

# ORÇAMENTO PARTICIPATIVO:

## The remarkable experience of direct democracy in a Brazilian town.

Porto Alegre is a Brazilian town with a population of about 1.2 million people, situated along the polluted Guaíba river in Southern Brazil. It is the regional capital of the state of Rio Grande do Sul. In 1940, there were still less than 300,000 inhabitants. There are about 250 favelas in Porto Alegre, with about 400,000 people.

Since 1989, Porto Alegre is governed by the Partido dos Trabalhadores (PT). This party was founded in 1980, when the military regime first allowed the creation of new parties. The PT emanated from a coalition of labor unions, urban and rural social movements, people from Christian base communities, and formerly revolutionary Marxist and Trotskyist groups. The PT has no well-defined ideology, but there are two main themes:

-'**inversão de prioridades**' (inversion of priorities): clientelism benefitting elite groups should come to an end, and the needs of the poor should get priority.

-'**participação popular**' (popular participation). As in all other countries all over the world, the people of Brazil is in want of real democracy. Rebecca Abers quotes some interesting poll results. For instance, the question "Would the country be better if the people had the power to decide?" received affirmative answers by 71%-86% of those interviewed (1990). The original contribution of the PT consists in the insight, that popular control on public spending was the key to real popular participation in policy (RA, p.82). Therefore, the PT introduced the practice of 'orçamento participativo' (direct democratic budgeting) from 1989 onwards.

### How the system works

Some main phases of the process can be summarized as follows:

1.

The town of Porto Alegre is subdivided in 16 regions. In April of each year, each region has an **open 'first round' general assembly**. Moreover, there are also general assemblies for each of the 5 'thematic forums': a) transportation and circulation; b) urban planning and organization of the city; c) education and culture; d) health and social assistance; e) economic development and tax reform.

*"These 'first round' assemblies have a mobilizational and almost theatrical character, more designed to attract new individuals to the process than to actually make decisions.*

*Videos were shown describing the process, explaining the basic components of a Budget, and presenting the major investments that the administration carried out the previous year. Time slots were opened up for a certain number of participants to speak. For about 45 minutes, participants complement and criticize the administration and make a variety of appeals to the participants. The major makes a speech" (RA, p.134).*

2.

In the weeks following the first assembly, **intermediary meetings in the neighborhoods** are held (for the 'thematic forums', assemblies at the sub-thematic level are hold). At these neighborhood meetings, the **lists of investment priorities** are drawn up.

3.

During the month of June, the second round of regional and thematic assemblies is held. Here, **the preferred investment categories (health care, sanitation, street pavement,..) and investment projects are formally presented to the administration.**

Also at these 'second round' assemblies, participants vote for **two representatives and two alternates to sit on the city-wide Municipal Budget Council.** ==>5.

4.

At stages 1. and 2., **the delegates for the Regional Budget Forum are elected.**

**The Regional Budget Forum coordinates the priority lists prepared at the neighborhood assemblies into a single list of priorities for the region as a whole. Implementation of the investments is negotiated with city agencies.**

The work of the Forums of Delegates continues all year long. They settle disputes with the city agencies on 'technical restraints' or 'economic feasibility', and the forums have ultimate decision-making power in these matters. The forums monitor the administration to insure that it actually fulfills its promises, and they micro-manage actual implementation of capital projects.

5.

**The Municipal Budget Council coordinates the demands made in each of the regional and thematic forums in order to produce the city's annual investment plan.**

It should be noted that the investment priorities are ultimately decided upon in a direct-democratic way, in the neighborhood assemblies. It is thus the people that rules. Elected bodies, such as the regional budget forums , the municipal budget

council, the municipal council and administration, implement the decisions made by the people. In this way, to govern really becomes what it should be: to implement the will of the people. Governing and ruling are different things.

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## Results

The experience in Porto Alegre shows, that direct popular participation dramatically increases efficiency of public spending. Rebecca Abers concludes from her field research: "*Budget participants constantly questioned the data, the explanations and the decisions made by the administration. This put the prefeitura constantly under pressure to come up with explanations. Although in most cases that I observed, the administration's technical definitions stood, the constant threat that participants would demand evidence pressured the administration to carry out only those actions that it could, at least, justify. The consequence of this kind of transparency was the total elimination within the municipal budget of the corruption and clientelism that are entrenched in most of Brazilian government and that corrode budget decision-making in particular. It was impossible for money to disappear, for contracts to be overpriced, for promised to be ignored, and for unnecessary investments to be made...*" (RA, p. 169). Before the introduction of the **orçamento participativo**, the largest amount of sewer line constructed was 17 kilometer, in 1987. From 1990 to 1994, the figure raised to 46 kilometers of sewer line annually. As a result, from 1989 to 1996, the portion of the population with access to sewer lines rose from 46% to 95%. During the three years previous to the PT administration, four kilometers of street were paved each year; after 1990, 20 kilometers of road were paved annually, and the quality of this pavement rised dramatically. Extended favelas, that had only mud roads and tracks, became accessible for buses, garbage trucks, and ambulances and police cars.

## Who participates?

**Orçamento participativo** means, that large numbers of ordinary people gain direct control over millions of dollars of city revenues. How much people? Opinion surveys found that in 1994, about eight percent of the adult population had directly participated in the budget assemblies. "*While this percentage may not seem high when compared to voting rates in occasional elections, anyone with experience in city governance and planning would find these figures impressive because they refer to acts that go far beyond isolated ballot-box decisions. A number of residents in most of the city's neighborhoods had taken off at least one evening to attend long and often contentious discussions about priorities and to learn the basics of city finance*" (RA p.171).

From a theoretical viewpoint, it should be stressed again that a political mandate also exists in the case of direct-democratic decision-making. In the case of representative decision-making, the mandate is in the hands of a restricted number

of representatives (parliament, communal council etc.) that were elected to this end. Under direct-democratic decision-making, the mandate is in the hands of all the citizens that make the effort to participate. See my page on direct democracy for an elaboration of this point.

Rebecca Abers observed that poorer people tend to participate more in the assemblies of the **orçamento participativo**. *"While over half of Porto Alegre's households had incomes of more than five times the minimum salary, only 34% of those participating in regional assemblies had family incomes at this level. While less than 30% of the city's households earned three times the minimum salary or less, more than 45% of the regional participants belonged to what we might consider very impoverished households"* (RA p.184). *"While regions in the poorest category represented only 12% of the city's inhabitants, they accounted for almost a third of the 1995 assembly participants"* (RA p.189). This contrasts with most experiences done with more conventional forms of direct democracy, such as referendums, where richer and more educated people usually tend to participate more.

There seems to be several reasons for this interesting state of affairs. For poorer and less educated people, the costs for participation are comparatively higher. In Porto Alegre, the administration makes an effort to lower these costs, for instance by actively divulging information on the possibilities for participation. Probably more importantly, participative budgeting allows poor people to improve substantially their living conditions. Classic referendums tend to be about issues that are considered as 'political luxury' by the poor. For instance, there has been (in 1996) a referendum in the Belgium town of Ghent on the construction of an underground parking accommodation in the town centre. Research showed that the poorer and less educated largely abstained from voting, whereas the better-off mostly participated. From the point of view of the poor, abstention seems logical. Why bother about a parking accommodation, when one has not even a car, and when one has no say in matters that are perceived as much more vital? Participative budgeting allows people to assess their vital problems directly, and could act as a stepping stone towards participating in other forms of direct-democratic decision-making. I suspect that a strong democracy should encompass both referendums and participative budgeting.

## Some further remarks

### - Starting problems and opposition

When the PT took over the office in Porto Alegre, the city was almost bankrupt. An inflated bureaucracy ate up almost all municipal resources. *"Basic supplies - chalk for the schools, aspirin in the health posts - were out of stock. Payments to goods and service providers were six months behind schedule"* (RA p.93). During the second month of office, the city's private bus companies demanded a hike in bus fares, despite the fact that rates had been increased less than two months before. This led to a difficult confrontation with these companies. Three days before the end of the

previous administration, municipal employee salaries had been radically increased. Although there was a lucky increase in city revenues because of a 44% increase in transfers from state sales tax, the prefeitura ended up spending nearly 100% of its revenues in 1989 on salaries. The first attempt at participatory budgeting in that year was not very successful, because almost all the revenues were already allocated.

Increases in the cities revenues seemed inevitable. In September 1989, the property tax was reformed and made more progressive: whereas the taxes decreased for most home owners, non-residential taxes strongly increased. Moreover, taxes were indexed on a monthly basis (inflation rate was 40% a month by the end of 1989). As a result, revenues in 1990 were already 40% higher than they had been in 1989. Now there was money to spend and the participatory budget policy became a real thing. In 1995, the total capital expenditure budget was about \$ 65 million, slightly less than half of this amount being subject to the direct-democratic decision-making process (RA p.128).

According to Abers, most civil construction companies at Porto Alegre refused to enter into bidding competitions when the PT took over the administration in 1989. However, the boycott cartel soon crumbled down, when the companies discovered the advantages of the new regime. No bribing was needed any more, the amount of jobs to be done increased so that they did not need to lobby anyway, and bills were paid punctually. The resistance from construction companies faded away rather quickly.

Relationships with land owners have been very tense at moments, and the local press mostly does not support the PT or the process of orçamento participativo.

#### - Better tax payment

After 1992, property tax rates were reduced, but city revenues continued to climb as tax evasion fell. The inverse relationship between direct democracy and amount of tax evasion [has also been described for Switzerland](#). The experience of Porto Alegre seems to confirm the observations made in Switzerland: when people feel that they have a say in expenditures, that the taxes go in good use and are collected fairly, they are less inclined to evade taxes.

#### - Importance of local autonomy

Rebecca Abers notes that "*..the autonomy of local government in Brazil in spending decisions is greater than anywhere else in Latin America and elsewhere*" (RA p.164). This circumstance seems to be an important element permitting democracy to flourish in Porto Alegre. In there is no decision power left for the local level, no such power can be transferred to the people.

## **- The goal and the way towards the goal**

**A very important remark by RA is the following: "*Many theorists of direct democracy have implied that political and economic equality are necessary prerequisites to participation. That is, unless people have the equal conditions to participate, the more powerful will dominate participatory forums just as they do in other political forms (...) The Porto Alegre experience, while certainly not transferable to every policy or decision-making arena, can be useful for better understanding 'how to get there from here' (...) more equal conditions were reached through the process of participation itself rather than prior to that participation*" (RA p.203).**

**Many theorists reduce people to 'calculating units', that are interested in participation only as far as their narrowly-defined self-interests are served. According to this view, there will be an overwhelming tendency to free-ride, that is, to receive benefits from other people's participation without investing in participation itself. RA rejects this view. People participate, not when they can obtain something for themselves, but when they are able to really change things for the better. "*Individuals cannot be described as only pursuing narrowly-defined self-interests, and 'incentives', while essential for convincing people to join up, do not necessarily need to benefit only those who participate. People enter into collective action because of feelings of solidarity and ideological beliefs as well as to receive personal benefits. Yet this does not mean that people do not make cost-benefit calculations when they decide whether or not to join up (...) Individuals are much more likely to participate when they believe that doing so will bring results*" (RA p.29). The main incentive for participation is the expectation, that demands would be fulfilled (RA p.29).**

**Rebecca Abers gives many elements confirming the hypothesis of a synergetic relationship between social capital and democratic practice. Introducing direct-democratic decision-making induces the interest of the people in democracy, and this increased interest then again strengthens democracy. "*In Porto Alegre, the government helped encourage the mobilization and organization of participants 'from above'(...) What is important to note here is that neighborhood mobilization was more of an effect than a cause of participatory policy making. But as it grew, it bolstered the budget policy*" (p.166).**

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## **Literature:**

**The main source for this short report is a study by Rebecca Abers (RA in text). I only possess an incomplete (even the title is lacking) electronic version of this very**

important work, that was provided by the authorities in Porto Alegre. However, there are some papers of her on the same topic:

- Rebecca Abers (1996) "From ideas to practice: the Partido dos Trabalhadores and participatory governance in Brazil" *Latin American Perspectives* 91(23), 35-53

- Rebecca Abers (1997) "Learning democratic practice: distributing government resources through popular participation in Porto Alegre, Brazil" p.39-65 in: Michael Douglass & John Friedmann (eds.) "Cities for Citizens: planning and the rise of civil society in a global age" Chichester (UK): John Wiley & Sons

Other documents:

- Humberto Andreatta (1995) "Participative budget Porto Alegre. You are the one who makes a true city" City Hall of Porto Alegre

- Prefeitura de Porto Alegre (year unknown) "Budget participatif. Dix ans de participation populaire"

- Bernard Cassen (1998) "Démocratie participative à Porto Alegre. Une expérience exemplaire au Brésil" *Le Monde Diplomatique* Août 1998, p.3

A lot of details can be found (in Portuguese) at [the website of Porto Alegre](#).

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