

ADMINISTRATING PARTICIPATORY BUDGETING IN PORTO ALEGRE. STREET-LEVEL OFFICIALS AND ORGANISATIONAL PRECONDITIONS*

Herwig Cleuren

Leiden University, The Netherlands

Resumen

El Partido de los Trabajadores (PT) desarrolló en Porto Alegre un régimen participativo de gasto, que permitió a los ciudadanos tener una voz sobre la inversión pública a nivel municipal. Éste ha sido aclamado como un modelo de participación en la toma de decisiones que aumenta la transparencia al nivel local. La mayoría de los académicos han mirado este régimen con un enfoque socio-céntrico, enfocándose en los encuentros participativos, y en el rol de la sociedad civil. Sin embargo, poca atención ha sido dada al diseño institucional, el rol crucial de la administración pública, y a los políticos del PT responsables de las mejoras en el servicio público y la infraestructura.

Este artículo tiene un enfoque de políticas y redirige la atención hacia los funcionarios y políticos que estuvieron firmemente en el control y llevaron las riendas del régimen. La principal propuesta del artículo es que gran parte del éxito de la administración del PT en Porto Alegre dependió de dedicados militantes nombrados dentro de la administración municipal. Ellos fueron la encarnación del presupuesto participativo intermediado, el que fue un importante instrumento para la participación ciudadana, pero que contaba con una serie de debilidades estructurales, que los militantes del PT fueron capaces de superar durante varios años.

Palabras Claves: Democracia Participativa, Presupuesto Participativo, Formulación de Políticas, Brasil

Abstract

The Workers' Party (PT) developed In Porto Alegre a participatory expenditure scheme which allowed citizens to have a say on public investments at municipal level. It has been hailed as a model for participatory decision-making that increases transparency at the local level. Most scholars so far have looked at this scheme with a society-centred approach focusing on the participatory meetings and the

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role of civil society. However, little attention has been given to the institutional design, the crucial role of the public administration, and PT politicians who were responsible for the increase in public services and infrastructure.

This article has a policy approach and redirects the attention toward officials and politicians who were firmly in control and pulled the strings of the scheme. The article's main contention is that much of the success of the PT administration in Porto Alegre hinged upon dedicated partisan members appointed inside the municipal administration. They were the embodiment of the intermediary participatory budget as such was an important instrument for citizens' inclusion, but lacked the showed a number of structural weaknesses which these militant PT members were able to overcome during many years.

Keywords: Participatory Democracy, Participatory Budgeting, Policy-Making, Brazil

1. Introduction

Since the 1980s a decentralisation process has been underway in Latin America which has resulted in an increasing transfer of responsibilities and, in a lesser degree, resources from the central to the local level. At the same time, peoples' confidence in politics has never been as low in Latin America as in recent years (UNDP, 2004). The call for the empowerment of citizenship by civil society movements in many Latin American countries is emblematic for the failure of state institutions to successfully address problems such as high levels of poverty, inequality, and corruption. In the debate about ways of revitalizing democracy and increase accountability of the public administration, new forms of citizens' participation at the local level have been propagated ranging from mere consultations in referendums to inclusive deliberative processes in which citizens actively participate.

This debate has deeply been influenced by the experience of the Participatory Budgeting (PB) in Porto Alegre, Brazil. The Brazilian Workers' Party PT elaborated the model in this municipality between 1989 until 2005 when it held the city's mayoralty during four consecutive mandates. The PB model is now internationally renowned as a best practice of innovative participatory democracy by several bodies of the United Nations. Meanwhile, it has been adopted in one way or another in hundreds of municipalities in Latin America and elsewhere (Cabannes, 2004). There is a broad consensus among analysts in recognising the success of this scheme in Porto Alegre and stressing its positive effects for the redistribution of resources to poor neighbourhoods, improved public services, and budget transparency (see Abers, 2000; Baiocchi, 2001; Fedozzi, 1997; Navarro, 2003).

Multilateral institutions and national governments are increasingly interested in participatory mechanisms as part of a discourse clustered around public management concepts of 'good governance' and 'public-private partnerships'. From that perspective citizens' participation is viewed as a way of increasing governmental accountability and transparency in public affairs in combination with budget austerity (World Bank, 2005; IADB, 1997). In Latin America, participatory mechanisms are considered a counterweight for the high levels of corruption in politics, clientelism, and social inequality. Traditionally state and society in Latin America are two spheres marked by tension, distrust, and miscommunication (Chalmers et. al., 1997).

Different political approaches have been suggested to deal with this issue. At one side of the spectrum is the New Public Management (NPM) paradigm which has in the wake of neo-liberal theory introduced market mechanisms, and notions of accountability and transparency into the realm of the public administration in order to reach goals of good governance. An efficient and entrepreneurial government should take more policy decisions (steering capacity of the state) and do less service delivery (rowing capacity of the state)(Osborne and Gaebler, 1992). This

NPM approach emphasises administrative decentralisation, public-private partnerships, and entrepreneurial systems in which communities are involved. In this NPM framework participatory mechanisms remain encapsulated in a technocratic conception and citizens' participation becomes a planning instrument to reach efficient allocation of public resources and accountability. In public procedures technical criteria prescribed by the administration predominate, while popular participation is marginally allowed and consultative without real decision-making power.

The NPM approach contrasts with notions of deliberative democracy stressing the reciprocity and dialogue between state and society and resulting in a government by consent (Hirst, 1994). Civil society theory approaches the state-society interface with special attention for the predominance of civil society in the public sphere. Proponents call for opening the black box of secretive political and administrative procedures of the budgetary process in order to gain transparency and accountability. Authors such as Avritzer (2002) stress the importance of the public sphere and identify a plural space which is self-regulated, critical, and horizontally interlinked. This neo-Tocquevillian society-centred approach emphasises alleged autonomy and agency of grassroots movements and downplays the importance of policy-makers and public authorities who design and facilitate the process. As a result, the civil society-centred literature has developed a normative bias against bureaucratic mechanisms and public administration in general.

Authors such as Abers (2003), Keck and Abers (2006), Mohan and Stokke (2003), and Nylen (2003) have correctly observed that the civil society paradigm downgrades the importance of underlying political strategies and agendas to transfer power to popular forums and largely ignore the reactions of the bureaucracy to its loss of power. It is our assumption that the performance of the PT administration has been a more decisive factor than the increased citizen participation in offering better basic services in Porto Alegre.

In line with this last viewpoint, this article aims to contextualise the participatory budgeting in Porto Alegre from a policy perspective, assessing the contribution of the PT administration to the successful outcome. For this purpose three basic dimensions of public management will be addressed, i.e. budgeting and financing, the organisation of the administration, and its relationship with civil society. This study will identify the crucial role played by a specific group of municipal officials in Porto Alegre in designing, coordinating, and implementing the participatory mechanism. This moves the spotlight toward these intermediaries in the municipal administration who have largely remained in the dark because most of the academic research has focused on the active role of civil society organisations. This article will prove that the so called "popular administration" and its participatory mechanism hinged upon the expert knowledge of these intermediary officials, although not in a traditional technocratic way but as an asset to improve the communication between policy makers and citizens.

This study is based on fieldwork conducted in Porto Alegre in several stages between 2004 and 2007 with the support of the Dutch Research Fund (NWO). The timing was important, because the PT lost the municipal elections in 2004 and many of the militant officials lost their position and were free to talk in hindsight about their experiences in the PT administration. The majority of the interviewees were rank-and-file PT militants who worked as appointed officials in the PT administration. Many of the comments were critical assessments of the participatory budget and attempt to explain the electoral loss of the PT. The data collection was finalised with a workshop on citizens' participation and public policies which was organised by Leiden University and the University of Rio Grande do Sul in Porto Alegre in May 2006.

2. The participatory budgeting scheme

Participatory budgeting as conceived in Porto Alegre is basically a public expenditure scheme in which citizens can decide the priorities for the annual municipal investments about public goods such as road building, sewerage, health care, public transport, and education. The scheme is based on a number of neighbourhood assemblies in which citizens can vote for investment priorities in their neighbourhood and elect representatives who negotiate with the city government the annual investment plan. The investment plan consists of concrete projects that materialise citizens' priorities and is presented to the city council for final approval. The executive branch implements the projects and is accountable for their realisation.

Participatory budgeting is a pyramidal system with a central budget council of elected members (COP) at the top and regional and thematic assemblies and forums at the base. The involvement of individual citizens marks an element of direct democracy, which operates parallel to the institutions of the representative system of the elected city council. During the 16 years the participatory scheme functioned in Porto Alegre, the amount of money that people could decide upon oscillated between ten and fifteen percent of the municipal budget and equalled the city's entire investment resources¹.

There is almost unanimity about the improved municipal services during the sixteen years that the PT governed the city. Large progress was made especially in the poorer neighbourhoods in improving public infrastructure and services such as garbage collection, road pavement, sewerage, drinking water and public transport. Participatory budgeting excelled in Porto Alegre has worldwide been acknowledged as an innovative policy mechanism that increases transparency

¹ In 2003 the investment budget discussed in the participatory budget rounds was 12 percent of Porto Alegre's municipal budget, representing R\$ 87 million (US\$ 40 million), the rest consisted of salaries and fixed costs (Plano de investimento, 2003).

and accountability. However, many publications on Porto Alegre engage in political advocacy advocates and idealise the model as an instrument for political inclusion of the poor and even for deepening democracy. The sheer number of publications about Porto Alegre gives even the impression of a city in a permanent state of euphoria about direct democracy engendering a 'participatory fever' under the population which allegedly deepened democracy (Navarro, 2003).

Some critical remarks on these claims are here presented. Firstly, the evidence draws on examples from single sectors such as increased number of paved roads and extended sewage systems, and is mainly anecdotal and localised, and lacks a control group to make scientific conclusions. Therefore, Robinson (2003) argues that there exists very little systematic or comparative evidence worldwide whether increased citizens' participation generates better outputs in terms of public services. Revealing in this respect is that the neighbouring city of Curitiba scored better than Porto Alegre in fighting its housing deficit, while this city was governed by an administration clinging to a NPM policy model marked by a top-down approach and technocratic planning². The Curitiba case suggests that a municipalities in southern Brazil can also obtain tangible results with a completely different policy approach and, consequently, that the participatory model is not *per se* the decisive variable to explain Porto Alegre's successful achievements in public investment. Secondly, the alleged massive character and its democratic level are dubious, because the numbers of participants oscillated around 12,000 participants per year which represented just one percent of the population of Porto Alegre. People from poorer city districts were overrepresented under the participants and this tiny fraction of the population decided the city's annual investment budget and bypassed the democratically elected city's council. Thirdly, the claim of 'deepened democracy in Porto Alegre' is difficult to assess. Civic organisations and individuals were primarily concerned about securing public investments in their neighbourhood, and a discussion about deepening democracy or a new institutional design was not a broadly discussed issue (Fedozzi, 2001). The only proven trend was a gradual evolution in demands in the course of the years. In the first two mandates citizens voted for basic infrastructure such as road pavement and sanitation and subsequently social issues such as health care, education, and housing programmes became priorities. The practical demands became gradually more sophisticated requiring more organisational capacity and expertise from the bureaucracy.

² Curitiba is the capital of Porto Alegre's neighbouring state of Paraná and is worldwide hailed as an ecological city with an exemplary public transport system and waste recycling program (Hawken et al., 2000).

3. Political commitment for a new policy approach

In 1989, the PT was determined to put an end to the clientelist tradition of Porto Alegre's previous administrations marked by favouritism, corruption and ill-spending of public funding up to a level that the poor in peripheral areas were largely deprived from infrastructure investment. The PT replaced it with a participatory scheme accessible for all citizens who frequented the plenary assemblies in their neighbourhood. A major innovation was that every citizen's demand had to go through the same decision-making procedure of the new budget scheme, which blocked the possibility of the previous system marked by personal privileges and clientelism.

Another policy goal was to open up the black box of the municipal budget to increase the transparency in order to make politicians and civil servants accountable. Therefore, the PT stuck to the principle that the participatory budget was the only channel for municipal investments and no other secretive budget allocation could take place. The administration also stimulated and increased the information flow toward the participants during the budget scheme in order to enable citizens to scrutinise municipal accounts and procedures (Baiocchi, 2003). Consequently, the typical asymmetric access to information and knowledge between state authorities and civil society was lowered and this enabled citizens to participate in the decision-making process.

The PT countered the social marginalisation and inequality by applying the principle of 'the inversion of policy priorities' to obtain a redistributive effect that favoured infrastructure works in poor neighbourhoods. The annual investment plans during the PT administration indicate that roughly 80 percent of the investments went to the city's poorer districts. As a result, the city of Porto Alegre dramatically improved its basic indicators of sanitation, street pavement, and school enrolments, especially in the poor neighbourhoods. Although this correlation does not imply causation, there is a general consensus that the PT's participatory scheme has contributed significantly in achieving these results (Abers, 2000).

Political manoeuvring was also part of the explanation for implementing a participatory budget. In Porto Alegre consecutive PT mayors were confronted with a majority opposition in the city council which had the power to reject the city's budget proposed by the mayor. By letting the citizens to decide about the investment budget, the PT mayors obtained popular support and increased legitimacy for his budget. The pressure was so effective that the city council, controlled by a majority of opposition parties criticising the participatory budget, never rejected the proposed budget during the sixteen years it had the opportunity. As such, the list of approved projects became a *fait accompli* for the councillors of the opposition, who considered the political cost of disrespecting the will of the citizens too high.

4. Street-level officials

It is our contention that the success of the PT administration and the participatory budget should be assessed in the light of the work done by the appointed officials - *cargos em comissão* (CCs), who were the driving force of the popular administration. Directly after obtaining the mayoralty in 1990, the PT recruited 600 of its most militant and dedicated members as CCs, representing ten percent of the total PT party members in the city (Baierle, 2002). It is a general administrative practice in Brazil that newly elected politicians appoint their own partisan members, a phenomenon closely linked to Brazil's problem of politisation of the state bureaucracy and political nepotism (Santos, 2002). Yet, in Porto Alegre these CCs were the driving force behind the functioning of the administration and worked as 'liaisons officers' between the bureaucratic departments and the popular assemblies. They established communication channels for all the actors in the participatory process, informed the administration about citizen necessities and demands, and ironed out differences between demands from the neighbourhood communities and municipal officials.

These category of militant officials in Porto Alegre has similarities with Lipsky's (1980) 'street-level bureaucrats', but the denomination of 'bureaucrats' would not be appropriate for them, because the CCs mastered a client-oriented approach with as little bureaucratic rules as possible. They should rather be characterised as 'militant street-level officials' and the distinction with ordinary bureaucrats was twofold. Firstly, they possessed a rare talent to communicate with low-educated and mainly poor citizens and established trust and a working relationship which are normally uncommon between citizens and public authorities. These skills were due to their past activity as PT militants and their familiarity with the needs in the poor neighbourhoods. Secondly, the CCs had a clear ideological commitment and an eagerness to improve their city after their party won the mayoralty. They combined eagerness to overcome the complex co-ordination related to grassroots politics with a willingness to attend meetings in poor districts during evenings and weekends. The work of the CC was not a regular nine-to-five job, it was dedication, and implied 24 hours availability – especially the CCs of the first hour were workhorses with love for the party.

These militant PT members moved from the sphere of grassroots opposition to positions in the municipal administration after the PT gained the mayoralty. This was, on the one hand, a huge gain for the budget scheme because it offered the much needed citizen collaboration and community workers familiar with the situation in the neighbourhoods (see Dryzek, 1996). On the other hand, it became gradually a drawback because this co-optation squeezed the best community workers out of the ranks of the civic organisations. Navarro (2003) characterised it as a new form of clientelism of the PT party which narrowed the PT base of citizens in the

neighbourhoods. During the third and fourth PT mandate, large part of the initial community leadership was co-opted as a municipal official or encapsulated in the decision bodies of the participatory structure resulting in a decline of the PT grassroots structure in the neighbourhoods. It was one of the reasons why the participatory scheme grinded to a halt during the fourth mandate and lost much of its initial dynamism³.

4.1 CCs inside the municipal bureaucracy

Back in 1990 the participatory approach of the PT implied drastic changes of administrative procedures and required a different mindset from typical Brazilian bureaucrats accustomed to a rigid hierarchy without accountability or transparency toward the public. It was a huge challenge to bring about a shift from a techno-bureaucracy to a techno-democracy. Very little of the induced flexibility really permeated the existing municipal bureaucracy during the years that the PT was in power. The majority of the rank-and-file officials showed indifference toward the PT ideology and the participatory scheme, while criticism and passive resistance came from the technical experts, who reacted against their loss of control (Baierle, 2005; Bairro, 2003).

Yet the PT did manage to make inroads in the traditional bureaucratic system by appointing a group of CCs at middle and high levels in each municipal department to organise and coordinate the formulation and implementation of investment projects in close deliberation with the participatory structure. These CCs pushed forward and greased the bureaucratic machinery and their presence established a new administrative and coordinating mechanism grafted upon the old bureaucratic mechanism. It resulted in a division of labour between civil servants (*funcionários de carreira*) who were in charge of the technicalities and the CCs appointed by the mayor and who administered and coordinated the administrative performance, and were responsible for the external communication toward citizens within the participatory budget structure⁴.

Another group of CCs working in the departments communicated directly with the people in the neighbourhoods where the projects were implemented. Throughout the years, these CCs became crucial antennas at grassroots level detecting citizens' demands and complaints, and communicated them to the respective municipal departments. They also supplied concerned citizens information from inside the municipal bureaucracy. The pressure was high because the bureaucratic procedures were cumbersome and people wanted immediate results and asked the CCs to 'fix things'. "When the project implementation went well, the departments took all the credits, when things were delayed everyone blamed the CCs"⁵.

³ Antonio Sanzi, commercial consultant DMAE.

⁴ Guillermo Barbosa, director of DMAE 1989-1992.

⁵ Angela Comunal, community consultant of DEMHAB.

The category of CCs in Porto Alegre also resembles Grindle's (1977) profile of the political brokers in the Mexican bureaucracy because both groups acted as intermediaries linking communities to the municipal authorities. The big difference, however, is that the CCs in Porto Alegre only facilitated citizens' inclusion without offering personal favours and had a militant progressive left-wing commitment, whereas in Mexico the brokers were an essential part of an extended clientelist network of the PRI party based on personal favours and rent-seeking.

4.2 CCs monitoring the participatory scheme

A group of CCs was responsible for the organisation of the participatory meetings in the neighbourhoods. Most CCs had built up experience as community leaders or PT activists in their neighbourhood and became municipal officials responsible for facilitating the participatory cycle in particular neighbourhoods. There was a principle of transfer of CCs to other neighbourhoods than the ones they emerged from in order to avoid role conflicts and favouritism. They attended meetings to seek compromises, reducing conflicts, and maintaining subtle balances between different factions of each neighbourhood. They were responsible for instigating plenary assemblies and negotiations in unorganised neighbourhoods, advising community leaders, stimulating consensus building, and establishing a network of consultation and deliberation at each level of the participatory cycle (Abers, 2003; Barrios, 2003).

CCs had also controlling responsibilities next to the above mentioned supporting activities. One of their first tasks in this respect was to break up the traditional clientelist ties that community leaders had established in all neighbourhoods and instigate open deliberation and voting (Abers, 2000). They were also present to reduce the typical risk of powerful actors who sought to usurpate the participatory space and dominate the public debate (see Gurza Lavalle, Acharya and Houtzager, 2005). In general, plurality and less-powerful groups were respected and manipulation minimised, not in the least by the efforts of CCs who steered the process and prevented powerful minority groups to dominate. The technical expertise about infrastructure works was often not shared by the incumbent officials, despite the requirements for information sharing and the requests of citizen representatives for more transparency (Baierle, 2002). The CCs solved this problem and used their unique position in the bureaucracy to inform inhabitants about departmental procedures related to the infrastructure works in the neighbourhood. CCs also translated bureaucratic and technical slang into a language understandable for people who often were illiterate.

5. An institutionalised state-society synergy

State-society relationship during the PT era in Porto Alegre could be characterised as 'a mutual relative autonomy' for both the administration and the citizens emphasising the sovereignty of the municipal executive branch and a decisive role of the central budget council COP (Santos de Sousa, 1998). This model proved to be an instrument to fine-tune the power balance between state authorities and citizens, respecting each other's autonomy and remaining mutually interdependent. For this purpose it created municipal agencies and forums manned by the CCs to facilitate dialogue and mediation between the municipal administration and ordinary citizens. These liaison officers operated between municipal institutions and civil society, but also at the interdepartmental level inside the municipal administration. This newly created administrative structure was one of the most successful institutional innovations of the PT administration in Porto Alegre and this new administrative structure consisted of two basic layers.

The first layer of communication agencies consisted of the mayor's cabinet and two pivotal departments which had the operational control of the annual participatory cycle. The most powerful body was the planning cabinet (GAPLAN), which coordinated the technical work of the budget deliberation and calculated the economic appraisal of the popular demands. Planning advisers transformed citizens' proposals into a bureaucratic format, collected information and requested technical studies, and coordinated the implementation of the approved projects between the different departments of the administration. GAPLAN had a particularly important role by deciding the agenda of the 'thematic rounds' and presenting investment proposals⁶. The second important administrative office of the mayoralty was the department of Community Relations Coordination (CRC) consisting of 21 coordinators (one for each of the 16 city district and for each of the six thematic forums). The CRC was a crucial mediating agency linking the municipal government with the community leaders and their associations. Its collaborators functioned as facilitators for the practical organisation of the popular assemblies and the mobilisation of community organisations in each district. These CRC collaborators were the most communicative and enthusiastic proponents of the participatory scheme and their strength lied in their knowledge and familiarity with the issues that concerned people in each neighbourhood⁷. They had been recruited from the community organisations with whom they were now collaborating and assisting them in articulating their demands (Genro and Souza, 1997; Sousa Santos, 1998).

⁶ Interview with Ubiratan de Souza, Coordinator of GAPLAN 1989-2001.

⁷ The members of the CRC were denominated by their respective acronyms: CROPs for the coordinators of the 16 regional city districts and CTs for the coordinators of the six thematic forums.

A second layer of coordinators facilitated an administrative restructuring and horizontal decision-making at departmental level to smoothen out the internal administrative process. These coordinators were crucial for the increased effectiveness and integrated planning inside the municipal bureaucracy itself, making it capable of responding towards citizens' demands. First, planning advisors inside the line departments (the so-called ASSEPLAS) discussed the technical and administrative proceedings to elaborate the budget and the required projects inside each department and coordinated between different departments by collecting information and requesting technical studies. Secondly, community advisors of each department tried to intermediate between bureaucratic planning and demands from the communities en met regularly in a committee called FASCOM to harmonise the policies of the different departments and level out differences.

The central role of the above mentioned coordinating agencies grafted upon the old departmental structure gave these new agencies both increasing power and prestige inside the municipal bureaucracy transforming them in super entities that operationalised the municipal budget and coordinated the project implementation. The new structure resulted in an increased level of efficiency and effectiveness of the municipal initiatives and more dialogue and consensus-building toward civil society. It was, in our opinion, particularly through these agencies and forums manned with dedicated and convinced CCs that the participatory budget in Porto Alegre was innovative and exemplary in establishing genuine participation despite a traditional and rigid bureaucracy which the PT did not manage to dismantle.

6. The mayor and his staff firmly in control

Officially all budget decisions were approved by the central budget council COP, but in practice, the administration had significant influence due to its monopoly on technical information and the highly skilled professionals who were nearly always capable of formulating convincing arguments. CCs had an important role in steering the participatory process with the help of two important procedural mechanisms. Firstly, the municipality changed investment projects, in collaboration with the COP, on the basis of technical or financial considerations. It enabled the municipality to overrule any particular outcome of the participatory process and cancel demands which were technically non-viable, to give priority to investment projects of public interest, or to impose a logical order in infrastructural investments. Secondly, the municipal administration computed two objective variables which co-determined the distribution of the budget resources together with the priority votes of the citizens. These two variables, measuring the lack of existing infrastructure and the number of inhabitants in a given region, enabled the administration to prioritise projects in regions which were densely populated and with little infrastructure at the

expense of the projects in better-off regions. Consequently, citizens and the executive branch decided together the ranking of the investment projects according to a number of criteria set by the local administration.

The participatory budget was above all a successful political instrument for the PT that embodied the interaction with citizens and which enabled the party to create a joint spirit and identity about Porto Alegre as the capital of democratic citizenship⁸. The consecutive PT mayors made the participatory budget the hallmark of their municipal administration and underlined it with congresses, brochures, and hosting the international gathering of the 'World Social Forum'. It created a reputation for Porto Alegre as a worldwide, unique democratic and participatory city with one of the highest living standards in Brazil. Many citizens considered themselves as privileged to be directly part of the annual display of popular participation, improvement of the city infrastructure, and social inclusion. During many years it resulted in an emotional and affective relationship between a majority of the citizens, and the consecutive PT mayors and their cabinets. In this new political atmosphere civic protests were replaced by negotiations, while confrontations against the municipal authorities shifted towards internal conflicts between different city districts and civic groups about priorities. The PT was able to expand this broad collaboration with civic groups during three consecutive mandates, until voters experienced a decline in the city's infrastructure and municipal services after 2001.

The CCs were also key figures in guaranteeing communication and collaboration between citizens. They dedicated especial attention to the elected citizen representatives (*conselheiros* in the COP and *delegados* of the regional assemblies) and prior to voting rounds they organised 'participatory caravans', joint bus tours during which citizen representatives visited each other neighbourhood, which was often the first time they saw each other neighbourhoods. The goal was to let councillors see for themselves the (worse) situation in fellow regions and realise the tremendous difficulty of the administration to satisfy everybody's needs. This particular strategy was successful in suppressing the inherent parochialism under neighbourhood representatives and substituted it with strategic cooperation and increased levels of solidarity which resulted almost always in a consensus about the allocation of projects to the most needed city region. In that respect, social learning did take place and permeated the whole participatory scheme in Porto Alegre (see also Abers, 2000). Afterwards, the councillors had to justify their choice and explain their voters in their own neighbourhood why the investment money was not coming their way, but was destined to another neighbourhood in a more precarious situation. It depended

⁸ "Porto Alegre, Port of Citizenship" was a slogan in 1997 during the mayoralty of Tarso Genro.

on their persuasive talent to survive these critical meetings and the CCs considered this as a decisive test to identify suitable community leaders⁹.

This policy-centred analysis shows an active and paramount role of the mayor and the militant CCs in the executive branch. This focus on actors inside the administration allows a more realistic view than the narrowly conceived conception of civil society theorists who envisage a self-regulated, horizontally-interlinked public sphere based on face-to-face deliberation and predominantly populated by social organisations claiming public goods. Yet the policy-centred analysis in this article doesn't want to suggest that the emergence of a new public-private sphere in Porto Alegre was entirely provisional and exclusively politically managed. Such an interpretation would be the other extreme and would fail to recognise the complementary role of civil society movements and the emancipatory gain conferred on a group of marginalised people. Neighbourhood associations in Porto Alegre's poorer districts were indeed actors of change who have altered the political culture in Porto Alegre for good. The best example of the durability of the process is the fact that the new mayorship dominated by opposition parties could not no longer forego the participatory budget scheme and incorporated it its administration in 2005.

7. Budget discipline and project implementation

The success of any municipal administration depends largely on achieving tangible results within a reasonable period of time. In Latin America, politicians are renowned for not materialising the promises they make, but Porto Alegre's participatory budget mainly tackled this problem by securing sufficient financial resources, prioritising infrastructure works, and implementing them as quick as possible. The participatory budget also fitted well in Brazil's political tradition in which citizens are used to assess the legitimacy and efficiency of its governors and mayors by the number of infrastructure works carried out.

Initially, budget discipline and implementation were the main pillars of the success of the PT administration in Porto Alegre. The municipal budget was enlarged by introducing the principle of progressivity for territorial taxes (IPTU)¹⁰, which resulted in a dramatic increase of the city's revenues. It was the outcome of the party's social agenda and its urge to redistribute taxes largely paid by rich and middle-class property owners to the city's poorer districts in the form of increased public services. By 1990 municipal tax revenues were already forty percent higher than they had been in 1989 (Abers, 2000). The municipal government became also far more diligent in pursuing taxes owed to them. Another important financial windfall was a significant

⁹ L. Armada de Souza, community consultant of the mayor's cabinet 1993-1996.

¹⁰ IPTU: Imposto sobre a Propriedade Territorial Urbano.

increase in the federal transfers due to the increased decentralisation. Consequently, the thorough administrative and fiscal reforms enabled an expansion of the city's budget from US\$ 200 million in 1989 to more than US\$ 500 million in 1998 which increased dramatically the municipality's scope to initiate investments (Utzig, 1999). Especially during the first mandates the PT administrations paid much attention to the swift implementation of the investment projects. Innovative in this respect was the presence of mayors and directors of the departments in the main participatory assemblies in the city districts to give account for the allocation of the funds in the previous years. This ensured accountability and transparency and guaranteed that works were started and promises kept.

Major problems occurred during the fourth mandate of the PT (2001-2004) when the municipal budget ran a structural deficit and the authorities were criticised for their slow-down in service delivery and lacking implementation. When the PT left office at the end of 2004, they left a serious budget deficit and 530 investment projects approved by the participatory council but not implemented. The unfinished projects represented R\$ 60 million or almost double of the R\$ 34 million investment budget of 2004¹¹. This was caused by financial drawbacks such as lower tax incomes and lower federal transfers. The double whammy was that expenses also rose due to accumulating overhead costs from previous investments in new schools, kindergartens, and medical centres. The latter setback may suggest that the participatory scheme became, in a sense, victim of its own success and partially collapsed under the financial weight of the additional services it had created. However, it would be too simple to explain the decline of the participatory scheme due to contingent budget factors and oversize. In the next paragraph it becomes clear that the participatory scheme showed two serious structural defects – bureaucratisation and professionalisation – which gradually compounded the city's financial squeeze and the implementation delay and resulted in civic discontent and a defeat of the PT in the 2004 municipal elections.

8. Bureaucratisation and Professionalization of the Scheme

A first structural flaw of the participatory scheme can be linked to the nature of a participatory budget which in essence is an annual round of meetings during which citizens gather to vote for 'a wish list' of municipal investments. The annual scheme of popular deliberations was fixed and generated each year a list of new demands for more municipal expenses. This put large psychological pressure on the authorities to let the annual budget cycle take place, even though the city ran into a financial crisis after 2001. Moreover, the participatory budget was the flagship

¹¹ Zero Hora newspaper, 21 February 2005.

of the municipal administration and suspending its annual functioning would have implied a confirmation of the criticism of the opposition parties and would have triggered the electoral defeat. In that sense the annual cycle of the participatory budget became the unassailable dogma of the PT administration¹². Thus, the last PT mayor João Verle did not put on hold the wish list of citizens' demands, adding more investment projects to a growing list of unfinished works which compounded the problems.

A second pitfall of the participatory scheme is related to Michels' iron law of oligarchy and the typical problem that each instrument of direct democracy has to solve: organizing widely divergent and multiple demands into a workable format of public management that shows concrete results, satisfies citizens, and serves the public interest¹³. In Porto Alegre this resulted, inevitably, in a process of 'bureaucratisation' of the participatory scheme which was initially conceived as an informal, horizontal, and direct instrument to implement popular demands¹⁴. In practice, it required an increasingly complex organisation to involve thousands of people in the participatory meetings and translating citizens' demands into feasible investment projects. Additionally, the participatory scheme became alienated from the initial idea of an open and direct deliberation between ordinary citizens. Instead of opening up toward more interlocutors such as religious organisations and environmental movements, the scheme narrowed its scope to a reduced number of community leaders approached by the CCs in the poor neighbourhoods¹⁵. By the end of the PT administration, the procedure of the participatory budget was marked by delayed projects, complex internal rules for project selection and elections, counting more than sixty pages full of jargonic acronyms (Navarro, 2003).

Gradually, the mutual deliberation between officials and the public about administrative and technical criteria, considered the strength of the model, became a burden for the fluidity of the process. There were increasingly conflicts and complaints of COP members about lacking information sharing by the administration, the need for expansion of the list of competence of the COP, and allegations of agenda setting by the administration. These discussions slowed down the deliberation of projects and resulted in hurried meetings, unfinished proposals, and makeshift projects in order to follow the rigid timetable imposed by the participatory scheme. Gradually the collective spirit of the participatory scheme was lost and the *locus* of decision shifted from the

¹² Carlos Todeschini, director DMAE.

¹³ The 'iron law of oligarchy' formulated by R. Michels (1915) states that all forms of organisation will eventually develop into oligarchies due to leadership and delegation leading to specialisation, bureaucratisation, and alienation.

¹⁴ The Participatory Budget scheme was never enacted in a law or decree and the informal character of the PB was deliberately maintained in order to avoid legal and judicial procedures from political opponents who allegedly wanted to sabotage the scheme.

¹⁵ Roque Stefen, community consultant DMAE and SMOV.

collective assembly meetings in the neighbourhoods toward the municipal officials in the city hall¹⁶.

This bureaucratisation of the participatory procedure went hand in hand with the second structural problem of the professionalization of the councillors of the COP. A group of experienced civic delegates became insiders who knew the complexity of the rules and managed to be continuously re-elected and, consequently, were able to build an (unpaid) career in the participatory budget scheme¹⁷. This professionalization had the advantage that these old stagers accumulated skills and technical knowledge to decide complex infrastructural investment projects. They also became experts in understanding the increasingly complex procedure of the participatory budget and kept it operational during many years. The downside was that the democratic principle of rotation of mandates was damaged and the distance between the delegates and the grassroots level gradually enlarged. Consequently, the COP became a parallel political force very similar to the much criticised city council. There were allegations that some COP councillors formed a closed club, referred to as a *panelinha dos conselheiros*¹⁸, eager to obtain their re-election and exchanging between them votes to favour each other investment projects. There has never surfaced evidence of malpractice or open clientelism of these COP councillors, but the reality in 2004 was far away from the initial situation in 1990 of open and horizontal participation in which a majority of ordinary citizens decided the list of investment projects.

9. The Demise of the Participatory Scheme

9.1 Citizens' disenchantment

The original format of the participatory budget came to an end when the PT coalition lost its absolute majority in the municipal elections of 2004. The defeat was evidently caused by a number of particular and single reasons such as voters' fatigue after 16 years in power, a combination of political errors and misjudgements at the local level, and the failure of President Lula da Silva at the federal level to live up to the high expectations of the PT voters. Yet, the previous sections proved that there were also structural problems that precipitated the electoral

¹⁶ A.P. Motta Costa, director of the department of social assistance FASC.

¹⁷ The internal rule of the PB limited in principal the mandate of a COP councillor to two consecutive terms, but a number of loopholes (e.g. no limitation to being a substitute councillor) enabled eager councillors to be re-elected continuously. Councillors who had two or more mandates represented half of the total and some of them were *conselheiros* during the entire 14 years that the PB functioned (Jorge Maciel, coordinator of the community consultants of DMAE).

¹⁸ The word '*panelinha*' is a derogatory term in Brazil for secretive clubs defending their own interests without transparency and often associated with corruption and malpractice (César Beras, community consultant DMAE).

loss of the PT – especially the increased bureaucracy and the alienation of citizen delegates who were co-opted by the participatory structure.

The fact that the problems with the participatory scheme had an influence on the electoral defeat is not surprising because the participatory budget was the political instrument *par excellence* of the PT party and the main reference point for voters when evaluating the party's performance at the municipal level. Subsequently, during the election campaign in 2004 the opposition parties used the weak points of the participatory budget such as the over-bureaucratization and successfully exposed the delays of the promised projects, the lack of performance concerning health care and housing, and the budget deficit which paralysed the last PT administration.

9.2 Civil servants' disgruntlement

The support of the rank-and-file civil servants for the popular participation experiment eroded gradually and reached its lowest point during the PT's last mandate from 2000-2004. A first reason was related to the functioning of the participatory budget itself. Civil servants especially in technical departments complained that they had lost autonomy and that citizens had gradually obtained too much influence. These were the housing department (DEM HAB), public works (SMOV) and the one responsible for sewage (DMAE) and they were gradually staffed with the largest number of CCs who had eroded the power of the technicians (Bairros 2003). Because a pillar of the participatory system was discussion and consensus-building, the CCs often had to give in to obtain the agreement of all parties and avoid conflicts. Increasingly, the largest mobilisation of people and the most cunning community leaders were able to push through their projects in the participatory budget meetings. That became especially problematic in the municipal departments of education and health care that came under pressure when incomes declined. During the election campaign in 2004, the opposition parties successfully used the argument that the standard of quality of health care centres and the municipal schools in Porto Alegre had gradually deteriorated with the PT being longer in office.

A second reason for the drain of civil servants' support was the end of the generous wage policy that included a two-monthly inflation adjustment for all municipal officials' salaries (*bimestralidade*) which was unique in Brazil. The PT had temporarily placated the opposition of the rank-and-file civil servants (*funcionarios de carreira*) by paying them more, but the increasing salaries resulted in mounting costs which became unbearable once the municipality was confronted with lower incomes. In 2003 the mayor had to suspend the *bimestralidade*, causing disgruntlement from the affected civil servants. Notwithstanding the difficulties, the executive branch kept such a strong belief in the magic of the BP formula and in 2003 it launched a special participatory budgeting round for civil servants in order to regain their support. It was called the '*orçamento participativo interno*' (internal participatory budget) and obliged civil servants to go

through lengthy meetings to list their priorities even for the allocation of simple stationery. The internal participatory budget was a fiasco and was an indication that the PT executive branch considered the model of the participatory budget a panacea for allocating public resources.

When the budget process gradually became more complex and the departments were no longer able to exert a swift implementation of the projects the mayor's cabinet reacted by contracting more CCs, resulting in an exponentially growth of their numbers¹⁹. At that stage the new clientelism had already rooted inside the participatory structure and this resulted in rewarding loyal citizens with a job in the municipal administration. Consequently, these new recruits lacked the skills of the CCs of the first hour and could no longer speed up the cumbersome procedures of the participatory scheme and grease the municipal administration due to the growing obstruction from disgruntled rank-and-file civil servants²⁰.

10. Conclusion

The Workers Party with a clear commitment to redistribute public investments and prioritise poorer neighbourhoods created the ideological opening for a successful municipal administration in Porto Alegre. A new tax policy enlarged the budget which allowed for new investments and militant activists appointed as officials inside the administration contributed to a balanced system of autonomy, accountability, and swift implementation. These institutional preconditions paved the way for a unique policy innovation in Porto Alegre.

From a government perspective, the most spectacular innovation in Porto Alegre was the grafting of a participatory-minded administrative layer on the existing bureaucracy which was intrinsically against any system of citizens' involvement. It required a special category of appointed officials – the so-called CCs – who operated as a crowbar to break the initial resistance and to become intermediaries between the executive branch and the population. The success of the participatory budget formula hinged on the performance of these co-opted militant partisan members who were appointed as street-level officials inside the local administration. They constituted the “linchpins” of the PT administration, boosting communication with civil society organisations with whom they were familiar and greasing the bureaucratic machinery due to their position inside the municipal departments. Their institutional engineering, supervising, and

¹⁹ At the end of the PT administration in December 2004, there were almost 800 CCs appointed at crucial positions in the municipal administration, representing six percent of the total number of municipal civil servants. Their number had tripled between 1989 and 2004, while the number of regular civil servants had grown by thirty percent (Secr. Municipal de Administração, 2001; *Correio do Povo*, 28 Jan. 2005).

²⁰ L. Armada de Souza, community consultant of the mayor's cabinet 1993-1996.

fomenting of the popular meetings and deliberations kept on track the complex up to the final implementation stage.

The problems of the participatory budget started to emerge during the PT's third mandate and indicated the typical vulnerability of a participatory mechanism based on direct democracy. It was confronted with the problem of institutionalisation, bureaucratisation and co-optation resulting in alienation, delays and cumbersome procedures. Little by little the revolutionary idea of 1989 became a parallel bureaucratic system in which 'professional' participants hold sway and became alienated from the daily reality in the neighbourhoods. The city's financial deficit triggered the collapse of deliberation principle and the project implementation during the fourth mandate. Even the successful involvement of the CCs of the first hour lost its momentum with the emergence of a partisan clientelism that resulted in the influx of incompetent CCs in the administration.

This policy-centred analysis wants to point at the need for the bureaucratic embeddedness of participatory instruments. Local politics and officials are crucial in the creation and the success of participatory mechanisms and municipal authorities must have control to let it succeed. The need for a strong and dedicated political leadership and street-level officials to steer the process, sufficient financial resources linked to swift project implementation, and interested and motivated citizens are necessary preconditions. All these requirements need to be present to guarantee a constant success of the participatory process and the absence of one of them limit both the duplicability and the durability of any participatory budgeting scheme. The PT achieved to combine all these preconditions during the three first mandates and especially during the second mayorship of Tarso Genro (1993-1996) when the participatory budget reached its highest peak. The decline of the scheme and its collapse during the last PT mandate warns for too much optimism and misrepresenting the participatory budget as the ultimate panacea for solving all the evils of top-down and non-accountable administrations.

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Dr. Herwig Cleuren has been Assistant Professor at the Department of Latin American Studies (TCLA), Leiden University, The Netherlands. Among his recent publications in the field of popular participation we find “Local Democracy and Participation in Post-Authoritarian Chile”, *European Review of Latin American and Caribbean Studies* 83: 3-18 (2007).

