

Democratization and Decentralization in Latin America and the Case of Participatory Budgets

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During the last decade, the winds of democratic change have blown around the world, and democratic decentralization has spread globally. On every continent, most governments have embraced decentralization programmes. “Some 95 per cent of democracies now have elected subnational governments, and countries everywhere—large and small, rich and poor—are devolving political, fiscal, and administrative powers to subnational tiers of government.” A survey of twenty-seven countries in the Commonwealth of Independent States (CIS) found nine to be keen decentralizers, seven to be uncertain decentralizers, eight to be non-decentralizers, and three to be decentralizers by necessity. During the last ten years, post-communist Russia has seen substantial decentralization to the regions, partly to forestall local demands to set up separate independent republics. In Africa democratic decentralization has been undertaken in Ethiopia, Ghana, Mali, Togo, South Africa, and Uganda, among other countries.¹

¹ See James Katorobo, *Decentralization And Local Autonomy For Participatory Democracy*, Chapter 10, and 7th Global Forum on Reinventing Government—Building Trust in Government, 26-9 June 2007, Vienna, Austria - PUBLIC Administration And Democratic Governance: Governments Serving Citizens.

1. Decentralization in Latin America

The democratic wave which took over Latin America during the 1980s was followed by a movement of decentralization. Despite this process having taken different forms in each country, there are common features related to objectives, means and results. It can be observed that, on the one hand, in Latin American countries the decentralization process is associated with a strong wish to deepen democracy through the reinforcement of participation and representation. On the other hand, this process is also associated with a search for higher standards of governance and efficiency of the state. This process can be interpreted as a transfer of power and resources towards municipal governments, while the consolidation of intermediate or regional governments will take place later and only in certain countries.

2. Decentralization and Citizen Participation

Until in the 1990s, citizen participation was mainly understood as a participation in the elective processes. Reforms opened institutional spaces for participation: “cabildos abiertos”, popular initiatives, referendums and plebiscites. Innovative experiences of participation placed Latin America at the *avant-garde* of the phenomenon of participatory democracy. In this respect, one can cite the experiences of participatory budgets in Porto Alegre (Brazil), the participative decentralization of Montevideo (Uruguay), the policies for fighting corruption in the municipality of Moron (Argentina), or the projects of participative investment in Rosario (Argentina). However, these policies of participation are not exclusive to big cities. They also develop in rural settlements, in particular in Bolivia, Peru, and Mexico. These practices tend to become references for European communities where the crisis of representation brings a reconsideration of the relationship between citizens and the political process.

In less than 15 years, the participatory budget (PB) has become a central topic of discussion and a significant area of innovation for those involved in democracy and local development. It has

been adapted and adopted by a wide range of cities in Latin America, mostly in Brazil, where it began in the late 1980s.

According to estimates, around 250 cities are currently applying the participatory budget. Although the great majority of the experiences are still being carried out in Brazil, new initiatives have been flourishing in other Latin American cities, in particular in Peru, Ecuador, Colombia, and in the Southern Cone countries. Furthermore, several experiments have been undertaken in European cities, many of them making reference to Porto Alegre as a model. Although the numbers are growing, it is still limited when compared to the 16,000 Latin American municipalities.²

3. The Brazilian Case: Building Federative Dialogue

The Federative Republic of Brazil is a federal state composed of twenty-seven states, including the Federal District, the capital, Brasília, and 5,562 municipalities. States and municipalities have elected governments. The Federal District of Brasília has a unique status, with a directly elected governor and a district assembly, and has, at the same time, the budgetary capacity of a state and a municipality.

In 1973 and 1974, nine metropolitan areas were created and equipped with metropolitan authorities. Representing 32 per cent of the population until the mid-1980s, they played a role as decentralized agencies of planning and coordination of development policies, infrastructure and the regulation of the urbanization. The metropolitan authorities were abolished by the Constitution of 1988, which gave to the state governments the capacity to establish them again, respecting the principle of municipal autonomy.

Brazil is characterized by an unequal distribution of its population. In 2000, only 525 municipalities (9.5 per cent) had more than 50,000 inhabitants, but together they constituted more than 60 per cent of the national population. In 1996, 11 municipalities

² Yves Cabannes, URB-AL Network 9, "Local financing and participatory budget" (Work paper).

had a population exceeding one million inhabitants. The largest Brazilian city, Sao Paulo, had more than 9.6 million inhabitants and had the fourth largest national budget after the federal budget and the budgets of the states of Sao Paulo and Minas Gerais. On the other hand, 3,611 farming communities, which represented 73 per cent of the municipalities, had less than 20,000 inhabitants.

Municipalities have a unipersonal executive, “prefeito”, and a council, “câmara dos vereadores”. The mayors are elected separately, according to a simple system of majority, except in the municipalities of more than 200,000 inhabitants, where they must obtain at least 51 per cent of the votes, and, if needed, a second round. The number of councillors depends on the population. According to the Constitution of 1988, municipalities of less than one million inhabitants have from 9 to 21 councillors; between a million and five million inhabitants, 33 to 41 councillors; more than five million inhabitants, 42 to 55 councillors. The municipalities themselves decide on their number of councillors, within the limits imposed by the Constitution, which constitutes an exception in Latin America. The councillors are elected according to a list-based system of proportional representation. The municipal mandates are four years. The councillors can present themselves at the end of their mandate, contrary to the mayors, who can only be re-elected once consecutively.

Brazilian local governments are inspired by the North-American presidential model. The separation of the capacities is such that the mayor does not attend the meetings of the town council, which is unique in Latin America. The domination of the executive is reinforced by the fact that, in practice, the council cannot refuse the budget presented by the mayor, or modify it in the direction of an increase in the total amount. The mayor can impose his veto on the decisions taken by the Council, which can then pass it only with a two-thirds majority.

Considering the relationship between levels of government, the Constitution of 1988 establishes a framework which guarantees the autonomy of the three levels of government. It guarantees the municipalities and the states the autonomy of federated entities, which constitutes a characteristic of the Brazilian federalism. This

autonomy is at the same time political, administrative and fiscal. However, the different levels of government remain interdependent, on the one hand, because the majority of competences are shared and, on the other hand, because the financial transfers are insufficient, in particular for the municipalities.

Since President Lula's election, he has undertaken a series of measures which aim to reform the federal pact, by developing the municipal level and giving at the federal level, called the "Union", a more active role in the direction of the process of decentralization. Within the framework of the Secretariat to Federal Affairs, directly linked to the Presidential Office, he created a Committee of Federal Articulation, intended to include the mayors in a common programme of structural reform. The Ministry for Cities was also created in 2003, in order to establish, through a participatory process, a national policy of urban development and to guarantee to all citizens "the right to the city", which is based mainly on the promotion of an equitable access to municipal public services.

4. The Brazilian Experience with the Participatory Budget: The Case of Porto Alegre

The analysis of worldwide varieties of participatory budgets allows multiple levels of analysis. The ones that seem most relevant to highlight the options and institutional factors in the Brazilian case will be examined here. The objective is to show contrasting points and to open a variety of topics for discussion.

A first relevant consideration is the government system: either parliamentary or presidential. In some countries, the mayor is chosen by the parliament, not directly. In these cases, when there is an option for the participatory construction of the budget, occasional disagreements between the citizenry and the local parliament tend to be slighter. In Brazil, a presidential government system is in force in which the leaders of the executive branch at all levels (nation, states, and cities) are elected by universal suffrage. This is also how the members of the respective legislative bodies are elected.

Parliaments in Brazil have a secondary role when compared to the executive. The executive branch is responsible for proposing budgets. These budgets, once approved at their respective legislative bodies, impose no more than a limit for expenses. The executive may manage the budgetary implementation at its discretion, and it can use a single account for all expenses, as long as some legal conditions are met (a limit for expenses on personnel, a minimum percentage of investments in education and health, reduction of debt, among others). Further, each newly-elected chief of the executive branch can bring with him/her a considerable number of assistants chosen at his/her discretion. It is possible to change considerably the operation of the administrative sectors by changing up to one third of key positions within the public administration at every change in government in a city, a state, or the nation. This has happened in many municipalities over the last two decades. To what extent the experiences of participatory budgets withdraw even more power from the parliament, or to what extent they express a sort of failure of these structures, is a permanent question in the analysis of these experiences. It is important to remember that participatory budgets in Brazil operate with district representation, ensuring a territorial dimension of politics that is not included in the electoral system.

Another level of analysis concerns the degree or mode of citizen involvement. At one extreme, there is what has been called participatory democracy, within the principle of radicalizing democracy by devolving direct decision-making power to the citizen; at the other, there is the consultative democracy, aimed at strengthening the bond between citizens and the state through their opinion (the *lien social*, as Yves Cabannes says in his synthesis of international experiences). In between these two extremes, there would be what Yves Cabannes proposes to call community-based representative democracy, in which the process of deliberation takes place with the involvement of community leaders who have been elected in their own organizations. In practice, both of these tend to be combined. In the case of Porto Alegre, for example, there was a participatory democracy in that the population directly decided what their priorities and proposals for the budget were. It took place together with a community-based representative democracy that

formed part of the discussion of the municipal budget as a whole that were then collectively agreed upon by the election of delegates and councillors.

It is also possible to distinguish between experiences in which there are city-wide councils to integrate the work developed in the different regions of a city, such as Porto Alegre's Participatory Budget Council (PBC), and those variations that do not feature such a body, and favour a territorially decentralized performance.

Another point of contrast concerns the percentage of budgetary funds involved. Currently there are cases in which a minimal percentage of the budget is discussed (less than 1 per cent), as well as cases in which 100 per cent of the budget is discussed.

Usually, when there are previously set percentages and values, the process of deliberation will involve both demands and projects. In some cities, Porto Alegre for instance, there is a combination of things. In the regional and thematic popular assemblies, participants decide on investment proposals. In the PBC, councillors discuss the budget as a whole, being able to redefine demands and policies coming from government, but with scarce or no power to change the amounts directed, such as salaries or others determined by the Constitution.

To centralize or to departmentalize is another level of differentiation between experiences that deserves consideration. There are cases that opted for participatory budgets by department or by government body. This is the case for the Toronto Housing Company, in the city of Toronto, which applies funds for the maintenance of more than 50,000 housing units of social interest (social rent) through a participatory budget process. Even in Porto Alegre, besides the city-wide participatory budget, there is a participatory budget involving education only, allowing municipal school communities (parents, students and education professionals) to build projects for the use of institutional spaces in keeping with the interests of these communities.

5. Confidence in the Institutionalization

Participatory budget experiences in Brazil have their own appeal due to a direct bottom-up social contract by which social issues

occupy the centre of politics. Nevertheless, they are incomprehensible if one does not make reference to the context in which they emerged, at the peak of the re-democratization process, after more than two decades of dictatorship.

Initially, it is necessary to highlight the strengthening of the federative structure in Brazil after the current Constitution was promulgated in 1988, the so-called *Citizen Constitution*. As already mentioned, states and municipalities have been given relative autonomy in tax collection and budget implementation, as well as having benefited from compulsory transfers of funds collected by the federal government.

In Brazil, the 1990s showed multiple possibilities of joint experiences between society and the state. Participatory councils for the management of social policies exist in the great majority of Brazilian municipalities (there are around 27,000 local sectoral councils). Participatory budget experiences involving citizen participation in the definition of local investments have already reached approximately 160 cities. Porto Alegre, São Paulo, Belo Horizonte, Recife, and Belém are the five state capitals that developed their budget based on popular participation. Programmes involving public and private funding, non-governmental organizations and non-profit private-sector foundations in the most diverse areas are increasingly more significant to society. It is estimated that the third sector in Brazil involves 540,000 entities, employing 2.5 per cent of the work force and generating US\$ 10 billion per year (1.5 per cent of GDP).

In 1996, almost all Brazilian states had already organized collegiate bodies for the decentralized management of the main national fund for housing and sanitation, the FGTS. In the same year, 65 per cent of all Brazilian municipalities boasted health councils organized to receive funds from the Single Health System (SUS). Currently, there are more than 4,000 health councils. In 1998, there were 3,081 councils for the rights of children and adolescents, covering 60 per cent of the municipalities and 80 per cent of the population. In 2000, there were 27 state social work councils and 3,146 municipal councils, although many were not actually operational.