 607	15%
2001	R\$ 12,094 US\$ 5,202	5.6%	R\$ 416 US\$ 179	14.22%	N/A	-
2002	R\$ 13,246 US\$ 4632	9.0%	-	-	N/A	-

*Expenditures in \$R millions, and in US\$ millions.
 Source: Municipalities of Rio Grande do Sul, Porto Alegre, and Belo Horizonte. See References in Annex 1

There are few hard facts to support the answers to these questions elicited from interviews with officials and citizen groups. Nevertheless, it is interesting to compare the attitudes of officials in the different municipalities regarding public review of their performance, as well as the views of citizen groups regarding the relevance of this reporting requirement.



Gravatai. Prestacao de contas.

5.1.1 Discussion of the Budget in the OP Process

The degree to which participants in the OP discuss the budget varies among municipalities. There are two major opportunities to discuss the budget during the OP cycle. The first, chronologically, is during the “prestação de contas” when the implementation of the previous year’s budget is reviewed, and the second is during the presentation of projections of revenues and expenditures to determine the funds available for capital investments.

Comparison of OP – Porto Alegre, Belo Horizonte, Santo Andre			
Municipality	Discussion of the Budget	Incentives for Participation of Civil Society	Mechanisms for Decision Making Regional and Thematic Plenaries
Porto Alegre	Capital Investment	Delegate representatives for organized sectors	Forum of OP Delegates and COP
Belo Horizonte	50% of regional investments	Additional delegates for well organized regions	Regional Priority Forum and Municipal Priority Forum
Santo Andre	Capital and Operating Expenditures	- Civil society representatives and community leaders coordinate community meetings - Civil society representatives are also elected for the COP at the Cidade Futuro assembly	Regional and Thematic Plenaries, and COP

Source: Based on a table in: www.democraciaparticipativa.org

The role of the municipal administration is key to the breadth and depth of the debate. The extent to which it is prepared to let the people question administrative decisions on operating expenditures is reflected in the level of detail given in the documents distributed, and particularly in the presentations by public officials. Openness to debate and readiness to accept counter arguments seems to be directly related to the administration’s leverage at the OP council⁷ level.

Santo Andre has taken the lead in establishing this critical coordination between the city’s development strategy and its capital investment programs, both of which are viewed as interlinked components institutionalizing participatory planning and management processes in local governance. In Santo Andre, where the OP Council membership was, until 2002, equally split between popularly elected representatives and municipal officials, the entire itemized budget is discussed. Following the decision in 2001 to institutionalize a link between the OP and the strategic planning process “Cidade do Futuro”, 18 representatives are elected, by participants in the planning process, to sit on the OP council. The election takes place at the city congress, the closing event of the strategic planning cycle. This change in the institutional framework has shifted the balance of the OP Council membership by giving popularly elected representatives a clear majority on the council. It will be interesting to see if the attitude of the public officials will change regarding the extent of the budget review.

In Porto Alegre, the municipal administration has only two representatives, out of 46, on the OP council, but wields an influence far greater than its weight in the voting. The reviews in the plenaries focus primarily on the capital investments. Questions and responses relating to recurrent expenditures and projections of revenues and expenditures remain at a very general level. Comments mostly relate to the need to expand the funds available for capital investments.

⁷ Also referred as COP.

Responses to questions on expenditures focus on relating increases to improvements in services and the requirements for efficient management in light of the expanding scope of local government responsibilities, and the diversity of its activities. Funding requests submitted by the Municipality are designed to alleviate the inadequacy of services in specific communities. In the case of projects fostering local economic development, the justification offered is the necessity to retain existing employment and create new job opportunities. A fairly similar situation prevails in Gravatai and Caxias do Sul.

5.1.2 Promoting an Understanding of the Municipal Budget

Municipal officials and participants interviewed concur in acknowledging that participation in the OP enhances the capacity of the average citizen to acquire some understanding of the Municipal budget.

The expenditures side of the budget is intuitively easier to grasp. The debates around corruption in local government, and the law on fiscal responsibility have sharpened public awareness of the loose expenditure patterns of Brazilian municipalities. The revenue side of the budget is inherently more complex.

The constraints on maintaining existing levels of revenue during economic downturns and the impact of investments on the expansion and diversification of revenue sources must be thoroughly discussed. The links between capital and operating expenditures, the purpose and functioning of special funds, the limits on borrowing and the longer term obligations associated with different funding sources have to be well explained to the public by the officials making the presentations in order to enable participants to make informed decisions. Two key factors appear to condition this capacity building or empowerment effort.

- The extent of the outreach efforts, and the quality of the preparatory meetings. The pay off for the time and resources invested in these first meetings can transform what is essentially an information session into an instrument for building trust between citizens and local officials. The delivery of information can become a vehicle for participants to gain an understanding of the broader issues in the city as a whole, a precondition to voting responsibly on themes and projects transcending the boundaries of their own communities.
- The level and attitude of officials leading the key sessions. The presence of senior officials at the “Prestação de Contas”, the presentation of budget forecasts, the reporting on the outcome of the harmonization process, and the presentation of the draft budget underscores the seriousness and importance of the OP. Their ability to explain in simple unambiguous terms, listen to comments and respond to questions without preaching or displaying exasperation at seemingly trivial remarks builds ownership among citizens, and enhances the quality of their interface with the municipality. Because they speak from a position of authority, senior officials have to avoid being perceived as arrogant, while keeping contentious issues from disrupting meetings, and voting sessions proceeding in an orderly fashion. Such a perception would damage the relationship of trust and mutual respect underlying the OP.

Participants interviewed stated that their involvement in the OP had sensitized them to “the situation and needs of others”.⁸ They are now better able to gauge the priority ranking of their own demands in relation to the rest of the city’s neighborhoods. Learning how to press for

⁸ Expressions of opinions and definition of OP given during CUDS field research.

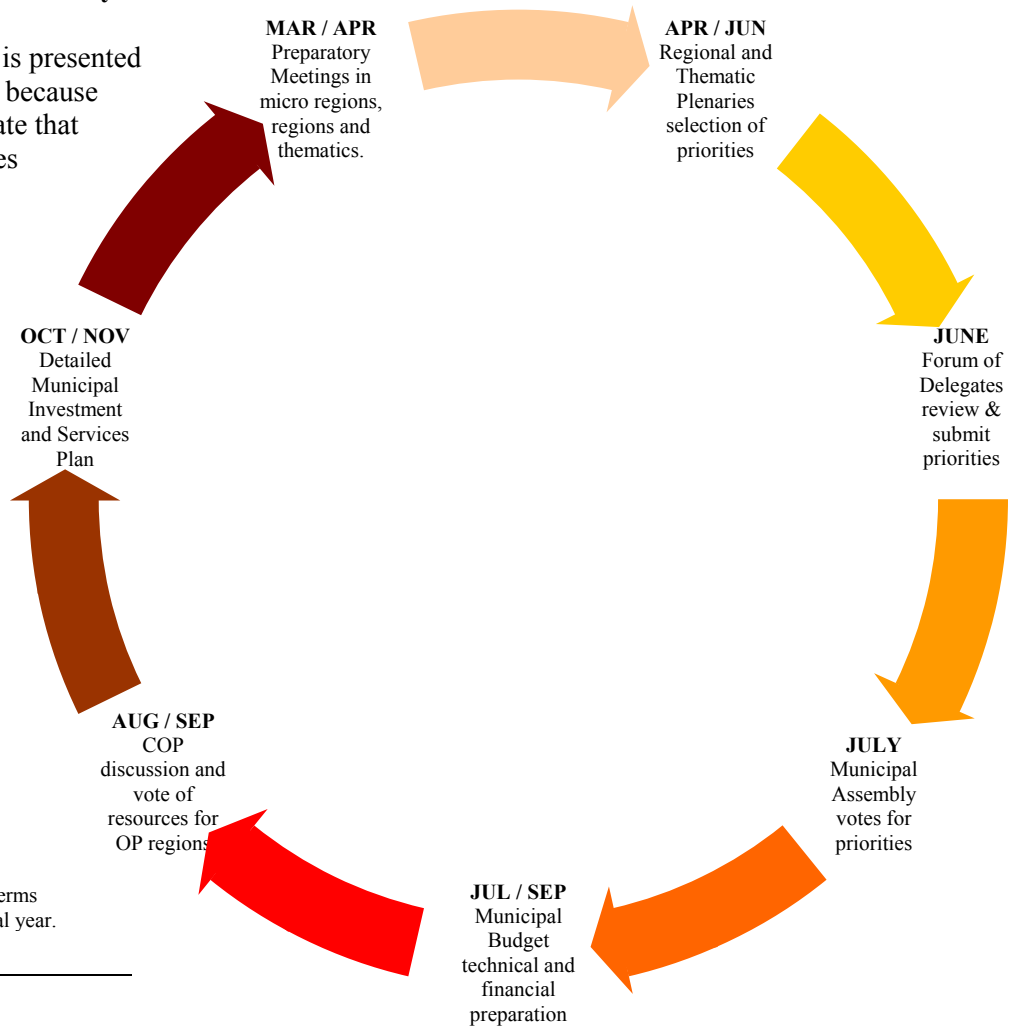
demands in a participatory process is viewed as another benefit because “the OP has to work for all and everybody has a stake in making it work”.⁹ It is fundamentally a different frame of reference from the typical bargaining of party politics, and the confrontational tactics of advocacy groups.

The OP provides ample opportunities for participants in the plenaries and the forum to express their views and speak in support of programs and projects they want funded. Mastering the art of functioning successfully in this open inclusionary forum is in and of itself a learning experience, and scoring a victory is exhilarating. Participants like to recount how they worked at getting a particular project funded essentially by “convincing others” to vote for it because it meets urgent and important needs in the community. Although trading favors cannot be ruled out, it does not seem to be systemic.

Unless prodded, participants rarely mentioned spontaneously projects needed for economic development even when they supported funding projects the city deemed important. The ability to assess one’s own situation in relation to others in the city takes precedence over appraising citywide concerns. The former is needed for the prioritization of projects, and the latter is a matter of trust in the professional judgment of city officials.

5.2 The OP Rules and Cycle

Porto Alegre is presented as the typical process because it provided the template that all other municipalities in Brazil and elsewhere are following.

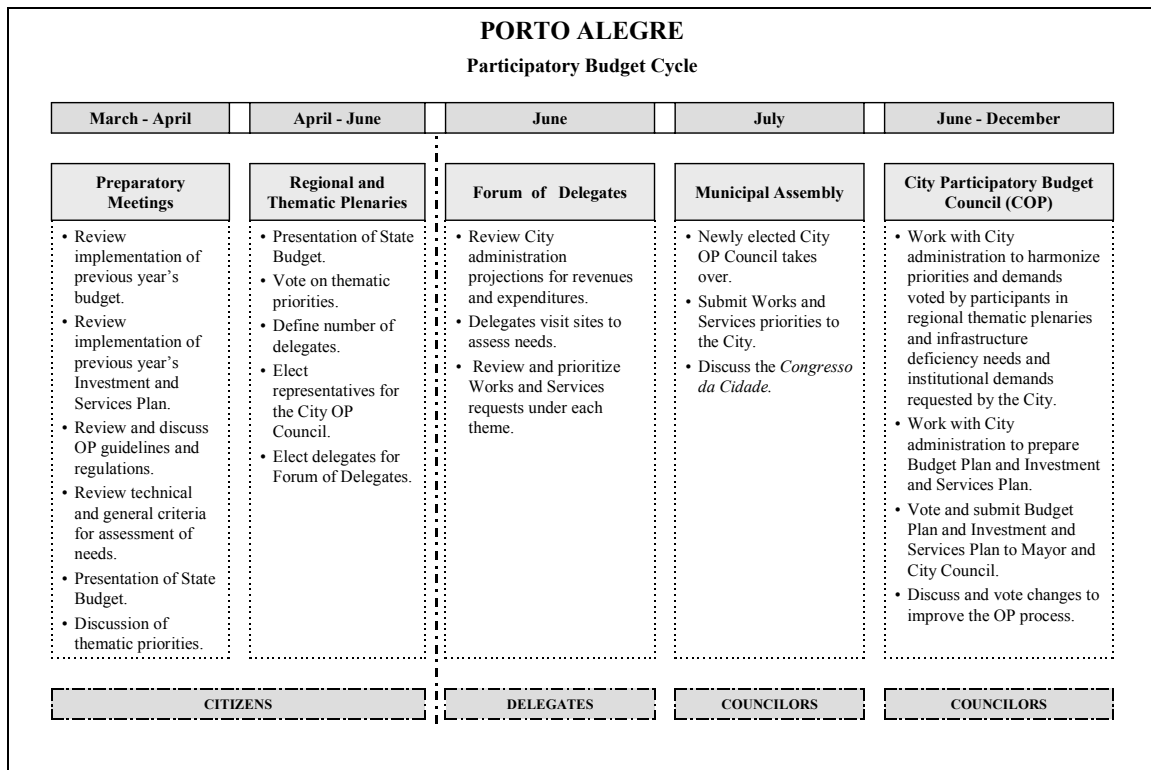


Graph explaining in general terms
the OP cycle through the fiscal year.

⁹ Ibid.

The OP process is well documented. Pamphlets explaining the rules and regulations (Regimento interno) structuring the successive steps in the OP cycle are prepared by the local government and distributed to citizens during the preparatory public assemblies that launch the process in March of each year. The cycle has to be completed by September and the draft budget and capital investment program submitted to the municipal council for approval. The municipality has to forward the two documents to the ministry of finance no later than September 30th and November 30th respectively.

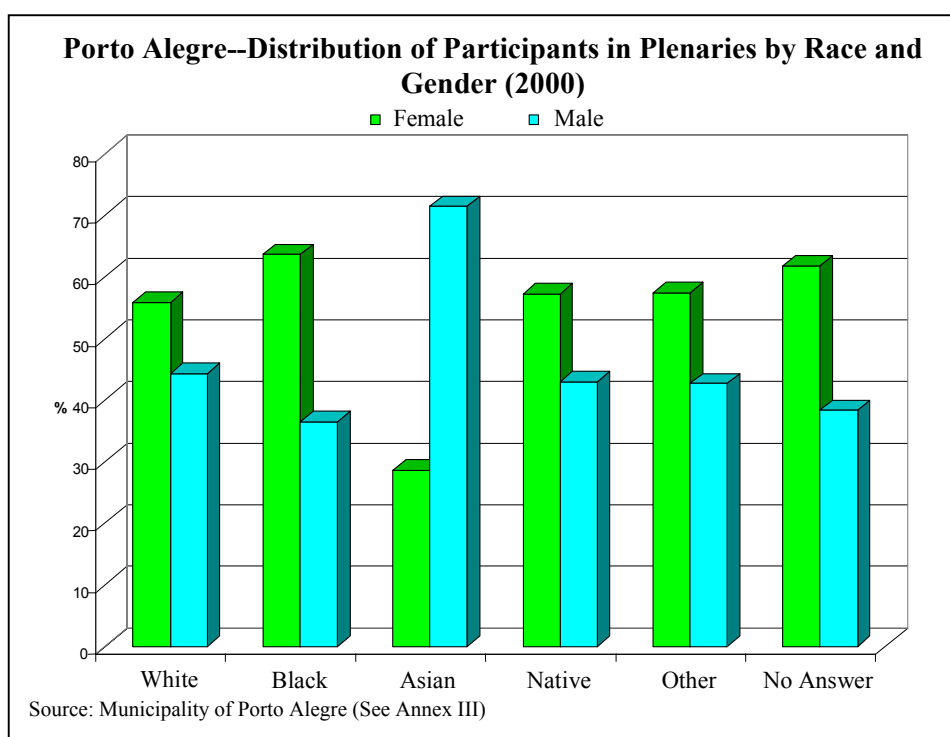
As the initiator of the OP, Porto Alegre has provided the model that other municipalities adapted to suit their own circumstances and structure their own procedures. The basic process is described in the following sections and a comparative analysis of rules in the selected localities is presented in Annex II.



5.2.1 Popular Assemblies

Popular assemblies are the cornerstone of the OP and the fundamental building block in the decisions making. Each local government jurisdiction is subdivided into sub-areas, referred to as regions (regiões), and further subdivided into micro-regions to bring the process closer to the community and foster to the greatest extent possible direct grassroots participation. Popular assemblies are held in each micro-region and region, and are open to all residents. These plenaries are the most democratic inclusionary component of the whole process. They usually attract the highest population of lower income citizens, women, youth and marginalized groups encouraged by the proximity of the meeting place, the familiarity of the setting, and a feeling of empowerment through direct and open voting and on the spot vote counts. At the state level and in the municipalities with large rural zones the gender dimension of participation is particularly striking since women are more reluctant to travel too far from their homes.

Porto Alegre - Distribution of Participants in Plenaries and OP Council by Race (2000)		
Ethnic Group	Participants in Plenaries	Elected Delegates or Councilors
White	965	137
Black	324	46
Asian	7	0
Native	56	13
Other	68	13
No Answer	128	16
Total	1,548	225
Source: Municipality of Porto Alegre (See Annex III)		



During the regional and thematic plenaries citizens select sectoral priorities, referred to as thematic priorities, and list projects for funding under various development programs, or public works and services, in the upcoming year's budget. These proposed projects are referred to in the OP literature as demands or funding requests. The importance of this step stems from the fact that resources are allocated to sectors in accordance with the overall number of votes cast for each theme, and the three highest scores determine the thematic priorities for the whole jurisdiction.

Santo Andre Thematic Priorities: Public Works and Services Voted by Municipal Public Assemblies	
2000	Theme
1 st Priority	Education
2 nd Priority	Culture
3 rd Priority	Social Assistance
4 th Priority	Economic Development
5 th Priority	Health
Source: Municipality of Santo Andre (See Annex III)	

Caxias do Sul - Public Works and Services Voted by Municipal Public Assemblies (2002)	
2000	Theme
1 st Priority	Improvements in Street Networks
2 nd Priority	Education
3 rd Priority	Sanitation
4 th Priority	Health
5 th Priority	Sport and Leisure
6 th Priority	Culture
7 th Priority	Transportation
8 th Priority	Housing
9 th Priority	Public Services
10 th Priority	Agriculture Policy
11 th Priority	Water and Sewerage (SAMAE)
Source: Municipality of Caxias do Sul (See Annex III)	

Porto Alegre provides an interesting case tracing changes in the voting patterns over the years. Despite the relative affluence of the city, paving, basic sanitation and housing feature prominently among the highest priorities. This also testifies to the ability of the OP to reach lower income households, and disadvantaged populations.

Porto Alegre: Participatory Budgets: Thematic Priorities			
Year	1 st Priority	2 nd Priority	3 rd Priority
2002	Housing	Education	Paving
2001	Paving	Housing	Basic Sanitation
2000	Housing Policy	Paving	Health
1999	Basic Sanitation	Paving	Housing Policy
1998	Paving	Housing Policy	Basic Sanitation
1997	Housing Policy	Paving	Basic Sanitation
1996	Paving	Basic Sanitation	Land Use Regulation
1995	Paving	Land Use Regulation	Basic Sanitation
1994	Land Use Regulation	Paving	Basic Sanitation
1993	Basic Sanitation	Paving	Land Use Regulation
1992	Basic Sanitation	Education	Paving
Source: Municipality of Porto Alegre (See Annex III)			

Regional thematic plenaries are held, one for each of the main themes in order to compile and organize the demands voted by the different micro-regions and provide sectoral guidelines for the prioritization of projects. The final selection will be made through prioritization and harmonization in later steps. Participants in the plenaries elect delegates to represent their regions and thematic groups in the next phase of the OP cycle. Participation is therefore a fundamental criterion of representation on the forum. The number of delegates a region elects is linked to the number of eligible voting participants attending the plenary; usually one delegate per 10 to 20 participants. They also elect their representatives on the OP Council, thereby assuring that groups previously excluded from politicized local decision-making processes, can through this grassroots participation make their voices heard.

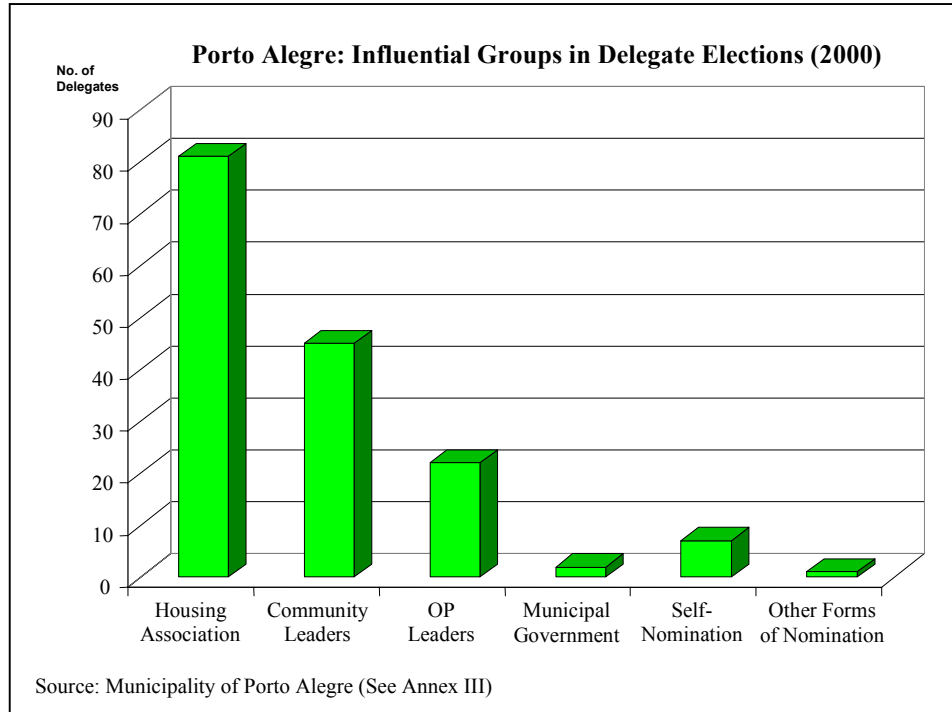


Rio Grande do Sul. Candidates for election.

5.2.2 Forums of Delegates

The delegates from the different regions meet as a forum to review the funding requests in light of the thematic priorities voted by the popular assemblies. They work closely with the responsible municipal departments (planning, budget and finance) to review the proposals submitted by the municipal administration regarding the priority projects required for economic development, urgent social needs, and other demands including institutional demands.

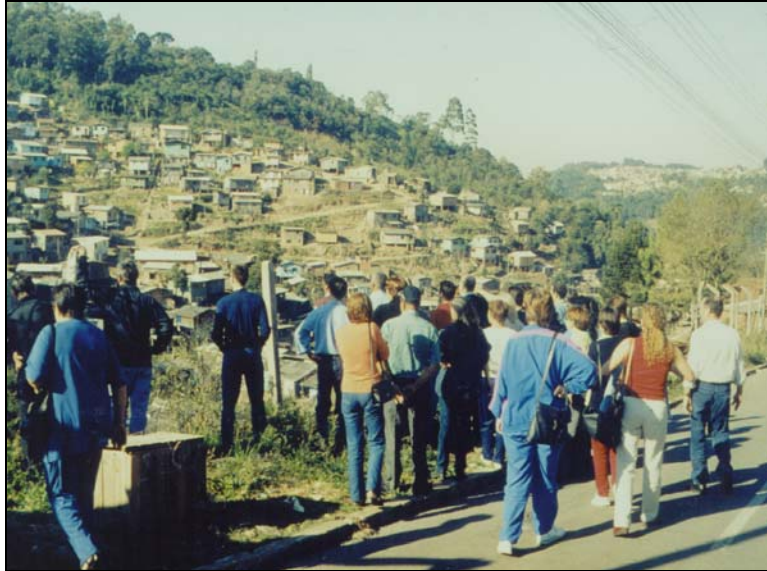
To ensure transparency and objectivity, the assessment of need and urgency is based on quantitative indicators and mathematical formulas. Citizens do have access to information pertaining to the indicators and the scores given to the different regions, as this information is distributed to the delegates. Most of the indicators used are straightforward, but a few are more complex and need some explanation to be understood by a lay audience. A review of the system used by Porto Alegre and Rio Grande do Sul is presented in section five of this report.



The delegates are usually given an opportunity to assess needs firsthand through site visits to the different regions and communities in which projects are to be located. The local governments organize and cover the cost of transportation of delegates to the forum meetings and the field visits.



Rio Grande do Sul. Taquara Regional Forum of Delegates.



Caxias do Sul. Delegates visiting sites prior to prioritization.

There are some minor differences in the role of delegates among the different municipalities. Their main responsibility is the ranking of funding requests under each theme and sub-theme. They usually undertake this task by breaking up into smaller working groups, with each group focused on a particular sub-theme. The city administration prepares and presents the budget envelope for the different themes, sub-themes and programmatic areas based on the number of votes cast for each theme, and the nature of the demands listed in the plenaries. These overall budget allocations help frame the discussion for the prioritization of funding requests. The city administration prepares cost estimates for all the demands submitted in the plenaries. This is a demanding task that involves staff from the different departments concerned, and requires a significant commitment of staff time.

5.2.3 OP Council

The OP Council plays a pivotal role in shaping the municipal budget. As a smaller and more manageable group, the council can work effectively with the different departments of the municipal administration to prepare a draft budget.

Finalizing the “harmonization” of competing requests to fit the budget envelope is their main task. This step also gives the administration a chance to get any project it deems critical and which did not receive a high enough ranking, if it can present a convincing argument regarding its importance in order to change the priority rank. This is a sensitive negotiation. The potential for collusion and corruption is tempered by the accountability of councilors to the people and their desire for re-election as well as the accountability of municipal officials to the citizens at the draft budget presentation sessions. In the final steps, the draft budget is presented to the Mayor and municipal council for adoption and submission to the Ministry of Finance.



Rio Grande do Sul. OP Council Meeting.

There is some flexibility built in the OP process since the rules (*Regimento interno*) can be amended in response to requests and proposals made during the plenaries and forums. The direction of the changes introduced has been towards reducing the number of meetings. For example, in Porto Alegre, the process called for a second round of plenaries that failed to attract a good attendance. People felt that having already selected thematic priorities and presented proposals for works and services projects in the first round assemblies there was little to be gained from attending a second round. The value added was not commensurate to the cost. Consequently in 2001, the second round plenaries were abolished, and their tasks redistributed to the first round plenaries.

The OP process reconciles direct popular participation through plenaries that are true popular assemblies with effectiveness in reaching decisions through the elected forum of delegates and the OP council. It is structured to ensure transparency and objectivity through an open voting system and the use of quantitative criteria at every step leading to the budget allocation.

5.2.4 OP Personnel Requirements

There is an ongoing debate regarding the resources required to run an OP. At the municipal level, the personnel assigned full-time to organize and manage the OP process is drawn from two to three departments, namely the departments in charge of community relations, planning and budgeting. In these departments, staff seconded by other departments to undertake specific tasks that fall within their departmental responsibilities supports the OP core group. A case in point is the cost estimates for the priority projects voted in the plenaries, which have to be prepared by the departments concerned. Similarly, the budget reviews and the thematic program priorities involve personnel from the departments responsible for these functional areas.

In Porto Alegre the departments of Planning and Budgeting (GAPLAN) and Community Relations (CRC) are the pivotal departments involved in the OP. GAPLAN has a staff of 43 technical and administrative personnel and is responsible for preparing the budget, control public expenditures and monitor the implementation of programs and projects. The department is divided into six units: Planning, program coordination, statistics, project management, budgeting and administrative support. There are two coordinating groups, the first focuses on the OP and the second on other municipal functions. A core group of five staff members work full-time on the OP and draw on personnel in GAPLAN and other departments as needed. However, the salaries of all seconded personnel is included in their own departmental appropriations, irrespective of the time spent on OP activities.

The Community Relations Department is the one most directly involved with the different communities in the city. Field personnel include social workers that work at the grassroots level and interact with NGOs, CBOs, and social movements. CRC has a staff of 40 technical and administrative personnel. The Department provides one OP coordinator for each of the 16 OP regions, one for each of the six thematic plenaries and one for each of the eight regional administrative centers, including two OP regions per center.

A reasonable estimate of personnel working full-time on the OP in Porto Alegre is about 35 municipal employees. In Gravataí, a much smaller municipality with nine OP regions, the administration reports that the personnel working on the OP consists of 10 staff members. The two municipalities view the OP as an organizational challenge rather than a financial burden and are convinced that the benefits far outweigh the costs. They report among the impacts of social inclusion: greater willingness to abide by the municipal regulations, improved payment for services and decrease in urban violence. There has been no systematic documentation of these observations and given their importance this is a topic that deserves in-depth study and evaluation.

5.3 Significance of the OP Process to Different Constituencies

The OP process offers distinct advantages and disadvantages for different actors as summarized in the following table. It gives voice to lower income communities to the detriment of special interest groups who influenced traditional budgeting processes through political dealings and patronage networks. It gives particular clout to the mayor and the heads of the strategic departments in charge of the OP.

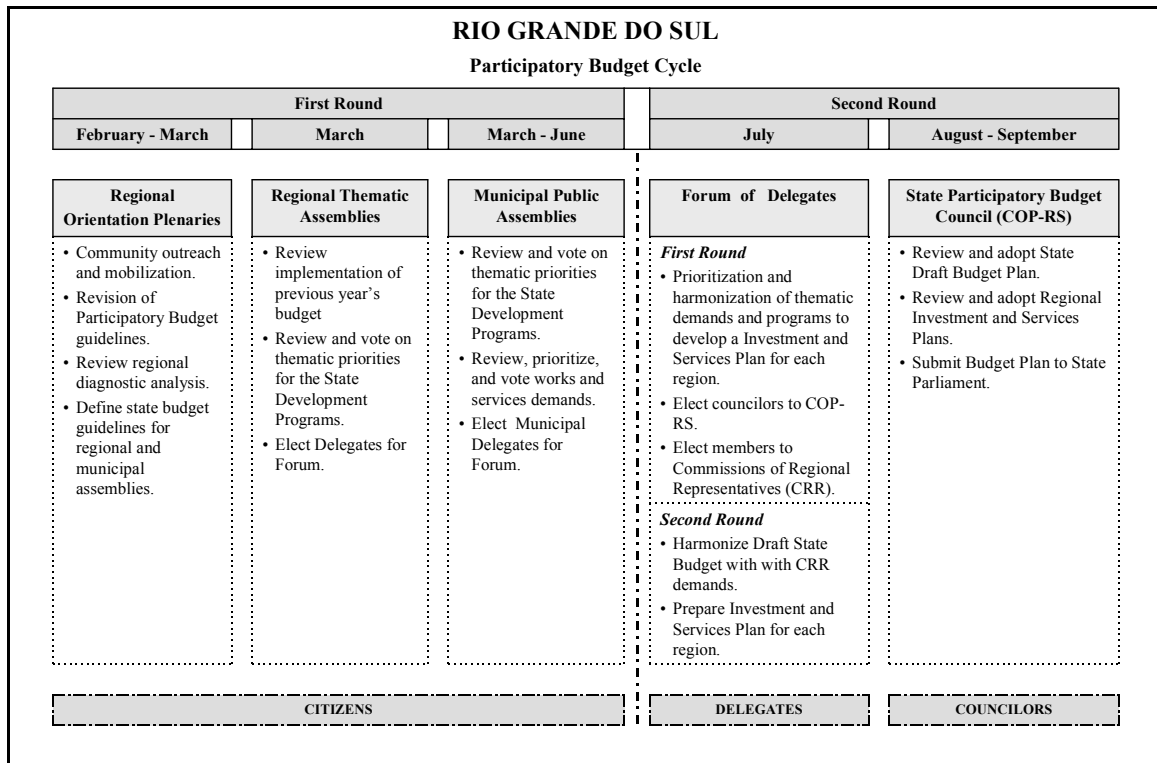
ADVANTAGES AND DISADVANTAGES OF THE			
	Councilors	Mayors and Governors	Local Government Staff
ADVANTAGES	<ul style="list-style-type: none"> • Maintains the authority of the council as the statutory body approving the budget. • Helps equalize political standing among councilors. • Reduces political tensions and clientelism. • Diminishes accusation/s of corruption. 	<ul style="list-style-type: none"> • Empower mayors and governors to drive the budget process with little direct control from elected representatives and politicians. • Provides political capital and increases popularity among lower and middle-income groups. • Significantly reduces confrontations social movements and political bargaining by different interest groups. • Eases political tensions and pressures. • Provides an objective and transparent system for the allocation and resources among different constituencies. • Reduces the potential for corruption. 	<ul style="list-style-type: none"> • Gives local officials a broader role in organizing the budget process and directly interacting with citizens. • Significantly improves relations with lower-income and marginalized communities. • Involves staff from departments other than budget and finances. • Reduces political pressures and accusations of corruption.
DISADVANTAGES	<ul style="list-style-type: none"> • Diminishes somewhat the political clout of municipal councilors. • Prevents elected representatives from negotiating budgetary allocations exclusively with local government officials. • Impedes traditional patronage networks. • Forces city municipal councilors to be responsive to different constituencies and lower income communities. • Reduces personal recognition for funding of projects and services. • High political risk associated with overriding of decisions or discarding prioritized projects. • Significantly reduces accountability for budget decisions. 	<ul style="list-style-type: none"> • Diminishes personal recognition for funding of projects and services. • Increases demand for accountability in local governance. 	<ul style="list-style-type: none"> • Imposes a heavy burden on staff time of the department in charge of the OP process. • Increases accountability for project implementation. • Reduces focus on long term planning.

PARTICIPATORY BUDGETING FOR DIFFERENT ACTORS			
Middle Income Communities	Lower Income Communities	Social Movements and CBO's	Politicians
<ul style="list-style-type: none"> • Provides unique opportunity to take a leading role in decision-making through representation on the forum of delegates and COP. • Enhances capacity to press for programs and projects important to the constituency. • Reduces need for political bargaining with elected representatives, politicians and local government staff. • Increases interaction with local officials and promotes accountability in local governance. 	<ul style="list-style-type: none"> • Provides an effective mechanism of empowerment and social inclusion. • Ensures participation in decisions affecting the allocation of local resources. • Provides forum to voice needs and concerns. • Transparency of open voting system and quantitative criteria mitigates against political maneuvering. • Participational enhances ability to obtain funding for urgent needs. • Provides formal mechanism to gain access to land, infrastructure and housing. • Enhances opportunity for women and youth to participate in local governance. 	<ul style="list-style-type: none"> • Provides formal channel to promote political agenda pertaining to social inclusion. • Reinforces leading role of social movements in organizing constituencies and affecting the allocation of local resources. • Reinforces the role of CBO's in pressing for demands and delivering housing services. • Establishes social movements and CBO's as key actors and partners in program and project implementation. • Increases direct interaction with local officials and promote accountability in local governance. • Reduces the need for political bargaining and confrontational tactics. 	<ul style="list-style-type: none"> • Increases the visibility and importance of politicians and political parties supportive to the OP, and in particular, the PT. • Offers potential opportunities to expand constituency. • Fosters links to social movements.
<ul style="list-style-type: none"> • Participation rates affect potential representation throughout the decision-making process. • Funding of urgent needs may entail loss of funds traditionally allocated to upper and middle income neighborhoods. 	<ul style="list-style-type: none"> • Physical and financial cost of participation increases with distance from home and affects representation (particularly women) on the forum of delegates and COP. • Impedes the effectiveness of established patronage networks. • Mandates consideration of the need of others. 	<ul style="list-style-type: none"> • Need to abide by the OP rules, guidelines and criteria. • Necessity to establish alliances with new partners. 	<ul style="list-style-type: none"> • Diminishes role of political parties. • Impedes effectiveness of traditional patronage networks. • High political risk of criticizing or overruling selected projects. • Reduced space for political maneuvering. • Significantly reduced recognition for funded projects. • Necessity to address the demands of different constituencies. • Interferes with longstanding connections and alliances.

5.4 The State Level OP Process: The Experience of Rio Grande do Sul

The State of Rio Grande do Sul is the only state in Brazil having successfully implemented participatory budgeting. At the state level, it is a daunting task. The state has a population of 10 million and no less than 497 municipalities, most of which, outside the Porto Alegre metropolitan area, are financially weak. The State Office of Community Relations directly under the Governor organizes this major undertaking, and is directly responsible for outreach, information and mobilization, as well as coordination with other departments principally budget and planning.

The process has to involve ethnically diverse populations and integrate very different concerns and interests. It has to equally meet the needs of the rural areas particularly the poorer northern and western regions, and the rich highly urbanized eastern region, where intensive agriculture and industry are located.

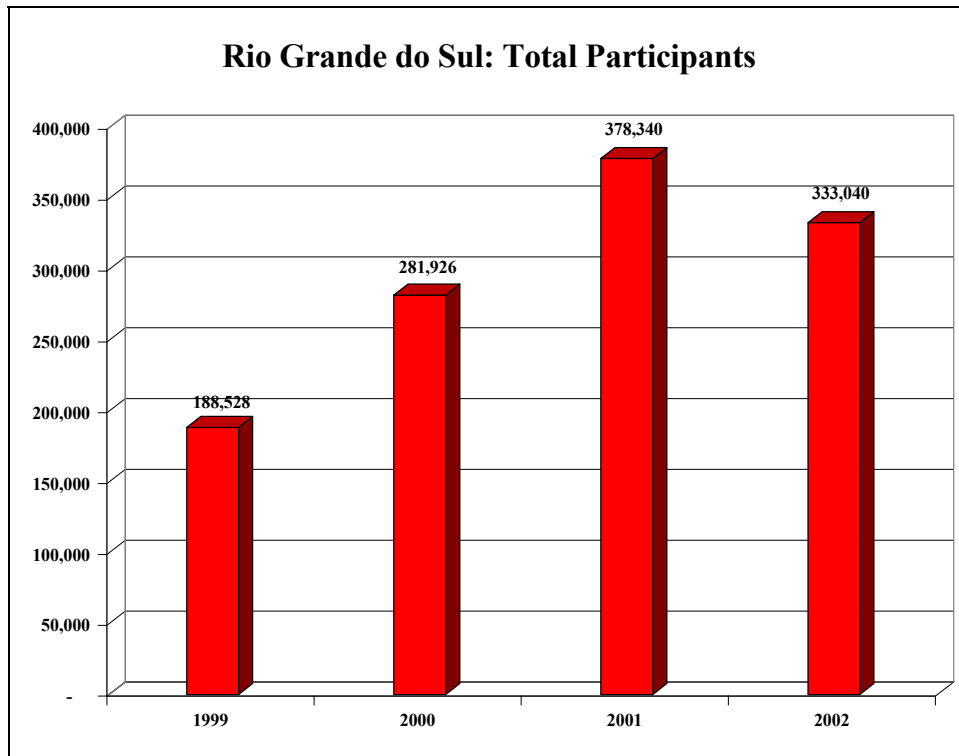


The OP process is similar in structure to the Porto Alegre system but very different in scale. The state is divided into 22 regions corresponding to the planning regions, "corredes." A 23rd OP region was added in 2001. Following the orientation plenaries in March, regional thematic assemblies review the implementation of the previous year's OP and vote thematic and program priorities. Public assemblies are held in each of the 497 municipalities to vote thematic, and works and services priorities. In every region, a forum of delegates is elected. Every municipality in a region is represented on the regional forum since each municipality gets one delegate per 20 participants with no less than one delegate per municipality. In the second round, the forums elect regional commissioners who work with the state administration on the

harmonization of demands in the region, as well as the regional representatives on the state OP council. Every municipality has at least 1 member on the commissions while the number of councilors per region is determined by a formula based on population size, rate of participation and geographic and thematic representation.

This gigantic effort has to be completed during the regular budget cycle from March to September. The Office of Community Relations staff and its regional coordinators have to visit every municipality during the preparatory meetings and attend regional and municipal assemblies, make presentations at the meetings of the forums, work within the commissions and state OP council, and interact with communities, civil society organizations, OP delegates and city councilors. In 2002, 755 assemblies were held and over 16,000 delegates were involved in the forums, commissions and OP council.

The Office of Community Relations estimates that 1.2 million people have been reached and participated in the OP over the four years, 1999-2002. This represents 16% of the electorate, and more importantly, includes 12% of the gaúcha population mostly in the rural areas and small towns. These percentages are not quite accurate since the total quoted is a cumulative number over the four years and, therefore, includes people who attended in consecutive years. While these figures clearly overstate the participation rates, they tend to underestimate the population reached. The State personnel involved in the OP, delegates to the regional forums, representatives of civic associations and community-based groups all concur in their assessment that the outreach to participation ratio is between five and six and that about 30% of participants attend year after year.



Source: State Government of Rio Grande do Sul.

The OP covers all capital investments, which accounted for 11.28% of the state budget 2002. Services programs account for 14.06% and are only partially covered in the OP. In the budget review, some items in the operating expenditures are discussed, namely expenditures on personnel and services programs. Other fixed costs and recurrent expenditures are not discussed.

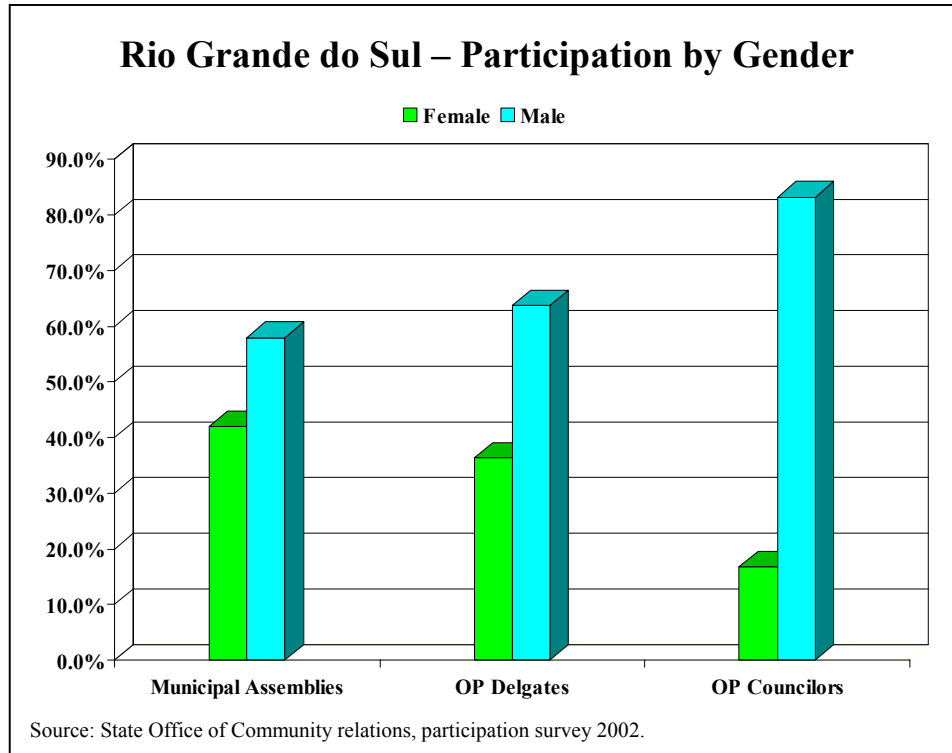
With the exception of paving for which there is enormous demand, there are differences in the priorities selected by regional plenaries and municipal popular assemblies.

Rio Grande do Sul – Public Works and Services Voted by Municipal Public Assemblies			
FY	1 st Priority	2 nd Priority	3 rd Priority
2000	Agriculture	Education	Health
2001	Education	Agriculture	Transportation
2002	Education	Health	Transportation
2003	Education	Health	Transportation
Source: State of Rio do Sul (See Annex III)			

Rio Grande do Sul – Development Voted by Regional Assemblies			
FY	1 st Priority	2 nd Priority	3 rd Priority
2000	Agriculture	Jobs & Wages	Transportation
2001	Agriculture	Education	Transportation
2002	Education	Agriculture	Jobs & Wages
2003	Agriculture	Jobs & Wages	Education
Source: State of Rio do Sul (See Annex III)			

While the importance given to agriculture in the rural parts of the state is to be expected, regions do not rank environmental management and sanitation as an important priority, nor do they vote housing as their first priority. In contrast, municipalities consistently rank housing and sanitation among their top 3 priorities. The State Housing Secretariat provides matching funds for housing projects in the municipalities on a 1:1 basis. Interestingly, while security is always ranked as a high priority, OP participants do not vote for the construction of prisons. This is an item that has to be added as an institutional demand in the second round.

Despite being under the same state secretariat, planning and budgeting activities are in separate departments, and the two functions are not well integrated. The state government presents key projects, and various other requests, as institutional demands. Most of these demands are voted including the transport projects presented by Metroplan, the planning agency for the Porto Alegre metropolitan region. This record is the direct result of sustained outreach and information efforts, as well as the leading role taken by senior officials at the OP meetings and their willingness to discuss issues and respond to queries and questions throughout the OP cycle.



Taking the state OP budget to the grassroots level has allowed segments of the population previously unable to participate in local governance to be part of the decision-making process. A striking feature of the outreach to 497 municipalities, irrespective of whether they have or have not adopted an OP system, is the impact on the participation of women which falls off rapidly the farther away from the community public meetings are held.

The extensive outreach required and the short time frame of seven months to complete the whole cycle entails a significant commitment of resources on the part of the state government. The OP staff in the Office of Community Relations, and the Budgeting and Planning Secretariat has to start on the organization of the public assemblies and the preparation of documents, and presentation materials in January. Wrap-up activities are only completed in December, making the OP a year round job for the responsible core staff.

In the first two years of the four-year (1999-2002) experience with the OP in Rio Grande do Sul, the legislation authorizing the OP was delayed in judicial reviews and funding for OP personnel was lacking. The Community Relations Department had to do the work with its staff of 36. The lack of personnel affected the extent of the outreach efforts and the materials prepared for the participants.

In 2001 and 2002 the full staff of 75 was in place, including 15 technicians and 25 students receiving state stipends. An additional 20 persons from other secretariats were seconded for the task. An OP office with one coordinator and two staff members was established in each region. Participation levels increased significantly with a drop in 2002, which was an election year.

The Budgeting and Planning Departments had about 30 persons from different secretariats working on OP activities and attending meetings. Since the salaries of all seconded staff is accounted for their own departmental allocations, and the personnel involved does not work full time in the OP, it is difficult to estimate the cost differential resulting from the adoption of the OP.

There is no doubt that at the level of a state there is a significant but manageable cost involved. Assessment of the feasibility of an OP depends on the value placed on the benefits; namely empowerment and participatory local governance and on costs of alternative methods of social inclusion. It is primarily a political decision because the constraint on successful implementation of the OP is institutional capacity rather than costs per se. Dedicated, efficient leadership in the Office of Community Relations, and the Budget and Planning Secretariat is needed to organize and drive the process. Further more, the staff involved must be convinced of the value of their task, and find the direct interface with people in the hundreds of meetings they attend a gratifying experience. The lack of capacity to structure and manage a massive statewide undertaking and implement the voted priorities underlies the willingness to institute an OP or the inability to carry out the process. It is for those very same reasons that in Mato Grosso do Sul the PT (Workers Party) Governor who took office in 1999 abandoned the OP in November 2001 despite the fact that the state has to deal with only 77 municipalities and that in the smaller municipalities close to half of the electorate participated.

6.0 THE SOCIAL DIMENSION OF THE OP

The OP is primarily an instrument of empowerment and social inclusion. Viewed in this light, two major issues have to be addressed:

- Participation: How inclusive is the process and has it empowered the poor?
- Social impact: Has the proportion of investments serving lower income communities increased?

6.1 Participation

Clearly attendance at the popular assemblies is critical for citizens wishing to press for their demands. Therefore, who attends and why are important considerations, as well as attendance patterns in consecutive years. The statistics collected for recent years most notably by Porto Alegre and Rio Grande do Sul are quite instructive. Complemented by the qualitative information elicited through informal discussion with citizens and officials in charge of organizing and managing the OP process, they give a good picture of the social and political dynamics of these assemblies.

Attendance over time increased somewhat slowly at first then at a faster rate, as the importance of participation became evident to a wider spectrum of the population.

Participants in the OP Process													
Years	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Porto Alegre	628	3,086	6,168	6,975	8,011	8,495	7,653	11,075	11,790	14,776	14,408	16,612	
Gravatá								16,084	11,536	20,113	25,134		
Belo Horizonte				15,216	26,823	36,508	31,795	19,418	(*)	21,175			

(*) Since 1999 OP is being run on a biannual cycle
 Source: Municipalities of Porto Alegre, Gravatá and Belo Horizonte (See Annex III)

Belo Horizonte: Community Organizations Participation in OP 1 st Round (1999)				
OP Regions	OP Registered Community Organizations	Participation		Representatives attending 1st Round
		No.	%	
Barreiro	242	202	83.47	542
Centro-Sul	165	132	80.00	374
Leste	270	216	80.00	703
Nordeste	213	155	72.77	250
Noroeste	227	190	83.70	490
Norte	192	131	68.23	350
Oeste	168	130	77.38	272
Pampulha	129	92	71.32	180
Venda Nova	202	157	77.72	335
Total	1,808	1,405	77.71	3,496

Source: Municipality of Belo Horizonte (See Annex III)

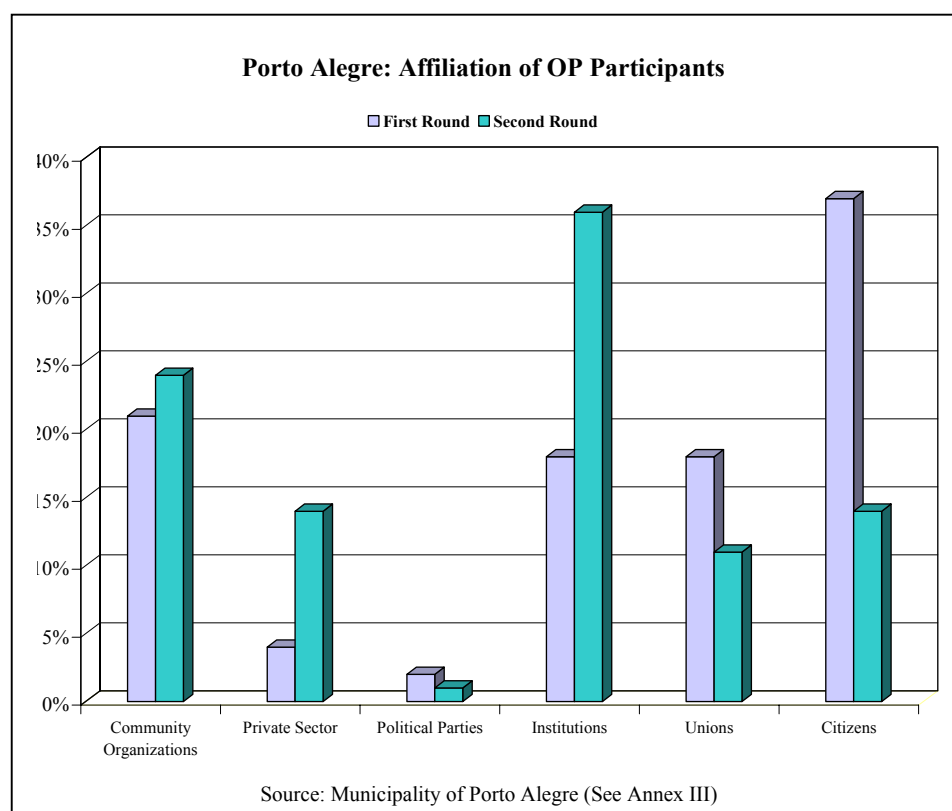
Comparing attendance to total population is rather misleading in that the low ratios tend to be interpreted as reflecting lack of citizen interest. The true picture is much more complex and

reflects the grassroots organizations and social movements involved as well as the self-mobilization efforts of communities and groups who want to press for their special demands.

From the viewpoint of lower income citizens, the cost of attendance is significant in terms of both direct expenses: transport and opportunity cost. Participation rates understate the population reached. For every participant there are at least five other persons among family, neighbors, friends, fellow workers and association members who cannot attend on that particular day. It is common practice for families and associations to send one or two members to represent the group at meetings and to take turns in attending. Hence, the high degree of coordinated action at the community level resulting in group representatives attending all the meetings to ensure that their concerns are heard and their demands included in the list of funding requests. All group members able to attend are sent to the voting sessions.

Porto Alegre: Income Distribution of Participants in the Plenaries (2000)												
Assembly most Probable to attend	Less than 2 MW*		From 2 - 4 MW		From 4 - 8 MW		From 8 - 12 MW		More than 12 MW		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Regional Plenaries	181	55.69	199	51.55	132	44.00	55	42.31	39	23.08	606	46.26
Thematic Plenaries	8	2.46	14	3.63	16	5.33	13	10.00	20	11.83	71	5.42
Both Assemblies	45	13.85	71	18.39	59	19.67	33	25.38	53	31.36	261	19.92
1 st time participants	49	15.08	49	12.69	29	9.67	15	11.54	17	10.06	159	12.14
No Answer	42	12.92	53	13.73	64	21.33	14	10.77	40	23.67	213	16.26
Total	325	100.00	386	100.00	300	100.00	130	100.00	169	100.00	1,310	100.00

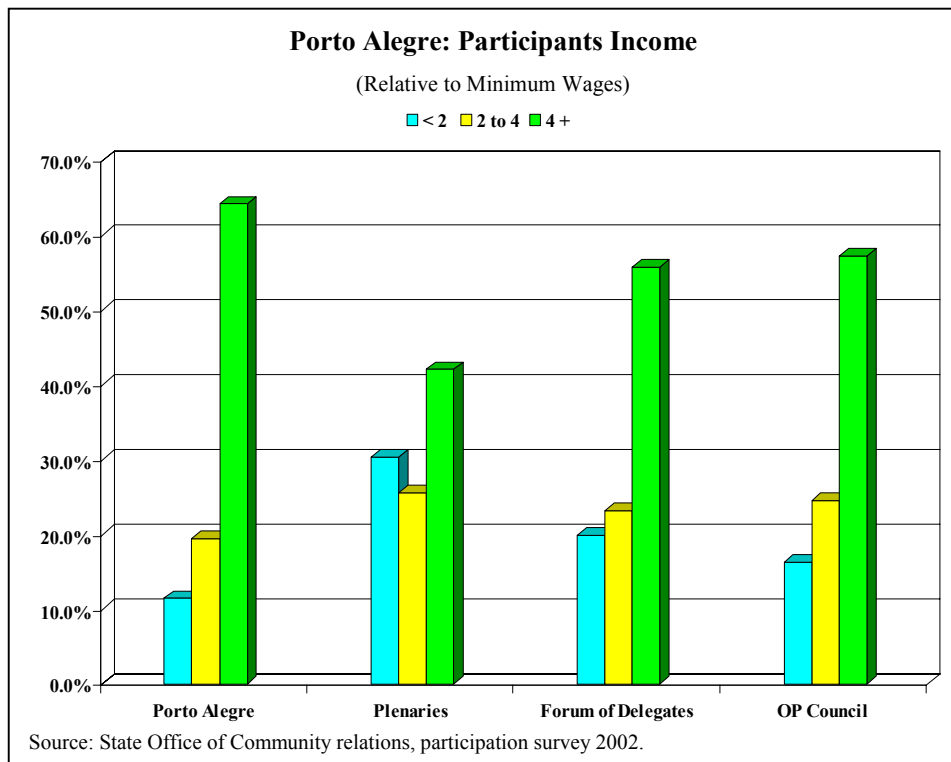
Source: CRC - PMPA / * MW – Minimum Wage.
 Data for the year 2000 produced by CIDADE, and Prefeitura Municipal de Porto Alegre: Data from Sample Survey.



Furthermore, those who get their projects funded in any one year usually do not show up the following year, figuring that the needs of others who did not get any funding will be given priority over whatever additional demands they may have. This is particularly true at the state level where the allocation criteria tend to favor the smaller settlements.

In general, participation in the OP tends to drop during election years as social movements and associations focus on promoting their political agendas and mobilizing constituencies for party meetings and rallies. When competing demands on their time reach saturation levels people have to make choices. In election years they tend to place a higher priority on political activism to the detriment of civic duties except for communities that have urgent needs and for whom participation in the OP process is vital.

The participation of middle-income groups in the OP process has steadily grown over time, spearheaded by individuals and groups active in the social movements and organizations affiliated with the PT. In contrast, upper-income groups typically do not attend OP meetings. Among the explanations advanced are social distance, lack of pressing needs for services and a belief that the whole process is futile being little more than a politically expedient mechanism to placate social unrest.



The opportunity to participate in decisions regarding the allocation of municipal funds for projects fosters a shift in the local political culture from confrontational tactics and corruptive political bargaining to constructive debate and civic engagement in governance. Mitigating the stigma of marginalization and the frustration of exclusion is no small achievement. It triggers changes in the relations between the poor and their municipality as each side develops a better understanding of mutual roles and responsibilities: municipal officials learn to respect and uphold citizens rights, and citizens acquire a better understanding of the requirements of local economic

development, the social needs of others and the constraints under which the municipality is operating in terms of both financial and human resources.

6.2 Investment in Lower Income Areas

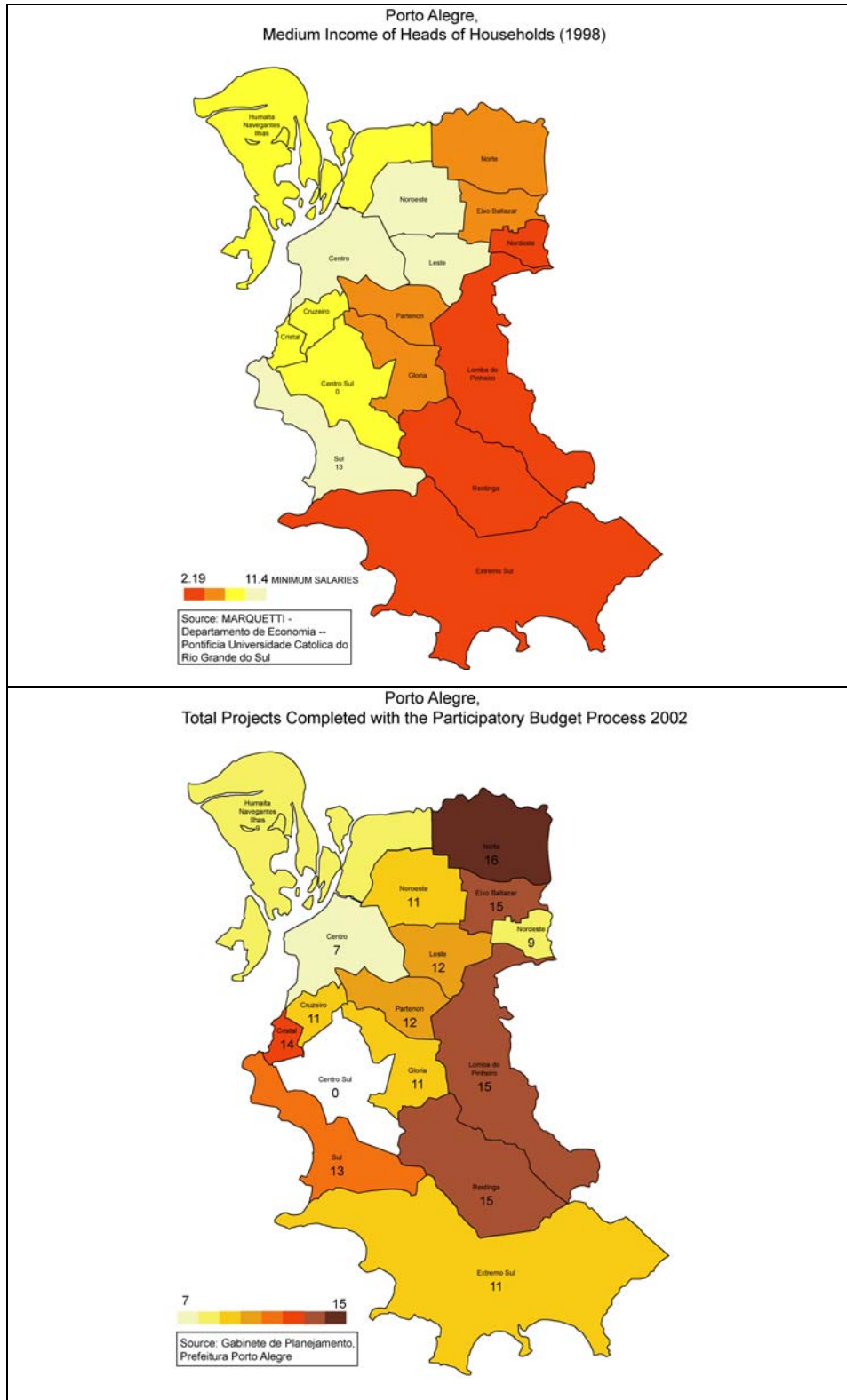
In addition to participation, the OP Rules (regimento interno) and resource allocation criteria have fostered empowerment. In all municipalities reviewed the proportion of investments serving lower income communities have increased. The location of projects is related to participation, which in turn is related to household income, as documented by the results of surveys presented in the previous section. Mapping statistical information from Porto Alegre and Rio Grande do Sul confirms these correlations. It highlights the impact of the OP's participation rules and resource allocation criteria on empowerment, social needs and redistribution in a region and a country where income disparities are large and the gap is growing.



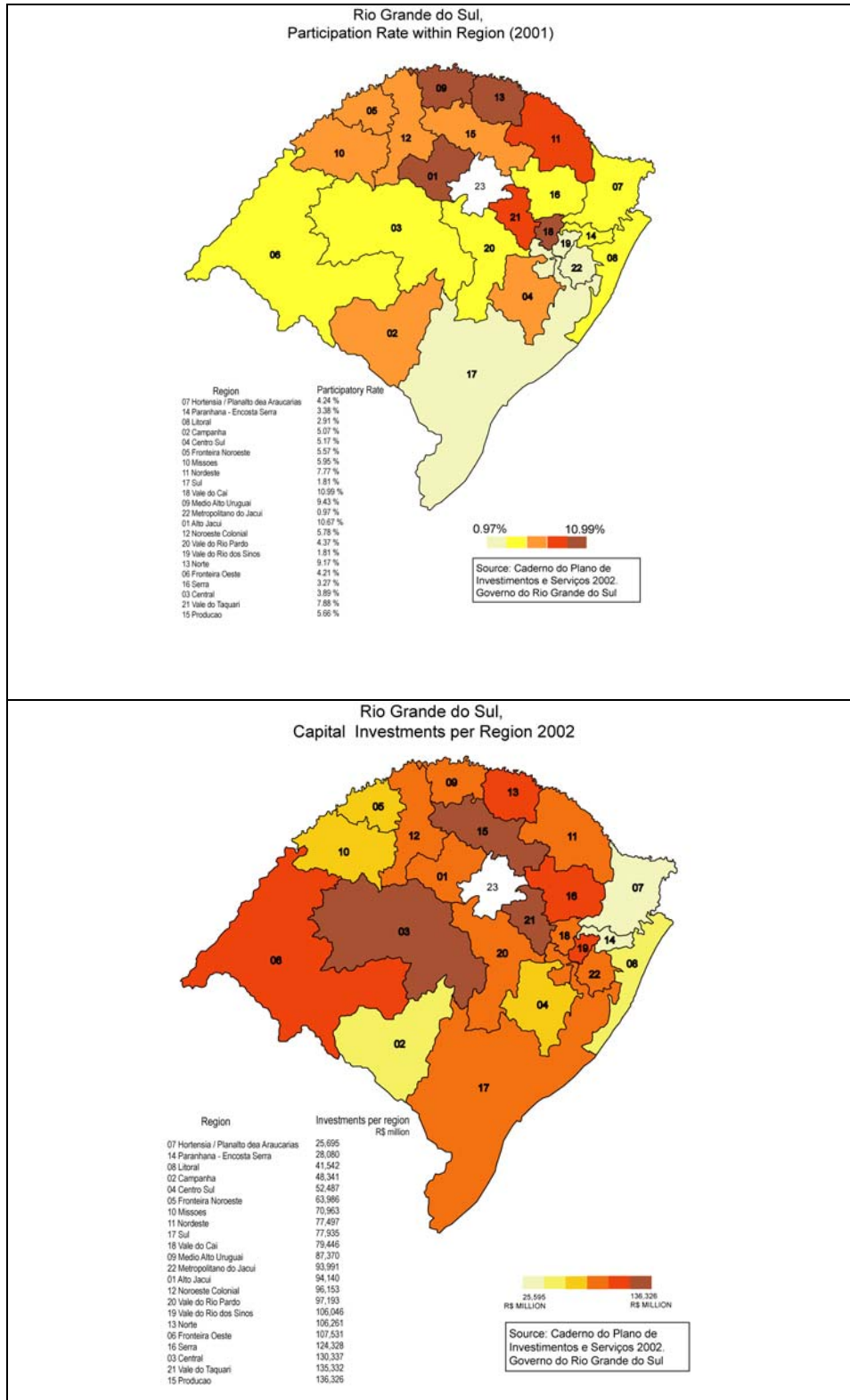
Projects developed with resources allocated by OP. *Right: Caxias do Sul, Road Pavement. Left: Gravataí, School.*

The following maps provide a spatial distribution of investment projects by OP region showing how lower-income areas have benefited from the participatory process.

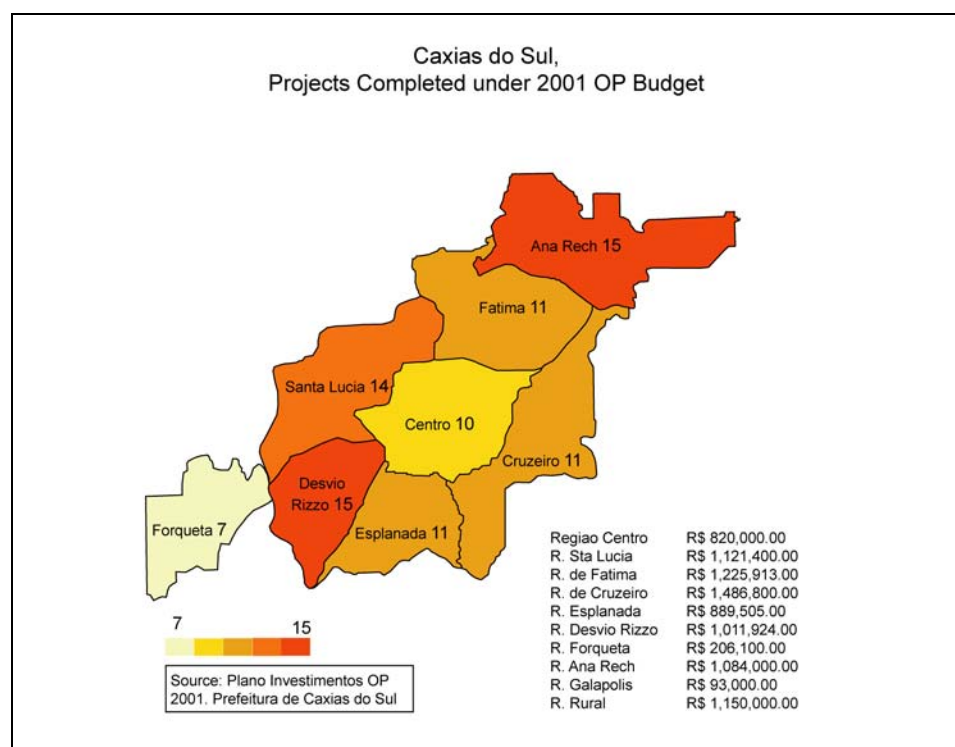
OP Region Map: Municipality of Porto Alegre



OP Region Map: State of Rio Grande do Sul



OP Region Map: Municipality of Caixas do Sul



The categories of works and services implemented through the OP reflect the needs and priorities in these communities: basic sanitation, paving, and education. In the case of Porto Alegre, a major employment center for the metropolitan regions, transportation is a key concern. While in Caixas do Sul, an urban center in a predominately urban area, with good access to the regional highway system, transportation is a lower priority.

Investments by Major Budget Categories in Selected Municipalities						
Works and Services Projects	Porto Alegre - 2002			Caixas do Sul - 2001		
	No.	Investment	% Invest	No.	Investment	% Invest
Basic Sanitation	56	R\$ 33,928,059 US\$ 11,865,032	33.6%	10	R\$ 912,809 US\$ 392,623	10.0%
Housing	3	R\$ 420,000 US\$ 146,879	0.4%	1	R\$ 183,212 US\$ 78,804	2.0%
Paving	6	R\$ 28,570,000 US\$ 9,991,257	28.3%	54	R\$ 5,354,110 US\$ 2,302,942	58.9%
Education	2	R\$ 340,000 US\$ 118,902	0.3%	18	R\$ 1,287,838 US\$ 553,933	14.2%
Social Assistance	2	R\$ 98,000 US\$ 34,272	0.1%			
Health	1	R\$ 50,000 US\$ 17,486	0.1%	1	R\$ 85,000 US\$ 36,561	0.9%
Transportation	11	R\$ 16,560,000 US\$ 5,791,222	16.4%	3	R\$ 53,100 US\$ 22,840	0.6%
Environmental Risk Areas	9	R\$ 280,000 US\$ 97,919	0.3%			

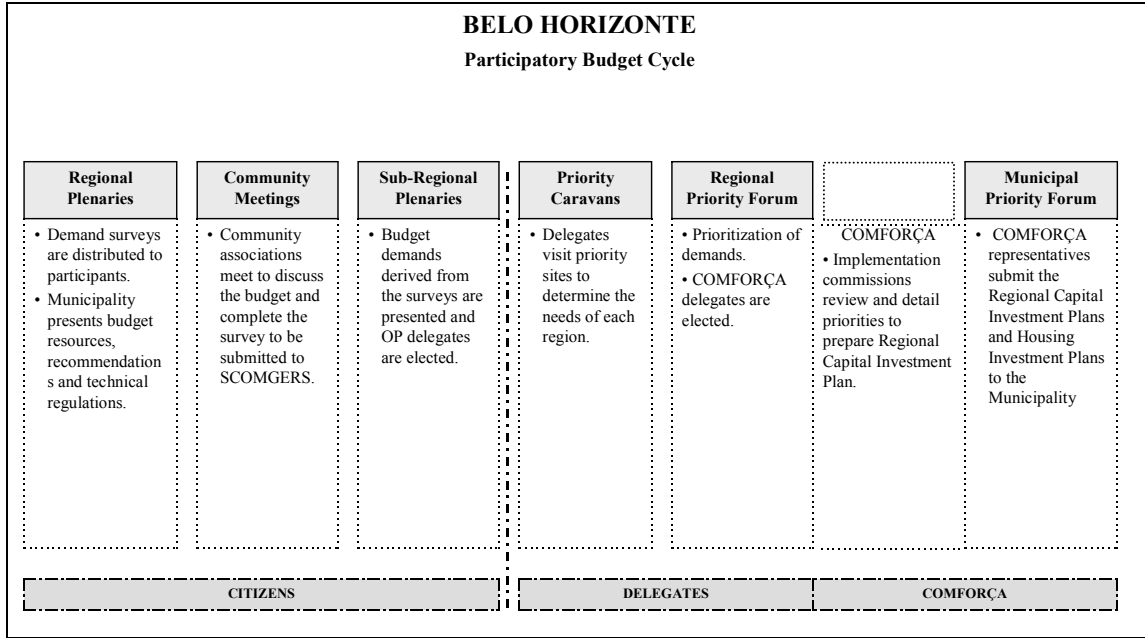
Sports and leisure	2	R\$ 60,000 US\$ 20,983	0.1%	13	R\$ 314,735 US\$ 135,376	3.5%
Public Illumination	2	R\$ 500,000 US\$ 174,856	0.5%			
Economic Development	7	R\$ 440,000 US\$ 153,873	0.4%			
Culture	4	R\$ 575,000 US\$ 201,084	0.6%	13	R\$ 563,754 US\$ 242,485	6.2%
Environmental Sanitation	5	R\$ 711,000 US\$ 248,645	0.7%			
Public Works	15	R\$ 18,586,300 US\$ 6,499,842	18.4%			
Security				1	R\$ 25,000 US\$ 10,753	0.3%
Water Supply				3	R\$ 175,326 US\$ 75,412	1.9%
Equipment				1	R\$ 130,000 US\$ 55,916	1.4%
Public Services				1	R\$ 3,758 US\$ 1,616	0.0%
Total Participants	125	R\$ 101,118,359 US\$ 35,362,252	100.0%	119	R\$ 9,088,642 US\$ 3,909,261	100.00%
Source: State of Rio Grande do Sul Website. Municipality of Porto Alegre "Investment & Service Plan - 2002". Municipality of Caxias do Sul "Investment & Service Plan - 2001".						

6.3 Impact on Unplanned Urbanization: the Experience of Participatory Housing Budgets

6.3.1 Outline of Belo Horizonte's Participatory Budget

Belo Horizonte is rather unique among Brazilian municipalities in having a two year capital investment budgeting process adopted in 2002, and an interlinked special OP for the Housing component of the budget. The former is organized by the city administration and the latter by the Housing secretariat (SMHAB). Fifty percent of the city's capital investment budget is divided equally among the nine OP regions. The other fifty percent, also allocated through the OP, is targeted to improve conditions in communities where the quality of life is low. The municipality computes regional quality of life indicators to determine the budget envelope for each region.

Belo Horizonte's process aims to achieve better integration of sectoral policies in regional development plans and capital investments. By engaging citizens in policy formulation the process seeks to foster an understanding of opportunities and constraints, enhance awareness of the needs of each region, and enable citizens to make informed decisions regarding the allocation of municipal resources.



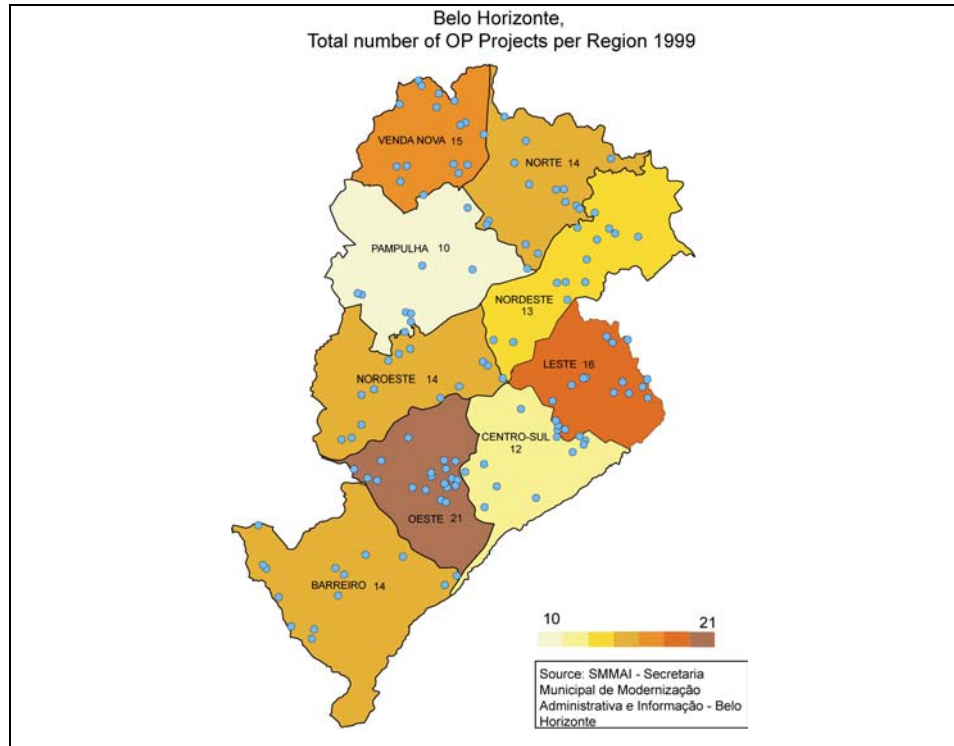
The first year sectoral policy formulation process the “OP Cidade” is similar to the regional thematic plenaries. Meetings are held in each of the nine regions to review budgets, discuss technical issues and options, and arrive at recommendations and decisions. Despite the link to the OP and its concrete and immediate results, the “OP Cidade” attracts primarily middle class citizens and organized community groups. The participation of the less educated and the disadvantaged and marginalized groups is still low. The same pattern prevails in Santo Andre’s “Cidade Futuro” strategic planning process initiated in 1999 and more generally at the OP thematic plenaries.

Outreach through meetings at the sub regional level is needed to expand opportunities for participation by lower income populations. Getting citizens to participate in discussions of development strategies is a major challenge. Benefits seem remote or unclear particularly to lower income populations for whom the cost and effort of participation are high.

Belo Horizonte and Santo Andre both rely on civil society for outreach and mobilize community associations for this task. Surveys, questionnaires and visual information materials are distributed to participants in the plenaries in order to elicit community needs and priorities. Belo Horizonte’s framework is more structured with community associations registering to participate. At the community level meetings are held where participants fill the survey of demands to be presented at the OP capital investment plenaries held in the 37 sub regions in the second year of the cycle.

Another special feature of Belo Horizonte’s OP are the COMFORÇAs, regional commissions that group representatives of elected delegates to the Forum, civic organizations and housing associations present at the Forum. The commissions prepare the draft two year regional capital investment plans and programs and submit them to the Municipality. They also oversee the implementation of the projects.

Belo Horizonte: Distribution of OP projects by Region



6.3.2 The Participatory Housing Budget OPH

With an estimated shortage of 50,000 units, 15,000 households living in hazardous zones and another 100,000 in slums and peri-urban underserved villages, housing is a critical concern. The Municipal Housing Bank leverages locally generated funds to finance housing programs. The allocation of these funds is done through a parallel OP referred to as OPH. The priority projects and associated capital investment program resulting from the OPH is submitted to the COMFORÇAs for review and inclusion in the regional capital investment plans.

The Housing Secretariat has institutionalized the role of the MSC social movement “Movimento do sem casa” as a partner in the organization and management of the OPH resource allocation process and as a partner in the management of the housing programs. Families who have lived in Belo Horizonte for a minimum of 2 years, whose income is below 5 minimum wages and who do not own property are organized by the MSC into Associations (“conjuntos”) and register with SMHAB for access to housing units. The registered associations are referred to as “Nucleos Habitacionais”.

SMHAB discusses policy issues, development standards and project management at length with the MSC and the associations. The Municipal Housing Council is composed of representatives from the MSC (5), labor union (1), developers (1) housing experts (1), higher education institutions (1), City Council (2), the Municipal administration (7) and the Secretaries of Planning and Housing. This Council divides the funds available in the budget among SMHAB’s three housing programs: Production of new housing, regularization and upgrading of existing settlements and resettlement of people living in hazardous zones.

Belo Horizonte - Total Capital Investments and Investments for the Improvements of Favelas					
Year OP	Total Projects	Total Investments	Investment in Shanty Towns And Favelas		
			Total Investment	% Investment	No projects
1994	171	R\$ 15,360,390 US\$ 16,340,840	R\$ 5,149,126 US\$ 5,477,794	33.52 %	52
1995	166	R\$ 18,185,909 US\$ 19,767,292	R\$ 5,520,636 US\$ 6,000,691	30.35 %	49
1996	90	R\$ 27,165,470 US\$ 26,912,492	R\$ 6,624,831 US\$ 6,563,137	24.38 %	24
1997	100	R\$ 26,948,339 US\$ 24,894,539	R\$ 6,686,719 US\$ 6,177,108	24.81 %	29
1998	68	R\$ 15,974,186 US\$ 13,709,394	R\$ 3,713,775 US\$ 3,187,242	23.20 %	18
1999 / 2000	124	R\$ 60,208,600 US\$ 34,258,094	R\$ 14,144,400 US\$ 8,048,023	23.49 %	35
2001 / 2002	133	R\$ 71,500,000 US\$ 30,754,011	R\$ 17,156,000 US\$ 7,379,242	24.53 %	32
Total	852	R\$ 235,342,894 US\$ 82,302,114	R\$ 58,995,487 US\$ 20,631,400	25.23 %	239

Source: Belo Horizonte Municipal Planning Secretary - OP Management, 2002

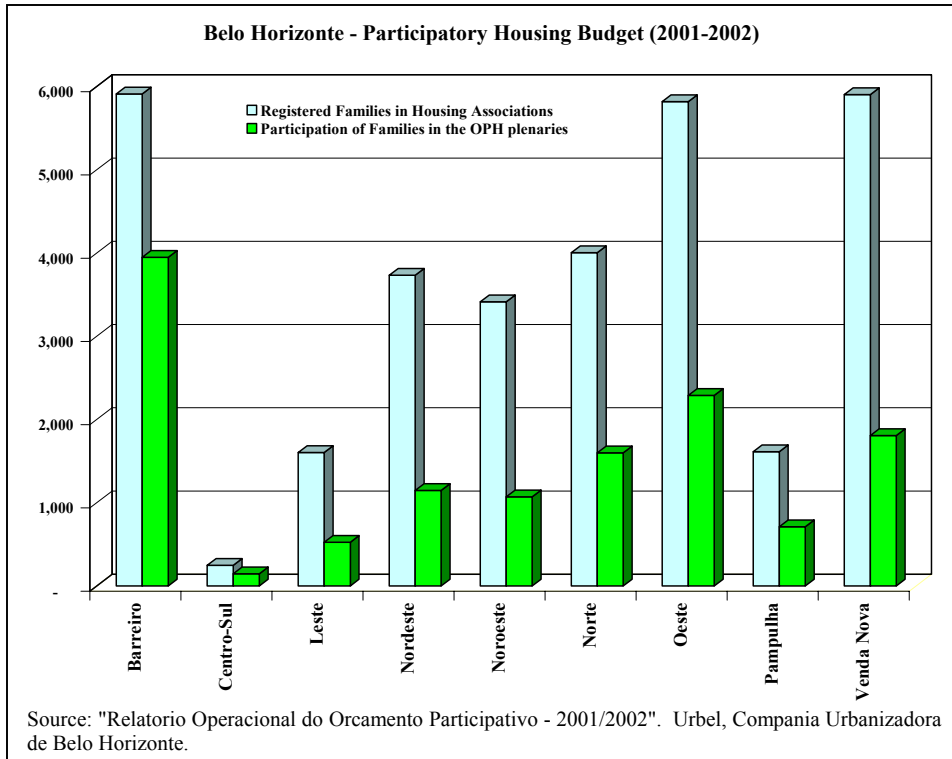
Regional Preparatory Assemblies are held in August and September of the first year of the OP cycle to review budgets and production targets and elect delegates to the Assembly of Delegates. Participation has steadily increased since 1994 when the OPH was first initiated and is directly related to the number of registered Associations. Families who have high hopes of getting an allocation usually participate under the banner of the association with which they are registered. As of the 2001/2002 OPH cycle, there were 179 associations registered with SMHAB with a membership of 32,260 families. A total of 163 associations and 13,257 families attended the different plenaries. The number of delegates to the Municipal Housing Forum an association can elect depends on the size of its membership. This number ranges from 2 delegates for associations with less than 100 families to 9 for associations with more than 4,000.



Belo Horizonte OPH Municipal Housing Conference.



Belo Horizonte OPH Regional Plenary Meeting.



The Delegates meet in November/December to vote priorities and allocate production targets to the different regions and nucleos based on participation, quality of mobilization and level of organization. The delegates elect representatives to the Housing Comforca in proportion to the regional participation. The allocation criteria include all associations with families registered in the plenaries and associations represented by the delegates at the Municipal Forum. A commission composed of 2 to 3 members per region and SMHAB representatives decides on the final allocation of housing units to the different associations. The Associations choose from among their members the families who will get housing products and the nominating document is signed by all the members.



Belo Horizonte Housing Conjunto. 192 Units.

The second year of the OPH cycle is devoted to program implementation. New housing projects typically take 3 years to complete. The available funds per budget cycle provide the fore accommodation of 1,000 to 1,500 households organized into resident associations and cooperatives. Families pay for their share of the land, a part of the infrastructure and the superstructure. Assisted credit is made available through the Housing Bank at an interest rate of 6% for an amortization period of 10, 15 or 20 years depending on income since payments cannot exceed 30% of the household's salary and wage earnings. Loans are indexed to inflation and a grace period of 6 months to a year is granted to organize the residents and the collection system.

Between 1994 and 2001, the OPH covered 69% of the city's housing production and the OP added 2% funded through a special program "Pro-Moradia" ("for housing"). The resettlement of families living in hazardous areas accounted for 22%, the Federal government projects 6% and the Caixa projects 1%. From 1996 to 2000, 3,059 housing units were built and 2,464 serviced parcels developed. The Housing budget, which had reached R\$ 14 million (US\$ 12 million) in 1998, was reduced to R\$6 million (US\$ 3.4 million) in 1999 due to retrenchments that resulted from the financial crisis. Since then it has recovered progressively, and reached R\$16 million (US\$ 6.9 million) in 2001/2002: 715 new housing units were built, 113 units completed on previously serviced land, and 500 serviced parcels developed for increasing allocation to cooperatives and housing associations.

Belo Horizonte's OPH and its inclusion of the MSC social movement as a key partner in the housing delivery system has altered the relationships between them. Confrontation has given way to constructive discussion and a better understanding of options and financial constraints. The OPH has greatly facilitated this cooperation by creating a space for the disenfranchised to participate in the allocation of local resources. The process is open and transparent and participation can give them access to home ownership albeit with some delay. Land invasions have declined precipitously, and there have been no land invasions during the past 3 years.

6.3.3 Outline of Sao Paulo's Participatory Budget

In 2000 the city of São Paulo instituted a participatory housing budget. The Secretariat for Housing and Urban Development (SEHAB), manages this demanding task. SEHAB runs directly five major programmatic areas:

- Construction of new housing units by "mutirões"¹⁰ or private developers.
- Regularization and upgrading of favelas including an IADB funded project.
- Resettlement housing and infrastructure works for population living in hazardous zones.
- Housing construction and improvement in areas close to employment nodes.
- Urban rehabilitation of the historic center.

São Paulo's OPH is similar in structure to Belo Horizonte's but adapted to the scale of a megacity (population of 10 million) with 31 subprefeituras, 96 OP districts and 270 zones (micro-regions). The OPH is widely promoted and public assemblies are held in each region and micro-regions. SEHAB is increasing its outreach efforts to expand participation by lower income communities.

¹⁰ Mutual helps associations of residents.

The formulation of the city housing strategy is articulated by several events: 16 pre-conferences on housing policy are held between May and July. In 2001, 22,330 persons attended these assemblies to discuss and prioritize housing policies and programs. The ranked priorities for 2001 are the following: regularization of favelas, upgrading of favelas, mutirões self management of projects, housing program for the central area, interventions in settlements located in hazardous zones, completion of mutirões projects underway, social location projects, improvement of public facilities in housing conjuntos, special programs for street and disabled persons, popular participation processes, and technical and legal assistance.

Participants in the pre-conferences elect delegates to the conference (in a ratio of 1 delegate per 10 participants). The City Housing Conference is held bi-annually to finalize the priority ranking and allocate funds to the different programs and projects. The first conference was held in 2001 and the second is to be held in 2003. Delegates at the conference also elect the members of the OPH Council that monitors the implementation of the housing budget and projects.

In addition to working on slum upgrading in 30 slums, SEHAB is implementing approximately 31,000 housing units in 2002 distributed as follows: 9,000 mutirões, 3,000 city center projects, 3,000 risk zones, 1,000 social locations, 5,000 state program, and 10,000 federal program.

In 2002 the City Council approved with some modifications an amendment proposed by SEHAB, to increase the representation of civil society on the OPH Council and give a greater voice to social movements. Formerly the OPH Council was composed of 10 members: 5 municipal officials, 1 representative of the construction industry, 2 representatives of the Pro-Moradia community organizations, 1 representative of religious institutions and 1 representative of the universities. The larger new OPH Council will have 48 members equally divided among city officials, social movements and civil society organizations. Universities, trade unions, private enterprise, and NGO's are included in the civil society group. The announcement of the new federal housing fund was received with great enthusiasm by the municipalities, the social and resident associations, sharing in the general conviction that the program would make an important contribution to social equity and the improvement of living conditions for the poorer segments of the population.

In April of 2003, President Lula announced the creation of new a housing fund of R\$ 5.3 billion (US\$ 1.6 billion) to finance the construction of new housing units, the upgrading of favelas and under serviced areas and related municipal programs. It will also provide credit for housing construction and improvement. Simultaneously, the financing provided by the Caixa is to be reoriented to cover social as well as economic development projects. The housing program provides direct subsidies to families with income below US\$ 80. Several financial instruments ranging from micro-credit to assisted loans will be available to lower and middle-income families.

Integrating the social movement as full partners in the OPH process on equal footing with the municipality and other civil society organizations has already boosted participation in the plenaries with over 31,000 persons voting in March of 2003.

7.0 CRITERIA, INDICATORS AND FORMULAS FOR THE ALLOCATION OF CAPITAL INVESTMENT RESOURCES

The OP has as one of its key aims a transparent and objective resource allocation process among regions and communities. The allocation formulas rely exclusively on quantitative indicators. There are different procedures for the two components of the investment budget:

- Activities under “programs” that benefit from special funds, or funds earmarked for particular initiatives.
- Projects under “works and services” presented as demands by OP participants in the different regions and sub-regions. Submission of demands, prioritization and harmonization of funding requests leading to the draft budget are governed by criteria and resource allocation formulas distributed to the participants in the plenaries and forums of delegates.

7.1 Allocation Procedures: General Criteria and Formulas

Allocation procedures differ slightly among municipalities, but are generally based on a two-step process:

1. Allocation of projected capital investment resources among thematic categories for both developments programs and works and services projects.

Thematic priorities are established by popular vote at the micro-region plenaries. The votes are tallied and aggregated to provide a regional and an overall ranking. A point score is calculated for each theme by applying a coefficient to the total number of votes cast per rank order, with the highest coefficient attributed to the first ranked priority. In Rio Grande do Sul, the coefficients are 3, 2 and 1 for the first three thematic priorities, and 1 for the 4th to the 11th rank. In Porto Alegre, the coefficients are 4, 3 and 2 for the first 3 priorities, and 1 for the 4th to the 13th rank. The investment budget is apportioned among thematic categories for both development programs and works and services projects in accordance with their point score.

Formulas for the allocation of budget resources among themes are not well explained in the OP documents, distributed to the participants. This budget envelope is computed by the city administration after the plenaries have been held, and the thematic priority ranking established. What is clearly of greater interest to the participants are the regional allocations and the prioritization of demands.

2. Allocation of resources under each thematic category among the different regions at the municipal level.

This allocation combines voting patterns and technical criteria to yield a point score per region and thematic category.

First criterion: Regional thematic priorities that carry the highest relative weight (5 or 4). The citywide rank grade for the different themes is multiplied by this relative weight to yield a point score.

Second criterion: The degree of inadequacy of existing infrastructure and services in the region, which carries the next highest relative weight (4 or 3). The level of inadequacy or urgency of need in each region is established by the city using quantitative indicators, which will be discussed, in the following section.

Third criterion: Population size which usually carries a relative weight of 2.

Porto Alegre: Criteria for Allocation of Capital Investments Resources among Regions and Municipalities	
Regional Thematic Priority Relative Weight 5	
First Priority	Grade 4
Second Priority	Grade 3
Third Priority	Grade 2
Forth Priority	Grade 1
Population Size Relative Weight 2	
Up to 25.00 inhabitants	Grade 1,0
From 25.001 to 45.000 inhabitants	Grade 2,0
From 45.001 to 90.000 inhabitants	Grade 3,0
Above 90.001 inhabitants	Grade 4,0
Degree of Deficiency in Infrastructure or Services Relative Weight 4	
From 0,01 to 14,99 %	Grade 1,0
From 15 to 50,99 %	Grade 2,0
From 51 to 75,99 %	Grade 3,0
From 76,00 to 100%	Grade 4,0
Source: Booklet from the Municipality of Porto Alegre.	

The sum of the points scored under the different criteria in each region is used to apportion the thematic budget allocation among the regions.

The OP resource allocation procedures ensure that most budget categories receive resources to meet the highest priority needs of the citizens. For the first 3 citywide thematic priorities all regions ranking these themes as their first, second or third priority will receive funding. From the 4th thematic priority only regions which ranked the themes, as their first priority will receive funds. Regions, which ranked the themes as second or third priority, may get some funding depending on the availability of resources for capital investments in any given year.

For works and services projects, allocations fall sharply after the first 3 thematic priorities. Since lower ranked themes are the ones that have garnered the lowest number of votes, it can be assumed that the demand for projects under these particular categories is either a local one or generally perceived as less urgent. In the case of development programs, the funding available for each program conditions the capacity to fulfill requests for activities under the program. In general, the apportionment of the budget among thematic categories is rather complex and is not well understood outside the local government departments most directly involved in the OP.

At the state level, the resource allocation process has to balance between urban and rural interests. The criteria rank order grades and coefficients clearly favor smaller size communities. Furthermore by assigning a higher relative weight to deficiency rather than thematic priority the state can channel resources to the most under-served and deprived areas. Participants in the regional and municipal plenaries vote for one development program and one works and services project per priority thematic category.

State of Rio Grande do Sul: Criteria for Allocation of Capital Investments Resources among Regions and Municipalities	
Regional Thematic Priority Relative Weight 3	
First Priority	Grade 3
Second Priority	Grade 2
Third Priority	Grade 1
Population Size Relative Weight 2	
Up to 150,00 inhabitants	Grade 0.5
From 150,001 to 300,000 inhabitants	Grade 1.0
From 300,001 to 450,000 inhabitants	Grade 1.5
From 450,001 to 600,000 inhabitants	Grade 2.0
From 600,001 to 750,000 inhabitants	Grade 2.5
From 750,001 to 900,000 inhabitants	Grade 3.0
From 900,001 to 1,050,000 inhabitants	Grade 3.5
Above 1,050,001 inhabitants	Grade 4.0
Degree of Deficiency in Infrastructure or Services Relative Weight 4	
Up to 10 %	Grade 0.5
From 10.01 to 20 %	Grade 1.0
From 20.01 to 30 %	Grade 1.5
From 30.01 to 40 %	Grade 2.0
From 40.01 to 50 %	Grade 2.5
From 50.01 to 60 %	Grade 3.0
State of Rio Grande do Sul: Criteria for Allocation of Capital Investments Resources among Regions and Municipalities (continued)	
Degree of Deficiency in Infrastructure or Services Relative Weigh 4	
From 60.01 to 70 %	Grade 3.5
From 70.01 to 80 %	Grade 4.0
From 80.01 to 90 %	Grade 4.5
From 90.01 to 100 %	Grade 5.0
Source: Booklet published by the State of Rio Grande do Sul.	

Furthermore, while the state OP regions correspond to the planning regions referred to as “corredes”, the municipalities within these regions are statutory jurisdictions with constitutionally guaranteed powers and resources, including mandated transfers from the State. It is a very different situation from the intra municipal regions and micro-regions. Each municipality has its

own budget cycle and procedures, and may or may not have instituted participatory budgeting. The statewide OP simply provides a supplement to the municipality's own capital investment budget.

Voting Ballots in the State of Rio Grande do Sul

Assembleia Pública Municipal do Orçamento Participativo - RS

Região: Município:

Cédula de Votação Obras e Serviços

Vote em 3 demandas prioritárias, uma por tema.

Escreva o número da Demanda

1º lugar:

2º lugar:

3º lugar:

_____ / ____/____

ASSEMBLEIA PÚBLICA DO OP-RS

Região:

Município:

CÉDULA de VOTAÇÃO PROGRAMAS DA TEMÁTICA

VOTE EM 3 PROGRAMAS PRIORITÁRIOS, UM POR TEMA

Escreva o N.º do programa prioritário por TEMA

1º LUGAR:

2º LUGAR:

3º LUGAR:

_____ / ____/____

The point score for the apportionment of budget resources tallies all the votes cast for programs and projects under the first statewide thematic priority across regions and municipalities that voted this particular theme as their 1st, 2nd or 3rd priority. For the 2nd to the 11th statewide thematic priority the tally covers votes cast for programs and projects when the theme was ranked as 1st or 2nd priority by the region or the municipality.

Further coverage of demands is conditional on the availability of resources for capital investment in any given year, and entails expanding the tally to count votes for development programs in regions that ranked themes 2 to 11 as 3rd priority, and then votes for works and services projects in municipalities that ranked these themes as their 1st, 2nd or 3rd priority, even when this ranking differed from the priorities voted by their respective regions.

Municipalities have a stake in encouraging their residents to attend the state municipal popular assemblies since participation directly impacts their share of the state capital investments. However, the share of the state's capital budget that each of the 497 municipalities can get is small, reducing its significance in all but the smaller rural settlements or the financially strapped municipalities. The provision of inter-regional public facilities is seen as the state's most important contribution.

7.2 Technical Criteria

The criteria used by Porto Alegre for resource allocation and project prioritization criteria has provided the model for other municipalities as well as for the states that attempted to implement participatory budgeting. In any fiscal year, budget allocations have to ensure the completion of projects started during the previous budget cycle and take into consideration the

financial implications of demands on operating expenditures, particularly personnel salaries that, by law, cannot exceed 60% of the budget.

In the case of water and sanitary sewerage projects, the three basic criteria are supplemented by special criteria because of the critical importance of technical factors in these complex systems. The criteria prepared by the city administration are submitted to the COP for approval. Unclear status of land occupancy, hazardous zones, and sites too difficult and costly to service are not eligible and will be disqualified. Irregular settlements must first be approved as “areas of special social interest” (AEIS) and land regularization must be started as a precondition to OP funding.

The majority of the 13 thematic categories include subcategories sometimes with further listings of programs under these subcategories. For example, the Basic Sanitation theme includes five subcategories: Water supply, condominium sanitary sewers, storm drainage, rivers and watercourses and environmental education.

The Housing theme includes four subcategories: Land regularization, Resettlement, Self-built housing and Housing Cooperatives. The land regularization component includes surveying and cadastral records, servicing of settlements, construction of housing units, while resettlement includes land acquisition, production of serviced sites and construction of housing units.

A special booklet distributed to OP participants details the general, technical and regional criteria used for resource allocation and project prioritization – Critérios Gerais Distribuição De Recursos - as part of the OP rules (“regimento interno”).

The technical criteria for each thematic category and subcategory give the different guidelines, regulations and requirements including urban development standards that must be met in order for a project to be submitted for OP funding. In addition to documentation and demonstration of need, demands must secure the approval of concerned local agencies, departments, commissions and councils.

7.3 Indicators of Deficiencies in Infrastructure and Services

The state and municipal administration computes comparative tables ranking the different OP regions in terms of deficiencies in infrastructure and services. To ensure objectivity, the indicators selected are quantitative indicators mostly relying on statistics compiled by the federal government and available through IBGE and Foundation for Economics and Statistics (FEE).

Two categories in the municipal budget carry mandated levels of expenditures: Education, federally mandated to account for no less than 25 percent of the total municipal budget, and Health which must account for about 10% of the budget, in accordance with the municipal charters (“lei organica”).

Even though municipalities are responsible for health services and interface directly with the Federal Ministry, health is a theme in Rio Grande do Sul’s State OP. Supplementary allocations are transferred to the municipal health funds according to the following criteria and weights:

- Total population (30%), population under 14 years of age (10%), and population over 60 years old (10%)
- Infant mortality (5%)
- The inverse of the capacity of existing health facilities (5%)
- The inverse of municipal tax revenue derived from the health sector (5%)
- The Municipality's own resources allocated to Health (5%)
- Priority ranking of Health as a theme in the municipal popular assemblies (30%).

In 2001, 340 municipalities out of 497, ranked health as their 1st, 2nd, or 3rd thematic priority.

The capital investments for education are allocated according to the regular OP criteria and priority ranking.

- Regional priority ranking of education as a theme.
- Regional population size.
- Degree of deficiency in school attendance. The indicator used for this criterion is the estimated population 15 to 17 years of age, without a primary school certificate in each region. Computed as the difference between the total population in the age bracket and students who have received a certificate. Grades ranging from 0.5 to 5.0 are ascribed to the indicator values where 5 correspond to the highest incidence of non-completion of schooling.

Budget allocations procedures for different categories of infrastructure and services follow a similar approach. The assessment of deficiency for selected categories relies on a range of indicators, which are the following:

1. Paving. The indicator of deficiency used for paving is the percent of unpaved streets in the region. Grades ranging from 0.5 to 5 are assigned to the indicator values where 5 correspond to the lowest percentages (under 10%). The two other criteria remain unchanged. The budget allocation covers the projects in regions where the "transport and circulation" theme was ranked as 1st, 2nd or 3rd priority. Regions ranking this theme as 4th or 5th priority will receive to implement one priority project in the region. There is a very high demand for paving at the municipal and regional levels, and funding for this item has increased steadily.
2. Housing. Capital investments for housing are allocated according to OP criteria and priority ranking modulated by weights as follows: Regional priority rank 15%, municipal priority rank 35%, population 20%, level of deficiency 30%. The level of deficiency is computed as the ratio of the sum of families living in precarious housing, families in dwellings without water supply and families who do not own a dwelling, divided by the total population. The choice of formula reflects the lack of data on the actual number of persons living these categories of substandard accommodations. The ratio can be viewed as a proxy for a more meaningful indicator: the proportion of the population living in inadequate housing. Budget allocation for selected municipalities in 2002 is shown in the following table:

Budget Allocation for Housing in selected Municipalities														
Municipality	Municipal priority ranking (weight 35%)			Regional priority ranking (weight 15%)			Deficiency (weight 30%)			Population (weight 20%)			Total score % of State	Budget allocation (R\$1000's)
	rank	grade	value	rank	grade	value	rank	%	value	rank	%	value		
Porto Alegre	2	5	0.38	2	6	0.26	41,287	16.45	4.94	1,285	21.86	4.37	9.95	1,281
Gravatá	5	2	0.15	2	6	0.26	6,428	2.56	0.77	209	3.55	0.71	1.89	243
Caxias do Sul	2	5	0.38	5	3	0.13	8,022	3.20	0.96	332	5.65	1.13	2.60	335

Source: "Critérios Gerais" Rio Grande do Sul 2003.

3. Sanitation. The indicator of deficiency in sanitary sewerage is the number of unserved houses. At the regional levels the values are graded on scale of 1 to 10 with the average of 8,087 in the middle bracket. The environmental sanitation allocation criteria favor small rural communities. The point score is the sum of 4 indicators: Regional priority ranking (carrying a weight of 1), Municipal priority ranking (weight of 3), deficiency (weight of 4), and the number of votes cast in the plenaries for the theme (weight of 2). The votes are scaled 1 to 5, with 5 corresponding to the highest value (500+ votes). In rural areas deficiency in environmental management and sanitation is based in 4 indicators: rural population in the municipality, houses without water supply, houses without sewerage, and houses without solid waste collection.
4. Social Programs. The FEE computes a municipal social index (SMA) based on four sub-indexes: Housing condition and basic sanitation, education, health and income, each of which includes three or four indicators. The income sub-index includes three indicators: Formal wages and salaries, proportion of local expenditures allocated to social programs and local GDP. The index aggregates the indicators into a score that is then scaled on a 0 to 1 scale, where 1 is the largest score possible. Rio Grande do Sul uses the income sub-index in its determination of social deficiency in the different municipalities.

Two indicators measure social deficiency: income and prevalence of indigence. The number of indigent families is computed by dividing the population by the average household size in the state and multiplying by the statewide population of indigent families. For the income indicator the ISMA sub-index is used. The method by which these two indicators are aggregated in the measurement of deficiency is not clear in the materials provided to the OP participants.

Resources are allocated among municipalities for social assistance and citizenship programs according to the following weights: population 50%, social deficiency 50% and a sliding scale of 25% to 50% for priority ranking from 1 to 5.

The OP has opted for transparency, objectivity and relevance in its quest to engage citizens in local governance. The resource allocation process has made it a rule that only quantifiable criteria and indicators are used. In the quest for comprehensiveness the formulas for the computation of deficiency can become cumbersome and overly complicated. One can take issue with some of grading and indexing of values, particularly in terms of vertical integration at the state level to arrive at comparative tables of disparities among municipalities and communities. Reliance on national statistics helps address questions of robustness. Whether the selected indicators provide the best measurements is another issue. As long as participants feel that the indicators are relevant to local concerns and meaningful to their communities and that the rules are fair, they will accept them. The benefits of popular participation in local governance far exceed any lack of scientific rigor in the methodology.

8.0 CONCLUDING REMARKS AND DISCUSSION OF COMMENTS

The decade of the 90's has shown that the expansion of the global economy yields few enduring benefits in the developing countries in the absence of concrete measures to address issues of growing disparities in income and wealth. Today there is a broad consensus among decisions makers and experts in the international community and development organizations that poverty alleviation is the most pressing challenge facing the world in the decades ahead. The Millennium Development Goals (MDG) stressed the link between poverty eradication and the sustainability of development and added targets to reaffirm the commitment to address the needs of the poorest and most deprived population worldwide.

Participatory planning and management processes in local governance are a precondition to the success of social inclusion strategies where poverty alleviation is a key component. In this perspective, the experience of Brazil's participatory budgeting is interesting and instructive. The OP has proven to be a more versatile and flexible instrument than originally envisaged by both proponents and opponents. It has offered the poor and the marginalized an unprecedented opportunity to participate in local governance without preempting the statutory powers of elected representatives or the executive authority of municipal officials. The popular response is a clear testimony to the difference that social inclusion and citizenship can make to the lives of previously disenfranchised populations. This is attributable in part to the structure of the process carrying decision-making to the community level through popular voting at the micro-regional plenaries. It also reflects the organizational capabilities of the social movements and the outreach efforts by dedicated municipal staff.

The different surveys undertaken by municipalities and studies by researchers have focused on the inclusionary character of the OP and its social significance. Mitigating the stigma of marginalization and the frustration of exclusion by involving disadvantaged groups in the decision making process is no small achievement. Yet, the OP experience has generated an ongoing debate in Brazil. This debate casting "popular democracy" vs. "representative democracy" as mutually exclusive options is fraught with pitfalls and inconsistencies. Inasmuch as elected councilors represent the views of their constituents, there should not be fundamental conflicts between direct and indirect expression of needs and preferences regarding the use of local resources.

Officials and community leaders attest to the OP's impact in promoting a better understanding of the role and functions of local government, a precondition to constructive dialogue, cooperation and partnership. Among participants in the OP meetings there is an understanding of broad budget categories and the impact of operating expenditures and in particular salaries on funding for capital investment projects. Participants are a more or less representative subset of the general population, but in many ways they include the leadership that shapes popular opinion, drives the social agenda and mobilizes communities. Hence the important practical dimension of the OP as a partnership building process rather than an expedient electoral strategy.

8.1 Major Concerns Regarding the Outcome of the OP Process

Most local governments in Brazil are operating under very tight budget constraints. The funds they can allocate to capital investment rarely exceed 15% of the budget. In a situation of

scarcity, the efficient use of these limited resources is critical. Three major concerns have been raised regarding the outcome of the OP:

- Funds are allocated to social projects to the detriment of other projects.
- Investments required for local economic development do not receive as high a priority as they should in the context of a developing country.
- The longer-term perspective is obscured by the attention to urgent needs.

(1) The OP does invariably include a relatively large share for programs and projects meeting urgent needs in underserved settlements. Unfortunately, these settlements are where the majority of the Brazilian population still lives. Even in the more affluent cities, favelas house no less than 20% of the population. It is difficult to conceive of local development without addressing their pressing needs.

(2) It is a documented fact that local governments give priority to projects that create jobs and generate revenues, and manage to get these projects approved through the OP process. The structure of the OP gives the municipal government adequate discretion in guiding the distribution of resources. The participation and representation rules and the grades and relative weights assigned to the different selection criteria (voting patterns, urgency of need and population size), shape to a large extent the budget allocation. They can and do introduce certain biases sometimes quite purposefully as in the case of rural and smaller communities in Rio Grande do Sul. However biases are rules of the game, known to all participants and cannot be altered during the budget cycle.

A lingering concern regards the ability of municipalities to fund the projects required for local economic development and whether the OP implies a dilution of responsibility for budgetary planning, management and control. This is a legitimate concern at a time when the national leadership has affirmed its commitment to fostering popular participation and addressing the needs of lower income communities.

The fieldwork undertaken by the CUDS team indicated that municipalities are confident that they can and in fact do get all-important funding requests approved through the OP. Even in they face tight budgets and urgent demands by organized social movements and community groups, the municipal OP staff usually manages to work things out with the OP Council during the harmonization process.

(3) In the OP, access to land infrastructure, services, and jobs looms large, as do education, vocational training, and health. These projects have a proven positive impact on the development of the community. The emphasis on urgency of need does divert attention away from longer-term development objectives. However, irrespective of whether they adopt an OP or not, municipalities formulate strategies reflecting the Mayor's political platform and rarely look beyond the term of office of the mayor and councilors. Implementation incorporates the need to have some visible results to show by the time the next electoral campaign starts. Integrating the longer-term policy perspective in the OP requires linking the planning to the budgeting process as Santo Andre has done. Belo Horizonte's and São Paulo's OPH does the same for the housing sector.

8.2 Feasibility of Instituting an OP

Undoubtedly, the significant commitment in staff time and resources required for effective outreach, organization and smooth implementation are costs that must be considered. As managerial difficulties increase with the scale and complexity of the operation, even among OP proponents the enthusiasm of mayors contrasts with the cautiousness of governors. Political and managerial considerations rather than financial constraints are the determinant factors of success. Failures in the implementation process alienate citizens and carry a political risk.

The political potency of the proponents and opponents is another factor to ponder. The OP offers distinct advantages and disadvantages for the different actors involved. Their support would, to a large extent, depend on the preexisting quality of local governance. A truly representative and honest council and administration would be concerned by social equity and able to give a voice to lower income and marginalized groups. The enthusiasm for direct popular democracy among social movements, most NGOs, and left of center political parties, with the PT in the lead, indicates that there is a widespread feeling of social exclusion among a broad segment of population.

As the scale of the operation expands with the size of the city, there is a significant but manageable cost to institute and implement the OP. Assessment of feasibility depends on the value placed on empowerment and participatory local governance. It is primarily a political decision because the constraint on successful implementation is institutional capacity rather than costs per se.

8.3 Clarity of the OP Rules and Formulas

Despite its complexity, the workings of the OP are well understood by professionals, technical staff, and civic group leaders. Other participants comprehend the gist of the allocation process. They appreciate the transparency and objectivity of the quantitative indicators and formulas, which are rarely discussed and hardly ever challenged.

The budget envelope for each budget category and subcategory is based on the funds available for capital investment and citizen preferences expressed through direct popular voting in the plenaries. Discussions during public meetings center on the prioritization of projects, since this ranking determines the projects that actually get funded within a given budget envelope. Even among those participants who do not get their project funded in a particular budget cycle, there is enthusiastic support for the opportunity to participate in decisions affecting the allocation of local resources. They are convinced that the OP reduces the potential for deal making, clientelism and corruption.

8.4 Economic Assessment of Participatory Budgeting

An issue of concern among economists is the extent to which the OP maximizes the returns on local investments resources.

In theory it is possible to assess whether the OP improves the outcome of the budgetary process relative to conventional budgeting methods. Estimates of economic returns would require the attribution of values or relative weights to the multiple objectives underlying public investment (economic, political, financial and social). This is a difficult undertaking since the

ranking and weighting of objectives would vary among localities, reflecting their demographic characteristics, political affiliation, economic opportunities and the living conditions of different segments of the population.

It is also possible to estimate the cost of the OP in different size municipalities by tracing expenditures on staff time and other costs incurred by the different departments of the municipal administration. For the departments managing the OP process, these costs will be easier to determine than for the departments who second personnel part time, work on technical aspects of selected projects or attend meetings where programs and projects within the scope of their responsibilities are discussed.

Estimate of economic returns require an assessment of the impact of public investments over a reasonable time frame to allow for the full development of anticipated impacts, in order to enable the quantification of such key indicators as wages, income, assets, property values and expenditures patterns. This information is quite scanty and the quality and reliability of the data that exists is variable, ranging from serious follow up studies to electoral pamphlets.

An economic assessment comparing the OP to traditional budgeting processes would therefore require a costly and time consuming effort that clearly beyond the scope of this brief assessment report. Such a study is technically feasible but its practical relevance should be questioned. In many ways, appraising the OP by the standard techniques of economic analysis would fail to capture the multifaceted impacts of a system that is primarily an instrument of empowerment. Irrespective of the detailed methodology used, the assessment will depend on the value attached to social inclusion versus other development goals.

The fundamental premise of the World Summit on Sustainable Development is that social equity and inclusion are preconditions to sustainable global development. This premise is reaffirmed by the commitment to the targets of the Millennium Development Goals. Participatory budgeting contributes towards several of these goals and on that account offers a model worthwhile instituting.

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- Priorities description for 1998, and 53 projects completed or being executed. In “Jornal do Orcamento Participativo” February 1999.
- Priorities for 2000 can be deduced from the description of finalized projects as of March 2001. In “Jornal do Orcamento Participativo”, March 2001.

Structure

- Process description and hierarchical structure functions description.

Process and Cycle information

- Process and projects description for 2001. Also diagrams describing the process to general population. In “Jornal do Orcamento Participativo”, March 2001.
- Objectives, composition, structure and process description for 1999. This description is general, not of specific projects.

Regulations

- Rules Leaflet for 1999.
- Internal Rules Booklet, 2001.
- Internal Rules Document, 2003.

Budgets

- Monetary investment detailed by projects in “Jornal do Orcamento Participativo”. Projects described include gross investment for 50 projects between 1997 and 2000. No overview describing budget by year.
- Paper on “The integrated program of social inclusion”. Eight pages describing Santo Andre’s participatory budget process, priorities, projects and objectives at a regional scale.
- Priorities description for the 2001 / 2001 Participatory Budget Process

References: Belo Horizonte

Leonardo Avritzer “*Public deliberation at the local level: participatory budgeting in Brazil*”, Universidade Federal de Minas Gerais, Fall 1999. Paper delivered at the Experiments for Deliberative Democracy Conference; Wisconsin January, 2000.

Leonardo Avritzer “*New Public Spheres in Brazil: Local Democracy and Deliberative Politics*”, <http://www.democraciaparticipativa.org>.

Roberto Rocha C. Pires “*O Orçamento Participativo em Belo Horizonte e seus Efeitos Distributivos sobre a Exclusão Territorial*”, Study realized for the Departamento de Ciência Política da Universidade Federal de Minas Gerais.

Pamphlets, Brochures and Reports:

Projects Description

- Projects built 1997 – 2000 in “Obras realizadas com a sua participacao”.
- Finished projects description for 1999 in “OP 1999, Plano de Investimentos”.

Projects Description

- Investment Plan for 1999 and detailed description of projects investment.
- Investment Plan and detailed description of budget distribution by municipal areas, 1999. Municipal Document.
- Investment Plan and detailed description of budget distribution by municipal areas, 2000. Municipal Document.
- Investment Plan and detailed description of budget distribution by municipal areas, 2001. Municipal Document.