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Anwar Shah, Series Editor

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PUBLIC SECTOR
GOVERNANCE AND
ACCOUNTABILITY SERIES

PARTICIPATORY BUDGETING

Edited by ANWAR SHAH



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Contents

Foreword	xiii
Preface	xv
Acknowledgments	xvii
Contributors	xix
Abbreviations and Acronyms	xxiii
Overview	1
<i>Anwar Shah</i>	

Part I Introduction to Participatory Budgeting

CHAPTER



A Guide to Participatory Budgeting	21
<i>Brian Wampler</i>	
History of Participatory Budgeting	23
How and Where Does Participatory Budgeting Work?	24
State of the Debate	32
Types of Participatory Budgeting Programs	36

Actors and Motivations for Embracing Participatory Budgeting	39
Administrative Reform	44
Limitations of Participatory Budgeting	45
How and Where Can Participatory Budgeting Be Implemented?	47
Policy Implications	49
References	53

2 Citizen Participation in Budgeting: Prospects for Developing Countries 55

Donald P. Moynihan

Why Is Participation Important?	55
Fostering Broad and Meaningful Participation in Developing Countries	62
The Government's Perspective on Public Participation	78
Conclusions	83
Notes	83
References	83

Part II Regional Surveys

3 Lessons from Latin America's Experience with Participatory Budgeting 91

Benjamin Goldfrank

History of Participatory Budgeting	92
Normative and Analytical Approaches to Participatory Budgeting	94
National Case Studies	101
Conclusions	116
Notes	119
References	121

4 Participatory Budgeting in Central and Eastern Europe 127

Alta Fölscher

The Central and Eastern European Context	128
Case Studies of Participatory Budgeting	134

Conclusions and Lessons Learned	143
Annex: Achievements, Challenges, and Lessons from Participatory Budgeting Processes in Case Study Countries	148
Note	155
References	155

5 Participatory Budgeting in Asia 157

Alta Fölscher

How Can Citizen Participation Enhance Development?	158
The Asian Context	159
Types of Participatory Budgeting Initiatives	164
Lessons from the Asian Experience	179
Conclusions	187
Notes	188
References	188

6 Sub-Saharan Africa's Experience with Participatory Budgeting 191

Adrienne Shall

Legal Framework, Mechanisms for Participation, and Impact of Participatory Budgeting	192
Challenges and Lessons Learned	216
Conclusions	221
Notes	222
References	222

7 Participatory Budgeting in the Middle East and North Africa 225

Alta Fölscher

Potential for Participatory Budgeting	225
Democracy and Islamic Rules and Values	237
Notes	240
References	240

Lessons from Latin America's Experience with Participatory Budgeting

BENJAMIN GOLDFRANK

Within a relatively short period (1990–2005), participatory budgeting has evolved from an obscure process of popular participation championed by a few leftist parties in South America to a “best practice” for reducing poverty and improving governance. Depending on how strictly participatory budgeting is defined, it has expanded from about a dozen cities, most of them in Brazil, to 250–2,500 locales in Latin America alone.¹

Whether this diffusion of participatory budgeting is seen as cause for celebration or alarm depends on both how participatory budgeting is interpreted and how it is implemented. Interpretations of participatory budgeting, especially as practiced in Porto Alegre, the Brazilian city that named and publicized it, abound. Yet studies of how participatory budgeting is practiced, especially outside of Brazil, are only beginning to appear. Systematic comparisons of the ways in which participatory budgeting is designed and implemented are rare.

This chapter analyzes recent efforts to introduce participatory mechanisms into local government budget processes in Latin America. After defining participatory budgeting and outlining its history, it presents the major normative perspectives on participatory budgeting as well as a number of analytical perspectives. The broad

hypothesis advanced is that the design and results of participatory budgeting depend on both the designers' intentions and local conditions. This hypothesis is first tested at the national level by comparing experiences in Bolivia, Brazil, Guatemala, Nicaragua, and Peru. The chapter then presents case studies of 14 municipalities outside Brazil. The last section draws conclusions from the case studies and identifies future directions for participatory budgeting in Latin America.

History of Participatory Budgeting

A broad definition of participatory budgeting usually describes it as a process through which citizens can contribute to decision making over at least part of a governmental budget.² Narrow definitions usually derive from particular experiences of participatory budgeting, especially that of Porto Alegre. According to these definitions, participatory budgeting is a process that is open to any citizen who wants to participate, combines direct and representative democracy, involves deliberation (not merely consultation), redistributes resources toward the poor, and is self-regulating, such that participants help define the rules governing the process, including the criteria by which resources are allocated (see, for example, Avritzer 2002, Genro and Souza 1997, and Santos 1998).

Neither the broad nor the narrow definitions are ideal for constructing a history of participatory budgeting. The broad definition would include too many cases, such as lobbying, general town hall meetings, and special public hearings or referendums on specific budget items; the narrow definition would include too few examples. A more wieldy definition might be that participatory budgeting is a process by which citizens, either as individuals or through civic associations, can voluntarily and regularly contribute to decision making over at least part of a public budget through an annual series of scheduled meetings with government authorities.

Much of the literature on participatory budgeting credits the Workers' Party with having created it in Porto Alegre in 1989. Its origins are actually more complicated and disputed. During the late 1970s and early 1980s, municipal governments in Lages (Lesbaupin 2000), Boa Esperança (Baiocchi 2001b), and Pelotas (Goldfrank and Schneider 2006), all controlled by the Party of the Brazilian Democratic Movement, submitted their budgets for public discussion (a former mayor of Pelotas claims to have invented participatory budgeting). For its part, the Workers' Party experimented with citizen budget councils not only in Porto Alegre but in several of the 36 municipalities it won in the 1988 elections, including Ipatinga, João Monlevarde, Piracicaba, Santo André, and Santos (Abers 1996).

The design of participatory budgeting in Porto Alegre was developed by both community associations and the Workers' Party municipal administration (Baierle 1998; Baiocchi 2002). Both sides were aware of earlier experiments by the Brazilian Democratic Movement Party. Before the implementation of participatory budgeting, Porto Alegre's Union of Neighborhood Associations produced a report demanding participation in formulating the budget. That report described eight municipalities in which participatory budgeting had been attempted in the past (Goldfrank 2005). Workers' Party publications such as *Teoria & Debate* published discussions of various forms of participatory governance in the run-up to the 1988 municipal elections. At least two other political parties on the left—the Radical Cause in Ciudad Guayana, Venezuela (and shortly after in Caracas) and the Broad Front in Montevideo, Uruguay—were implementing very similar participation programs at roughly the same time as the Workers' Party in Brazil.³

It was not until 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 Workers' Party in the early 1990s.⁴ Local governments throughout Latin America began using participatory budgeting shortly thereafter, especially after 1996, when the United Nations Habitat II Conference in Istanbul recognized Porto Alegre's participatory budgeting as one of 42 best practices in urban governance.

All of the early experiences of participatory budgeting were implemented by parties that opposed the party in power at the national level. Experiments first occurred in Brazil 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 Workers' Party were allied with social movements demanding both democracy and improved urban services.

In contrast, many of the later experiences of participatory budgeting (which generally do not adopt the participatory budgeting label) were legislated into existence by national power-holders on the center or right of the political spectrum. Examples include the 1994 Popular Participation Law in Bolivia, sponsored by President Gonzalo Sánchez de Lozada; Nicaragua's municipal reforms in the late 1990s, under President Arnoldo Alemán; and the 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 Heavily Indebted Poor Countries (HIPC II) 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 participatory budgeting label and because an ostensibly center-left president, Alejandro Toledo, pushed it forward. Within Brazil, while the majority of recent participatory budgeting experiences continue to be under leftist administrations, primarily the Workers' Party, parties of all political stripes have now used participatory budgeting, including the Party of the Liberal Front, an outgrowth of the official party of the military dictatorship. Participatory budgeting is thus no longer exclusively a leftist project.

Normative and Analytical Approaches to Participatory Budgeting

The early ideological motivations for adopting participatory budgeting represent only one of four distinct normative approaches to the subject (a radical democratic approach). The others might be termed orthodox leftist, liberal, and conservative. The radical democratic and liberal perspectives derive from the foremost proponents of participatory budgeting, that odd combination of leftist parties and international development agencies. These views are more evident in the debate surrounding participatory budgeting and in academic analyses than are conservative and orthodox leftist critiques of participatory budgeting, which come mostly from parties on the center and the right and from Leninist factions or parties. Conservative and orthodox leftist critiques should not be ignored, however, because these actors can play important roles in weakening or defeating participatory budgeting experiments.

The original normative reasons for implementing participatory budgeting given by the Workers' Party in Porto Alegre—as well as by the Radical Cause Party in Caracas and the Broad Front Party in Montevideo—were closely tied to the general transformation that much of the Latin American left sought in the 1970s and 1980s.⁵ The new, “renovated,” or postauthoritarian 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. Socialism was no longer seen as inevitable but as an open-ended process to be constructed; democracy was no longer seen as a way station

along the path to true socialism or 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 Workers' Party, Radical Cause Party, and Broad Front Party, four key elements guide their approach to participatory budgeting: direct citizen participation in government decision-making processes and oversight; administrative and fiscal transparency to prevent corruption; concrete improvements in urban infrastructure and services, with an emphasis on aiding the poor; and changing political culture, conceived as the transformation of urban residents into citizens, from political objects of clientelist practices into political subjects aware of their democratic rights (Goldfrank 2002).

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 and by most national governments in the region (Dutra 2002). Participatory budgeting, in this view, would help relegitimate the state by showing that it could be effective, redistributive, and transparent. The more Gramscian-inspired proponents believed that participatory budgeting would be an arena in which empowered citizens could construct an alternative “hegemony” (Dutra 2002; Sader 2002).⁶ Olívio Dutra (2002), the former mayor of Porto Alegre, who first introduced participatory budgeting there (later extending it to Rio Grande de Sul after being elected governor of that state), describes the process as revolutionary and links it to socialism:⁷

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 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 participatory budgeting 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, participatory budgeting 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.

In this statement, Dutra alludes to the critique of participatory budgeting by the orthodox left.⁸ From this perspective, participatory budgeting is at best insignificant because of its excessively local focus; its multiclass character (that is, the fact that it is not an instrument solely of workers); and its inability to transform the fundamental structures of capitalism or harm bourgeois interests. At worst participatory budgeting helps 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 participatory budgeting process. Most of these critics point to the support given participatory budgeting by “imperialist organizations” such as the United Nations and the Inter-American Development Bank as evidence that the process is a Trojan horse used to undermine revolutionary aspirations.

Indeed, the United Nations (through its Habitat division), the Inter-American Development Bank, and numerous other international development agencies have promoted participatory budgeting in various ways, ranging from publishing books and articles to financing workshops and studies to requiring participation as a condition for aid and providing assistance to individual participatory budgeting projects.⁹ 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 clientelism, promoting transparency and accountability, improving government efficiency and legitimacy—are similar, the agencies’ liberal approach to participatory budgeting differs from the radical democratic approach in several ways. While the leftist parties initially behind participatory budgeting view the process as contributing to the reconceptualization of socialism, development agencies see it as one among several tools for reconceptualizing development.

Two factors appear to have contributed to the adoption of participatory budgeting by the development community in the 1990s. One was the rising influence of the notion of participation in development; the other was the notion of good institutions, or good governance, as necessary for economic growth.¹⁰ For many proponents of the liberal perspective, participatory budgeting is a potential institutional remedy within a second round of market-oriented economic and administrative reforms in Latin America, following the failure of the first round to reduce poverty or increase growth rates despite bringing down inflation. As Campbell (2003, p. 8) argues, “The 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.”

From this perspective, participatory budgeting exists alongside and in support of other public sector reforms, such as privatization and streamlining state employment.¹¹ Whereas the radical democratic approach views participatory budgeting 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. Whereas the radical democratic approach views participatory budgeting as involving citizens in participating in budgetary decision making and monitoring results, the liberal approach views participation more broadly, to include consultations between governments and citizens; provision of information to citizens; use of labor, materials, and money contributed by citizens to implement projects; and payment of taxes.

In some ways the liberal and orthodox leftist approaches to participatory budgeting coincide. Both see participatory budgeting as facilitating market-oriented, or capitalist, development by encouraging citizens to trust government (and therefore stabilizing democracy). Both ignore or dismiss what radical democrats see as participatory budgeting’s potential as a counterhegemonic or socialist project. This is precisely the danger that the conservative approach to participatory budgeting highlights. When participatory budgeting 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 Montevideo and Caracas (see Goldfrank 2002).¹² From the conservative perspective, rather than deepening democracy and promoting government efficiency, participatory budgeting is antidemocratic and unstable. 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 technically trained professional municipal employees. Participatory budgeting thus undermines the legitimacy of the municipal legislature and leads to poor service provision and urban planning. The other position is that participatory budgeting participants are politically manipulated by the local ruling party and deceived into thinking that they have decision-making power. In both cases many within the conservative perspective explicitly link participatory budgeting to totalitarianism. They see participatory budgeting as the creation of a parallel power aimed at replacing representative, multiparty democracy and capitalism with single-party socialist domination, effected through a direct relationship between the executive branch and the masses.

Participatory budgeting is not a neutral, technical instrument—notwithstanding development agencies' inclusion of it as part of a "toolkit" for development. Much of the now extensive academic literature on participatory budgeting, while often influenced by one of these normative approaches, either ignores the ideological and political battle surrounding it or fails to incorporate this battle into the analysis. Many scholars have focused on showing that participatory budgeting embodies concepts such as 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 2001b; Fung and Wright 2001; Miños Chavez 2004b).¹³ They and other scholars have produced rich analyses of participatory budgeting, focused almost entirely on Brazilian experiences, especially Porto Alegre. They have shown that participatory budgeting can achieve many of the goals envisioned by both the radical democratic and liberal perspectives, especially in terms of redirecting public resources toward poor neighborhoods (Marquetti 2002; Serageldin and others 2003); extending service provision (Navarro 2004; 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 show that these outcomes are by no means guaranteed by participatory budgeting and that even well-regarded cases show some contradictory results (Baierle 2003; Nylen 2003; Souza 2001; Wampler 2004).

Preconditions and Design Features

To explain the success and failure of different participatory budgeting experiments, scholars propose a long list of potentially important design features and enabling conditions. Navarro (2004) provides one of the most comprehensive inventories, which he divides into political, administrative, economic, legal, geographical, and "controversial" issues.¹⁴

Most scholars agree that political will, sufficient resources, and political decentralization are necessary for successful participatory budgeting; many believe that preexisting societal organization is also necessary. Other conditions cited below can be helpful but are not considered preconditions.

- *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.

- *Sufficient resources:* The municipal government should control revenues sufficient to enable investments in public works projects and social programs.
- *Political decentralization:* Municipal officeholders should be democratically elected.
- *Social capital:* The locale should possess civil society associations, preferably disposed to participate in municipal affairs, organized in networks, and relatively autonomous.
- *Bureaucratic competence:* The municipal administration should be staffed by a substantial number of technically qualified employees.
- *Small size:* The locale, or at least the decision-making units of participatory budgeting (which might be considered a design feature), should not be so large as to discourage collective action.
- *Legal foundation:* Existing laws should allow and preferably promote citizen participation in budget decisions.

There is less consensus on which features of institutional design are most important and even whether certain features facilitate or weaken participatory budgeting. Features that have been discussed include the following:

- *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.
- *Centralized supervision:* The mayor's office should be directly involved in coordinating the participatory budgeting process.
- *Accessible rules and information:* The rules governing the process, including the criteria used to allocate resources across neighborhoods and make decisions, as well as all the budgetary and planning information necessary to make informed decisions and monitor results, should be publicly available and provided in an accessible format.
- *Focus on immediate versus long-term planning:* Some scholars argue that focusing on immediate, practical needs is key to stimulating participation. Others argue that a narrow focus undermines discussion of broader, long-term issues and weakens urban planning.
- *Informal versus formal structure:* Some scholars 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 participatory budgeting by incumbents and ensure representation of important political and social actors, the process should be regulated by law.

Gaps in the Literature

Despite the growing attention given to participatory budgeting, at least three gaps remain in the literature. First, no rigorous, cross-national analytical testing of which design features and preconditions are most important for producing the desired outcomes has been conducted. Cabannes (2004) provides a valuable review of participatory budgeting experiences in 25 cities across 10 countries. Torres Ribeiro and de Grazia (2003) present useful data on more than 100 cases of participatory budgeting in Brazilian cities. Both studies are based on self-reporting by municipal officials, however, and neither conducts causal analysis.

Second, the design of participatory budgeting and the conditions under which it is introduced have not been linked theoretically. Though many scholars suggest generically that the design of participatory budgeting should be adapted to local circumstances, there is little theorizing about how context affects designs.¹⁵

Third, the competitive, or nonneutral, aspect of participatory budgeting has not been thoroughly examined.¹⁶ Insufficient attention has been devoted to opposition parties.

I addressed these lacunae in previous research (Goldfrank 2002, 2005) with a structured comparison of participatory budgeting in Caracas, Montevideo, and Porto Alegre. That work led me to conclude 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 forcefully” (Goldfrank 2005, p. 9). In this chapter I examine 14 case studies to determine whether they support this statement.

Participatory budgeting is a political institution that is part of normal partisan competition (Goldfrank and Schneider 2006). Political leaders strategically introduce and attempt to design participatory budgeting to serve multiple ends, including gaining electoral support, weakening opponents, forming or consolidating alliances, and fulfilling ideological commitments. The results are not necessarily as originally intended. Outcomes depend not only on the designers’ intentions and the local contexts but on the intentions and strategies of other actors, including opponents. This point is especially important when examining the national cases, where the political projects and ambitions of power-holders at different levels of government come into direct conflict.¹⁷

National Case Studies

The recent expansion of citizen participation in subnational budget processes across Latin America—driven in Bolivia, Guatemala, Nicaragua, and Peru by mandates from the national government—provides an excellent opportunity to examine the full range of hypotheses about preconditions, design features, and strategic objectives.¹⁸ Before these countries are examined individually, some broad comparisons based on the preceding discussion can be made with the locally driven cases in Brazil.

All five countries are politically decentralized, in the sense that municipal executives are directly elected.¹⁹ However, regional governors are elected in Brazil and Peru (at the provincial and regional levels) but appointed in Bolivia, Guatemala (at the regional and departmental levels), and Nicaragua. In Bolivia, Guatemala, and Nicaragua, some national administrations have concentrated “decentralized” resources in the regional governments in order to avoid supporting municipalities held by the opposition.

No national law requires participatory budgeting in Brazil. As a result, in the few hundred cities where it exists, mayors are more likely to be at least somewhat committed to citizen participation than their counterparts in countries that mandate participatory budgeting. In 1997–2000, 73 of the 140 Brazilian cities using participatory budgeting had Workers’ Party mayors and 33 had mayors from other parties on the left. In many of the remaining cities, the deputy mayor belonged to the Workers’ Party and was often in charge of participatory budgeting (Paiva 2001).

Because Brazil is both wealthier and more fiscally decentralized than the other countries, its municipalities generally have more revenues to spend. Most Brazilian cities spend \$240–\$400 per resident (Cabannes 2004). In the Central American and Andean cases studied here, most municipalities spent orders of magnitude less (as little as \$11 per capita in Nandaime, Nicaragua [WBI 2004f]). Brazilian municipalities are also more likely to have civil society organizations that can work together than are municipalities in Guatemala, Nicaragua, and Peru, where recent civil wars have polarized the population.

The only precondition that might benefit the non-Brazilian cases is the legal foundation. While Brazilian laws require large cities to create municipal administrative councils for health, education, and other social sectors in order to receive federal transfers, they do not require budget councils. In contrast, national laws in the other four countries require development or oversight councils with responsibilities for contributing to municipal budgets and monitoring implementation. Peru’s laws go furthest. Guatemala’s laws on participation are contradictory: the Development Councils Law requires

budgetary proposals from community development councils, the Municipal Code does not.

The two remaining preconditions—bureaucratic competence and small size—vary within and across countries. They may help balance each other because larger cities, which tend to have lower participation rates in various local civic activities, also tend to have larger, more professional bureaucracies, although in general, municipal employees in Latin America do not have a reputation for efficiency (Nickson 1995).

The institutional design of Brazil's participatory budgeting differs from that of other countries in several important ways. First, its programs tend to focus more on immediate needs.²⁰ Indeed, in the four other countries, the participatory budgeting processes either grew out of or are linked to more long-term municipal development planning.

Second, participatory budgeting is generally less formally structured in Brazil. Individuals rather than representatives of organizations are more likely to participate (Cabannes 2004).²¹ In most Brazilian cities participatory budgeting is internally regulated; outside Brazil "participatory budgeting has been regulated and institutionalized by municipal resolution, decrees, laws or constitutions" (Cabannes 2004, p. 40).²²

Third, participatory budgeting is more deliberative in Brazil than in other countries. Community assemblies debate and set investment priorities on an annual basis; regional and sectoral forums of delegates from these assemblies and a municipal council of delegates meet throughout the year to negotiate budget details with city officials before the budget is sent to the municipal legislature for approval. In other countries the deliberative character of participatory budgeting is often difficult to perceive.²³ The laws in Bolivia, Guatemala, and Nicaragua suggest more consultative roles for the development councils. The Peruvian participatory budgeting law requires that 60 percent of participatory budgeting coordination council members be government officials.²⁴ Roughly half of the members on the development councils in Guatemala and Nicaragua are also from the government.

Fourth, municipalities in Brazil do a better job of disseminating information than municipalities in other countries, partly because they have greater resources, which allows them to print and distribute rulebooks and pamphlets and to advertise meeting times and places. In Porto Alegre city buses serve as mobile calendars for announcing participatory budgeting assemblies, which are also advertised in newspapers and on a government-produced television program. Even in poor municipalities, information is made accessible: in the impoverished Brazilian fishing village of Icapuí, for example, the mayor painted monthly budget figures—both revenues and expenditures—on the side of his house.

How have the contrasting designs and preconditions affected the results of participatory budgeting? Outside Brazil implementation of national laws on citizen participation in subnational budgeting has been slow and uneven. This seems to reflect the indifference or hostility toward participatory budgeting by many mayors and the lack of bureaucratic competence of many municipal governments, especially the smaller ones. Regional and local authorities have often used undemocratic procedures in composing the development councils, feeding the view that clientelism and corruption persist. The lack of clear criteria for distributing resources has led to an urban bias in many cases, even in predominantly rural areas, undermining poverty reduction efforts. Actual citizen participation rates have been low, not only in decision-making processes but even in consultation exercises. As a World Bank Institute summary report notes, "The lack of information, interest, capacity, time, and financial resources constrains direct participation" (WBI n.d.-a, p. 40).

Some observers have expressed concern that participatory budgeting in Brazil 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 participatory budgeting, it may not continue in future administrations. Indeed, a study of 103 Brazilian cities with participatory budgeting during the 1997–2000 period shows that in 28 percent of the cases, participatory budgeting was discontinued by the initiating or the subsequent administration (Chaves Teixeira n.d.).

What features account for the diverging results across countries? Political will, bureaucratic competence, sufficient resources, and an informal, deliberative, and needs- and rules-based design appear to increase the chance that participatory budgeting will be successful.

Preconditions, strategic objectives, and institutional design seem to be linked. Where national governments try to legislate participation rather than design public, deliberative processes, they tend to create overly formal institutions that privilege existing political and social organizations.²⁵ Determining which organizations are privileged depends on the goals of power-holders at both the national and subnational levels of government.

Locally driven participatory budgeting processes tend to be more informal and deliberative, for two possible reasons. One is that mayors who implement participatory budgeting are often responding to demands by social movements 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 participatory budgeting in Peru exhibit more informal and deliberative designs and were started by mayors before the 2003 law went into effect.²⁶

Bolivia

Institutions designed at the national level have been modified (or rejected) by local authorities in Bolivia, based on local conditions, with widely varying results. President Gonzalo Sánchez de Lozada introduced decentralization measures and the Popular Participation Law in 1994. Since then the experience of citizen participation in subnational budgeting in Bolivia has been mixed.

Most observers find fault with both the design and the implementation of the participatory institutions, although some believe living standards in rural communities have improved.²⁷ It seems likely, however, 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 between 1993 and 1997; allocations for noncapital expenses jumped from about \$4 million a year to roughly \$112 million (Altman 2003). In addition, HIPC II funds became available in 2000.

President Sánchez de Lozada's motivations for implementing the Popular Participation Law are a source of debate. Many analysts suggest that in addition to seeking to strengthen democracy, reduce poverty, and reinforce the structural adjustment program adopted in the 1980s, Sánchez de Lozada sought to design the law strategically so as to reap political benefits. First, his party was weakest in departmental capitals, and he feared that the elite's desire for autonomy in Santa Cruz would sow national disunity. For this reason, the participation and decentralization laws emphasized the municipal rather than the departmental levels of government. Sánchez de Lozada's successor, Hugo Banzer, whose party dominated the departmental capitals, reversed this trend (Altman 2003).

Second, participatory institutions under Sánchez de Lozada 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 the one hand, he appointed an indigenous leader as his vice president. On the other hand, the Popular Participation Law gave municipal planning and budgeting participation rights only to territorial-based organizations, which were conceived as traditional indigenous and peasant community organizations in rural areas and neighborhood associations in urban areas. The territorial-based organizations were supposed to use customary practices to elect an oversight committee to monitor budget implementation in each municipality. The Popular Participation Law thus ignored the unions and civic committees, creating a competitor for the party representatives in the municipal legislature.

It is not surprising, then, that the major union confederations (the Bolivian Labor Central [COB], linked to Evo Morales, and the United Union Confederation of Bolivian Peasant Workers [CSUTCB], linked to Felipe Quispe); the civic committees; departmental elites; and opposition parties all opposed the Popular Participation Law (Altman 2003). The unions referred to it as the *ley maldita* (damned law) and called on indigenous peasants not to participate (their call was not always heeded) (WBI 2004b).

The Popular Participation Law appears to have functioned most effectively in small, homogeneous, indigenous communities with strong traditional organizations. In many municipalities, opponents of the law obstructed, delayed, and tried to subvert the new participatory institutions. In the first years after the law went into effect, local party elites manipulated it to adapt it to their own use, designating oversight committee members from the top down rather than through participatory processes and sometimes creating fictitious territorial-based organizations rather than work with existing organizations. Although the law 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, p. 12). The situation is even worse in urban areas, where implementation of the law has been delayed and the consultation processes co-opted. As Bartholdson, Rudqvist, and Widmark (2002, p. 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 negative effects on the practice of citizen participation in municipal budgeting. In many municipalities, territorial-based organizations and oversight committees either do not function at all or are not effective at transmitting community demands into budgets or monitoring budget implementation in order to reduce corruption (Altman 2003; Bartholdson, Rudqvist, and Widmark 2002; Krekeler, Quezada, and Rea 2003). Channels for direct participation by community members appear to be lacking, and the representativeness of the territorial-based organizations has been questioned. According to Krekeler, Quezada, and Rea (2003, p. 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 territorial-based organizations, which generally do not coincide with the

demands of the majority of the residents because, often, the territorial-based organization leaders do not consult the residents; on the contrary, they prioritize the demands using personal criteria.”

Nonetheless, at least one aspect of the Popular Participation Law seems unambiguously to have enhanced democracy. In one of the only majority-indigenous countries in Latin America, a country with a long history of the exclusion of this majority, the law has increased the number of indigenous mayors, municipal councillors, and, in turn, national representatives. It is ironic that while Sánchez de Lozada may have pushed the law as a way of winning indigenous support, the indigenous union leaders who vilified the law ended up benefiting most from it, eventually using their strength to force Sánchez de Lozada from office.

Guatemala

Less political controversy has accompanied decentralization and participation laws in Guatemala. Reform was linked to the mid-1990s peace process, agreed to on a more consensual basis, and strongly encouraged by international organizations.²⁸

Despite these advantages, of the five countries studied here, Guatemala has probably seen the least success with participatory budgeting. According to a study by the World Bank Institute (2004a, p. 56), “the concept of community participation in the municipal budget . . . is just a discourse raised as an initiative, not a process.” This view is supported by other studies, which 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, p. 249). A number of problems prevent the effective functioning of participatory budgeting in Guatemala, starting with the apparent lack of genuine commitment on the part of national leaders, who seem to have adopted participation laws largely under pressure from international organizations.

Although fiscal decentralization has increased in recent years, Guatemalan municipalities remain relatively poor, dependent on less than transparent national transfers, and heavily indebted. Transfers have increased since 2000, with the availability of HIPC II funds. Departmental governments, whose leaders are appointed, receive the largest share of these investment funds; they can—and often do—withhold funding from municipalities in which the elected mayor is from a different political party (Puente Alcaraz and Linares López 2004). Mayors must produce three separate budgets to obtain transfers

for public investments, and political criteria determine the distribution of funds for two of these transfer sources (Miños Chavez 2001). In addition to lacking sufficient funds, municipal governments generally lack qualified personnel; both factors undermine participatory budgeting processes (Centro Pluricultural para la Democracia 2005). Observers have noted a lack of citizen interest in the community and municipal development councils; civil society organizations are either absent or unwilling to work together (Centro Pluricultural para la Democracia 2005). One study argues that the weak and fragmented nature of civic participation in Guatemala 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, p. 3).

Perhaps the most important reason for the general failure of participatory budgeting in Guatemala is the dearth of mayors committed to sharing power with citizens. Since 1999 between a third and almost half of all mayors have belonged to the Guatemalan Republican Front, the party of ex-military dictator Efraín Ríos Montt; they have not been considered committed to participatory ideals. Where community and municipal development councils are more than fictive, mayors have often shaped them for political benefit. The community councils have not generally been composed of representatives elected in open public assemblies, as they are supposed to be. The municipal development councils are open only to sector representatives summoned by the mayor (WBI n.d.-a). Municipalities with mayors from locally based, nonpartisan civic committees (which are often headed by indigenous leaders) appear more committed to participatory budgeting. A notable case was Quetzaltenango, one of the four largest cities in Guatemala, during the 2000–03 term (Selee 2004). These civic committees won in 25 municipalities in 2003 (though a traditional party took back Quetzaltenango), less than 10 percent of the total and the same number they won in 1999. Future success for participatory budgeting in Guatemala may depend partly on whether civic committees gain popularity in more municipalities.

Nicaragua

At first glance Nicaragua in the late 1990s might appear to have been an auspicious arena for introducing participatory budgeting reforms.²⁹ A leftist party with a rhetorical commitment to participatory democracy and a history of alliances with social organizations—the Sandinista Front for National Liberation (FSLN)—controlled a third of all municipalities; the

new president, Arnaldo Alemán, had been mayor of the capital city; and international agencies committed large sums of aid after Hurricane Mitch, 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. The laws compel municipal governments to consult with citizens in the budget process through town hall meetings and neighborhood and municipal development committees. In practice, the major political actors' will to share decision-making power, use international funds transparently, and implement the reforms is questionable.³⁰

Even some sympathetic observers do not consider the FSLN to have reformed along the lines of other Latin American parties on the left. 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).

Legal reforms, which were meant to strengthen municipal government and were agreed to by the FSLN as part of a governing pact, also faced problems. One was that they included measures to strengthen the dominance of the two-party system under the FSLN and Alemán's Liberal Alliance. Another was that the reforms were not accompanied by adequate resources. Between 1997 and 2003, central government transfers to municipalities represented about 1 percent of the central government's budget. Transfers increased to 4 percent in 2004 and should increase annually by 1 percent over the next six years, depending in part on the country's economic performance (Pineda Gadea 2003). It is unclear whether these incremental increases will be sufficient. Municipal governments in Nicaragua are vastly underfunded, with some receiving less than \$9,000 a year in central transfers in 2003 and many forced into bankruptcy (Grigsby 2003). Furthermore, central transfers were biased based on political criteria, as were investment funds allocated through a separate government entity, the Nicaraguan Institute of Municipal Promotion (Grigsby 2003; Howard 2002; Ortega Hegg 2001).

The climate of political polarization and the weakness of municipal bureaucracies also worked against participatory budgeting. As in Guatemala, failure to achieve successful participatory budgeting practices in Nicaragua seems overdetermined. While the laws requiring participation seem worthy, "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" (Pineda Gadea 2003, p. 17). Open town hall meetings are sparsely attended,

chaotic, and unproductive (Ortega Hegg 2003). Development committees tend to be convened by the mayor and are thus often exclusionary, favoring only the mayor's social allies (Howard 2002).

Peru

As national policy, participatory budgeting is still nascent in Peru, though a number of local governments implemented participatory budgeting reforms before passage of national laws in 2003. These laws obligate all regional, provincial, and district governments to promote citizen participation in the formulation, debate, and "concertation" (or agreement) of their development plans and budgets through the creation of coordination councils and through public assemblies.

While Peru shares a top-down model of participatory budgeting with the other countries examined here, the designers of its laws did take 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.³¹ A desire for decentralization as part of democratization emerged on the part of party representatives and civil society organizations in opposition to Fujimori; decentralization was also supported by international agencies, such as the U.S. Agency for International Development. Most decentralizing reforms were thus fairly consensual. However, the related citizen participation laws were contested by many congressional representatives and nearly failed to pass (Chirinos Segura 2004). Echoing the conservative approach to participatory budgeting, many traditional parties, especially the Aprista Party (the second-largest party in Congress), argued that citizen planning and budget councils undermined representative democracy. It is perhaps not surprising that the 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 that gave local authorities 60 percent of the seats on the councils.

The first two years of participatory budgeting are not considered to have succeeded in promoting participation, transparency, effective planning, or improvements in public infrastructure and service provision (Chirinos Segura 2004; Díaz Palacios 2004; Monge 2004; Ricci López and Bravo 2004). A host of factors have undermined participatory budgeting, from problems in design to resistance and manipulation by the opposition, insufficient resources, and lack of civil society initiative.

Unlike Bolivia, in Peru all legally registered social organizations (not just territorial organizations) with at least three years of proven existence are 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; in practice, they excluded many organizations of the poor, which lacked legal standing. Civil society representatives hold only 40 percent of the seats on the coordination councils, and a third of those are slated for business representatives, reducing participation by the poor.

The participation laws contradict the guidelines from the Ministry of the Economy and Finance, which allowed individuals to participate and reduced the importance of the coordination councils. This contradiction caused confusion, and, as in other countries that nationally legislated participatory budgeting, many local and regional leaders chose to ignore the rules.

As of mid-2004, only about a third of the 1,821 district municipalities had created local coordination councils (Díaz Palacios 2004). In his study of more than 30 provincial and district participatory budgeting experiences, Díaz Palacios (2004, pp. 233–34) finds that mayors seemed to be complying “with constituting the local coordination council more for formal reasons than out of democratic conviction,” given that the local coordination council were not taking on the planning and budgeting roles allowed for in the law. Chirinos Segura (2004) reports that the Congress had to pass additional laws in order to force the regional governments to establish their coordination councils, which even then were rarely convened. In some cases they were convened but could not reach a quorum. Elections for the coordination councils were either never held or not very democratic (Chirinos Segura 2004; Díaz Palacios 2004; Ventura Egoávil 2003). In place of a general election process, the mayor or regional presidents often invited certain organizations to assemblies in order to select representatives. At the other extreme, many local authorities ignored the rules about legal registration and being in existence for three years in order to allow more social organizations to participate.

Problems remain even where mayors are committed to participatory budgeting and try to work around the restrictions in national laws. Local governments remain dependent on unreliable and stingy central government transfers; civil society is weak and fragmented, with little interest in institutionalized participation; and little information is disseminated 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 represented about

4 percent of the national government's budget in 2004 and have risen since then (Schneider and Zuniga-Hamlin 2005). Divided among 2,000 municipal budgets, however, funding is low. Of the six municipalities examined below, four had investment budgets of \$4–\$13 per capita. Moreover, 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 with these rules (Monge 2004).

At the same time, interest in participation appears to have declined. According to Chirinos Segura (2004, p. 200), in “post-Fujimori Peru . . . the demand for participation has reached its lowest levels in modern history.” According to Díaz Palacios (2004), citizens are not well organized, organizations that do exist lack formal structures, and organizational representatives are unrepresentative, poorly qualified, and divided.

One bright spot in Peru is that the Ministry of Economy and Finance has revised the participatory budgeting guidelines every year, 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, so that mayors are no longer forced to allocate 70 percent of funding to capital spending. Changes in 2005 seem to have corrected other design problems as well (see Sánchez Velarde 2005). The new guidelines 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 multiyear 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 participatory budgeting process. Perhaps most important, the 2005 guidelines stress that the participatory budgeting 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 national outcomes appear not to have lived up to expectations, there are a number of remarkably successful local cases. Some of the success stories, particularly the Peruvian cities of Ilo and Villa El Salvador, could have been expected, given that the efforts were locally initiated, United Left administrations were in power, and highly organized civic associations with a tradition of local participation were active. Others, such as 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, it has helped transform them 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. Despite very limited resources, the Quechua mayor stimulated high rates of participation in participatory budgeting, helped revitalize civic associations, and redistributed public works and programs in favor of the poor.

This section compares participatory budgeting in 14 municipalities in an attempt to tease out which combinations of preconditions, institutional design, and political competition generate successful experiences like these. Given the variation in the precision of the case study data, these are necessarily rough categorizations.

All of the municipalities suffer from deficiencies in public services. These are especially pronounced in rural areas, where even basic services such as water and electricity are scarce. Resources available for municipal capital spending vary tremendously, from about \$5 to \$50 per capita.

The municipalities were governed by a wide spectrum of parties, from ideologically motivated parties on the left, particularly the United Left in Peru, to Nicaragua's Liberal Party on the right. The degree of opposition from traditionally powerful political parties or elites varied from virtually none (often in rural villages) to relatively strong, especially where old ethnic divisions were rekindled by the rise to power of indigenous leaders.

Successful participatory budgeting has occurred under a variety of conditions (table 3.1). Highly successful participatory budgeting emerged even where resources were minimal, opposition from rival political parties was relatively strong, and outside NGOs played no role. Certain conditions appear to be 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 leftist, indigenous, or union background. Levels of social capital are categorized based on the number of associations, whether they work cooperatively with one another, and whether they engage in clientelist exchanges. Huaccana is rated as having "weak+" social capital because it had few civic associations following years of guerrilla warfare but some land was communally held, which created trust and collaboration. Tarabuco and Limatambo are rated "medium+" rather than "high" because, although each has a long tradition of peasant organizing, even longer

TABLE 3.1 Characteristics of Case Study Municipalities in Bolivia, Guatemala, Nicaragua, and Peru

Level of success/location	Population	Ethnicity	Level of financial resources	Incumbent party	Opposition party	Level of social capital	NGO presence
High level of success							
Curahuara de Carangas, Bolivia	5,937	Aymara	High	Indigenous	None	Strong	Very strong ^a
Huaccana, Peru	11,289	Quechua	Low	Indigenous	None	Weak+	Very strong ^a
Ilo, Peru	60,053	Mixed	High	Left	Weak	Strong	Weak
Limatambo, Peru	9,264	Quechua	Low	Indigenous/left	Medium+	Medium+	None
Santo Domingo, Peru	10,209	Quechua/mixed	Medium	Peasant Union	None	Strong	Strong
Villa El Salvador, Peru	344,657	Mixed	Very low	Left	Weak	Strong	Strong
Moderate level of success							
El Alto, Bolivia	632,372	Aymara/mixed	Medium?	Center	Medium	Medium	Weak
Tarabuco, Bolivia	20,000	Quechua	Medium	Peasant Union	Strong	Medium+	Medium
Estelí, Nicaragua	110,000	Mixed	Low	Left	Weak	Medium	Strong
Santo Tomás, Nicaragua	19,778	Mixed	Low	Right	Weak?	Weak	Weak
Independencia, Peru	210,807	Mixed	Very low	Center	Weak?	Medium	Weak
Low level of success							
La Unión, Guatemala	24,213	Ladino	Low	Center	Medium	Weak	Weak?
Panajachel, Guatemala	10,919	Maya/mixed	Medium	Nonpartisan civic committee	Medium	Weak	Weak?
Nandaime, Nicaragua	38,800	Mixed	Very low	Right	Weak	Weak	Strong

Source: Bolivia: WBI (2002, 2003, 2004a, n.d.-b); Guatemala: Fundemos (2003), WBI (2004a, 2004d, 2004e); Nicaragua: Pineda Gadea (2003, 2004), WBI (2004f, 2004g); Peru: Ventura Egoavil (2003, 2004a, 2004b, 2004c, 2004d, 2004e, 2004f).

a. Internationally and nationally based NGOs provided extensive funding and technical aid and encouraged the mayor to implement participatory budgeting.

traditions of animosity between indigenous peasants and the nonindigenous population persist.

The high success rate in Peru contrasts with the relative lack of success in Guatemala. While these cases are only illustrative and do not constitute a representative sample, 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 the Department for International Development supported it). These efforts began before the national participatory budgeting law was passed. In contrast, the Guatemalan experiences followed the national laws and are much more recent, having begun only in 2003.

Table 3.2 lists key aspects of the institutional design and various measures of success. The formality of the structure refers to how open the participatory budgeting process is to individual citizens and how much it privileges existing organizations and local authorities. The two cases assessed to have formal structures relied exclusively on existing organizations and authorities. The cases rated "formal—" also included spaces for individuals to participate.³²

Municipalities rated "informal" had open public processes that did not privilege preexisting groups. Decision-making power refers to whether the participants debate and decide on spending priorities, how much of the budget is affected by these decisions, and whether authorities respect the decisions. The participation rate includes the number of individuals participating and the number of organizations participating through representatives.

Table 3.2 provides some support for the assertion that outcomes tend to be better where participatory budgeting is less formalized and more deliberative. In the two purely formal cases of participatory budgeting (Tarabuco, Bolivia, and Nandaime, Nicaragua), achievements were meager. In Tarabuco there were ongoing claims of corruption and clientelism, and the quality of these services did not improve (although some investments were made in education and health care). In Nandaime, where the criteria for determining spending allocations are opaque, an extreme urban bias persists. While a little less than half the population lives in the urbanized area, which has relatively good basic services, 89 percent of municipal investments were made there.

In Peru and in Curahuara de Carangas, Bolivia, where the structures were less formal, participants had more decision-making power, participation rates were higher, policies were more redistributive, and government was more transparent. Even the most prosperous city using participatory budgeting in Peru (Ilo) used highly redistributive criteria that allocated nearly twice as much investment funding to the largest and poorest area as it did to the smaller, wealthier zone.

TABLE 3.2 Key Aspects of Institutional Design and Measures of Success of Participatory Budgeting in Case Study Municipalities

Country/ municipality	Formality of structure	Decision-making power	Participation rate	Expansion/redistribution of services	Transparency
Bolivia					
Curahuara de Carangas	Formal—	High	High	High	High
El Alto	Formal—	Medium	High	Some	Improved
Tarabuco	Formal	Medium	High	Some	Low
Guatemala					
La Union	Informal	Medium	Low?	Some	Improved
Panajachel	Formal—	Medium	Low?	Some	Improved
Nicaragua					
Estelí	Formal—	Medium	High	Some	Improved
Nandaime	Formal	Low	Low/medium?	Low	Low
Santo Tomás	Formal—	Medium	High?	Some	Improved
Peru					
Huaccana	Informal	High	Very high	High	High
Ilo	Informal	High	Very high	High	High
Independencia	Formal—	High	Medium	Some	Improved
Limatambo	Informal	High	High	High	High
Santo Domingo	Formal—	High	High	High	High
Villa El Salvador	Informal	Medium	Very high	High	High

Source: Bolivia: WBI (2002, 2003, 2004b, 2004c, n.d.-b); Guatemala: Fundemos (2003), WBI (2004a, 2004d, 2004e); Nicaragua: Pineda Galea (2003, 2004), WBI (2004f, 2004g); Peru: Ventura Egoavil (2003, 2004a, 2004b, 2004c, 2004d, 2004e, 2004f).

This analysis of local cases reinforces the notion that preconditions, competitive contexts, and design features are important to successful participatory budgeting. It also suggests that no particular combination of these factors seems necessary.

Conclusions

The conclusions that can be drawn from these case studies are necessarily preliminary because the precision, type, and quality of data in the studies vary; the studies were not randomly selected; and many of the experiences lasted only a year or two. Nonetheless, several general lessons and indications about future directions of participatory budgeting are apparent.

First, national legal mandates for participatory budgeting have not created widespread local success in encouraging citizen participation, fiscal transparency, or effective municipal government. This is partly because designers of national laws had other goals in mind (possibly in addition to these goals) and partly because of local obstacles, including reluctant mayors or opposition parties, the weak fiscal and administrative capacity of municipal governments, and fragmented, conflict-ridden civic associations.

Second, despite problems, participatory budgeting has succeeded in some remarkably diverse locales—from small, poverty-stricken, indigenous, rural villages to large cities—with residents with various ethnic and class identities. While carefully identifying necessary or sufficient conditions will require further study, success seems correlated with several factors, in varying combinations:

- the mayor is indigenous, from a party on the left, or both;
- opposition from local political elites is weak or nonexistent;
- national or international aid organizations provide project funding, technical assistance, or both;
- the municipality has sufficient revenues to make significant investments in public works or programs;
- there is a tradition of participation and cooperation within and among local civic associations or indigenous customary organizations that has not been destroyed by guerrilla warfare or clientelist politics.

Third, even where participatory budgeting succeeds on some dimensions, it does not dramatically reduce poverty (especially income poverty) on its own. For poverty reduction to occur, fundamental principles of participatory budgeting as originally conceived (transparency, direct participation, redistribution toward the poor) need to be applied not only to national levels of government but to international policy-making institutions as well, under conditions

similar to those associated with the local success cases. While at first glance these conditions seem unlikely to be in place in the near future, 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 toward rethinking on the part of international financial institutions and aid agencies are positive signs.

Fourth, none of the normative approaches to participatory budgeting accurately captures its results, which vary extensively across cases. Participatory budgeting does not always strengthen the state with respect to 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 participatory budgeting by pro-market parties of the center and the right both inside and outside Brazil challenges the assumption about weakening the market, while recurring anti-privatization protests in countries requiring subnational participatory budgeting—Bolivia, Nicaragua, and Peru—undercut the assumption about insulating the market.

Fifth, the ideological contests surrounding participatory budgeting continue and are likely to persist. On the one hand, certain international development agencies with a liberal approach are promoting participatory budgeting more emphatically and more broadly than ever. Development agencies are advocating and local governments adopting participatory budgeting from Albania to Zambia. On the other hand, participatory budgeting has old and new champions in the recently ascendant Latin American left. Uruguay's Tabaré Vázquez, the former mayor of Montevideo who introduced participatory budgeting reforms there with a radical democratic approach, was elected president in 2004; at least one current within the governing alliance there is pushing for a national participatory budgeting process.³³

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). Most of the planning councils in Venezuela 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 participatory budgeting). Still, after a 10-year hiatus, participatory budgeting has returned to Caracas (Harnecker 2005), and Hugo Chávez recently began advocating participatory budgeting as well, which will surely evoke protests from conservative traditional parties.

Sixth, the liberal approach to participatory budgeting is currently dominant: the open, informal, deliberative design pioneered by Porto Alegre's radical democrats seems to be out of fashion. In Bolivia, Nicaragua, and Peru parties with a more liberal perspective have implemented more

regulated, formal, consultative designs that work with preexisting civil society organizations. This trend is evident even within Brazil, where some had hoped that President Luiz Inácio da Silva would implement national-level participatory budgeting. Instead, Silva's major participatory endeavor was the series of meetings for the multiyear federal budget that took place across Brazil's 27 states in 2003. The government invited 70 NGOs to participate in each meeting. The process, as well as Silva's government more generally, has been criticized by Brazil's largest NGO confederations for not providing open, deliberative spaces of participation.³⁴

In Porto Alegre itself, after four consecutive victories the Workers' Party lost the 2004 municipal election. Though the new mayor promised to maintain participatory budgeting, his administration seems to be deemphasizing it. Unlike his predecessors, he has not attended participatory budgeting assemblies, and he has announced a new model, Solidarity Local Governance, based on government and civil society organizations. As the Secretary of Political Coordination and Local Governance notes, "Local governance is a nondeliberative 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, p. 1).

Last, to strengthen the future chances of successful participatory budgeting at the local level, its original principles should be applied to higher levels of national and international governance. Even in the small number of municipalities that improved local service provision with participatory budgeting, low incomes and joblessness remain serious problems. This is also true of cities with longer traditions of participatory budgeting, such as Porto Alegre. One of the earliest and most insightful observers of participatory budgeting, Sérgio Baierle, cites a municipal study comparing the 1981–85 period in Porto Alegre (before participatory budgeting) with the 1995–99 period (after several years of participatory budgeting) (Baierle 2003). While education and health care improved, the unemployment rate shot up 78 percent, the number of poor people increased almost 20 percent, and income inequality rose by 16 percent. Local participatory budgeting is not untouched by national economic policies. As Baierle (2003, pp. 303–04) notes, "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 participatory budgeting principles of transparency, participation, and redistribution to decision-making spheres where larger sums of money are at stake, may encourage local participatory budgeting efforts in two ways. First, by producing more universal, egalitarian social policies,

it may strengthen local social capital, allowing citizens in very poor countries to think beyond their next meal. Second, by convincing mayors and citizens that participatory budgeting is indeed about these principles—and not politically motivated subterfuge—it may persuade them that it is worth trying.

Notes

1. The lower figure includes cities in which participatory budgeting began as a local government initiative; the higher figure includes all municipal governments required by national laws to consult civil society organizations on budget priorities. It includes Bolivia's 327 municipalities, Nicaragua's 153 municipalities, and Peru's 1,821 districts, 194 provinces, and 25 regions.
2. This formulation borrows from the definition of UN-Habitat (2004).
3. Both parties were elected in 1989 and started their participation programs in 1990. For a comparison of the two Venezuelan cases, see Maya López (1999). For a comparison of Porto Alegre and Montevideo, see Miños Chavez (2004b). For comparisons of Caracas, Montevideo, and Porto Alegre, see Goldfrank (2001, 2002, 2005). The United Left in Peru experimented with similar participation programs in the mid- to late 1980s (see Schönwälder 2002).
4. In Brazil participatory budgeting spread gradually, from 12 cities in 1989–92 to 36 in 1993–96, 140 in 1997–2000, and about 300 in 2001–04. The figures correspond only roughly to the increase in the number of Workers' Party mayors (36 in 1989–92, 53 in 1993–96, 115 in 1997–2000, and 187 in 2001–04).
5. The most thorough account of the left's rethinking is in Roberts (1998).
6. Ruckert (2005) claims that international development agencies promote participatory planning in order to defend "neoliberal hegemony" by co-opting "counterhegemonic" ideas.
7. Other Workers' Party leaders also link local-level participatory democracy and participatory budgeting to socialism (Daniel and others 2002).
8. This view is promoted by the Unified Socialist Workers' Party as well as some minority factions within the Workers' Party in Brazil and by a few key peasant and labor leaders, such as Felipe Quispe, in some Andean countries. For an example of this approach, see Fontana and Flores (2001). For Quispe's view of Bolivia's Popular Participation Law, see Altman (2003).
9. For examples, see UN-Habitat (2004), UN-Habitat and Transparency International (2004), Schneider (2004) on USAID, and Drosdoff (2000) on the Inter-American Development Bank.
10. The notion of good institutions is related to that of effective state institutions. As the *World Development Report 1997* notes, structural reforms in the 1980s and 1990s were an "overzealous rejection of government. . . . Development without an effective state is impossible" (World Bank 1996, p. 25).
11. The UN-Habitat division, which vigorously critiqued the structural adjustment programs of the 1980s and 1990s and the "retreat of the state," is an exception (UN-Habitat 2003).
12. Coordinated attacks on participatory budgeting in Porto Alegre did not occur until the late 1990s, after participatory budgeting was adopted at the state level,

- where it was subjected to much greater criticism (Goldfrank and Schneider 2006). For details on the arguments summarized here, see Goldfrank (2002), Nylen (2003), and the sources cited in Goldfrank and Schneider (2006).
13. Space does not allow all of the relevant works on participatory budgeting to be cited here. The literature in Portuguese is especially vast. For a review of the literature on participatory budgeting in Brazil, see Souza (2001). For a compendium of studies of Workers' Party subnational administrations using participatory budgeting, see Baiocchi (2003).
 14. See also Cabannes (2004), Miños Chavez (2001), and UN-Habitat (2004). In my view, the discussion of the Peruvian participatory budgeting experience by Chirinos Segura (2004) provides the best conceptualization of the most important factors affecting participation programs.
 15. The UN-Habitat (2004) guide does suggest conditions under which implementing participatory budgeting is not advisable.
 16. Many scholars cite the conflict between the executive and legislative branches that participatory budgeting sometimes produces; Wampler (2004) focuses on this conflict. Observers of citizen participation programs in Peru have made the same point about the nonneutral character of participation programs and the likely backlash against them from existing power-holders (Chirinos Segura 2004).
 17. Chirinos Segura (2004) makes a similar point about nationally legislated participation programs. He argues that the most common problem with top-down models is the resistance they tend to produce from lower levels of government, which see their authority diminished.
 18. 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.
 19. 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.
 20. One notable exception in Brazil is Santo André.
 21. In Belo Horizonte, as well as in a few other Brazilian cities, individual participation and organizational participation are combined.
 22. Santo André and Icapuí are exceptions. Both have municipal statutes governing participatory budgeting.
 23. Cabannes also finds more deliberative types of participation in Brazil than in the non-Brazilian cases.
 24. In Santo André, Brazil, half of all participatory budgeting council members are from the municipal executive branch, and the mayor presides.
 25. Some local governments do this as well, with similarly disappointing results in terms of citizen participation (Peterson 1997).
 26. More generally, Chirinos Segura (2004) argues that the most successful experiences of citizen participation in Peru have been designed and carried out by local governments.
 27. Bartholdson, Rudqvist, and Widmark (2002, p. 47) claim 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).
28. Input from a wide range of actors was important to the peace process, but Mayan organizations complained of being excluded (Warren 1998).
 29. The author thanks Yann Kerevel for providing several of the sources for this section.
 30. President Alemán had a reputation for corruption while mayor of Managua. In 2003 he was convicted of money laundering and misappropriation of funds, among other charges, after allegedly stealing more than \$100 million from the national government. For Nicaragua's struggles with corruption, see the Global Integrity Web site (<http://www.globalintegrity.org/2004/country.aspx?cc=ni&act=notebook>).
 31. 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 participatory budgeting.
 32. One exception is Curahuara de Carangas, where the structure of participation is based on all 10 preexisting indigenous organizations (ayllus) and the one neighborhood association, which included everyone in the central village. These organizations cover the entire population and are thus representative, unlike many of the organizations in other municipalities.
 33. For a discussion of the national participatory budgeting proposal, see Miños Chavez (2004a).
 34. For examples, see the critique by the coordinator of IBASE (Dantas 2004) and the summary of the NGOs' reaction in Goldfrank and Schneider (2006).

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Participatory Budgeting in Central and Eastern Europe

ALTA FÖLSCHER

In a democratic context and from a human rights perspective, civic engagement in public affairs is a desirable end, valued for itself. Civic engagement is also seen as instrumental to state effectiveness. When citizens have the opportunity to make their needs known and hold public institutions to account, public resources are likely to be used more efficiently to deliver public goods and services that are better aligned with citizens' needs.

Recognition of the potential of civic engagement in public affairs is widely shared. There is less consensus on what level of engagement is desirable and what form it should take. Increasingly, it is argued that participation in public affairs through elected representatives is insufficient, that the aims of social accountability, functional democracy, and optimization of public resources are best served if citizens also engage with public processes between elections and do so directly.

Participatory budgeting in the broad sense refers to citizens' engagement with public budgets, including such mechanisms as analysis by civil society of spending policies as an input to public debate. A narrower use of the term denotes instances in which citizens provide direct input into decisions about public resource use, usually at the local level of government.