

## **Lessons from Latin American Experience in Participatory Budgeting**

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Within a relatively short period, from 1990 to 2005, “participatory budgeting” (PB), or *orçamento participativo* in the original Portuguese, has evolved dramatically. What was once an obscure process of popular participation championed by a few parties on the left in South America as a step towards reinventing socialism has become a “best practice” in the mainstream international development community’s toolkit for reducing poverty and practicing good governance. Depending on how strictly one defines PB, it has expanded from about a dozen cities mostly in Brazil to somewhere between 250 and 2,500 locales throughout Latin America alone. The smaller figure would include those cities where PB began as a local government initiative, while the larger figure would include all the municipal governments recently required by national laws to consult civil society organizations on budget priorities, such as Bolivia’s 327 municipalities, Nicaragua’s 153 municipalities, and Peru’s 1,821 districts, 194 provinces, and 25 regions. Whether this diffusion of PB is seen as cause for celebration or cause for alarm should depend on both how PB is interpreted and how it is being implemented in its new environs. Interpretations of PB, especially as practiced in Porto Alegre, the Brazilian city that named and publicized it, abound. Yet studies of how PB is practiced, especially outside of Brazil, are only beginning to emerge. Most importantly, systematic

comparisons of the variety of ways in which PB is designed and implemented in practice remain exceptional.

With the aim of contributing to this emerging area of scholarship, this chapter attempts a preliminary analysis of the more recent efforts at introducing participatory mechanisms into local government budget processes. After a brief section defining PB and outlining its history, I present the major normative perspectives on PB as well as a number of sometimes corresponding analytical perspectives. Combining arguments made in earlier work, the broad hypothesis I advance is that the design and, partially in turn, the results of PB depend on both the designing actors' intentions and the pre-existing conditions in the particular locale. This translates into a number of specific suggestions. The most important of these are that introducing PB is never a neutral political act but rather always a form of "competitive institution building" (Goldfrank and Schneider, forthcoming), and that the results of PB will vary tremendously. The next section examines these hypotheses through a broad comparison of national experiences in Brazil, Bolivia, Guatemala, Nicaragua, and Peru. This is followed by analysis of case studies in fourteen non-Brazilian municipalities. The conclusions one can draw from these case studies are necessarily preliminary because the precision, type, and quality of data in the studies vary, because the studies were not randomly selected, but chosen as examples of success or notoriety, and because many of the experiences have lasted only a year or two.

Nonetheless, a few general lessons do emerge. First, national legal mandates for PB have not created widespread local success in encouraging citizen participation, fiscal transparency, and effective municipal government. This is partially because designers of

national laws had other goals in mind (possibly in addition to these goals) and partially because of local obstacles, including reluctant mayors or opposition parties, weak fiscal and administrative capacity of municipal governments, and fragmented, conflict-ridden civic associations.

Second, despite the foregoing, PB *has* succeeded along the dimensions listed above in some remarkably diverse locales, from small, poverty-stricken, indigenous, rural villages to major cities with residents of various ethnic, sectoral, and class identities. While carefully identifying necessary and/or sufficient conditions will require further study, success seems correlated with several factors in varying combinations: the mayor is either indigenous or from a party on the left (or both), opposition from local political elites is weak or non-existent, project funding and/or technical assistance are provided by national or international aid organizations, the municipality has revenues sufficient to make significant investments in public works or programs, and there is a tradition of participation and cooperation within and among local civic associations and/or indigenous customary organizations that has not been destroyed by guerrilla warfare or clientelist politics.

Third, even where PB succeeds on some dimensions, it does not dramatically reduce poverty (especially in terms of income) on its own, which is a key shared goal of all its promoters. For this to occur in the future, fundamental principles of participatory budgeting as originally conceived – transparency, direct participation, redistribution towards the poor – would need to be applied not only to national levels of government but to international policy-making institutions as well, and under conditions similar to those associated with the local success cases. While at first glance these conditions seem

unlikely in the near future, one may find countervailing signals in the current wave of left-leaning presidents in much of Latin America, the democratizing pressure from social movements organizing in venues such as the World Social Forum, and the recent moves towards re-thinking on the part of international financial institutions and aid agencies. The question of the future direction of PB in Latin America will be taken up again in the concluding section.

### **Definitions and History of Participatory Budgeting Beyond Porto Alegre**

Both general and specific definitions of participatory budgeting have been offered. The general definitions usually describe PB as a process through which citizens may contribute to decision-making over at least part of a governmental budget.<sup>1</sup> The specific definitions usually derive from particular experiences of PB, and especially that of Porto Alegre. These definitions tend to emphasize that PB in Porto Alegre is open to any individual citizen who wants to participate, combines direct and representative democracy, involves deliberation (and not merely consultation), is redistributive towards the poor, and is self-regulating, such that participants help define the rules governing the process, including the criteria by which resources are allocated.<sup>2</sup> Neither the broad nor the narrow definitions are ideal for constructing a history of PB. The broad definitions would include too many cases, such as lobbying, general town-hall meetings, and specially-called public hearings or referenda on specific budget items; the narrow would include too few. A more wieldy mid-range definition might be that PB is a process by which citizens, either as individuals or through civic associations, may voluntarily and

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<sup>1</sup> This formulation borrows from the definition on a World Bank website, <http://lnweb18.worldbank.org/ESSD/sdvext.nsf/66ByDocName/SocialAccountability2ToolsandMethodsBudgetFormulation>, and that given by UN-Habitat (2004: 20).

<sup>2</sup> See, e.g., Avritzer (2002: online), Sousa Santos (1998: 468), and Genro and Souza (1997).

regularly contribute to decision-making over at least part of a public budget through an annual series of scheduled meetings with government authorities. In describing the history of PB below, I use this mid-range definition.

Much of the literature on participatory budgeting presents it essentially as an invention of the Workers' Party (PT) in Porto Alegre in 1989. For several reasons, however, its origins are more complicated and disputed than this view allows. As some scholars recognize (e.g., Souza 2001), there are several well-known cases in the late 1970s and early 1980s in which municipal governments under the Party of the Brazilian Democratic Movement (PMDB) submitted their budgets to public discussion, including Lages (Lesbaupin 2000, 41-45), Boa Esperança (Baiocchi 2001b, 48-49), and Pelotas, where an ex-mayor claims to have invented PB (Goldfrank and Schneider, forthcoming). In addition, the PT experimented with citizen budget councils not only in Porto Alegre but in several of the 36 municipalities it won in the 1988 elections, including Santo André, Piracicaba, Santos, Ipatinga, and João Monlevarde (Abers 1996). Furthermore, the particular design of PB in Porto Alegre was a combined product of community associations and the PT municipal administration (Baierle 1998; Baiocchi 2002). Both sides were aware of the PMDB's previous experiments. Prior to the implementation of PB, Porto Alegre's Union of Neighborhood Associations (UAMPA) produced a report demanding participation in formulating the budget and describing eight municipalities in which this had been attempted in the past (Goldfrank 2005, 6). And PT publications such as *Teoria & Debate* published discussions of various forms of participatory governance leading up to the 1988 municipal elections. Also, at least two other political parties on the left were implementing very similar participation programs at roughly the same time

as the PT in Brazil: one was the Radical Cause (CR) in Ciudad Guayana, Venezuela (and shortly after in Caracas), and the other was the Broad Front (FA) in Montevideo, Uruguay.<sup>3</sup> Finally, it was not until sometime during 1990 that the process in Porto Alegre was dubbed “participatory budgeting.” Both the label and the practice (albeit in modified forms) began to be adopted in other cities under the PT in the early 1990s,<sup>4</sup> and then by a number of local governments throughout Latin America especially after 1996, when the United Nations Habitat II Conference in Istanbul recognized Porto Alegre’s PB as one of 42 best practices in urban governance.

What the earliest experiences of PB had in common was that they were implemented by parties in local governments that opposed the party in power at the national level. Experiments in PB occurred first in Brazilian cities largely because Brazil was the only authoritarian country – and one of the only countries in the region – that simultaneously allowed an opposition party to exist, gave significant spending responsibilities to municipalities, and held relatively fair mayoral elections (except in strategic cities such as state capitals and major ports). The twin waves of decentralization and democratization that swept Latin America in the 1980s and 1990s encouraged similar experimentation within and beyond Brazil, especially where political parties similar to the PT were allied with social movements demanding both democracy and improved urban services.

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<sup>3</sup> The CR (in Ciudad Guayana) and the FA both started their participation programs in 1990, having been elected in 1989. For a comparison of the two Venezuelan cases, see López Maya (1999). For a comparison of Porto Alegre and Montevideo, see Chavez (2004). For comparisons of Caracas, Montevideo, and Porto Alegre, see Goldfrank (2001; 2002; 2005). The United Left in Peru was also experimenting with relatively similar participation programs in the mid- to late-1980s (see Schönwälder 2002).

<sup>4</sup> In Brazil, PB spread gradually until 1996, from 12 cities in the 1989-1992 term, to 36 in the 1993-1996 period, to 140 in the 1997-2000 period, and approximately 300 in the 2001-2004 term. This only roughly corresponds to the increased numbers of PT mayors: 36, 53, 115, 187.

On the other hand, many of the later experiences of PB, which generally do not adopt the PB label, were legislated into existence by national power-holders on the center or right of the political spectrum. This is true of the 1994 Popular Participation Law in Bolivia, sponsored by President Gonzalo Sanchez de Losada, of Nicaragua's municipal reforms in the late 1990s under President Arnoldo Alemán, and of decentralizing reforms in Guatemala outlined in the 1996 Peace Accords under President Alvaro Arzú and codified in 2002 under President Alvaro Portillo. In all three cases, the requirements of citizen participation in order to receive debt relief funds from the HIPC II (Highly Indebted Poor Countries) program starting in 2000 seem to have stimulated increased efforts to ensure that municipalities were implementing national laws. Peru's 2003 Participatory Budgeting Law appears to be somewhat different, both because it uses the PB label and because an ostensibly center-left president, Alejandro Toledo, pushed it forward. Within Brazil, while the majority of the more recent PB experiences continue to be under left party administrations, and primarily the Workers' Party, parties of all political stripes have now attempted it, including the Party of the Liberal Front (PFL), an outgrowth of the military dictatorship's official party. Thus, as several analysts have noted, participatory budgeting is no longer an exclusively left project, despite its early ideological underpinnings.

### **Normative and Analytical Approaches to PB**

Those early ideological motivations for adopting PB represent only one of four distinct normative approaches to the subject, a radical democratic approach. The others might be termed orthodox left, liberal, and conservative. The radical democratic and liberal perspectives derive from the foremost proponents of PB, that odd combination of

left parties and international development agencies, and are the most visible in the debate surrounding PB and in academic analyses. Conservative and orthodox left critiques of PB, coming mostly from parties on the center and the right and from factions or parties of Leninist inspiration, respectively, are much less prominent. Their critiques should not be ignored, however, because these actors can play important roles in debilitating or defeating PB experiments, as I argue below. I thus examine each of these normative approaches before turning to the analytic frameworks that scholars have applied to PB.

The original normative reasons for implementing participatory budgeting given by the PT in Porto Alegre – as well as by the CR in Caracas and the FA in Montevideo Four – were closely tied to the general transformation that much of the Latin American left undertook in the 1970s and 1980s.<sup>5</sup> The new, “renovated,” or post-authoritarian left that emerged out of failed guerrilla movements and repressive military dictatorships discarded the traditional teleological view of socialism along with traditional instrumental or dismissive views of democracy. That is, socialism was no longer seen as inevitable but as an open-ended process to be constructed, and democracy was no longer seen as a way station along the path to true socialism, nor as simply a formula for bourgeois domination, but as fundamental to any socialist project. The guiding construct became “radical democracy” (also called deepening democracy and democratizing democracy). In the campaign proposals and government documents of the PT, CR, and FA, one finds four key elements in the concept of radical democracy that guided their approach to participatory budgeting: (1) direct citizen participation in government decision-making processes and oversight; (2) administrative and fiscal transparency to prevent corruption;

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<sup>5</sup> The most thorough account of the left’s rethinking is in Roberts’ *Deepening Democracy* (1998: Chapter 2).

(3) concrete improvements in urban infrastructure and services, with emphasis on aiding the poor; and (4) changing political culture, conceived as the transformation of city residents into citizens, or from political objects of clientelist practices into political subjects cognizant of democratic rights (see Goldfrank 2002: 50-61).

In calling for a new participatory state, those guided by this radical democratic vision rejected both the Soviet-style all-powerful, centralized state and what they called the neoliberal or minimal state advocated by international financial institutions (IFIs) and by most national governments in the region (Dutra 2002: 7-8). Participatory budgeting, in this view, would help re-legitimize the state by showing that the state could be effective, redistributive, and transparent. At the same time, for the more Gramscian inspired proponents, PB would be an arena in which empowered citizens could construct an alternative “hegemony” (Dutra 2002: 4; Sader 2002: 9).<sup>6</sup> The mayor who promoted PB in Porto Alegre and later on as governor of Rio Grande do Sul, Olívio Dutra (2002: 5-6), explicitly describes PB as a revolutionary process and links it to socialism:<sup>7</sup>

...we are fully conscious that this revolutionary process is situated in a context of heightened struggle between two distinct projects. The traditional elites know perfectly well that this practice [PB] gives real content to democracy, ending privileges, clientelism, and ultimately the power of capital over society. This is a political struggle with a clear class (or class bloc) content which will continue to develop for a long time. That is why if anyone claims, and some do, that PB is just a more organized form for the poor to fight over the crumbs of capitalism, or at best, that it is a slight democratic improvement totally unrelated to socialism, they would be completely mistaken. Besides deepening and radicalizing democracy, PB also is constituted by a vigorous socialist impulse, if we conceive socialism as a process in which direct, participatory democracy is an essential element, because it facilitates critical consciousness and ties of solidarity among the exploited and oppressed, opening the way for the public appropriation of the State and the construction of a new society.

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<sup>6</sup> Interestingly, new work using on the international development agencies’ promotion of participatory planning, based on “neo-Gramscian international relations theory,” claims that this is in order to defend “neoliberal hegemony” by co-opting “counter-hegemonic” ideas (Ruckert 2005).

<sup>7</sup> Other PT leaders also link local-level participatory democracy and PB to socialism (Daniel, et al., 2002).

In this statement, Dutra alludes to the orthodox left critique of PB, which is promoted in Brazil mostly by the Unified Socialist Workers' Party (PSTU) as well as some minority factions within the Workers' Party and in some Andean countries by a few key peasant and labor leaders, such as Felipe Quispe.<sup>8</sup> From the orthodox left perspective, PB is at best insignificant because of its excessively local focus, its multi-class character (in that it is not solely an instrument of workers), and its inability to transform the fundamental structures of capitalism or harm bourgeois interests. At worst, PB is helping the bourgeoisie cope with the "crisis of capitalism" by taming popular movements and teaching them to cooperate with elites rather than engage in direct action to destroy the bourgeois state. A crucial complaint of these critics is that national issues such as debt repayment are not discussed within the PB process. Most of these critics point to the support given PB by "imperialist organizations" like the United Nations (UN) and the Inter-American Development Bank (IDB) as evidence that it is a Trojan horse bent on undermining revolutionary aspirations.

Indeed, both the UN, through its Habitat division, and the IDB, as well as numerous other international development agencies, have promoted participatory budgeting in various ways.<sup>9</sup> These range from publishing books and articles, to financing workshops and studies, to requiring participation as a condition for aid and providing assistance to individual PB projects. Although much of the discourse used by the development agencies closely resembles the radical democratic language and many of the goals – reducing poverty and extending service provision, ending corruption and

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<sup>8</sup> For an example of this approach, see the article by national and regional PSTU leaders, Fontana and Flores (2001: online). For Quispe's view of Bolivia's Popular Participation Law, see Altman (2003: 93-94).

<sup>9</sup> For examples, see sources listed in footnote 1 as well as UN-Habitat and Transparency International (2004: 140-146), Drosdoff (2000) on the IDB, and Schneider (2004) on USAID.

clientelism, promoting transparency and accountability, improving government efficiency and legitimacy – are similar, the agencies’ liberal approach to PB differs in several regards. While the left parties initially behind PB view it as contributing to the re-imagining of socialism, development agencies see PB as one among several tools for re-imagining development. It seems that a confluence of two factors contributed to the adoption of PB by the development community in the 1990s. One was the rising influence of the notion of participation in development; the other was the notion that good institutions, or good governance, were important for securing economic growth.<sup>10</sup> Participatory budgeting, for many within the liberal perspective, is a potential institutional remedy within a second round of market-oriented economic and administrative reforms in Latin America after the failure of the first round to reduce poverty or increase growth rates despite bringing down inflation. As Tim Campbell (2003: 8) argues: “[T]he next stage of reforms in the region was shifted to the local level, where new models of governance were being invented. These models were marked by innovation in the governance contract, by widespread participation, and by new forms of accountability in spending.”

For many of those in the liberal perspective, then, PB exists alongside of and in support of other public sector reforms like privatization and streamlining state employment.<sup>11</sup> Campbell (2003: 171-172), for example, sees Porto Alegre’s PB as the foremost example of how citizen participation, like privatization and cutting personnel

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<sup>10</sup> The notion of good institutions is especially related to effective state institutions, which were seen to be missing in developing countries. As the *World Development Report 1997* put it, structural reforms in the 1980s and 1990s were an “overzealous rejection of government,” and development “without an effective state is impossible” (World Bank 1997: 25).

<sup>11</sup> The UN-Habitat division is an exception here, in that it has vigorously critiqued the structural adjustment programs of the 1980s and 1990s and the “retreat of the state” (UN-Habitat 2003).

costs, improves local government efficiency. Thus, while the radical democratic approach views PB as legitimating the state's role to protect it against privatization, the liberal approach sees it as co-existing with strategies for reducing the state's role. In addition, whereas the radical democratic approach sees citizen participation in PB as decision making and monitoring, the liberal approach to PB views participation more expansively, including as well consultation, information provision, providing volunteer labor and materials, paying taxes, and contributing funds to cover project costs.

In some senses, the liberal and orthodox left approaches to PB coincide. They both see PB as essentially facilitating market-oriented, or capitalist, development because it helps stabilize democracy by encouraging citizens to trust government. And they both ignore or dismiss what radical democrats see as PB's potential as a counter-hegemonic or socialist project. This is precisely the danger that the conservative approach to PB highlights. When PB experiments were initiated in Porto Alegre, Montevideo, and Caracas, they were criticized as dangerous for the stability and even persistence of representative democracy by established political parties, particularly in the latter cities.<sup>12</sup> Rather than deepening democracy and promoting government efficiency, the conservative perspective on PB sees it as anti-democratic and disordered. Two somewhat contradictory positions can be found within this view. One is that unrepresentative volunteer participants are given greater power than democratically elected and therefore representative municipal council members, and than the technically trained professional municipal employees. PB thus undermines the legitimacy of the municipal legislature

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<sup>12</sup> See Goldfrank (2002: 122-129; 165-178; 233-238). Coordinated attacks on PB in Porto Alegre did not occur until the late 1990s, after PB had started at the state level as well, where it was subjected to much greater criticism (Goldfrank and Schneider, forthcoming). For more details on the arguments summarized in this paragraph, see Nylen (2003: Chapter 7), Goldfrank (2002), and sources cited in Goldfrank and Schneider (forthcoming).

and leads to poor service provision and urban planning. The other position is that PB participants are politically manipulated by the local ruling party and deceived into thinking that they have decision-making power. In either case, many within the conservative perspective explicitly link PB to totalitarianism. They see PB as the creation of a parallel power aimed at replacing representative, multi-party democracy and capitalism with single-party socialist domination effected through a direct mobilizational relationship between the executive branch and the masses.

What this review of normative approaches to PB reveals is that it is not a neutral, technical instrument, contrary to what many development agencies seem to suggest by presenting PB as part of a “toolkit” for development. Much of the now extensive academic literature on PB, while often influenced by one or another of these normative approaches, either ignores the ideological and political battle surrounding it or fails to incorporate this battle into the analysis. Rather, a large number of the analytical approaches to PB focus on demonstrating that it embodies concepts like participatory publics (Wampler and Avritzer 2004), co-governance for accountability (Ackerman 2004), progressive pragmatism (Rhodes 2003), deliberative development (Evans 2004), or empowered participatory governance (Baiocchi 2001a; Fung and Wright 2001; Chavez 2004a), to name just a few.<sup>13</sup> These and other scholars have produced rich analyses of PB, focused almost entirely on Brazilian experiences and especially Porto Alegre. They have shown that PB can achieve many of the goals envisioned by both the radical democratic and liberal perspectives, especially in terms of redirecting public resources towards poor neighborhoods (Marquetti 2002; Serageldin, et al. 2003), extending service

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<sup>13</sup> Space does not allow me to cite all the relevant works on PB. The literature in Portuguese is especially vast. For a review of the literature on PB in Brazil, see Souza (2001). For a compendium of studies of Workers’ Party subnational administrations using PB, see Baiocchi (2003).

provision (Navarro 2004; Sousa Santos 1998), democratizing existing and spurring the creation of new civic associations (Abers 2000; Baierle 1998; Baiocchi 2001a, 2001b; Wampler and Avritzer 2004), and increasing transparency and accountability (Ackerman 2004; Fedozzi 1997; Wampler 2004), while reducing clientelism (Abers 2000) and enhancing democratic representation for the formerly excluded (Nylen 2003; Souza 2001). They also show that these outcomes are by no means guaranteed by PB, and that even well-regarded cases show some contradictory results (Baierle 2003; Nylen 2003; Souza 2001; Wampler 2004).

To explain success and failure of different PB experiments, these scholars propose a long list of potentially important design features and enabling conditions. Zander Navarro (2004: 200-209) provides one of the most comprehensive inventories, which he divides into political, administrative, economic, legal, geographical, and “controversial” issues.<sup>14</sup> The catalog provided here, broken up as pre-conditions and design features, summarizes what I consider the most relevant factors highlighted in the literature as potentially facilitating successful implementation of PB.

***Pre-Conditions:***

- (1) **Political Will:** the incumbent party and especially the mayor should have a commitment to opening channels of citizen participation in order to share decision-making power.
- (2) **Social Capital:** the locale should possess civil society associations, preferably disposed to participate in municipal affairs, organized in networks, and relatively autonomous.
- (3) **Bureaucratic Competence:** the municipal administration should be staffed by a substantial number of technically qualified employees.
- (4) **Small Size:** the locale, or at least the decision-making units of PB (which might be considered a design feature), should not be so large as to discourage collective action.

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<sup>14</sup> See also Cabannes (2004), Chavez Miños (2001), and UN-Habitat (2004). In my view, the discussion of the Peruvian PB experience by Chirinos (2004) provides the best conceptualization of the most important factors affecting participation programs.

- (5) **Sufficient Resources:** the municipal government should control revenues sufficient to enable investments in public works projects and social programs.
- (6) **Legal Foundation:** existing laws should allow and preferably promote citizen participation in budget decisions.
- (7) **Political Decentralization:** municipal office-holders should be democratically elected.

Most scholars agree that political will, sufficient resources, and political decentralization are necessary for successful PB, and many consider pre-existing societal organization necessary, while other conditions on this list are often deemed helpful, but not required. There is less consensus about which features of institutional design are most important, and even about whether certain features facilitate or debilitate PB.

***Institutional Design:***

- (A) **Immediate Needs Focus vs. Long-term Planning:** some scholars argue that one key to PB success in stimulating participation is that discussions should concentrate on immediate, practical needs; others, that this focus undermines discussion of broader, long-term issues and detracts from effective urban planning.
- (B) **Informal vs. Formal:** some argue in favor of an informal structure for participation that is open to individuals and groups without privileging existing organizations and that is capable of being modified by the participants themselves; others suggest that in order to avoid political manipulation of PB by the incumbents and to ensure representation of important political and social actors, it should be formally regulated by law.
- (C) **Deliberation:** participants should engage in face-to-face discussion and debate and be given at least some decision-making power over at least some part of the budgetary process, usually the establishment of investment priorities.
- (D) **Centralized Supervision:** the mayor's office should be directly involved in coordinating the PB process.
- (E) **Accessible Rules and Information:** the rules governing the PB process, including the criteria used to allocate resources across neighborhoods and how decisions are reached, as well as all the budgetary and planning information necessary to make informed decisions and to monitor results, should be both publicly available and provided in an accessible format.

Despite the ever-expanding attention given to PB, at least three gaps remain in this literature. One is the lack of rigorous, cross-national analytical testing of which design features and pre-conditions are most important for producing the desired

outcomes. Yves Cabannes (2004) provides a valuable examination of the diversity of PB experiences in twenty-five cities across ten countries, while Ana Clara Torres Ribeiro and Grazia de Grazia (2003) present useful data on more than 100 cases of PB in Brazilian cities, yet both studies are based on self-reporting by municipal officials and thus, appropriately, not concerned with causal analysis. A second gap is that the design of PB and the conditions under which it is introduced have not been linked theoretically. Though many scholars suggest generically that the design of PB should be adapted to local circumstances, there is little theorizing about how contexts affect designs.<sup>15</sup> And third, as suggested above, the competitive, or non-neutral, aspect of PB has not been thoroughly examined,<sup>16</sup> and particularly absent is attention to opposition parties.

One line of my previous research (Goldfrank 2002, 2005) has tried to address these lacunae with a structured comparison of PB in Caracas, Montevideo, and Porto Alegre, which matched the cases as roughly similar in size, political decentralization, political will, and bureaucratic competence. Specifically, I argued that: “The design features that ultimately aided the deepening of democracy in Porto Alegre – a high degree of participant decision-making power, a wide range of issues under debate, and an informal structure – were contingent upon a decentralized national state that afforded resources and responsibilities to the municipal government and a set of weakly institutionalized local opposition parties that failed to resist the participation program

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<sup>15</sup> The UN-Habitat (2004: 30-31) guide does suggest conditions under which implementing PB is not advisable.

<sup>16</sup> Many scholars, however, mention the conflict between the executive and legislative branches sometimes produced by PB, and Wampler (2004) makes this an explicit focus. Scholars of citizen participation programs in Peru, however, have made the same point about the non-neutral character of participation programs and the likely backlash against them from existing power holders (Chirinos 2004).

forcefully” (Goldfrank 2005: 9). I take this argument as a set of hypotheses for examining the broader set of cases below.

For analyzing the country case studies, in which national governments require local governments to implement PB, its competitive aspects must be further highlighted. As a colleague and I have argued elsewhere (Goldfrank and Schneider, forthcoming), PB is a political institution that is part of normal partisan competition. Political leaders strategically introduce and attempt to design PB to serve multiple ends, including gaining electoral support, weakening opponents, forming or consolidating alliances, and fulfilling ideological commitments. As with all new institutions, the results are not necessarily as originally intended. Outcomes depend not only the designers’ intentions and the local contexts, but on the intentions and strategies of other actors, including opponents. This point is especially valuable when examining the national cases because the political projects and ambitions of power holders at different levels of government come into direct conflict.<sup>17</sup>

### **National Case Studies<sup>18</sup>**

The recent expansion of citizen participation in subnational budget processes across Latin America, driven, in the cases of Bolivia, Guatemala, Nicaragua, and Peru, by national government mandates, provides an excellent opportunity to examine the full range of hypotheses about pre-conditions, design features, and strategic objectives.

Before examining these countries individually, some broad comparisons based on the

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<sup>17</sup> Chirinos (2004: 199-200) makes a similar point about nationally legislated participation programs. He argues that the most typical problem with top-down models is the resistance they tend to produce from the lower levels of government, which see their authority diminished.

<sup>18</sup> Unless otherwise noted, the discussion of the national and local cases is based on the following sources: Bolivia: WBI (2002, 2003, 2004b, 2004c, N.D.[b]); Guatemala: Fundemos (2003), WBI (2004a, 2004d, 2004e); Nicaragua: Pineda Gadea (2003, 2004), WBI (2004f, 2004g); and Peru: Ventura Egoávil (2003, 2004a, 2004b, 2004c, 2004d, 2004e, 2004f). The discussion of Brazil is based on the literature cited above as well as Villas-Boas (2003) and my own field research on various occasions from 1997 to 2005.

preceding discussion can be made with the locally-driven cases in Brazil, upon which most of the original theorizing about PB was based.

Generally, each of the five countries are politically decentralized in the sense that municipal executives are directly elected.<sup>19</sup> However, whereas regional governors are also elected in Brazil and Peru (at the provincial and regional level), they are appointed in Guatemala (at the regional and departmental levels), Nicaragua, and Bolivia. In the latter countries, some national administrations have concentrated “decentralized” resources in the regional governments so as to avoid supporting opposition-held municipalities. Also from the perspective of pre-conditions, the Brazilian experiences have a few other possible advantages. Because no national law requires PB, in the few hundred cities where it exists, the mayors are more likely to be at least somewhat committed to citizen participation than are their counterparts in the other countries. In practice, 73 of the 140 Brazilian cities using PB in the 1997-2000 term were under PT mayors, and thirty-three had mayors from other parties on the left. The PT held the position of deputy mayor in many of the remaining cities, where it was often in charge of participatory budgeting (Paiva 2001: A7). Moreover, because Brazil is both relatively wealthier and more fiscally decentralized than the other countries, its municipalities generally have more revenues to spend per capita. Cabannes (2004: 32) notes that most Brazilian cities can spend between \$240 and \$400 per inhabitant. In the Central American and Andean cases studied here, most municipalities spent much less, by orders of magnitude (as little as roughly \$11 per capita in Nandaime, Nicaragua). In addition, the presence of civil society organizations and their ability to work together might be expected to be greater in

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<sup>19</sup> In Bolivia, if no party wins a majority of the votes, the city council chooses between the top two lists, which is similar to the rule for electing the national executive.

Brazilian municipalities than in those of Guatemala, Nicaragua, and Peru, given the fairly recent and polarizing civil wars in the latter countries.

The only type of pre-condition that some authors might expect to benefit the non-Brazilian cases is the legal foundation. While Brazilian laws require the creation of municipal administrative councils for health, education, and other social sectors in large cities in order to receive federal transfers, they do not require budget councils. National laws in the other four countries do require development or oversight councils with responsibilities for contributing to municipal budgets and monitoring implementation. Peru's laws go furthest. As mentioned above, Toledo implemented a Participatory Budgeting Law in 2003. Guatemala's laws on the subject are contradictory, in that the Development Councils Law requires budgetary proposals from community development councils while the Municipal Code does not. The two remaining pre-conditions – bureaucratic competence and small size – vary within and across countries. They may help balance one another, in the sense that larger cities, which tend to show lower participation rates in various local civic activities, also tend to have larger, more professional bureaucracies. Generally, however, Latin American municipal employees have not had a reputation for efficiency (Nickson 1995: 18).

With regard to institutional design, on the whole, the Brazilian cases offer a fairly sharp contrast with those in the other countries. First, while PB experiences generally are more focused on immediate needs than long-term planning, this is more pronounced in the Brazilian municipalities than in the others.<sup>20</sup> Indeed, in the four other countries, the PB processes either grew out of or are linked to more long-term municipal development planning. Second, PB is generally less formally structured in Brazilian cities than

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<sup>20</sup> One notable exception in Brazil is Santo André.

elsewhere. As Cabannes (2004: 36) has observed, while Brazilian PB generally sees individual participation: “Other Latin American cities tend to favour participation through representatives of existing organizations.”<sup>21</sup> Cabannes (2004: 40) also points out that while in most Brazilian cities PB is internally regulated,<sup>22</sup> outside Brazil, “PB has been regulated and institutionalized by municipal resolution, decrees, laws or constitutions.” Third, Brazilian PB is clearly deliberative, with community assemblies debating and deciding investment priorities on an annual basis, and regional and sectoral forums of delegates from these assemblies and a municipal council of delegates meeting throughout the year to negotiate the budget details with city officials before being sent to the municipal legislature for approval. In other countries, the deliberative character of PB is often difficult to perceive.<sup>23</sup> The laws in Bolivia, Guatemala, and Nicaragua suggest more consultative roles for the development councils, and the Peruvian PB law requires that 60% of PB coordination council members are government officials.<sup>24</sup> Roughly half of the members on the development councils in Guatemala and Nicaragua are also from the government.

In addition, while the mayor’s office is generally in charge of PB throughout Latin American experiences, the accessibility of rules and information tends to be much greater in Brazilian than non-Brazilian experiences. Partially, this has to do with the superior resources available to Brazilian municipalities, which allows them to print and distribute rulebooks and pamphlets and to advertise meeting times and places. In Porto

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<sup>21</sup> In Belo Horizonte, as well as in a few other Brazilian cities, individual and organizational participation are combined.

<sup>22</sup> Santo André is again an exception, along with Icapuí. Both have municipal statutes governing PB.

<sup>23</sup> Cabannes (2004: 28-29) also finds more deliberative types of participation in the Brazilian cases than in the non-Brazilian cases of PB.

<sup>24</sup> In Santo André, a similar feature exists, whereby 50% of PB council members are from the municipal executive branch, and the mayor presides.

Alegre, city buses serve as mobile calendars for announcing PB assemblies, which are also advertised in newspapers and on a government-produced television program. But even in poor municipalities, making information accessible seems possible. The classic example comes from the impoverished Brazilian fishing village of Icapuí, where the mayor painted monthly budget figures – both revenues and expenditures – on the side of his house.

How have the contrasting designs and pre-conditions affected the results of PB in the Bolivian, Guatemalan, Nicaraguan, and Peruvian experiences compared with those in Brazil? On the whole, while analyses of Brazilian PB portray many more cases of success across a range of indicators (see above), observers of the non-Brazilian experiences are much less sanguine. Implementation of the national laws on citizen participation in subnational budgeting has been slow and uneven in each of the four countries. This seems to reflect the indifference or hostility towards PB on the part of many mayors and the lack of bureaucratic competence on the part of many municipal governments, especially the smaller ones. In composing the development councils, regional and local authorities often have used less than democratic procedures, which feeds the generalized claim that clientelism and corruption continue relatively unabated. The lack of clear criteria for distributing resources has led to an urban bias in many cases, even in predominantly rural areas, which undermines poverty reduction attempts. Actual citizen participation rates have been quite low, not only in decision-making processes but even in the consultation exercises. As a World Bank Institute (WBI) summary report puts it: “The lack of information, interest, capacity, time and financial resources constrains direct participation” (WBI, N.D.[a]: 40). On the other hand, for Brazil, some

scholars do express concerns that PB there fails to integrate into effective long-term urban planning, generates antagonisms with municipal legislatures, and is not legally required of all 5,507 municipalities, which means that even in cities that have tried PB, it may not continue in future administrations. Indeed, a study of 103 Brazilian cities with PB during the 1997-2000 period showed that in 28% of the cases, PB was discontinued either by the initiating or the subsequent administration (Chaves Teixeira ND: online).

The basically diverging results across this broad regional comparison suggest that observers have correctly identified a number of important pre-conditions and design features. Political will, bureaucratic competence, sufficient resources, and an informal, deliberative, and needs- and rules-based design appear to be correlated with higher chances of successful PB. Furthermore, pre-conditions, strategic objectives, and institutional design seem to be linked in certain ways. Where national governments try to legislate participation, rather than designing public, deliberative processes, they tend to create overly formal institutions that privilege existing political and social organizations.<sup>25</sup> Which organizations are privileged depends on the goals of power-holders at both national and subnational levels of government. Locally-driven PB processes tend to be more informal and deliberative, probably for two reasons. One is that mayors who implement PB are often responding to social movement demands for deliberative public spaces, the other is that open formats potentially allow mayors to attract new constituents. It is probably not a coincidence that most cases of successful PB

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<sup>25</sup> Some local governments do this as well, with similarly disappointing results in terms of citizen participation (see Peterson 1997).

in Peru (1) exhibit more informal and deliberative designs and (2) were started by mayors prior to the 2003 law.<sup>26</sup>

A closer look at the experiences in Bolivia, Guatemala, Nicaragua, and Peru confirms the comparative generalizations.

**Bolivia.** Since President Lozada introduced the Popular Participation Law in 1994, along with decentralization measures, the experience of citizen participation in subnational budgeting in Bolivia has been somewhat mixed. While most observers see faults with both the design of the participatory institutions and how they have been implemented in practice, correlating with a lack of widespread meaningful participation in most but not all municipalities, some see concrete improvements in the living standards of rural communities.<sup>27</sup> It seems likely that any improvements were due more to the increased funds made available to municipalities than to increased citizen participation. Revenue transfers to all local governments more than tripled from 1993 to 1997, and for non-capitals, transfers jumped from about \$4 million per year to roughly \$112 million (Altman 2003: 77), and that was before the addition of HIPC II funds in 2000. With regard to the failures of participation, Bolivia presents an excellent example of the uncertainty in competitive institution building, in which institutions designed at the national level are modified (or rejected) by local authorities and according to local conditions.

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<sup>26</sup> More generally, Chirinos (2004: 201) argues that the most successful experiences of citizen participation in Peru have been designed and carried out by local-level governments.

<sup>27</sup> Bartholdson, et al. (2002: 47) claim, on the other hand, that “no real progress has been reported with respect to poverty and exclusion, which continue being as ubiquitous as ever.” For an excellent, balanced review of the literature on the Popular Participation Law, as well as interesting original research, see Altman (2003).

President Sánchez de Losada's motivations for implementing the Popular Participation Law (LPP) are a source of debate and were certainly varied. Many analysts suggest that in addition to ideals of democracy, poverty reduction, and reinforcing the previous decade's structural adjustment program, a number of strategic points were important. Indeed, it seems that the LPP's design was affected, at least to some degree, by strategy. First, because his party was weakest in departmental capitals and because he feared that the elites' desire for autonomy in the Santa Cruz department would sow national disunity, the participation and decentralization laws emphasized the municipal rather than departmental levels of government. The subsequent president, Hugo Banzer, whose party dominated the departmental capitals, reversed that trend (Altman 2003: 69). Second, participatory institutions under Sánchez de Losada seemed intended to break the power of leftist labor and peasant unions, elitist "civic committees," and political parties, and perhaps construct a new alliance with indigenous movements. On one hand, he appointed an indigenous leader as his vice-president. On the other, the LPP gave municipal planning and budgeting participation rights only to territorial base organizations (OTBs), which were conceived as traditional indigenous and peasant community organizations in rural areas and neighborhood associations in urban areas. The OTBs were supposed to use customary practices to elect an Oversight Committee (CV) to monitor budget implementation in each municipality. Thus, the LPP ignored the unions and civic committees, and created a competitor for the party representatives in the municipal legislature.

It is not surprising, then, that the major union confederations (the COB and the CSUTCB, linked to Evo Morales and Felipe Quispe, respectively), the civic committees,

departmental elites, and opposition parties all opposed the LPP (Altman 2003: 73). The unions called the LPP the “*ley maldita*” (damned law) and called on indigenous peasants not to participate, though this was not always heeded (WBI 2004b: 4). It appears that the LPP has functioned most effectively in small, homogenous indigenous communities with strong traditional organizations. In many municipalities, however, the LPP’s opponents also obstructed, delayed, and tried to subvert the new participatory institutions. In the first years after the LPP, local party elites manipulated the law to adapt it for their own use, designating CV members from the top down rather than through participatory processes, and sometimes creating essentially fictitious OTBs rather than work with existing organizations. Even though the LPP stipulates that municipal governments should hold workshops and consultations to hear community demands, this has not occurred systematically or democratically across the 327 municipalities. In rural areas, the “culture of consultation” is “not exempt from the political system’s behavior patterns, nor from those of social movements, which, like the parties, maintain authoritarian traits” (WBI 2002: 12). More urban municipalities are worse, delaying implementation of the LPP and then using the consultation processes as means of cooptation. As Bartholdson, et al. (2002: 28) argue, political parties “divide indigenous and local community members” using traditional clientelist tactics: “Particularly in the Bolivian lowlands, municipalities have been controlled by elites in the urban centres and the needs of the rural indigenous population have been marginalized.”

The political manipulation of the new ostensibly participatory institutions has had clearly negative effects on the actual practices of citizen participation in municipal budgeting. Scholars generally agree that in many municipalities, the OTBs and CVs

either do not function at all or are not effective at transmitting community demands into budgets or monitoring budget implementation so as to reduce corruption (Altman 2003: 83-85; Bartholdson 2002: 29, 47; Krekeler, et al. 2003: 25-26). Channels for direct participation by community members appear lacking, and the representativeness of the OTBs has been questioned. According to Krekeler, et al. (2003: 25), the annual budget process “has been reduced to a mere listing of needs of each neighborhood or community expressed by the presidents of the neighborhood associations or OTBs, which generally do not coincide with the demands of the majority of the residents because, often, the OTB leaders do not consult the residents; on the contrary, they prioritize the demands using personal criteria.” Nonetheless, at least one aspect of the LPP seems unambiguously democracy-enhancing. In one of the only majority-indigenous countries of Latin America, which has a long history of exclusion of this majority, the LPP is directly tied to the greatly increased presence of indigenous mayors, municipal councilors, and in turn, national representatives. It is doubly ironic that, while Sánchez de Losada may have pushed the LPP as a way of winning indigenous support, the indigenous union leaders who vilified the LPP ended up benefiting the most from it, and eventually they used their growing strength to force Sánchez de Losada from office.

**Guatemala.** Compared to Bolivia, less political controversy has accompanied the decentralization and participation laws in Guatemala. The Guatemalan reforms were linked to the mid-1990s peace process, agreed to on a more consensual basis,<sup>28</sup> and strongly encouraged by international organizations. Nonetheless, of the five countries studied here, Guatemala has probably seen least success with PB. According to a recent

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<sup>28</sup> Input from a wide range of actors was important to the peace process, but some scholars note that Mayan organizations complained of being excluded (Warren 1998).

WBI study (2004a): “The concept of community participation in the municipal budget... is just a discourse raised as an initiative, not a process.” This interpretation is supported by other researchers, who find that the municipal development councils appear “to have been created mainly to cover administrative obligations and not as a forum for participation” and that they only rarely overcome a “merely formal scope” (Puente Alcaraz and Linares López 2004: 249). A number of problems prevent the effective functioning of PB in Guatemala, starting with the apparent lack of genuine commitment on the part of national leaders, who seem to have adopted participation laws mostly because of international guidance.

Although fiscal decentralization has increased in recent years, Guatemalan municipalities are still relatively poor, dependent on less than transparent national transfers, and heavily indebted. Transfers have increased since 2000, with the availability of HIPC II funds. It is the departmental governments, with their appointed leaders, which receive the largest share of these investment funds and may withhold funding from municipalities where the elected mayor is from a different political party (Puente and Linares 2004: 245-246; 248). Mayors must produce three separate budgets to obtain transfers for public investments, and political criteria reign for the distribution of funds for two of these transfer sources (Chavez 2001: 5-6). In addition to lacking sufficient funds, the municipal governments generally lack qualified personnel, both of which have been cited as undermining PB processes (Centro 2005: 12). On the part of community members, observers have noted a lack of interest in the community and municipal development councils, and the absence of civil society organizations or competition and divisiveness between those that exist (Centro: 2005: 12). One study

argues that the weak and fragmented nature of civic participation in the country stems from “the survival of authoritarian traits, the internal armed conflict, and the introduction and application of policies that encourage individualism and social atomization” (WBI 2004e: 3).

Possibly the most important reason for the general failure of PB in Guatemala is the dearth of mayors committed to sharing power with citizens. Since 1999, between a third and nearly half of all mayors have represented the Guatemalan Republican Front (FRG), the party of ex-military dictator, Efraín Rios Montt, and not generally considered committed to participatory ideals. Where the community and municipal development councils are more than fictive, the mayors have often shaped them for political benefit. While the community councils are supposed to be composed of representatives elected in open, public assemblies, that generally has not occurred in practice. The municipal development councils are only “open to those sector representatives summoned by the mayor” (WBI N.D.[a]: 42). It appears that municipalities with mayors from locally-based and independent “civic committees” are more committed to PB. One notable case was Quetzaltenango, one of the country’s four largest cities (Selee 2004: 23). These civic committees won in 25 municipalities in 2003 (though not Quetzaltenango), which is less than 10% of the total and the same number they won in 1999. Future success for PB in Guatemala may depend partly on whether civic committees gain popularity in more municipalities.

*Nicaragua.*<sup>29</sup> At first glance, Nicaragua in the late 1990s might appear to be an auspicious arena for introducing PB reforms. A left party with a rhetorical commitment to participatory democracy and a history of alliances with social organizations – the

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<sup>29</sup> The author thanks Yann Kerevel for providing several of the sources for this section.

Sandinista Front for National Liberation (FSLN) – controlled a third of the municipalities, the new president, Alemán, had been mayor of the capital city, and international agencies committed large sums of aid to the country after Hurricane Mitch, which was followed by HIPC II funding in 2000. Building partly on the FSLN’s municipal autonomy laws of the late 1980s and encouraged by international donors, Alemán introduced further decentralization and participation reforms in 1997, 2000, and 2001. Collectively, the laws compel municipal governments to consult with citizens in the budget process through town hall meetings (*cabildos abiertos*) and neighborhood and municipal development committees. In fact, however, the major political actors’ will to share decision-making power, the faithful and transparent use of international funds, and the application of the reforms are all questionable.

Even some sympathetic observers do not consider the FSLN to have renovated along the lines of other Latin American parties on the left. Rather, scholars highlight the FSLN’s continued tendencies to co-opt and control social movement allies and to close off spaces for dissenting opinions instead of promoting meaningful participation processes (Hoyt 1997; LaRamée and Polakoff 1999). At the same time, Alemán had a reputation for corruption while mayor of Managua, and this depiction proved accurate during his presidency. In 2003, he was convicted of money laundering and misappropriation of funds, among other charges, after allegedly stealing more than \$100 million from national government accounts.<sup>30</sup> The legal reforms meant to strengthen municipal government, which were agreed to by the FSLN as part of a governing pact, also had at least two problems. One was that they included measures to strengthen the dominance of the two-party system under the FSLN and Alemán’s Liberal Alliance. The

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<sup>30</sup> For details on Nicaragua’s struggles with corruption, see the Center for Public Integrity website.

other was that the reforms were not accompanied by adequate resources. From 1997 to 2003, central government transfers to municipalities represented about 1% of the central government's budget. In 2004, transfers increased to 4% and should increase annually by 1% over the next six years, partially depending on the country's economic performance (Pineda 2003: 4, 9). It is unclear whether these incremental increases will be sufficient. Municipal governments in Nicaragua are vastly underfunded, with some receiving less than \$9,000 per year in central transfers in 2003 and many forced into bankruptcy (Grigsby 2003). Furthermore, transfers were biased according to political criteria – in detriment of FSLN held municipalities – as were investment funds allocated through the much wealthier Nicaraguan Institute of Municipal Promotion (Ortega Hegg 2001: 205; Howard: 2002; Grigsby 2003).

To the lack of commitment to participatory government and lack of sufficient resources, one can add the climate of political polarization and the weakness of municipal bureaucracies to the list of factors working against PB. As in Guatemala, the failure to achieve successful PB practices in Nicaragua seems over-determined. While the laws requiring participation seem worthy on paper, according to Pineda (2003: 17): “In practice, the attendance and dialogue in the town hall meetings have been neither constant nor massive, like the use of the other established procedures....” Other observers also note that the open town hall meetings are sparsely attended, chaotic, and unproductive (Ortega Hegg 2003: 265-274), while the development committees tend to be convened by the mayor's invitation and are thus often exclusionary, favoring only the mayor's social allies (Howard 2002).

*Peru.* As national policy, the Peruvian case of PB is still nascent, though a number of local governments implemented PB reforms on their own prior to the 2003 laws. While Peru shares a top-down model of PB with the other countries examined here, the designers of Peru's PB laws did take the local experiences into account. This may be because some members of the ruling party, Perú Posible, came from the United Left, with its history of municipal participation programs in the 1980s before Alberto Fujimori's decade of centralized and clientelist authoritarian rule.<sup>31</sup> A generalized desire for decentralization as part of democratization emerged on the part of party representatives and civil society organizations in opposition to Fujimori, and decentralization was also supported by international agencies like USAID. Thus, most of the decentralizing reforms were fairly consensual. However, as Chirinos (2004: 192-193, 204-206) points out, the related citizen participation laws were contested by many congressional representatives, and nearly failed to pass. Echoing the conservative approach to PB, many of the traditional parties, especially the Aprista Party (the second largest in Congress, formerly APRA), argued that citizen planning and budget councils undermined representative democracy. It is perhaps not surprising that Apristas had the largest share of power at the subnational level, controlling nearly half of the 25 regions. Faced with opposition resistance, the government passed a compromise, hybrid bill in mid-2003, which gave local authorities 60% of the seats on the councils.

The PB laws obligated all regional, provincial, and district governments to promote citizen participation in the formulation, debate, and concertation of their development plans and budgets through the creation of coordination councils and through

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<sup>31</sup> Henry Pease García, for example, who was active in the United Left's administration of Lima in the 1980s, became President of the Congress for Perú Posible and was a strong supporter of PB.

public assemblies. In preliminary analyses of this incipient process, most observers view the first two years of PB as generally not very successful in promoting participation, transparency, effective planning, or improvements in public infrastructure and service provision (Chirinos 2004; Días 2004; Monge 2004; López and Wiener 2004). And, as in the other countries, they point to a host of factors that undermine PB, from problems in the design to opposition resistance and manipulation, insufficient resources, and lack of civil society initiative.

Unlike the relatively similar Bolivian laws, in Peru all legally registered social organizations (not just territorial organizations) with at least three years of proven existence were allowed to participate in elections for the regional and local councils meant to coordinate the development plan and budget. The restrictions were meant to avoid the top-down creation of phantom organizations but in practice excluded many organizations of the poor, which lacked legal standing. Furthermore, as mentioned, the civil society representatives only have 40% of the seats on the coordination councils, and a third of those are slated for business representatives, which also tends to minimize participation of the poor. Another problem in the design was that the participation laws contradicted the original PB guidelines from the Ministry of the Economy and Finances, which allowed individuals to participate and reduced the importance of the coordination councils. The contradictions caused confusion in practice, and, as occurred in the other cases of nationally-legislated PB, many local and regional leaders simply chose to ignore the rules.

Indeed, Días (2004: 225) reports that as of mid-2004, only about a third of the 1,821 district municipalities had created local coordination councils (CCLs). In his study

of more than thirty provincial and district PB experiences, Díaz (2004: 233-234) found that the mayors seemed to be complying “with constituting the CCL more for formal reasons than out of democratic conviction,” given that the CCL were not taking on the planning and budgeting roles allowed for in the law. Similarly, Chirinos (2004: 195-196) reports that the Congress had to pass additional laws in order to force the regional governments to establish their coordination councils, and even then they were rarely convened. In some cases where they were convened, they could not reach a quorum. Furthermore, the elections for the coordination councils were either never held or not very democratic (Ventura 2003: 5; Díaz 2004: 227-228; Chirinos 2004: 195, 210). Rather than a general election process, often the mayor or regional presidents invited specific organizations to assemblies in order select representatives. On the other hand, many local authorities ignored the rules about legally registration and three years existence in order to allow more social organizations to participate.

Even where mayors are committed to PB and try to work around the restrictions in the national laws, there remain the problems of extreme dependency on unreliable and stingy central government transfers and a weak, fragmented civil society with little interest in institutionalized participation and little information about the recent laws. Municipal governments in Peru have the authority to create local taxes, but only those in larger, wealthier cities have the capacity to do so. On the whole, then, municipalities depend on transfers, which reached about 4% of the national government’s budget in 2004 and are slated to increase to 12% by 2006 (Schneider and Zuniga-Hamlin 2005: 17). Divided up into 2,000 municipal budgets, this translates into very little. Of the six municipalities examined below, four had investment budgets of between roughly four and

thirteen dollars per capita. Furthermore, to receive transfers of investment funds, municipalities have to follow strict but little publicized budgeting guidelines set by the national Ministry of Economy and Finance. Several regional and local governments had to return revenues to the central government for failing to comply (Monge 2004). At the same time, Chirinos (2004: 200) argues that contrary to the assumption that citizens generally demand participation, in “post-Fujimori Peru, evidence indicates that the demand for participation has reached its lowest levels in modern history.” And for Díaz (2004: 234-236), citizens show low levels of organization, organizations show lack of formalization, and organizational representatives are unrepresentative, poorly qualified, and divided.

One bright spot in the Peruvian case is that the Ministry of Economy and Finance has revised the PB guidelines every year, and seemingly in response to criticisms of the original laws formulated by mayors, governors, and civil society organizations. In 2004, for example, the criteria for municipal spending were relaxed such that mayors were not forced to use 70% on investments. The latest changes in 2005 seem to have corrected some of the other design problems that scholars have highlighted.<sup>32</sup> The new guidelines state clearly that they are guidelines rather than legal norms, thus allowing for local adaptations. They emphasize that the budgets agreed to by the coordination councils should be respected by the municipal authorities, more clearly establish the links between the multi-year development plans and the annual budgets as well as between the regional and local coordination councils, and give greater powers to the coordination councils in terms of organizing the PB process. Perhaps most importantly, the 2005 guidelines stress

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<sup>32</sup> For details on the new guidelines, see Sánchez (2005).

that the PB process be open to all who want to participate and that the participating organizations consult with their members about budget priorities.

### **Local Case Studies**

While the overall national outcomes of PB appear not to have lived up to the expectations of its proponents, there are a number of remarkably successful local cases. Some of the success stories, particularly the Peruvian cities of Ilo and Villa El Salvador, would be anticipated, given that they were locally-initiated, under United Left administrations, and counted on highly organized civic associations with a tradition of local participation. Others, like Curahuara de Carangas in Bolivia and Huaccana in Peru, are more surprising. In Curahuara de Carangas, an isolated and extremely poor Aymara village in the Andean highlands, participatory budgeting has not only reinvigorated traditional indigenous organizations, but helped transform them so as to be more inclusive of women, more engaged with broader indigenous movements, and more focused on long-term sustainable development. In Huaccana, another rural indigenous town, the Shining Path guerrilla movement had destroyed traditional customs and divided the community, but even with very limited resources, the Quechua mayor's implementing of PB stimulated high rates of participation, helped revitalize civic associations, and contributed to redistribution of public works and programs. This section provides a brief comparison of PB in fourteen municipalities in a preliminary attempt to further tease out which combinations of pre-conditions, institutional design, and competition generate successful experiences like these.<sup>33</sup>

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<sup>33</sup> This section is based on the sources listed in footnote 18. The case-studies were undertaken in 2003 and 2004, and include earlier experiences of PB where relevant in the Bolivian and Peruvian cases.

Table 1 lists several of the pre-conditions suggested in the literature along with the role of opposition parties or elites,<sup>34</sup> and how successful the case was in general. Given the variation in the precision of the case study data, these are necessarily rough categorizations with relative scores. The cases with populations of 60,000 or more were urban or suburban cities, while those below that figure were generally towns or villages with a substantial when not predominantly rural population. All of these municipalities suffered from deficiencies of public services, although these were especially pronounced in rural areas, where even basic services like water and electricity were scarce. Resources available for municipal spending varied tremendously, from those in the “very low” category spending roughly five dollars per capita on investments to those “high” spenders who could invest ten times as much. A wide variety of incumbents are represented here as well, from ideologically motivated parties on the left, particularly the United Left in Peru, to Nicaragua’s Liberal Party on the right, with indigenous and centrist mayors occupying more moderate spaces. The degree of opposition from traditionally powerful political parties or elites varied from virtually nil, often in rural villages where parties had a merely electoral existence, to relatively strong, especially where old ethnic divisions were re-inflamed by the rise to power of indigenous leaders. Levels of social capital are categorized based on number of associations, whether they work cooperatively with one another, and whether they engage in clientelist exchanges.<sup>35</sup> Internationally- and nationally-based NGOs played “very strong” roles in two cases,

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<sup>34</sup> I also added the ethnic character of the population and the presence of external (national or international) NGOs because both seemed important parts of PB success stories in certain cases.

<sup>35</sup> The case of Huaccana is scored as having “weak+” social capital because it had few remaining civic associations following years of guerrilla warfare, but some land was communally held, which aided trust and collaboration. The cases of Tarabuco and Limatambo are scored as “medium+” rather than “high” because, although each have long traditions of peasant organizing, even longer traditions of animosity between indigenous peasants and the non-indigenous population persisted.

which meant that they provided extensive funding and technical aid and encouraged the mayor to implement PB. Last, as measures of success, I examined the rates of participation of both civic association leaders and the community in general and whether there were noticeable improvements in transparency, service and infrastructure provision, redistribution to the poor, and, where the case studies provided information, strengthening of associations and representation.

---- Insert Table 1 about here ----

The essential finding from Table 1 is that successful PB has emerged under a variety of conditions. Even in cases where resources were minimal, opposition from rival political parties was relatively strong, and outside NGOs played no role, one can find highly successful PB. Table 1 also suggests that certain conditions are especially advantageous, particularly a reasonably high level of resources, a weak opposition, a high level of social capital, a very strong NGO presence, and a mayor from a left, indigenous, or union background. Comparing across the four countries, the high success rate in Peru contrasts with the relative lack of success in Guatemala. While these cases are only illustrative, and not representative samples, this difference probably stems from two related issues. The highly successful Peruvian experiences began because of local initiative (except in Huaccana, where Care-Peru chose the town as a pilot project, and Oxfam and DFID supported it) before the national PB law, and thus had developed for a couple of years at least, while the Guatemalan experiences followed the national laws and are much more recent, having only begun in 2003.

Table 2 lists key aspects of the institutional design and different measures of success. The same caveats about the categorizations in Table 1 apply here as well. The

degree of formality in the PB's institutional structure refers to how open it is to any individual citizen and how much it privileges existing organizations and local authorities. The two cases with purely formal structures examined here were those that relied exclusively on existing organizations and authorities, while those scored as "formal –" included spaces for individuals to participate as well,<sup>36</sup> and those labeled "informal" were open, public processes that did not privilege pre-existing groups. Decisional power refers to whether the participants debate and decide on spending priorities, how much of the budget is affected by these decisions, and whether the decisions are respected by authorities. For participation rates, I included both the number of individuals participating and the number of organizations participating through representatives. Finally, I examined whether service provision had expanded and if in a redistributive way, and whether municipal government transparency had improved.

---- Insert Table 2 about here ----

The table provides some support for the claim made earlier about the national cases: where PB is less formalized and more deliberative, it tends to achieve better outcomes in a number of ways. In the two purely formal cases of PB, Tarabuco in Bolivia and Nandaime in Nicaragua, achievements were meager. In Tarabuco there were ongoing claims of corruption and clientelism, and although there were some investments in education and healthcare, the quality of these services did not improve. In Nandaime, where the criteria for determining spending allocations are opaque, an extreme urban bias persists. While a little less than 50% of the population lives in the urbanized area, which

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<sup>36</sup> One exception here is Curahuara de Carangas. There, the structure of participation is based on all ten of the pre-existing indigenous organizations (*ayllus*) and the one neighborhood association that included all those in the central village. These organizations, then, cover the entire population and are thus representative, unlike many of the organizations in other municipalities.

is relatively well-provided with basic services like electricity, water, and sewage, these city-dwellers receive 89% of municipal investments. The rural areas, where the other half of the population lives without many basic services, get the remaining 11%. On the other hand, the Peruvian cases – as well as Curahuara de Carangas in Bolivia – stand out for their generally more informal structures, higher degree of decision-making power, and resulting greater ability to stimulate high rates of participation, offer redistributive policies, and provide transparent government. Even the most prosperous city using PB in Peru, Ilo, used highly redistributive criteria, such that the municipality invested nearly twice as much in the largest and poorest area as it did in the smaller, wealthier zone. It should be pointed out, however, that even those communities with successful PB continue to struggle with problems of unemployment, low wages, and deficient (if improving) services. Overall, the examination of the local cases reinforces the notions that pre-conditions, competitive contexts, and design features are all important to successful PB, but that no particular combination of these factors seems necessary.

## **Conclusion**

Rather than summarizing general lessons, which are available in the introduction, this conclusion returns to the normative approaches to participatory budgeting in a brief examination of its future prospects. The conclusion makes four main points. First, none of the normative approaches to PB accurately captures its results, which vary extensively across cases. Thus, PB does not always strengthen the state vis-à-vis the market, as radical democrats hope and conservatives fear, nor does it necessarily insulate pro-market reforms, as liberals hope and the orthodox left fears. Recent adoption of PB by pro-market parties of the center and the right both within and beyond Brazil challenges the

former assumption, while recurring anti-privatization protests in countries requiring subnational PB – Bolivia, Nicaragua, and Peru – undercut the latter.

Second, the ideological contests surrounding PB continue in the present and are likely to persist. On one hand, international development agencies with a liberal perspective on PB are promoting it more emphatically and more broadly than ever. One can find development agencies advocating and local governments adopting PB from Albania to Zambia. On the other hand, PB has old and new champions in the recently ascendant Latin American left. Uruguay's Tabaré Vázquez, the former mayor of Montevideo who started PB reforms there, was elected president in 2004, and at least one current within the governing alliance is pushing for a national PB process.<sup>37</sup> In Venezuela, citizen participation in local budgeting and planning councils is enshrined in articles 168, 182, and 184 of the new "Bolivarian" Constitution (Nunes 2004: 130, 137). Generally the planning councils seem not to be functioning as envisioned by the law, and may be operating in a politically biased manner (as in many of the other cases of nationally mandated subnational PB). Still, Marta Harnecker (2005), one of the left's most influential intellectuals promoting PB, reports that after a ten-year hiatus, participatory budgeting has returned to Caracas, and Hugo Chávez recently began advocating PB as well.

Third, within the struggle to define, propose, and implement PB, the liberal approach is currently dominant. As PB expands beyond Brazilian cities, the open, informal, deliberative design pioneered by Porto Alegre's radical democrats seems to be out of fashion. Rising in its place are the more regulated, formal, consultative designs focused on pre-existing civil society organizations implemented in places like Bolivia,

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<sup>37</sup> For the national PB proposal, see Chavez (2004b).

Nicaragua, and Peru by parties with a more liberal perspective. One can even see this trend within Brazil, where there had been some anticipation that President Luis Inácio da Silva would implement national-level PB. Da Silva's major participatory endeavor was the series of meetings for the multi-year federal budget (PPA) that took place across the twenty-seven states. In each meeting, the government invited 70 NGOs to participate. The PPA process, as well as Da Silva's government more generally, has been criticized by Brazil's largest NGO confederations for not providing open, deliberative spaces of participation.<sup>38</sup> Furthermore, in the city with the most-celebrated PB experience, Porto Alegre, the Workers' Party lost the 2004 municipal election after four consecutive victories. Though the new mayor promised to maintain PB, his administration seems to be de-emphasizing it. The mayor has not attended PB assemblies, contrary to the practice of all prior mayors, and is announcing a new model, "Solidary Local Governance," based on government and civil society organizations. As the Secretary of Political Coordination and Local Governance explains it: "Local Governance is a non-deliberative executive forum; it is a networked articulation that seeks to create co-responsibility pacts. In this space, there is no dispute, no voting, and no delegates" (CIDADE 2005: 1).

Finally, to strengthen the future chances of successful PB at the local level, its original principles should be applied to higher levels of national and international governance. As argued above, even in the relatively small number of municipalities that succeeded in improving local service provision with PB, low incomes and joblessness remained as serious problems. This is also true of cities with longer traditions of PB, like Porto Alegre, with its sixteen years of experience. A recent article by one of the earliest

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<sup>38</sup> For examples, see the critique by the coordinator of IBASE, Iracema Dantas (2004), and the summary of the NGOs' reaction in Goldfrank and Schneider (forthcoming).

and most insightful observers of PB, Sérgio Baierle (2003: 304), cited a municipal study comparing the 1981-1985 period in Porto Alegre (prior to PB) to the 1995-1999 period (after several years of PB). It shows that while education and healthcare improved, Porto Alegre's unemployment rate shot up 78%, the number of poor people increased almost 20%, and income inequality rose by 16%. As Baierle (2003: 303-304) argues, successful cases of local PB, even when they include job creation and social assistance programs, are not untouched by national economic policies: "It is impossible to avoid the consequences of macro-politics of adjustment imposed at the federal level. No matter how fiercely the deconstruction of the public sector is fought at the local level,... cities still control only a thin slice of the national public budget." Applying PB principles of transparency, participation, and redistribution to decision-making spheres where larger sums of money are at stake may have two positive effects on encouraging local participatory budgeting efforts. It might produce more universal, egalitarian social policies, thus strengthening local social capital and allowing citizens in desperately poor countries to think beyond their next meal, and it might convince mayors and citizens that PB is indeed about these principles – and not politically motivated subterfuge – and perhaps worth trying.

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**TABLE 1: PRE-CONDITIONS, OPPOSITION, AND SUCCESS**

<i>Country Municipality</i>	<i>Pop.</i>	<i>Ethnicity</i>	<i>Resources</i>	<i>Incumbent</i>	<i>Opposition</i>	<i>Social Capital</i>	<i>NGO Presence</i>	<i>Success</i>
<b>Bolivia</b>								
Curahuara de Carangas	5,937	Aymara	High	Indigenous	None	Strong	Very Strong	<b>High</b>
El Alto	632,372	Aymara / Mixed	Medium?	Center	Medium	Medium	Weak	<b>Medium</b>
Tarabuco	20,000	Quechua	Medium	Peasant Union	Strong	Medium+	Medium	<b>Medium</b>
<b>Nicaragua</b>								
Estelí	110,000	Mixed	Low	Left	Weak	Medium	Strong	<b>Medium</b>
Santo Tomás	19,778	Mixed	Low	Right	Weak?	Weak	Weak	<b>Medium?</b>
Nandaime	38,800	Mixed	Very Low	Right	Weak	Weak	Strong	<b>Low</b>
<b>Perú</b>								
Villa El Salvador	344,657	Mixed	Very Low	Left	Weak	Strong	Strong	<b>High</b>
Santo Domingo	10,209	Quechua / Mixed	Medium	Peasant Union	None	Strong	Strong	<b>High</b>
Huaccana	11,289	Quechua	Low	Indigenous	None	Weak+	Very Strong	<b>High</b>
Limatambo	9,264	Quechua	Low	Indigenous / Left	Medium+	Medium+	None	<b>High</b>
Independencia	210,807	Mixed	Very Low	Center	Weak?	Medium	Weak	<b>Medium</b>
Ilo	60,053	Mixed	High	Left	Weak	Strong	Weak	<b>High</b>
<b>Guatemala</b>								
Panajachel	10,919	Maya / Mixed	Medium	Civic Committee	Medium	Weak	Weak?	<b>Low?</b>
La Union	24,213	Ladino	Low	Center	Medium	Weak	Weak?	<b>Low</b>

**TABLE 2: PB DESIGN, PARTICIPATION, REDISTRIBUTION, AND TRANSPARENCY**

<i>Country Municipality</i>	<i>Structure</i>	<i>Decisional Power</i>	<i>Participation Rates</i>	<i>Services / Redistribution</i>	<i>Transparency</i>
<b>Bolivia</b>					
Curahuara de Carangas	Formal –	High	High	High	High
El Alto	Formal –	Medium	High	Some	Improved
Tarabuco	Formal	Medium	High	Some	Low
<b>Nicaragua</b>					
Estelí	Formal –	Medium	High	Some	Improved
Santo Tomás	Formal –	Medium	High?	Some	Improved
Nandaime	Formal	Low	Low/medium?	Low	Low
<b>Perú</b>					
Villa El Salvador	Informal	Medium	Very High	High	High
Santo Domingo	Formal –	High	High	High	High
Huaccana	Informal	High	Very High	High	High
Limatambo	Informal	High	High	High	High
Independencia	Formal –	High	Medium	Some	Improved
Ilo	Informal	High	Very High	High	High
<b>Guatemala</b>					
Panajachel	Formal –	Medium	Low?	Some	Improved
La Union	Informal	Medium	Low?	Some	Improved