

## ***Participatory Budgeting: Conceptual Framework and Analysis of its Contribution to Urban Governance and the Millennium Development Goals***

**2004**

### **Urban Management Programme**

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The Urban Management Programme (UMP) is an initiative of the United Nations Development Programme and other international co-operation agencies, and is executed by the United Nations Programme for Human Settlements. It aims to strengthen the contribution of the cities and towns of the world towards human development.

The promotion of local participatory governance, the eradication of urban poverty and the improvement of environmental management in cities constitute the main axes of UMP in its fourth phase, along with the building of social and gender equity. In working towards meeting these objectives, UMP promotes the use and equal and efficient distribution of resources and mobilises the capacities and initiatives of individuals, communities, public, private and volunteer organisations and, especially, local governments.

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## INSTITUTIONAL CONTEXT

One of UN-HABITAT's strategic areas of work is to support cities in the adoption of socially integrated, inclusive, accessible, transparent, participatory and accountable urban governance and management, with a view to ensuring sustainable urban development. As the UN focal point for local authorities, UN-HABITAT encourages cities to apply good urban governance practices, through two complementary mechanisms - the *Global Campaign on Urban Governance* and the *Urban Management Programme*.

The *Global Campaign on Urban Governance* promotes increased acceptance and use of principles or norms of urban governance. Through advocacy and outreach activities, collaborating and engaging with partners and constituencies, as well as the launching of national campaigns, these norms of urban governance have received wide acceptance, application and adaptation. To further translate urban governance principles into practical measures, the Campaign has developed a range of tools. The Campaign has succeeded in initiating concrete activities aimed at spurring policy change and enhancing organizational capacities in more than 30 countries.

The *Urban Management Programme (UMP)* represents a major effort by UN-HABITAT and UNDP, together with external support agencies, to strengthen the contribution that cities and towns in developing countries make towards economic growth, social development and poverty alleviation. It complements the efforts of the Campaign working through 19 anchor institutions and over 40 local and national institutions, which have been involved in developing the capacity of local partners and city governments for participatory governance, reaching 140 cities in 58 countries. Over the past 8 years, UMP has been able to provide a platform for partners to engage in work related to emerging urban management themes.

Participatory Budgeting is emerging as an innovative urban management theme with an enormous potential to promote principles of good urban governance. Indeed, participatory budgeting has many potential benefits for local government and civil society alike. It can improve transparency in municipal expenditure and stimulate citizen's involvement in decision making over public resources. It can help in boosting city revenues. It can redirect municipal investment towards basic infrastructure for poorer neighbourhoods. It can strengthen social networks and help to mediate differences between elected leaders and civil society groups.

## INTRODUCTION

The present document is part of the *Toolkit* or *Collection of Resources on Participatory Budgeting*, designed to facilitate inter-regional transfers. This collection “opens its doors” in four ways to anyone interested in adopting and adapting the Participatory Budget in their particular context. These four components are closely inter-linked and are organized as follows:

- a) A digital library
- b) A collection of technical and legal instruments
- c) A series of case studies on 14 illustrative cities<sup>1</sup>
- d) A directory of specialised resource persons and websites (see explanatory diagram).

This information is available at the website [www.pgualc.org](http://www.pgualc.org).

This *Concept Paper* focuses on the contribution that Participatory Budgeting can make towards reaching the Millennium Development Goals – MDGs – that were adopted by the Member States of the United Nations in 2000 as global development objectives. It also tackles the multiple direct and indirect relationships that Participatory Budgeting has with Urban Governance, and its limitations in that respect.

The text proposes, first, an instrument to differentiate among the various experiences that are known as “Participatory Budgets” and which range from symbolic gestures with little impact, to structural changes in cities’ governance systems and measurable improvements in the quality of life of their citizens.

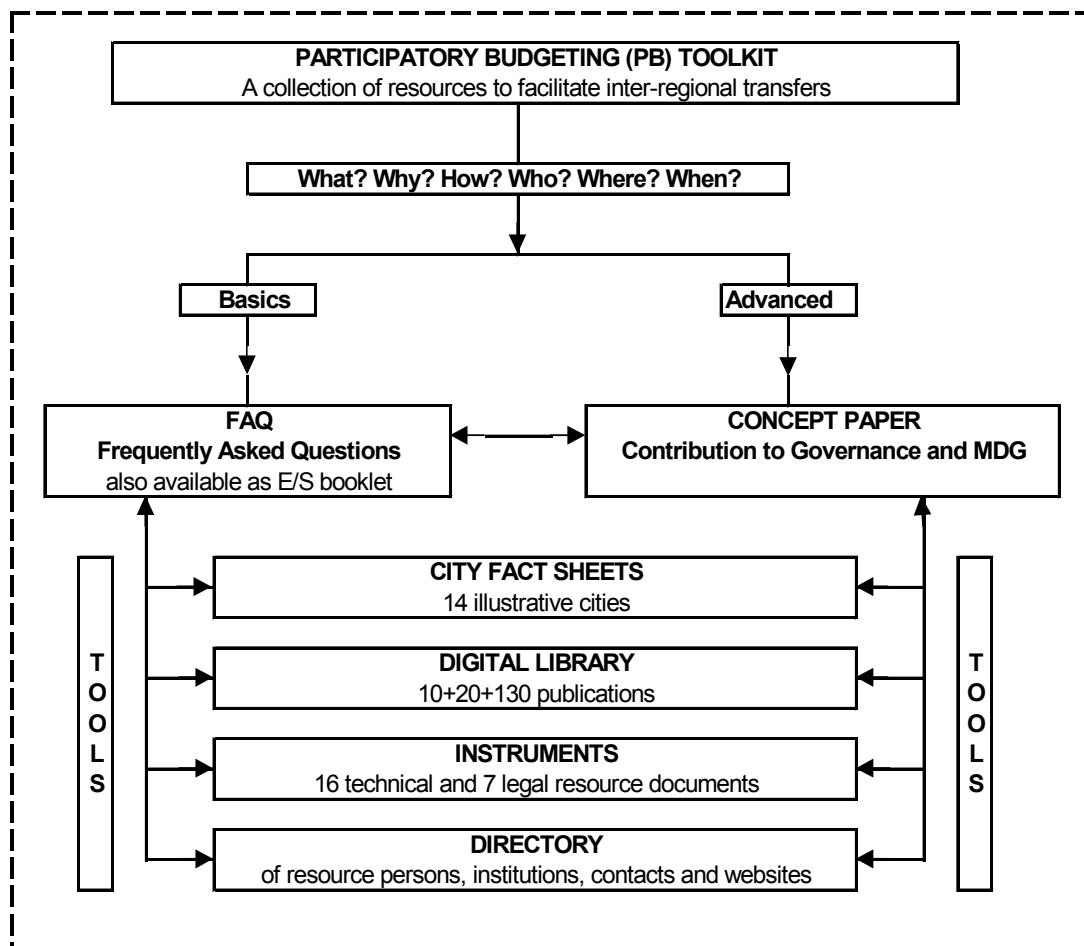
By describing Participatory Budgeting in its variety and heterogeneity, from “minimal arrangements” to “advanced or maximal arrangements”, it is possible to see the limitations and the achievements of this new form of decision-making about the use of public resources that actively involves the citizenry.

One entry point into the *Collection of Participatory Budgeting Resources* is the *Manual of Frequently Asked Questions* which attempts to respond in a direct and practical manner to the *what, where, when and how* of implementing a Participatory Budget in ideal conditions. In some ways, the present Concept Paper also responds to the same questions, but at a more sophisticated level. While the FAQ Manual is more practical and concrete, this Paper is more analytical and conceptual and requires a basic understanding of the issue in order to be fully grasped. In that sense, the conceptual text intends to respond to the *why* of Participatory Budgeting. Neither entry point into PB derives from a single recipe or model, but from an extensive and diverse range of self-described Participatory Budgets. Nor do they intend to reveal what is the “best” kind of Participatory Budget - rather, they open up a variety of possible solutions, as well as generate the questions which will help make the best choice, within a specific local context.

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<sup>1</sup> Seven Brazilian cities (Porto Alegre, Belo Horizonte, Santo Andre, Campinas, Alvorada, Caxias do Sul, Icapui); five from elsewhere in Latin America (Montevideo, Villa El Salvador, Cuenca, Cotacachi, Ilo); and two European (Cordoba and Saint-Denis).

To simplify the presentation of the *Collection of Resources on PB* and place the current Concept Paper within it, an illustrated scheme is included below:



**CHAPTER I**  
**DIFFERENTIATING PARTICIPATORY BUDGETS**



## DIFFERENTIATING PARTICIPATORY BUDGETS

One of the aspects of Participatory Budgeting which makes it a rich but challenging field of study, is that no experience is exactly like another. At times, there are qualitative distinctions that make them completely different, and at other times the differences are basically quantitative. To facilitate the understanding of these diverse experiences that call themselves “participatory budgets”, 18 variables are proposed here, organized into four key dimensions:

- a) *Participatory*, which considers the participation of both citizens and the local government. This is the most studied dimension in the existing literature and in current debates.
- b) *Financial, fiscal and budgetary*
- c) *Legal and normative*
- d) *Territorial*

The 18 proposed variables represent an equivalent number of different vistas onto a heterogeneous world. These variables are not intended to be exhaustive, and they are not all of equal importance. They have been selected on the basis of the analysis of a large number of experiences and public debates.<sup>2</sup>

For each of the variables, the attempt has been to identify “minimal arrangements”, “medium arrangements” and “advanced arrangements”. This classification is not made on the basis of a pre-established norm, but rather based on a reading of the current reality of Participatory Budgeting. Each variable is independent from the others, in the sense that a city can have a minimal arrangement in one variable (for example, with a low proportion of the budget in play) and be advanced in terms of, say, participation of the excluded. Thus, each city will reflect a combination of more and less advanced elements and the proposed variables will help to establish a Participatory Budget profile of a particular city at a particular time. The temporal dimension is important, especially because the processes are evolutionary; for example, a city can, from one year to the next, submit higher and higher percentages of the budget for public discussion. Another observation is that no city has to date reached the “advanced stage” for each of the 18 variables, and conversely, no city studied is systematically and comprehensively in a minimal position.

Only beginning with a reading of the experiences in the light of the present ‘differentiation tool’ (which could be compared to an equaliser in the musical realm) can one understand the contributions that Participatory Budgets make, in all their diversity, to urban governance (in the “process” dimension of PB) and to the Millennium Development Goals (in the “results” dimension).

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<sup>2</sup> The 18 variables (3 for each dimension, with six for the “citizen participation” dimension) have been constructed on the basis of a number of cycles of experimentation and analysis, considering in particular the indicators used for the analysis of 103 Brazilian cases, taking place between 1997 and 2001, organized into 62 different tables (see Collection of Resources on PB. Annotated Bibliography. Torres Ribeiro, A.) and a comparative study of 25 experiences (11 Brazilian, 9 from the rest of Latin America and 5 European) based on a questionnaire of over 50 questions corresponding to multiple foci. This study forms the foundation of the base document of the Launching Seminar of Urb-al Network 9 <[http://europa.eu.int/comm/europeaid/projects/urbal/index\\_en.htm](http://europa.eu.int/comm/europeaid/projects/urbal/index_en.htm)>, coordinated by the Municipality of Porto Alegre <[www.urbal9.palegre.com.br](http://www.urbal9.palegre.com.br)>. This network integrates around 200 cities and institutions (see Collection of Resources on PB. Digital Library. UMP Library. Cabannes, Y. Base Document, Participatory Budgeting and Local Finances, P. Alegre, 2003).

## **1.1 Participatory Dimension**

### **Citizen Participation**

#### **1. Instance of final approval of the budget**

All the experiences are enmeshed in systems of representative democracy, in the sense that the elected City or Municipal Council votes in the final instance on the budget prepared in a participatory way. This voting can occur *before* or *after* the participatory process.

In effect, a “minimal arrangement” is when the debated funds correspond to the budget of one sector of the municipality, for example, education or health or minor works, voted the previous year by the City Council. This is debated and prioritised by the population together with the Department of Education or Health. It is basically a partial public consultation. An “intermediate” situation is when the citizenry is consulted to plan a part, or the whole, of all public spending (to be deliberated in the City Council) and the “most advanced” scenario is when the citizens have the power to deliberate and decide on the budget itself, as is the case in the majority of Brazilian cities.

#### **2. Forms of Participation**

An important difference among Participatory Budgets has to do with the forms of participation in the process. The “most advanced” form is direct democracy: all citizens have the right to participate directly in the thematic (issue-based) assemblies and in the neighbourhood or district assemblies. Each participant can, through a universal vote, vote and/or be elected delegate or council member. In this case, the citizens *directly* control the process.

An “intermediate” form, relatively common in Latin American experiences, is *indirect*. Participation in discussions and decisions takes place, for example, through social or neighbourhood organizations or trade or labour groups. The citizen is represented through his or her leaders, but does not act directly and therefore does not directly control the process. It is a form of democracy that is “representative” and “community-based” at the same time - we can call it Community Representative Democracy. Despite the possible proximity between the citizens in general and their community representatives, this form of representative democracy can have risks and limitations similar to those found in conventional representative democracy. The “least advanced” form is when participation happens through one single organizational model which is the only one accepted by the local or national government.<sup>3</sup>

#### **3. Decision-making body for setting budgetary priorities**

In the great majority of Brazilian cases, and a few others, delegates are chosen from the citizenry who in turn elect the council members who will make up the Participatory Budget

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<sup>3</sup> By way of example, Law 1551, the Popular Participation Law of 1994 in Bolivia gives the Neighborhood Committees direct say over a part of the municipal budget. This single channel limits the participation of the many social organizations present in the country. (See Verdesoto Custode, Luis. Los conceptos de Participación y Descentralización. Miradas desde el caso boliviano, in UMP-LAC Working Paper Series No 48, Quito, 2000).

Council – the PBC. The PBC, or its equivalent, is the central body where the “rules of the game” are created, which then form the Internal Rules of Procedure (*Reglamento Interno*). It is here that the decision-making systems, the criteria for assigning resources, the number of plenaries and the thematic issues to be included are defined. Furthermore, the PBC is the body that finalises the “budgetary matrix”, which is subsequently presented to the Municipal Council. This scenario is considered “advanced”.

Comparatively, many of the non-Brazilian experiences are built on top of pre-existing social (neighbourhood groups or councils) or political (elected parish boards, for example) structures. The consequences are qualitatively different in terms of Participatory Democracy.

With a PBC structure, specifically created for the purpose of the PB, it is clear that the budget is the catalyst and the focal point that brings together the diverse forms of individual, community and citizen participation and expression in an innovative way. Where Participatory Budgets are superimposed on existing community-based or political structures, these structures are affected and their functions broadened, without substantial modification to the local social and political fabric (or to the traditional ways of doing politics).

In addition to these two models, some cities prioritise, through their municipal functionaries, the demands expressed by the public. In these cases the citizens have only consultative, not deliberative, power (minimal situation).

#### **4. From Community Participation to Citizen Participation**

Another variable is “in dialogue” with the demands prioritised by the citizens through the process. Most of the time, the demands have to do with an improvement in living conditions at the neighbourhood or community level. Participation in this case is circumscribed to the community sphere, one of proximity (minimal arrangement). Nevertheless, some experiences are not limited to just neighbourhood or district and deal with the determination of public works at the city-wide or municipal level, generating at times “new urban centricities”, departing from traditionally excluded neighbourhoods. These budgets can be characterised as citizen participatory budgets, that is, that they “dialogue” not only with the neighbourhood but with the city as a whole. The experiences fall between what one may call “proximate” (or community) participatory democracy and “citizen” participatory democracy (most advanced arrangement).

Between these extremes are experiences that operate only on a city-wide level, through a general assembly (for example, in some smaller cities) or only through thematic assemblies dealing with issues of interest to the city in general.

#### **5. Degree of participation of the excluded**

Another variable deals with the way that Participatory Budgeting deals with issues of gender, ethnicity, immigration and age. Traditionally the urban indigenous groups, youth, women, Afro populations (in Latin America), immigrants (in Europe), and recently the displaced (also in Latin America) have had a secondary role in participatory processes.

The responses to this marginalisation, in the best cases, have been incipient in Latin America, and almost non-existent in Europe. Participatory Budgets are built fundamentally on the basis of physical limits (district, neighbourhood, region) and topical issues specific to each city. Several cities, even those that stand out in terms of PB, practice universal participation and do not have specific foci. They tend to overlook issues specific to each of these social groups, and to render invisible groups that have been historically excluded or vulnerable (minimal arrangement).

The “most advanced” situation encompasses those cities which, in addition to neighbourhood and thematic assemblies, are introducing a clear “actor-centric” perspective with affirmative actions to permit a greater participation of women, young people, immigrants, people with special needs and other discriminated or vulnerable groups.

## **6. Public works monitoring and control of the execution of the Participatory Budget**

Once the budget is approved, the first cycle (planning) is closed, and another is opened – the implementation of the budget and its transformation into works and services. While all experiences share the same will for implementation, there are significant qualitative differences in the means of managing this second cycle.

The “minimalist” case refers to oversight and control by the municipal apparatus, which thus reclaims its traditional role. In this way the previous participatory process is severed in the middle.

A second (broad) range of situations corresponds to public oversight exercised by the Participatory Budget Councils or by the Neighbourhood Associations, but without specific commissions. Beyond these two modalities, some cities have opted for specific commissions, created on the basis of the PBCs, neighbourhood groups or on a city-wide level. These commissions control the public bids for the works or monitor the transparency of the process of execution (advanced situations).<sup>4</sup>

### **1.2 Participation of the local government**

## **7. Degree of information sharing and dissemination of approved outcomes**

The “minimalist” scenario encompasses those cities which make no particular effort to publish the results of the proceedings of the Participatory Budget or which publish them in such a way that they are not accessible to the public in general. This lack of information sharing generates mistrust on the part of the population, which tends not to participate in the following years.

An “intermediate” situation is that of restricted dissemination, for example, through an official bulletin, or restricted to representatives of the Participatory Budget (delegates and/or councillors), or available only in digital format (via websites). In these cases, people who are illiterate or who lack Internet access, which are the majority (in Latin America), are effectively excluded.

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<sup>4</sup> See Collection of Resources on PB, Instruments, Statutes and responsibilities of the COFIS (Belem) or the COMFORÇA of Belo Horizonte. See also Illustrative City Cases, Cotacachi.

A more “advanced” state is reached when, in addition to the previously mentioned channels, the municipality makes a specific effort to widely publicise the results and the progress, through public accountability meetings, pamphlets delivered house-to-house, or through the mass media (radio, press, television).

## **8. Degree of completion of the approved projects**

The approved projects (works or services) normally represent only a portion of the demands and the proposals made in public meetings. Nevertheless, a test of the degree of completion of those approved projects reveals significant differences from one city to the next. In the span of two years following budgetary approval, some cities do not even reach a 20% completion rate (minimalist) for the corresponding works, the majority fall between 20% and 80% (intermediate); and very few manage to fulfil their commitments in a short period, corresponding to over 80% completion (advanced). In spite of the fact that there are very understandable explanations for the delays, such as devaluations, the reductions of transfers from the central government, and the complicated rules of the public marketplace, the consequences in terms of the erosion of trust on the part of the citizenry toward the Participatory Budget process can be irreparable.

## **9. Role of the legislature**

The majority of Participatory Budget experiences occur in cities in which the Mayor, on the one hand, and the Councillors, on the other, are elected via universal suffrage and direct vote. There are a few cases where the Mayor is not elected directly but by the Council.<sup>5</sup> This situation tends to reduce the tensions between the executive and legislative branches. Nevertheless, and in spite of having the last word in the approval of Participatory Budgets, council members lose their traditional space and power over the budget.

Given this necessary realignment of roles, the involvement of the council members is a strong distinguishing factor. It varies from open opposition to the process (minimal arrangement) to a passive role, and lack of involvement without getting in the way (the intermediate and most common scenario). There are few cities where the municipal council members are heavily involved in each stage of the process, including a presence (with voice and no vote) in the Participatory Budget Councils in their various forms. In these more advanced cases, the council members are an important element of the success of the PB.

## **1.3 Financial, fiscal and budgetary dimension**

## **10. Value of the debated resources**

Within the set of self-denominated Participatory Budgets there are cities who put amounts that are not very significant, to public debate. At the minimalist extreme are those who place less than 2% (or even less than 1%) of their budget into discussion. A second, intermediate category

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<sup>5</sup> France and Spain for example.

corresponds to those who debate from 2% to 10% of their capital (investment) budget, which represents amounts that vary greatly from city to city,<sup>6</sup> both in absolute values as well as in terms of percentage of the total budget.

The most advanced situation, which is presently very rare, refers to those few cities that place 100% of the municipal budget to public debate, both the capital budget as well as the operating budget.

## **11. Specific budgetary allocation for Participatory Budgeting**

This is a very important variable and directly impacts, according to an analysis of the cases, the quality and the level of consolidation of the Participatory Budget process. Unfortunately it is not the object of profound debate or analysis.

A “minimalist” situation is considered to be that in which the local government internalises the costs of the municipal personnel in charge of the Participatory Budget, but with reduced or non-existent operating costs. It is noteworthy that in various municipalities with scarce resources, these municipal workers are supported by NGOs (using their own resources) or depend on funds from international agencies. This situation is found above all in non-Brazilian Latin American cities and really describes the most fragile processes in terms of sustainability and political will.

An “intermediate” case would be those cities with a specific budget not only for the municipal PB team, but also for its functioning (in particular resources for transportation in order to travel to the neighbourhoods relatively frequently).

In several cities, in addition to a budget for personnel and operation, the local government allocates specific resources for communication, transportation for people in neighbourhoods far from the assembly site, the dissemination of results, external auditing or for documentation of the experiences (advanced situation).

## **12. Discussion of tax policies**

This variable, proposed by the Brazilian National Political Participation Forum has been scarcely researched to date and deserves a more profound analysis given its great relevance.<sup>7</sup>

At one extreme (minimalist) are those cities where tax policies are not debated at all. These are today, according to available information, the most numerous. At the other extreme are those cities which discuss and deliberate fiscal policy as well as loans and subsidies from national, international, bi-lateral, multi-lateral or NGO sources.

Between these two extremes are those cities which debate “only” their tax policy.

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<sup>6</sup> See Collection of Resources on PB, UMP Digital Library. Cabannes, Y. Base Document, for a comparative analysis of the amounts debated (per capita or in relation to the total budget).

<sup>7</sup> See Collection of Resources on PB, Annotated bibliography. Torres Ribeiro, A.C., op cit. The authors of the comparative study of Brazilian PBs propose this variable as well as the classification presented here.

## 1.4 Normative and Legal Dimension

### 13. Degree of institutionalisation

The degree of institutionalisation varies widely from informal processes that rest on the political will of the Mayor and the mobilisation of civil society (minimalist arrangement), to an institutionalisation of some key aspects, accompanied by an annual self-regulation of other aspects to preserve the flexibility of the process (advanced arrangements). In the latter case, the equilibrium point (what to institutionalise and what not to) is still an issue to be researched.

Between these poles lie the great majority of experiences: on the one hand, those which are only institutionalised (at times decreed “from above”) with a set of ordinances and pre-established models. While these experiences lose in flexibility and citizen dynamics, they gain in terms of legal formality. On the other hand are those cases (above all Brazilian) which bet on the self-regulation of the process and annually adjust the “rules of the game” contained in the Internal Procedures, principally through the decisions of the Participatory Budget Councils.

### 14. Relationships between the Participatory Budget and citizen participation mechanisms

One of the characteristics of Participatory Budgets is that citizen participation is often seen as a way to improve a city’s public administration. However, an examination of the relationships between the Participatory Budgeting process and the mechanisms for participation in a broader sense allows for the differentiation of various kinds of experiences.

In some European cities, in particular German,<sup>8</sup> the Participatory Budgets are inscribed “primarily within an effort to modernise public administration”.<sup>9</sup> The process is voluntarily informal, consultative and led by the Department of Finance, with the perspective of optimising the use of public resources; the relationship with more formal and conscious citizen participation mechanisms is tenuous (minimalist arrangement).

An “intermediate” scenario occurs when Participatory Budgets coexist with other participatory practices and mechanisms. In the majority of cases, Participatory Budgets do not exist in an isolated form: they co-exist, for example, with Thematic Councils in Brazilian cities (*conselhos*),<sup>10</sup> with participatory environmental plans, sectoral conferences, District Councils,<sup>11</sup> Consensus Committees (*Mesas de Concertación*),<sup>12</sup> Citizen Initiative Committees or consultation-action.<sup>13</sup> These practices interact with the Participatory Budgeting Process,

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<sup>8</sup> See for example the experience of Rheinstetten, Germany, referenced in the Base Document (Collection of Resources on PB. Digital Library).

<sup>9</sup> Thorsten Dante and Sintomer, Y. Rheinstetten Case Study. Porto Alegre, 2003 (Network 9: Participatory Budgeting and Local Finances).

<sup>10</sup> See Collection of Resources on PB, Experiences of Illustrative Cities: Sao Paulo, Icapui, Alvorada, Porto Alegre, Caxias do Sul.

<sup>11</sup> See Collection of Resources on PB, Experiences of Illustrative Cities: Cordoba.

<sup>12</sup> The “*mesas de concertación*” are spaces, generally formalized, in which various urban actors meet to discuss specific issues. They are particularly developed in Peru (see Collection of Resources on PB / Experiences of Illustrative Cities: Ilo, Villa El Salvador).

<sup>13</sup> PB case study of Bobigny, France. Djamel Sandid, Jean-Blaise Picheral, Urbal Network 9, unedited, 2003.

mutually reinforcing and enriching each other. They also have functional links which are intensified by the citizens who participate in both of them.

A “more advanced” situation occurs when the Participatory Budget is set in a legal participation mechanism, in which participation passes from being a practice to being a recognized right, associated with a series of duties and based in universal ethical principles. These rights can be complemented with a formal Citizen Participation policy, a Municipal By-law for Transparency in Public Administration and Rules to accompany the By-law.<sup>14</sup>

Nevertheless, these legal mechanisms will have less of an effect without a strongly mobilized citizenry and clear political will.<sup>15</sup>

## **15. Relationship with other planning instruments<sup>16</sup>**

In general, Participatory Budgets are short-term exercises (one year, perhaps two, and rarely more) that respond to immediate demands of the population, including those of the neediest. As a consequence, one of the biggest challenges that Participatory Budgets face is their relationship with the long-term planning of the city.<sup>17</sup> Their relationships with Strategic Master Plans, Integrated Development Plans, Physical Plans or Environmental Plans<sup>18</sup> are a strong differentiating element among the cases studied.

One situation (considered “minimal”) is when there are no formal plans for the municipality or the city. This has been the case, for example, in Brazilian municipalities of less than 20.000 inhabitants, since an Urban Development Plan is not required for cities of that size.<sup>19</sup>

A second situation occurs in those cities in which Participatory Budgets and City Plans co-exist, but without any built-in linkages.

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<sup>14</sup> The following three legal instruments are recommended reading: Collection of Resources on PB. Legal Instruments, San Salvador: By-law, Regulation, and Policy of Citizen Participation. The by-law confers the following rights to citizens which gives the PB process legal status: a) the right to request and receive information, b) the right to be consulted and to make proposals, c) the right to participate in decision-making, d) the right of co-management, and e) the right to oversee and denounce. Within this legal framework, the Participatory Budget is one of 14 mechanisms of citizen participation. The Regulation (CAP 7), for its part, defines the limits, the duties and the rights inherent in a participatory democracy by law. See also: Cabannes, Y. Participatory Democracy: Participation of citizens in public administration, presentation to the II Forum of Local Authorities, World Social Forum, Porto Alegre, 2003, unedited. The Constitution of the Autonomous City of Buenos Aires (Collection of Resources on PB. Legal Instruments) is probably one of the most complete legal mechanisms in terms of the rights and guarantees of citizens as well as the clarification of the responsibilities of the public authority. While the Constitution recognizes the Participatory Budget, it has not been developed and implemented with the force and reach that could be hoped for. The constitution in and of itself was not enough. See also, Buenos Aires Case Study, Urban Network 9, Porto Alegre, unedited. See Collection of Resources on PB / FAQ: 61, 62, 63 on this topic.

<sup>17</sup> See Collection of Resources on PB / Digital Library. UMP Library. Cabannes, Y. Base Document, pp. 79-80 op cit.

<sup>18</sup> On the relationship between Participatory Budgets and Environmental Plans specifically see: Collection of Resources on PB / Digital Library. UMP Library: Foro Ciudades para la Vida; Comisión de Descentralización, Regionalización y Modernización de la Gestión del Estado del Congreso; Urban Management Programme; Miranda, Liliana (ed.). Participatory Budget and Agenda.

<sup>19</sup> See Collection of Resources on PB. Experiences of Illustrative Cities: Icapuí, with a population under 15.000.



The “most advanced” cases are those in cities where there is a clear relationship between planning instruments and the Participatory Budget. It is interesting to note that these relationships are both diverse and rich at the same time.<sup>20</sup>

It is necessary to differentiate those cities in which the Participatory Budget is an instrument of (participatory) implementation of the Plan<sup>21</sup> from those which dilute the exercise of the Participatory Budget and its decision-making structure (the PBC) in a wider universe, like the “Congress of the City”, which attempts to debate, through thematic, geographic and group-specific roundtables, the present as well as the future of the city.

## 1.5 Territorial Dimension

### 16. Relationship between the Participatory Budget and intra-municipal decentralisation

In general, Participatory Budgeting processes are highly linked to a dual process: the de-concentration of municipal services and the decentralisation of municipal power.<sup>22</sup>

One typical situation is when the Participatory Budget simply adheres to existing administrative divisions in the municipality to implement the Participatory Budget. Normally the decentralised units of the administrative apparatus serve as the support base for managing the process.

A second situation refers to those processes in which the territorial assemblies go beyond the existing geographical-administrative divisions. A region or district of the city can be divided into two, three, four or more “sub-district” assemblies. This further division tends to happen in a gradual way, from one year to the next.<sup>23</sup> This dynamic process of territorialisation can also happen in reverse, when, in the opinion of the people responsible (generally city officials and not citizens), the process of discussion and debate has gone too far, or when the human or financial resources do not allow for the same number of territorial reunions.<sup>24</sup>

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<sup>20</sup> See in Collection of Resources on PB the group of Illustrative Cities which represent an excellent range of possible relationships. See also the experience of Santo Andre (Collection of Resources on PB. Annotated Bibliography. Acioly, Claudio, et al. Participatory Budgeting in the Municipality of Santo Andre, Brazil: the challenges in linking short-term action and long-term strategic planning, Draft version 2/2002. IHS, Municipality of Santo Andre, SINPA, Santo Andre, 2002, 86p.).

<sup>21</sup> See in particular, Collection of Resources on PB. Experiences of Illustrative Cities. Cordoba, Saint-Denis, Villa El Salvador, Montevideo, Ilo and Cotacachi for non-Brazilian experiences.

<sup>22</sup> An important case of a clear and strong link between PB and decentralisation is that of Montevideo, Uruguay. The budgetary discussion process is framed by three elements: a) An administrative decentralisation through the Zonal Community Centers (CCZ) which are institutional bodies; b) the Neighborhood Councils, social entities elected by the people and c) Local Boards, which are political organs functioning at the district level. This exemplary setup provides impulse to the process that is materialized by the Municipal Management Commitment (see Collection of Resources on PB, Instruments) in which the prioritized demands are collected. These exist in each of the 18 districts.

<sup>23</sup> See Collection of Resources on PB. Experiences of Illustrative Cities. Belo Horizonte, independent citizenry, linked to the normal process, in which the nine administrative sub-regions were subdivided into 4 Participatory Budget sub-regions; another example is Cordoba (Illustrative City) which is beginning a process of sub-dividing its PB areas.

<sup>24</sup> There is currently a debate in the Autonomous City of Buenos Aires on whether or not to maintain the assemblies in the 51 neighborhood Participatory Budget areas or go back to the 16 Participatory Citizen Management centers (unpublished interview with author, 2004).

The “most advanced” situation corresponds to extremely decentralised Participatory Budgets, in which the territorial assemblies occur in all communities and neighbourhoods, including the most marginal or isolated.<sup>25</sup>

## **17. Degree of ruralisation**

Latin American municipalities often include significant rural territories with human settlements (villages, townships, etc.) that are generally marginalised from the urban development process. In the majority of cases, municipal development happens above all in the urban part of the municipality, to the detriment of the rest of its territory.<sup>26</sup>

The minimalist case refers to those municipalities in which the Participatory Budget is only carried out in the urban area or the rural area. While this is a partial PB implementation, it generally does not diminish the level of interest in the process.<sup>27</sup>

An intermediate situation describes those processes that occur indiscriminately across the entire municipal territory, in urban as well as rural areas.

The most advanced situation occurs in those municipalities which, in addition to implementing the PB in the entire municipality, work in rural settings by taking into account their specificities and with affirmative actions (for example, putting into play a higher per capita budget amount in rural areas, thus recognising the higher level of need).<sup>28</sup>

## **18. Degree of investment in physical priorities**

One of the commonly held arguments in favour of Participatory Budgets is that they permit an “inversion of priorities” not only in social and political terms, but in physical-territorial terms as well. In this sense, PBs should tend to channel public resources, based on citizen demands, toward traditionally excluded neighbourhoods and spaces. Beyond the will expressed by the cities, there is a lack of research that allows for the measurement of the level of priority inversion, the impact on the life conditions of the population, and thus, the level of reduction in the gap between rich and poor areas of the city.<sup>29</sup> Three scenarios, from the least to the most advanced, can be described.

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<sup>25</sup> It is important to make a distinction which illustrates the Participatory Budget cycle of Porto Alegre (see Collection of Resources on PB). After the first regional assemblies, the elected officials have a period during which they can (but without allocated resources!) carry out meetings and debates in the neighborhoods of the district which elected them. In this case there is a dual dynamic.

<sup>26</sup> See Collection of Resources on PB. Digital Library. Cabannes, Y. Documento Base, op cit. p.70.

<sup>27</sup> See in particular the interesting process of Cuenca (Collection of Resources on PB. Experiences of Illustrative Cities) which initiated the PB process in the 21 rural parishes, traditionally the poorest and least favored in terms of public policies. In this case, one can speak of decentralisation of resources and the inversion of priorities.

<sup>28</sup> See Collection of Resources on PB. Experiences of Illustrative Cities. Caxias do Sul, Alvorada, and Governador Valadares, Brazil (Specialized Bibliography by city) which created a rural Participatory Budget, with particular rules in order to adjust the process to the characteristics of the rural world.

<sup>29</sup> See Base Document, op cit., p. 73.

The first corresponds to those cities which tend to exclusively reinforce the formal city, to the detriment of irregular neighbourhoods or settlements that are considered illegal.<sup>30</sup> This includes, for example, those cities in which foreigners or undocumented residents cannot benefit from local public resources.

A second scenario are those experiences which recognise the formal and the informal city, but without special considerations for the latter.<sup>31</sup>

The most advanced situation occurs in those experiences which are able to direct proportionally more resources toward the most needy sectors of the city. Depending on the city, this could mean the city centre, rural areas, the periphery or “in-between” areas. A reduction in territorial exclusion can be attained only with this kind of focus.<sup>32</sup>

## 1.6 Synthesis and conclusions

Table 1 - “Dimensions and variables for differentiating self-denominated Participatory Budget experiences” - summarises this section in a visual way and allows for each particular case to establish a profile of the local Participatory Budget. Given that it was constructed on the basis of experiences in process, it will have to be updated in the future to reflect and be able to “diffract” new experiences, which will surely emerge in years to come.

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<sup>30</sup> Some rules of procedure in Brazilian cities which are not administered by the Workers' Party introduce this differentiation.

<sup>31</sup> These “positive discriminations” or affirmative actions for the informal city are established with criteria for the allocation of resources at the territorial level. See methods of resource allocation in Collection of Resources on PB. Instruments (Ilo, Dourados, Villa El Salvador). If the regional distribution of resources is done only according to the number of residents in the zone, or for example the degree of participation, without weighing the levels of need, it will be difficult to reach an inversion of priorities.

<sup>32</sup> Among various methods to invert priorities, see in particular the use of the Urban Quality of Life Index (Collection of Resources on PB. Illustrative Cities. Belo Horizonte). For the monitoring of inversion of territorial priorities, the most advanced work is currently, without a doubt, that of Sao Paulo. See website ([www.prefeitura.sp.gov.br](http://www.prefeitura.sp.gov.br)) and Collection of Resources on PB / Instruments, for an update by district for 2003.

**Table N°1**

**Dimensions and variables for differentiating self-denominated Participatory Budget experiences**

<b>DIMENSIONS</b>	<b>VARIABLES</b>	<b>MINIMAL ARRANGEMENT</b>	<b>INTERMEDIATE ARRANGEMENT</b>	<b>MAXIMUM ARRANGEMENT</b>
<b>Participatory (citizens)</b>	1. Instance of final budget approval	Community-based representative democracy	Community-based representative democracy open to different types of associations	Direct democracy, universal participation
	2. Forms of participation	Executive (partial consultation)	Council (consultative)	The population (deliberation and legislative approval)
	3. Which body makes budgetary priority decisions?	None	Existing social or political structure  Government and citizens (mixed)	Specific commissions with elected council members and a citizen majority
	4. Community participation or citizen participation	Neighbourhood level	City-wide level, through thematic contributions	Neighbourhood, regional, and city-wide level
	5. Degree of participation of the excluded	Thematic and neighbourhood plenaries	Neighbourhoods, themes (including civic issues)	Neighbourhood + Thematic + actor-based, preference for excluded groups (congress)
	6. Oversight and control of execution	Executive	Non-specific commissions (PB Councils, associations)	Specific commissions (Cofis, Comforça, etc.)
<b>PARTICIPATORY (local government)</b>	7. Degree of information sharing and dissemination	Secret, unpublished	Limited dissemination, web, official bulletin, informing delegates	Wide dissemination, including house-to-house distribution
	8. Degree of completion of approved projects (within two years)	Less than 20%	20% to 80%	Over 80%
	9. Role of legislative branch	Opposition	Passive, non-participation	Active involvement

<b>II. FINANCIAL AND FISCAL</b>	10. Amount of debated resources	Less than 2% of capital budget	From 2% to 100% of capital budget	100% of capital and operating budgets
	11. Municipal budget allocation for functioning of PB	Municipal department/team covers costs	Personnel and their activities (i.e. travel)	Personnel, activities, dissemination, training
	12. Discussion of taxation policies	None	Deliberation on tax policies	Deliberation on loans and subsidies
<b>III. NORMATIVE / LEGAL</b>	13. Degree of institutionalisation	Informal process	Only institutionalised or only self-regulated annually	Formalised (some parts regulated) with annual self-regulation (evolutionary)
	14. Instrumental or participatory logic	Improvement in financial management	Ties with participatory practices (councils, roundtables)	Part of the culture of participation, participation as right (i.e. San Salvador)
	15. Relationship with planning instruments	Only PB (no long-term plan exists)	Coexistence of PB and City Plans, without direct relationship	Clear relationship and interaction between PB and Planning in one system (e.g. a congress)
<b>IV. PHYSICAL / TERRITORIAL</b>	16. Degree of intra-municipal decentralisation	Follows administrative regions	Goes beyond administrative regions	Decentralisation to all communities and neighbourhoods
	17. Degree of inclusion of rural areas	PB in either urban area or rural area	The entire municipal territory	Entire municipality with specific measures for rural areas (preferences)
	18. Degree of investment	Reinforces the formal city	Recognises both formal and informal city, without preferences	Priority investment in most needy areas (peripheral, central, rural)

**AND**

**URBAN**

**CHAPTER II  
PARTICIPATORY BUDGETING  
GOVERNANCE**

## **PARTICIPATORY BUDGETING AND URBAN GOVERNANCE**

### **2.1 Participatory Budgeting and Urban Governance**

#### **2.1.1 Brief introduction to the Global Campaign on Urban Governance**

The goal of the Global Campaign on Urban Governance is to contribute to the eradication of poverty through improved urban governance. The Campaign aims to increase the capacity of local governments and other stakeholders to practice good urban governance. It focuses attention on the needs of the excluded urban poor and promotes the involvement of women in decision-making at all levels, recognising that women are one of the biggest levers for positive change in society. In doing this, the Campaign makes a significant contribution to the Goal of the Habitat Agenda to develop sustainable human developments and to the action strategy of the United Nations to reduce in half the amount of urban poverty by 2015.<sup>33</sup>

The theme of the Campaign – “inclusiveness” - reflects both the Campaign’s vision and its strategy. An Inclusive City promotes growth with equity. It is a place where everyone, regardless of their economic means, gender, race, ethnicity or religion, is enabled and empowered to fully participate in the social, economic and political opportunities that cities have to offer.<sup>34</sup> Participatory planning and decision-making are the strategic means for realising this vision. The concept of inclusiveness links the Governance Campaign with UN-HABITAT’s Global Campaign for Secure Tenure.

The Campaign should serve as a model of good governance, both in its functioning as well as its results. It is guided in its implementation by the principles of inclusiveness and decentralisation. A Global Steering Group made up of UN-HABITAT officials and key strategic partners guides the design, implementation and evaluation of the Campaign.

#### **The Campaign’s "Flagship Products"**

- *National and Local Campaigns*
- *Norms of Good Urban Governance*
- *Revised National Legislation*
- *Policy Papers*
- *Urban Governance Index*
- *Urban Governance Toolkits*

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<sup>33</sup> See UNDP, “Halving Extreme Poverty: An Action Strategy for the United Nations.” Final Draft, 10 Nov. 1999.

<sup>34</sup> UN-HABITAT (2002). Global Campaign on Urban Governance – Concept Paper, 2<sup>nd</sup> Edition. Nairobi

## 2.1.2 Good Urban Governance

### Governance and Governments

The concept of governance is complex and controversial. Before being able to say what is “good” governance, the concept of governance itself should be clarified. An entry point to the debate is the definition of UNDP: “*Governance can be seen as the exercise of economic, political and administrative authority to manage a country's affairs at all levels. It comprises the mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences.*”<sup>35</sup>

Two aspects of this definition are relevant for the Campaign. First, governance is not the government. Governance as a concept recognises the power that exists inside and outside of the formal authorities and institutions of government. In many formulations, governance includes the government, the private sector and the civil society. Second, governance emphasises the “process”. It recognises that decisions are adopted based on complex relationships between many actors with different priorities.

### Good urban governance

Once the adjective “good” is added, a normative debate begins. The Campaign attempts to define the “*desired standards of practice for good urban governance*”. In including this value judgement to the concept of “governance”, its controversial dimension increases exponentially. People, organizations, governments and public authorities define “good governance” in terms of their own experiences and interests.

## 2.1.3 The Urban Governance Index (UGI)

Upon launching the Campaign in 1999, a need was identified for an index that could support the strategies of advocacy and capacity-building. The UGI, defined on the basis of a series of field tests, expert group discussions and feedback from practitioners,<sup>36</sup> is currently being finalised.<sup>37</sup> It is a composite index that measures achievements in the following five dimensions of urban governance, which reflect the key principles of the Global Campaign on Urban Governance:

1. Effectiveness
2. Equity
3. Accountability
4. Participation
5. Security

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<sup>35</sup> See UNDP. Governance for Sustainable Human Development, New York, 1997, pp. 2-3. See also the draft text Working Consensus Definition of Governance presented to the U.N. Consultative Committee on Programme and Operational Questions (ACC/2000/POQ/CRP20 of 14 September 2000).

<sup>36</sup> UGI, May 2003.

<sup>37</sup> See 2 Field testing.



The technique utilised to construct the UGI is similar to that used by UNDP for the Human Development Index (HDI). The UGI is based on the above five principles (also called sub-indices). Each of these five sub-indices is composed of indicators or components (from 4 to 7 for each sub-index) that are measurable either quantitatively or qualitatively. In total, there are 26 indicators that together make up the Urban Governance Index.

## **2.2 Contribution of Participatory Budgeting to Urban Governance**

For each of the five key dimensions of good urban governance as defined by the UGI (effectiveness, equity, accountability, participation and security), the following section will examine which of the 26 components can be linked, directly or indirectly, to the various dimensions of the Participatory Budget (participatory, budgetary, normative and territorial).

### **2.2.1 Participatory Budgeting in the light of the Effectiveness principle**

*Definition: An effective local government has a budget that is sufficient for its operational and development needs. It has control over the collection of a significant part of its budget. It assigns a fair part of its revenues to basic services to respond to the needs of the residents and business.*<sup>38</sup>

Effectiveness is measured on the basis of five indicators:

Indicator 1: Major Sources of Income

Indicator 2: Predictability in Transfers from the Central Government

Indicator 3: Published performance delivery standards

Indicator 4: Customer Satisfaction Survey

Indicator 5: Existence of a Vision Statement

Participatory Budgeting has a direct incidence on indicators (1) and (3), and an indirect incidence on (4) and (5). Data does not exist that can affirm that Participatory Budgets allow for an increase in the level of predictability of transfers from the central government (2). Below, each indicator will be examined in order to see how they are affected by Participatory Budgets.

#### **Indicator 1: Major Sources of Income**

This indicator is defined as: a) the relationship between the planned budget and the executed budget; b) per capita revenue of the local government, c) the proportion of total income actually collected and d) effectiveness in tax collection.<sup>39</sup>

Participatory Budgets tend to increase levels of municipal revenues, through an impact on (a) the effectiveness of tax collections and (b) an increase in the municipality's own resources. On

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<sup>38</sup> UN-HABITAT, UGI. May 2003, op cit. Definitions of all norms and indicators are as per UN-HABITAT Global Campaign on Urban Governance and the Urban Governance Index.

<sup>39</sup> UN-HABITAT. UGI, Guidelines, April 2003, p.5.

the basis of a study of 103 Brazilian municipalities<sup>40</sup> which practised Participatory Budgeting between 1997 and 2003, IBAM compared the “performance” of these municipalities with others. The conclusion was that “those that practice Participatory Budgeting tend to have a larger volume of tax revenue from all groups of residents and carry out slightly higher levels of investment spending, in relative terms, than other municipalities in the country”.<sup>41</sup>

The positive impact of the Participatory Budget on the financial autonomy and on municipal revenues has been recognised by various municipalities. The majority of municipalities claim that the Participatory Budgeting process is accompanied by an increase in fiscal collections and a reduction in tax arrears,<sup>42</sup> tied mainly to improved transparency in public administration and visibility of works and services in the short-term.

On the other hand, Participatory Budgets tend to channel the participation and mobilisation of communities at the moment of execution of the financed works. These contributions of the citizenry, which are normally non-monetary, allow for a significant increase in the value of investments in the city, even if they do not add to the municipal budget.<sup>43</sup>

Another element to take into account refers to the “avoided costs” of the municipality. The willingness of the communities to maintain the infrastructure projects that result from the Participatory Budget represents an important avoided cost which can be quantified as has been done in Cuenca.<sup>44</sup> “It has been observed that the installation of the Participatory Budget has meant that rural communities become aware of the cost of services, they appropriate them and are more willing than before to contribute to their maintenance”.<sup>45</sup>

## **Indicator 2: Predictability of transfers from the Central Government**

Does not have a direct relationship with Participatory Budgeting.

## **Indicator 3: Published performance delivery standards**

*Definition: Presence or absence of a formal publication by the local government of performance standards for key services delivered by the local authority.*

The majority of municipalities with Participatory Budgets give great importance to information provided by the population in various moments of the process:

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<sup>40</sup> See Torres Ribeiro, A.

<sup>41</sup> Bremacker, J. from the Brazilian Institute of Municipal Administration (IBAM) (Collection of Resources on PB. Digital Library. Urban Age on PB. Municipal Fiscal Issues and Participatory Budgeting, 2004).

<sup>42</sup> In Campinas (Collection of Resources on PB. Experiences of Illustrative Cities), collection increased in just a few years, and in Porto Alegre, the proportion of non- or late payment of taxes was reduced from 20% to 15%. As a result, in less than 10 years, municipal property tax went from representing 6% to almost 12% of current municipal revenues. See also FAQ, Question 25.

<sup>43</sup> See Collection of Resources on PB. Digital Library. Cabannes, Y. Base Document on Participatory Budgeting and Local Finances.

<sup>44</sup> Cuenca, a city in the Ecuadorian Andes, with a tradition of collective community Works (See Collection of Resources on PB. Illustrative Cities). It is estimated that the value contributed by the community, primarily in labor, doubles municipal investments through the Participatory Budget.

<sup>45</sup> Collection of Resources on PB. Digital Library. Base Document.

- a) Involvement and mobilisation of the citizenry
- b) Dissemination of the decisions relative to the Participatory Budget<sup>46</sup>
- c) Progress reports on the execution of the planned works

These detailed and illustrated annual reports provide the value of the projects related to basic services in the municipality, the degree of completion of the execution, the value of community contributions, and, at times, the number of beneficiaries. These documents and the data they contain are generally available on the municipal website.<sup>47</sup> In addition, they are presented in public hearings.

Thus it can clearly be concluded that Participatory Budgets contribute to this effectiveness component, which is an important principle of good governance.

#### **Indicator 4: Customer Satisfaction Survey**

*Definition: Existence and frequency of a survey on consumers' satisfaction with the local authority's services.*

In accordance with the principles and indicators of good governance, several cities with Participatory Budgets carry out annual satisfaction surveys on the process and its results. These are normally accompanied by data on the socio-economic profile of those who participate. It is interesting to note that, in general, these satisfaction surveys do not stay in municipal departments. They can be widely shared during moments of the process when accounts are being rendered. In this case the entire population becomes aware of the situation.<sup>48</sup> They are commonly disseminated and appropriated by the delegates and the Participatory Budget Councils. Through the results obtained and the profile of the participants, the councillors have important inputs for the modification of the existing rules of procedure. In Porto Alegre, the municipality periodically commissions a recognised local NGO to carry out a study with an opinion survey.<sup>49</sup> These independent publications have become, over the 15 years of the experience, an objective portrait of the local Participatory Budget and a barometer of citizen satisfaction.

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<sup>46</sup> In Brazil, the most used mechanisms are municipal publications, local press and specialized reports. See Experiences of PB Brazil (op cit.), Collection of Resources on PB. Annotated Bibliography.

<sup>47</sup> See Collection of Resources on PB. Websites.

<sup>48</sup> For a good example, see the accountability process in the small town of Tapejara (pop. 14,000), Rio Grande do Sul, Brazil, in Collection of Resources on PB. It includes socio-economic data on the participants in the PB process (age, sex, civil status, income, family size, level of schooling, profession, community of record). It also includes the results of the Satisfaction Survey. Adding this profile is important in the sense of better learning who thinks what. In this particular case the results were a wake-up call to improve the process (optimal 19%, good 38%, fair 27%, bad 5%, very bad 1%, no response 10%).

<sup>49</sup> The NGO Cidade (<http://empresa.portoweb.com.br/ong/cidade>) regularly publishes "Who is the Public in the Participatory Budget?" (See Collection of Resources on PB. Digital Library). The survey consists of 69 tables organized into three parts: I) The profile of the participants, II) Level of Participation and III) Opinion or perception of the Participatory Budget based on the opinion survey. In this third part, it is important to note the questions related to the accountability of the PB representatives to citizens, which constitutes a key aspect of good governance.

In other cases, the surveys are directed not only to citizens, but they also capture the problems and the degree of satisfaction existing within the administrative apparatus.<sup>50</sup> Based on these dual findings, various changes have been introduced into the PB process. These cases, as well as the previous ones mentioned, demonstrate that the opinion surveys, in the context of the Participatory Budget, become an important instrument in assessing and modifying the “rules of the game”. They directly influence the Effectiveness dimension of the Urban Governance Index.

### **Indicator 5: Existence of a Vision Statement (for the city)**

*Definition: The measure of local authorities' commitment in articulating a vision for the city's progress. Does the local authority articulate a vision for the city's future through a participatory process?*

One of the lessons learned from the analysis of 25 Participatory Budgeting experiences is that their relationship with the long-term strategic plans and the official vision statement of the city is dialectic and interactive.<sup>51</sup> Two typical situations should be differentiated.

The first refers to those cities in which the Participatory Budget has come after the development plans and the adoption of a formal public vision of the city. These are more often Latin American cities, rather than Brazilian or European. In these cases, Participatory Budgets are an important mechanism to realise the long-term vision of the city in the short-term.<sup>52</sup> The municipal ordinances relating to Participatory Budgets include and specify the link with these development plans.<sup>53</sup>

The second situation describes those cities in which there are no Strategic Plans or Urban Development Plans, or where these are obsolete and/or not in force. In this case, the Participatory Budget is a first step towards a participatory planning process for the city. When it

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<sup>50</sup> The Municipality of Cordoba, Spain (See Collection of Resources on PB. Illustrative Cities) in 2003 carried out a double audit: internal, regarding the administrative apparatus; and external, focused on the PB participants. The opinion-gathering technique used was a semi-open questionnaire.

<sup>51</sup> See Collection of Resources on PB. UMP Library (PDF format): Cabannes, Y. Base Document. Launching Seminar of Urban Network 9, Participatory Budgeting and Local Finances. Municipality of Porto Alegre, 2004. pp.79-80.

<sup>52</sup> For more details see the following illustrative cities in Collection of Resources on PB which illustrate these relationships in a systematic way: Cotacachi, Ecuador; Villa El Salvador and Ilo, Peru; Montevideo, Uruguay; Cordoba, Spain; Saint Denis, France; Caxias do Sul, Porto Alegre and Sao Paulo, Brazil.

<sup>53</sup> Of particular interest are the PB Ordinances of Ilo and Villa El Salvador. Both are included as resources in the Collection of Resources on PB. The Ordinance No. 030-2001 of VES of 4 June 2001 specifies in the “Considering” paragraphs that the Participatory Budget is an instrument of democratic decision-making and administration in the use of resources of the municipal budget, as a function of the Integrated Development Plan of VES. It is notable that the Integrated Development Plan, a true vision of the city elaborated in a participatory fashion, had its priorities set through popular referendum in 1999, unique among Latin American cities. On this particular point, see Collection of Resources on PB, Annotated Bibliography, VES and Collection of Resources on PB, Digital Library (PDF Format): Report on the First International Conference on Participatory Budgeting. DESCO, PGU, Municipality of VES, UMP Working Paper 94, March 2003, 2d edition. In an equally explicit form, the Ordinance (See Collection of Resources on PB. Instruments) No. 145-01-MP125 of the City of Ilo (25.10.2001) indicates in Article 6: Definition: The Participatory Budget is the consensus-building space and process for public and private investment for the promotion of the development of Ilo, with a shared vision, and is the main administrative mechanism for the Sustainable Development Plan (...). In Article 8, Objectives, it adds: The objectives of the Participatory Budget are (...) Promote institutional strategic planning and co-responsibility in management for local development in the framework of the Sustainable Development Plan (...).

is time to develop these long-term plans, they will include the demands and interests of the population. This situation has been very common in Brazil.<sup>54</sup>

In conclusion, it can be affirmed that Participatory Budgets are, according to the specific situation, an instrument for the short-term realisation of the shared and formalised vision of the city, or conversely they constitute a valuable first step for the formalisation of such a vision to be adopted by the local government. In this sense, Participatory Budgeting processes influence the existence of a vision statement for the city (indicator 5) and, correspondingly, contribute positively to effectiveness as a principle of good governance.

### **2.2.2 Participatory Budgeting in the light of the Equity principle**

*Definition: Basic services and infrastructure are directed to all residents in a way that their lives are productive and secure. Women and men have equal access to urban decision-making processes. The number of poor households should be as low as possible.*<sup>55</sup>

Equity, as a fundamental dimension of Urban Governance, is, in the context of the UGI, made up of four indicators:

Indicator 6: Citizens' Charter: right of access to basic services

Indicator 7: Percentage of women councillors in local authorities

Indicator 8: Pro-poor pricing policies for water

Indicator 9: Incentives for informal businesses

The relationship between Participatory Budgeting and these indicators is examined below.

#### **Indicator 6: Citizens' Charter: right of access to basic services**

*Definition (UN-HABITAT): Presence or absence of a signed, published statement (charter) from the local authority which acknowledges citizens' right of access to basic services.*

While the cities with a Participatory Budget do not necessarily have a formal public document recognising citizens' right to basic services, in fact the great majority of them have contributed to significantly increase the access of poor families to basic services. This point will be developed further in the chapter on the contribution of PB to the Millennium Development Goals. Regardless, from the moment that the citizens can define the priority sectors of public investment, the basic services are generally the most commonly selected. The prioritisation of public spending on the basis of the felt needs of the population is one of the distinctive elements of the Participatory Budget. "Considering the four main priorities over the past 12 years of Participatory Budgeting: housing, street paving, sewage and education, the results have made Porto Alegre the city with the highest quality of life among Brazilian capitals".<sup>56</sup> This comment

<sup>54</sup> See in particular the experiences of the following Illustrative Cities: Icapui, Caxias do Sul, Belo Horizonte and Campinas, Brazil.

<sup>55</sup> UN-HABITAT, UGI, 2003, op cit.

<sup>56</sup> Baierle, S. The Porto Alegre Participatory Budgeting Experience, in Urb-al Network 9 Base Document, 2004 (see Collection of Resources on PB. UMP Digital Library). For a presentation of the impact of the PB in Porto Alegre on access to basic services, see also in UMP Digital Library, Nunez, T. Participação Popular e combate à pobreza em

from the director of CIDADE clearly summarises the positive impact that the PB has had in relation to access to basic services. This improvement tends to have an effect that is visible at the city level and felt by the population when the process is consolidated over time, that is to say, when it manages to continue past one or two administrations.<sup>57</sup> The effect is, evidently, also related to the amounts debated and invested in the cities: the larger the investment funds under debate, the greater the access to services.

### **Indicator 7: Percentage of women councillors in local authorities**

*Definition: Women councillors as a percentage of the total number of councillors and women councillors as a percentage of the number of total women candidates.*

Participatory Budgets are a space of participation in which women have the same rights as men, in theory, to be elected as representatives. It can be predicted that the elected women delegates and councillors accustomed to speaking and making decisions on the city budget will be much more confident and prepared to be candidates for councillors at the city level. Nevertheless, there are no studies which indicate the percentage of women Participatory Budget Councillors who were later candidates for the city council and how many of these were elected. To date, there is only partial evidence that tends to back this hypothesis.

It should be noted that while the percentage of women delegates to the Participatory Budget corresponds more or less to the proportion of women present in the assemblies, their presence tends to fall significantly when it is time for the delegates to elect the councillors.<sup>58</sup> Still, the percentage of elected women representatives in Participatory Budgeting processes is significantly higher than the percentage of women councillors at the municipal level. This element tends to support the idea that Participatory Budgets constitute a decision-making space in which male-female equity is more favourable to women.

Nevertheless, there is much to be done to achieve equity among men and women in making decisions related to Participatory Budgets. For this reason, the affirmative actions taken by several cities to reach greater equity are extremely relevant in relation to urban governance, among other issues.<sup>59</sup>

### **Indicator 8: Pro-poor pricing policies for water**

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Porto Alegre, Brasil, UMP-IULA-FLACMA-Cities Alliance, 175p. In UMP Working Paper Series No.126, August 2003, pp.69-91.

<sup>57</sup> See in particular the results achieved in Belo Horizonte, Icapui, Sao Paulo, and Montevideo (Collection of Resources on PB, Illustrative Cities).

<sup>58</sup> In Porto Alegre, in 2002, 61% of the delegates were women, and only 33% were elected as Councilors (highest level of representation in the PB cycle). See Baierle, S. Op cit. (Collection of Resources on PB) and Porto Alegre (Collection of Resources on PB, Illustrative Cities).

<sup>59</sup> For affirmative actions for women, in the context of Participatory Budgets, an examination of experiences such as the following is recommended: Thematic Assembly (mesa tematica) on citizenship in Campinas (Collection of Resources on PB, Illustrative Cities), the Assembly on Social Inclusion of Caxias do Sul (Collection of Resources on PB, Illustrative Cities), the affirmative actions toward vulnerable social segments of the Municipality of Sao Paulo (Collection of Resources on PB, Illustrative Cities) and the relationships between the Equal Opportunity Plan and the Participatory Budget in Cuenca (Collection of Resources on PB, Illustrative Cities). In addition, see Digital Library. Base Document, pp. 63-75, and Annotated Bibliography, City of Recife, Brazil and Rosario, Argentina.

*Definition: Presence or absence of a pricing policy for water which takes into account the needs of the poor households, translated into lower rates for them compared to other groups and prices applied to business/industrial consumption.*

The relationship between preferential pricing policies for water and the Participatory Budgeting process is not direct. Nevertheless, the effect that the PB has on the extension of the water supply to poor communities and families is clear. In Porto Alegre (and there are many more examples), “according to available statistics covering the period 1989-99, the water supply network went from 2.340 km to 3.001 km, covering 104,368 households. While in 1989, 94.7% of city households had access to the public water supply, in 2002 that number was 99,5%”.<sup>60</sup> It is important to note that as a function of the demands expressed through the Participatory Budget, the increased access to water not only closed the access gap, but was also sufficient to attend to new households that appeared during this period as the city grew.

In relation to the issue of water supply and preferential tariff policies, what stands out is that the water which reaches 99,5% of households in Porto Alegre (and a few other cities with Participatory Budgets)<sup>61</sup> is potable water fit for human consumption. In the majority of Latin American cities, the water from the public water supply has domestic uses but cannot be drunk. The purchase of potable water through other means directly impacts the expenses of poor families. A hypothesis meriting further study could be thus put forward, that the supply of potable water reduces household costs and is similar to a policy of progressive tariffs through consumption.

### **Indicator 9: Incentives for informal businesses**

*Definition: Presence of particular areas in the central retail areas of the city where small scale (informal) street vending is not allowed (or submitted to particular restrictions). Also measures the existence of incentives for informal businesses e.g. street vending, informal public markets, and municipal fairs.*<sup>62</sup>

In general, during the first years of implementation of a Participatory Budget, a relationship with the informal sector is more the exception than the rule. For one, their participation is limited, in plenary assemblies as well as thematic assemblies. The main reason, however, is that the voted priorities normally relate more to public works and services.

Nevertheless, as the deficit in basic services is reduced, the demands of the informal sector tend to be incorporated and can be voted in. Also, in some cities, the informal sector, once organised, can have representatives which facilitate the voting on their proposals during assemblies on

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<sup>60</sup> Nunez, T. Participação Popular e combate à pobreza em Porto Alegre, op cit., p. 77. Available in PDF format in the UMP Digital Library, Collection of Resources on PB, specialized bibliography on cities. Municipal Data. Report on Social Indicators of Porto Alegre.

<sup>61</sup> See in particular the experience of the Municipality of Santo Andre, Brazil, and its preferential tariff policy (Collection of Resources on PB, Specialized Bibliography).

<sup>62</sup> UN-HABITAT, Field Test, UGI.

particular sectors, for example small producers, garbage recyclers, informal merchants or urban farmers.<sup>63</sup>

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<sup>63</sup> In the city of Rosario (pop. 1 million) in Argentina, since the second year of implementation, urban farmers organised and in 3 of the 8 Participatory Budgeting Districts managed to have urban agriculture voted as one of the priority issues (see Collection of Resources on PB, specialized bibliography by cities).



In addition, a limited number of cities<sup>64</sup> have had a proactive attitude so that the informal sector can be integrated into the Participatory Budgeting process and benefit directly, receiving public resources according to their demands.

### **Summary on Participatory Budgeting and Equity**

The analysis of current experiences suggests that Participatory Budgets are an appropriate vehicle for the creation of more equitable cities for women, the poor, and to a lesser extent, for the providers of goods and services in the informal sector.

#### **2.2.3 Participatory Budgeting in the light of the Participation principle**

The starting point for the selection of Participation indicators, as a third key dimension of the participatory budget, is summarised in the following way by UN-HABITAT: “*A participatory local government involves all of its residents in decisions that affect their lives, and effectively include all groups of the population. A city with a vigorous community life indicates high levels of civic commitment*”.<sup>65</sup>

There are five indicators which comprise the participation dimension of the UGI:

Indicator 10: Elected council

Indicator 11: Elected mayor

Indicator 12: Voter turnout and voter participation by sex

Indicator 13: Public forum

Indicator 14: Civic Associations per 10,000 population

#### **Participatory Budgets in light of indicators 10, 11 and 12**

All registered Participatory Budgeting experiences occur in cities where the Mayor and the Municipal (or City) Council are democratically elected. The Participatory Budget is always inscribed in a system of Representative Democracy. Nevertheless, these experiences combine elements of Direct Democracy and Participatory Democracy which enrich and deepen the democratic exercise. The exercise of the Participatory Budget preserves the role of the legislative branch in that its final approval is the domain of the Municipal Council. Not only is this role not damaged, it is reinforced and qualified.<sup>66</sup>

One of the explicit objectives which many local governments seek through the Participatory Budget is to generate a new relationship (or strengthen the existing one) between the local

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<sup>64</sup> See in particular the experience of Cuenca (Collection of Resources on PB, Illustrative Cities) which attempts to strengthen the associations of small and family-based producers, in particular women in the rural tourism and handicraft sectors. See also Campinas (Collection of Resources on PB, Illustrative Cities), where one of the six popular thematic assemblies of the Participatory Budget, Economic Development, is explicitly oriented to channel demands from the informal sector.

<sup>65</sup> UN-HABITAT, UGI, May 2003, op cit.

<sup>66</sup> See Porto Alegre, Collection of Resources on PB, Specialized Bibliography and Annotated Bibliography.

government and its citizens (what French cities call *lien social*).<sup>67</sup> The intention in returning power to the people is not only to get citizens closer to the affairs of the *Polis*, but also “to reverse the direction of the Government-Civil Society relationship”.<sup>68</sup> One of the main political figures of the city of Porto Alegre points out that “upon inverting the State/Society relationship, a space is opened for those who never had a space, giving more political power to those with the least economic power. Of course, this power-sharing process is not only a product of (political) will. Learning a new way to exercise power, the creation of governance strengthened through participation, is not easy”.<sup>69</sup>

The most visible result of this process is a growing interest on behalf of the population, in contexts in which voting is obligatory<sup>70</sup> or where the lack of interest in political parties and politics leads to high levels of abstention. Nevertheless, there are no studies on the different rates of electoral participation in cities with and without a Participatory Budget. Beyond the number of voters, the contribution of the Participatory Budget is simply that of raising the level of consciousness and the level of information of the people who have participated in the deliberative process when the time comes to elect their mayors and council members.

### **Indicator 13: Public forum**

*Definition: The public forum could include people's council, city consultation, neighbourhood advisory committees, town hall meetings, etc.*<sup>71</sup>

The Participatory Budget generally constitutes a Public Forum, with widely varying levels of formalisation and institutionalisation.<sup>72</sup> The PB is often considered one of the main non-governmental public spheres,<sup>73</sup> comparable to the “agora” of the Greek democracy. It is a space for interaction and debate among the elected authority and the public, whether organised or not.

In reality the Participatory Budgeting process tends to generate a series of “Public Fora” throughout its cycle:<sup>74</sup> neighbourhood assemblies, assemblies related to the priority issue areas in the city (transportation for all, green city, education, local economic development, sports, etc.), regional assemblies, Participatory Budget Councils, city congresses, etc. Thus, it tends to deepen the broad concept of “Public Forum” contained in the Governance Index.

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<sup>67</sup> See in particular the experiences of Bobigny or Saint Denis in France (Collection of Resources on PB, Illustrative Cities).

<sup>68</sup> This relationship reversal is addressed by the main PB theorists and politicians (see Annotated Bibliography).

<sup>69</sup> Mancuso, E. The Participatory Budget in Porto Alegre. In *Era Urbana Special Issue on Participatory Budgeting, 2004* (Collection of Resources on PB, Digital Library).

<sup>70</sup> In Brazil, for example, not voting is punishable by fine, which explains in part the high voter turnout.

<sup>71</sup> UN-HABITAT, UGI, Guidelines for second field testing, Feb. 2004.

<sup>72</sup> See section in the present document on the differentiation between self-denominated Participatory Budgets.

<sup>73</sup> For debates, critiques, and supporting material on Participatory Budgeting as a non-governmental public sphere, see Collection of Resources on PB, Digital Library, Annotated Bibliography: Arvitzter, L.; Navarro, Z. (organizers). *A inovação democrática no Brasil: o orçamento participativo*. Cortez Editora, Sao Paulo, 2003, 334 pp. (3); Genro, Tarso; De Souza, Ubiratan. *Presupuesto Participativo: la experiencia de Porto Alegre*. CTA; EUDEBA, Buenos Aires, 1998, 123p. (9); Citizen Participation and Public Oversight Network; Fundación Paulo Freire; Urban Management Program. Proceedings from the International Seminar “Participatory Budgeting in the Bolivian Context,” UMP-LAC, Working Paper Series, No.130, Quito, 2003, 110p. (15); Torres Ribeiro A.; Gracia, G. *Experiências de Orçamento Participativo no Brasil, 1997-2000*. National Forum for Popular Participation, Editora Vozes, Petrópolis, 2003, 118p. (17); Gret, M., Sintomer, Y. *Porto Alegre: L'espoir d'une autre démocratie, La découverte*, Paris, 2002, 135p. (10).

<sup>74</sup> See examples of the Participatory Budget Cycle. Collection of Resources on PB. Instruments (Porto Alegre, Pinheiral, Belo Horizonte and Ilo).

Furthermore, in the majority of cases, the Participatory Budget process is one of the spaces and channels for participation and does not typically exist in an isolated fashion. Today, one of the issues in debate and one of the challenges of the cities with a Participatory Budget is “making the fora (“arenas” in Portuguese) effective and establishing among them permanent relationships around the issues that concern the population as a whole.”<sup>75</sup>

The amplification of the Participatory Budget as a forum for the entire population and for the most vulnerable and historically excluded segments of society is one of the main challenges, and at the same time one of its limitations.<sup>76</sup>

#### **Indicator 14: Civic Associations per 10.000 population**

*Definition: Measured as the number of civic associations (registered) per 10.000 people within the local authority's jurisdiction.*<sup>77</sup>

In order to appreciate the contribution that Participatory Budgets make in this regard it is necessary to distinguish two typical scenarios, also explained in Section I. The first, essentially Brazilian, is when participation in Participatory Budgeting is individual and universal, and therefore, civil society organizations do not have a “special vote” for the prioritisation of demands in the assemblies nor in the final decision-making instances (Participatory Budget Council or others). In spite of the criticisms<sup>78</sup> of social movements who considered themselves de-legitimised, the few available research studies tend to indicate that neighbourhood organizations (that is with a geographical base) with a “real” existence<sup>79</sup> are strengthened and revitalised. Furthermore, the total number of organizations increases when the assemblies are opened to sectoral issues like education, health, ecology or youth.

The public debate on these issues tends to foment the appearance of new organizations or the activation of existing ones. They participate, through their members, in the different assemblies, in order to try and finance their projects and proposals with municipal resources. Incidentally, these have tended to be less dependent on international funding, through NGOs, for example.<sup>80</sup> Nevertheless, the debate on the impact of the Participatory Budget on civil society

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<sup>75</sup> See de Grazia, Grazia, O orçamento participativo e os movimentos sociais. Special Issue on Participatory Budgeting, Urban Age, 2004. See Collection of Resources on PB, UMP Digital Library. Grazia de Grazia defines the “arenas” as institutional spaces of participation which consider different social segments.

<sup>76</sup> See Section I, variable 5 (Participation of the excluded) and the FAQ manual (Collection of Resources on PB).

<sup>77</sup> UN-HABITAT, Guidelines for second field testing, UGI. Op cit., p. 21.

<sup>78</sup> See for example the unique and interesting work of the NGO solidaridade, composed exclusively of inhabitants of Porto Alegre who have been delegates to the city's Participatory Budget. Solidaridade, Caminhando para un Mundo Novo: OP de Porto Alegre visto pela comunidade, Editora Vozes. Questões Mundiais, Patr'opolis, 2003, 184p.

<sup>79</sup> The word real is used to distinguish from the numerous community associations (called “cartorais” in Brazil) created for the distribution of social benefits like the milk coupons. They don't have a real social life and there are essentially the base for populist systems. They serve as the transmission channel between politicians and the needy population, in particular in pre-electoral times.

<sup>80</sup> On the growth and diversification of the organizations in Porto Alegre as a consequence of the Participatory Budget, see the studies of Cidade, Quem é Público del OP em Porto Alegre, op cit. See also Cordoba and Caxias do Sul (Illustrative Cities, Case Study) as cities with a strong tradition of participation before the Participatory Budget, which was strengthened through the process. See also, Torres Ribeiro, A.C., Experiências de OP no Brasil, op cit., in particular segment III, on participants which indicates that 77% of the participants are members of residents' organizations and also identifies the variable of belonging.

organizations, in terms of their number and their vitality<sup>81</sup> or their dependence, is far from over.<sup>82</sup> More thorough studies are required to feed the discussions.

In the experiences which favour representative community democracy, that is, where participation happens through representatives of pre-existing social or political organizations, it is clear that these organizations are benefited, legitimised and revitalised thanks to the Participatory Budgeting process and, among other things, to the access to public resources that it entails.<sup>83</sup>

In both cases, the Participatory Budgeting process tends to raise the quality and transparency and accountability of local civil society associations and organizations by the fact that their delegates are held accountable to their members. This is probably one of the qualitative impacts that deserve further study.

#### **2.2.4 Participatory Budgeting in the light of the Accountability principle**

The initial hypothesis made for the selection of the indicators was the following: “*An accountable local government can operate in a relatively independent and trustworthy manner through an open process in all of its operations and projects. It gains, in return, the trust of its citizens*”.<sup>84</sup> There are seven indicators which illustrate the Accountability principle. The contributions that Participatory Budgeting makes to each one are presented below.

Indicator 15: Formal publication (contracts and tenders; budgets and accounts)

Indicator 16: Control by higher levels of government

Indicator 17: Codes of Conduct

Indicator 18: Facility for citizen complaints

Indicator 19: Anti-corruption Commission

Indicator 20: Disclosure of Income/Assets

Indicator 21: Independent audit

#### **Indicator 15: Formal publication (contracts and tenders; budgets and accounts)**

*Definition: Existence of a formal publication (to be accessible) by the local government that consists of contracts, tenders and budgets and accounts*

One of the most clear contributions of Participatory Budgeting processes to good urban governance is made at this level. While practices may differ from city to city, there is an obvious tendency to make public contracts and budgets transparent and publish them.

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<sup>81</sup> See Solidaridade, *Caminhando para un Mundo Novo: OP de Porto Alegre visto pela comunidade*, 2003, op cit.

<sup>82</sup> Particular reference is made to the debates which occurred during the Launching Seminar of the Urb-al Network on Participatory Budgeting (January 2004).

<sup>83</sup> See in particular the experiences of Cotacachi, Cuenca, or Montevideo (Collection of Resources on PB. Illustrative Cities).

<sup>84</sup> UN-HABITAT, UGI, op cit.

The control and oversight commissions for the projects financed with Participatory Budget resources have different modalities, but they are important tools for citizens to ensure that the local government publishes its contracts and makes its accounts more transparent.<sup>85</sup>

In several cities, the possibilities that the representatives of these oversight commissions have, for participating in the opening and analysis of bids for public contracts, is an innovative practice within the current dynamic of Participatory Budgeting.

#### **Indicator 16: Control by higher levels of government**

*Definition: Measures the control of the higher levels of government (National, State /provincial) for closing the local government and removing councillors from office.<sup>86</sup>*

Does not apply.

#### **Indicator 17: Codes of Conduct**

*Definition: Existence of a signed published statement of the standards of conduct that citizens are entitled to from their elected officials and local government staff.<sup>87</sup>*

The Internal Rules of Procedure (*Reglamentos*) of Participatory Budgets<sup>88</sup> are truly codes of conduct which specify, for example, the power and the responsibility that the council members, the Mayor and city officials have in relation to the Participatory Budget Council: they can be present or not in the Council, with voice and at times with voice and vote. It is interesting to note that the rules of procedure (and some ordinances in non-Brazilian Latin American cities) are codes of conduct also for the citizens, in particular for the delegates and those elected in the assemblies.

The elaboration of the procedural rules, ordinances and regulations associated with Participatory Budgets, in the great majority of occasions, result in a process of dialogue and consensus at times difficult to reach among the citizenry and between citizens and the local government. Both the result (the code) as well as the process that brings it about, for their considerable pedagogical and democratic value, are bearers of good urban governance.

Furthermore, in (the few) cities which have institutionalised the Participatory Budget, a constitution<sup>89</sup> outlines the attribute and the limits of the legislative and executive branches. An ordinance or decree<sup>90</sup> can specify these attributes for a particular aspect (for example, participation).

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<sup>85</sup> See the statutes and functions of two of these commissions in Collection of Resources on PB, Instruments: the COMFORÇAS of Belo Horizonte, and the COFIS of Belem. For a more thorough study on the social control and oversight commissions see Case Studies, Illustrative Cities. For examples of financial publications see the examples of Tapejara and Caxias do Sul (Collection of Resources on PB. Accountability tools).

<sup>86</sup> UN-HABITAT, Guidelines, op cit. p. 22.

<sup>87</sup> UN-HABITAT, Guidelines, op cit. p. 24.

<sup>88</sup> See Collection of Resources on PB. Instruments: examples of the Rules of Procedure of Porto Alegre and Campinas.

<sup>89</sup> See Constitution of the Autonomous City of Buenos Aires (Collection of Resources on PB. Instruments).

<sup>90</sup> Ordinance of the City of San Salvador on Transparency and Participation.

### **Indicator 18: Facility for citizen complaints**

*Definition: The existence of a facility established within the local authority to respond to complaints and a local facility to receive complaints and information on corruption.*<sup>91</sup>

The contribution that Participatory Budgeting processes make to the issue of complaints, in particular with regards to corruption, are indirect but concrete. One of the final phases of the annual cycle of the Participatory Budget is normally that of evaluation and adjustments to the process. These modifications, once approved, will be codified in the Rules of Procedure for the next year.<sup>92</sup> This allows for the channelling of citizen complaints about irregularities and instances of poor functioning. Nevertheless, it is a channel that goes through the representatives of the Participatory Budget who have to debate the various points before proposing the changes needed.

In the phase of execution of the works,<sup>93</sup> once the budget is approved, the fora for complaints – which are often more frequent – are the control, oversight, and transparency commissions mentioned above.<sup>94</sup> They are a powerful instrument to eliminate the chance for corruption when the budget is implemented, in particular during the execution of public works and services.

Additionally, the mobilisation of the citizenry and the modernisation of the administrative apparatus (to adapt to the Participatory Budget) tend to favour new “channels for citizen complaints”.<sup>95</sup>

### **Indicator 19: Anti-corruption Commission**

*Definition: Existence of a local agency to investigate and report cases of corruption.*<sup>96</sup>

The oversight and control commissions for the projects executed with resources from the Participatory Budget are powerful tools to reduce the possibilities of corruption in public spending. The strength and integrity of these commissions is such that they can lead to the removal of corrupt officials, as indicated in Indicator 16.

### **Indicator 20: Disclosure of Income/Assets**

There is no proven direct relationship.

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<sup>91</sup> UN-HABITAT, Guidelines, op cit. p. 25.

<sup>92</sup> See examples of Participatory Budget Cycles in Collection of Resources on PB (Porto Alegre, Ilo) and the specialized bibliography by city, which shows the various instruments used year by year

<sup>93</sup> On this second PB cycle see for example Belo Horizonte (Collection of Resources on PB. Instruments. Ciclo).

<sup>94</sup> See examples of COMFORÇA (Belo Horizonte) and COFIS (Belem) as well as the group of Illustrative Cities in the Collection of Resources on PB.

<sup>95</sup> A paradigmatic case is the Municipality of Santo Andre, which installed a municipal ombudsman as part of its broad array of mechanisms of participation and transparency. Interview with P. Pontual, August 2001, Municipal Participatory Budget Secretariat (unedited).

<sup>96</sup> UN-HABITAT, Guidelines, op cit., p. 26.

## **Indicator 21: Independent audit**

*Definition: Is there a regular independent audit of municipal accounts, the results of which are widely disseminated?*<sup>97</sup>

Sufficient data are not available to indicate whether the cities with Participatory Budgets respond positively to these questions. Nevertheless, the wide dissemination of the municipal accounts and the opportunity for the citizens to verify them (at least those parts debated in the PB) go far beyond the contracting of an external auditing firm in terms of accountability.<sup>98</sup> It allows for the possibility of a citizens' audit. In cities where the totality of the municipal budget is debated (capital investments, operating budget, salaries and financing), the possibilities for citizen auditing are facilitated and allow for the exercise of total transparency.

## **Conclusions on the Participatory Budget and Accountability**

Participatory Budgeting experiences contribute positively to the Accountability hypothesis because:

- a) They allow for a (progressive) opening of the budget planning and execution process, up to the conclusion of the projects and works; which in turn.
- b) Contributes to building trust of citizens in their local government.

What is original about the Participatory Budget in terms of Accountability is that the exercise is not limited to the local government being held accountable to its residents, which in and of itself is an important step. In the most advanced situations, the elected representatives of the PB are held to account by their respective community/non-governmental organizations and to the population, which contributes to the democratisation of civil society.

Nevertheless, the ties between Participatory Budgeting and the indicators related to Accountability are very strong and direct in two cases (15, formal publication of tenders and 18, facilities for complaints); indirect but influential, in three cases (17, Codes of Conduct, 19, anti-corruption commission and 21, independent auditing); and without a direct link in two cases (16, control by higher levels of government and 20, disclosure of income/assets). The current indicators do not allow us to fully capture of the contribution of Participatory Budgeting to Accountability, as they do not include concepts such as community auditing and citizen oversight of public administration.

### **2.2.5 Participatory Budgets in the light of the Security principle (broadly understood)**

The postulate made for the selection of indicators was the following:

*The local government should ensure, in collaboration with other key actors, that citizens have the right to a safe and healthy life, through appropriate local environmental, health and*

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<sup>97</sup> UN-HABITAT, Guidelines, op cit., p. 28.

<sup>98</sup> See in particular, Municipality of Montevideo, Documento de Compromiso de Gestión (Collection of Resources on PB. Instruments) for an excellent example of an instrument that facilitates a citizens' audit.

*security policies.*<sup>99</sup> According to UN-HABITAT, there are five indicators that flesh out the security principle:

- Indicator 22: Crime prevention policy
- Indicator 23: Police services staff per 100,000 persons
- Indicator 24: Conflict resolution
- Indicator 25: Violence against Women Policies
- Indicator 26: HIV/AIDS Policy

### **Indicator 22: Crime prevention policy**

Given the current information available and the processes underway, there are no significant links between Participatory Budgeting and this indicator.

### **Indicator 23: Police services staff per 100.000 persons**

In unsafe cities where the police is municipal, Participatory Budgets open the possibility for the neighbourhood and thematic assemblies to address the problem of public safety, and above all to propose solutions, from the citizens' perspective. Proposals can include an increase in the number of police, but also measures that improve the quality of service (for example, providing them with cars or motorcycles) or community arrangements which improve security (the formation, for example, of community watch committees). It is interesting to note that the current debate on the reform of the municipal police in Brazil includes the extremely active participation of those cities with Participatory Budgeting. Nevertheless, the links between municipal police forces and the Participatory Budget is a little examined issue which deserves further study.

### **Indicator 24: Conflict resolution**

*Definition: Measures whether the communities are involved in conflict resolution.*

Lessons learned about resolving conflicts with the participation of the communities is probably one of the richest (and least appreciated) contributions of Participatory Budgeting. The PB process is the building of consensus through open and public debate, for example, for the definition of criteria for the assignation of resources, for the construction of the rules of the game (which are the Rules of Procedure) or for the prioritisation of projects. Throughout the PB cycle,<sup>100</sup> it will be necessary to resolve conflicts of interest among communities in the same neighbourhood, between different neighbourhoods in the city, between the diverse social movements and associations, between the various political parties and between the local government and civil society, not to mention the conflicts of interest within the governmental apparatus or among city officials and council members. The conflicts of interest among poor neighbourhoods and communities are, generally, sharpened by the lack of resources which

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<sup>99</sup> UN-HABITAT, UGI, op cit.

<sup>100</sup> See Collection of Resources on PB. Instruments, Participatory Budgeting Cycle.



would be necessary to resolve issues that are many times critical and urgent. Pedro Pontual<sup>101</sup> notes: “The Participatory Budget with its democratically defined methodology and rules of procedure, has represented a space for the *pedagogization* of conflicts (a phrase used by Paulo Freire on various occasions), and at the same time, an important source of lessons learned regarding the necessity of constructing a democratic pedagogy of the actions of government.”

In situations of armed, open conflict, in particular in Colombia, Participatory Budgets have been used as a tool of mediation among the communities, who may or may not belong to one of the fighting factions, and between the communities and the municipal authorities. Their contribution to the construction of peace processes is an insufficiently studied aspect.<sup>102</sup>

In several cities, in particular Brazilian, Participatory Budgets have allowed participants to find solutions to conflicts related to urban land, through regularisation, acquisition by the municipality, property studies, etc. This point will be taken up again in Section III on the contribution of Participatory Budgeting to the Millennium Development Goals and the Global Campaign for Secure Tenure.

Participatory Budgets are also powerful instruments for resolving conflicts between cultures and ethnic groups which history has divided and placed in opposition, sometimes for centuries. This contribution to the construction of a pluri-ethnic, multi-cultural governance, in which the mestizos (mixed-race citizens), sometimes afro-latino, Aymaras, Quechuas or other indigenous groups, enter into a dialogue and jointly decide the future of their city, is particularly appreciable in Andean America.<sup>103</sup>

## **Indicator 25: Violence against Women Policies**

*Definition: The indicator measures the existence of the official local government policy for protecting women from violence.*<sup>104</sup>

While the Participatory Budget cannot be confused with policies to combat violence against women, it can be said that it can contribute to an adequate enforcement of policies where they exist, or to the formulation and approval of such policies at the local level.

In the case where these laws are on the books,<sup>105</sup> the demands made by women allow for the prioritisation of the most relevant aspects and dimensions of the law, giving them content and making them operative.

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<sup>101</sup> Currently coordinator of the School for Citizenship of the Instituto Polis (Sao Paulo), and President of the Latin American Council for Adult Education. See Building a pedagogy of democratic management (Special Issue of the Urban Age on Participatory Budgeting, 2004). See also doctoral thesis, O proceso educativo no OP: Aprendizados dos atores da Sociedade Civil e do Estado (USP, 2000).

<sup>102</sup> See Case Study on Puerto Asis, capital of the Putumayo Province, one of the areas with the highest murder rates stemming from the conflict in Colombia. Urban studies, Porto Alegre, unedited (ARD, 2003). See also Participatory Budgeting Experiences in Colombia (Special Issue of the Urban Age, 2004. Collection of Resources on PB).

<sup>103</sup> See in particular the PB experiences of Cotacachi (Collection of Resources on PB, Case Studies), Nabon, Colta or Esmeraldas in Ecuador, as well as several in Bolivia, such as District 7 in the city of El Alto.

<sup>104</sup> UN-HABITAT, Guidelines for UGI, op cit. p. 32.

<sup>105</sup> See experiences of Buenos Aires, Rosario, San Salvador, Recife, Campinas or Cuenca. For the last two, Collection of Resources on PB, Illustrative Cities.

Furthermore, the Participatory Budgeting process, because of the diversity among the groups of women to which it is open, can go beyond the issue of violence against women and touch issues affecting girls,<sup>106</sup> young women, seniors, afro-Brazilian women, indigenous women, lesbians or transsexuals.<sup>107</sup> This embracing of diversity allows, then, for a much finer weaving of the specific needs and characteristics of women.

Participatory Budgets specific to children and youth can be characterised as *de facto* preventative policies, in the sense that they reinforce self-esteem, build capacity for making complaints as well as proposals, and influence the formation of different gender patterns among children and youth before patterns of domination can take hold as adults. The contribution of children and youth to Participatory Budgets deserves greater attention and dissemination given their pertinence in this respect.

Despite the positive contributions of some Participatory Budgets to greater equity among women and men and the implementation of pro-women policies, much remains to be done in most cities.

## **Indicator 26: HIV/AIDS Policy**

*Definition: The indicator measures the existence, adaptation and implementation of an official HIV/AIDS Policy at the local government level.*<sup>108</sup>

A preliminary observation is that the prevalence of AIDS in cities with Participatory Budgets is generally limited, which explains (but doesn't justify) the absence of local AIDS policies and citizen demands relating to this issue. Nevertheless, there are some pioneering cities in municipal efforts to combat the spread of AIDS.<sup>109</sup> It is most likely in these places that HIV-positive citizens can publicly express their demands and benefit from public resources. The qualitative difference with the majority of policies today is that Participatory Budgets also allow for the inclusion of HIV carriers as social subjects that can benefit to the extent that they participate, and not only as passive recipients of health policies, as beneficial as they might be.

## **Conclusions on Participatory Budgeting and Security**

In relation to the initial postulate, the examination of PB experiences in progress suggests that Participatory Budgeting increases public safety, health and the quality of the urban environment

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<sup>106</sup> See the Cycle of the Children and Youth PB of Pinheiral (Collection of Resources on PB. Instrumentos). See experience of Icapui (Happy Day), Collection of Resources on PB, Illustrative Cities and Digital Library, UMP-LAC Working Paper (WP) 95: Brincando e Cantando Crianças e Jovens Constroem a Gestão Participativa de Icapuí. Municipality of Icapui, Agora XXI, UMP, 2001. WP 98: Gestão municipal e governabilidade participativa. Oito consultas urbanas em municípios brasileiros. Discussão, reflexão a partir das práticas e dos aprendizados dos atores locais. Patrick Bodart, Eliana Costa Guerra, UMP-LAC, 2002, 120 pp. Instituto Brasileiro de Administração Municipal. Orçamento Participativo Mirim de Barra Mansa. UMP-LAC, November 2000, 41 pp. Available in PDF format. See experiences of Recife and Sao Paulo (Illustrative City).

<sup>107</sup> See Sao Paulo. Collection of Resources on PB (Case Study). See Belem (specialized bibliography by cities), and Campinas (Illustrative City).

<sup>108</sup> UN-HABITAT, UGI, Guidelines, op cit. p. 33.

<sup>109</sup> See for example the City Consultation in Santo Andre supported by the Urban Management Program or the municipal actions in Sao Paulo. Campinas (Illustrative City) and Belem (specialized bibliography).

to a certain extent.<sup>110</sup> Its impact on health will be addressed again in Section III, contribution to the Millennium Development Goals.

As far as the indicators of the security dimension, number 24, conflict resolution is directly related to Participatory Budgeting. The Participatory Budget makes a clear contribution to the resolution of conflicts, through learning about dialogue and the “pedagogization of conflicts”. It contributes positively to a culture of peace and multi-cultural, pluri-ethnic governance.

While there is still much to do, Participatory Budgets make at least a partial contribution to the improvement of the quality of policing, the reduction of violence against women and the inclusion of people with special needs, including people with HIV and AIDS (UGI Indicators 22, 23 and 26).

### **2.2.6 Conclusions on the contributions of Participatory Budgeting to Urban Governance**

Participatory Budgeting is a multidimensional process that contributes positively to good urban governance, considering its five principal elements: Effectiveness, Equity, Participation, Accountability and Security. Though PB contributes to each of these principles, its contribution must be differentiated in each case. It can be considered that, based on a reading of Participatory Budgeting in the light of the 26 indicators, its contribution in order of importance can be summarised as follows:

1. A broadening and deepening of participation
2. An increase in effectiveness
3. A qualitatively different form of accountability
4. Increased equity
5. Improvement in citizen security

The examination of Table 2, “*Summary of the contributions of Participatory Budgeting to Urban Governance*” based on governance indicators, allows us to synthesise the existing relationships and illustrate the conclusions.

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<sup>110</sup> Despite the fact that the improvement in the urban environment is one of the postulates relating to security, it did not materialize in the UGI indicators. On this issue, see in Collection of Resources on PB, UMP Digital Library (available in PDF), Foro Ciudades para la Vida; Comisión de Descentralización, Regionalización y Modernización de la Gestión del Estado del Congreso; UMP-LAC, Miranda, Liliana (comp.). Presupuesto Participativo y Agenda 21. Construyendo ciudades para la vida. Working Paper Series No. 108, UMP-LAC, USAID, HIS. Fondo Editorial del Congreso del Perú, Lima, 2003, 493 p.

**Table N°2**

**Summary of the contributions of Participatory Budgeting to Urban Governance**

Good Governance Principles	Governance indicators	Contribution of Participatory Budgeting		
		Direct	Indirect	Distant
<b>A. Efficiency</b>	<b>1. Major Sources of Income</b>	XX		
	2. Predictability in Transfers from the Central Government			XXX
	<b>3. Published performance delivery standards</b>	XXX		
	<b>4. Customer Satisfaction Survey</b>	XXX		
	<b>5. Existence of a Vision Statement</b>	XXX		
<b>B. Equity</b>	6. Citizens' Charter: right of access to basic services		XXX	
	7. Percentage of women councillors in local authorities		XXX	
	8. Pro-poor pricing policies for water		XXX	
	<b>9. Incentives for informal businesses</b>	XX		
<b>C. Participation</b>	<b>10. Elected council</b>	XXX		
	<b>11. Elected mayor</b>	XXX		
	12. Voter turnout and voter participation by Sex		XX	
	<b>13. Public forum</b>	XXX		
	<b>14. Civic Associations per 10,000 population</b>	XXX		
<b>D. Accountability</b>	<b>15. Formal publication (contracts and tenders; budgets and accounts)</b>	XXX		
	16. Control by higher levels of government			XXX
	17. Codes of Conduct		XX	
	<b>18. Facility for citizen complaints</b>	XXX		
	19. Anti-corruption Commission		XX	
	20. Disclosure of Income/Assets			XXX
	21. Independent audit		XXX	
<b>E. Security</b>	22. Crime prevention policy			XXX
	23. Police services staff per 100,000 persons		XX	
	<b>24. Conflict resolution</b>	XXX		
	25. Violence against Women Policies		XXX	
	26. HIV/AIDS Policy		XXX	
<b>TOTAL</b>	<b>26</b>	<b>12</b>	<b>10</b>	<b>4</b>

The 26 indicators that comprise the UGI provide an apt analytical framework for qualifying and appreciating Participatory Budgets in their enormous diversity. It should be remembered, as expressed in Section I, that we are dealing with a heterogeneous universe and thus the contributions made are not identical. The indicators included in the UGI, therefore, seem to be insufficient to thoroughly reveal the contributions, in particular the qualitative ones, that Participatory Budgeting makes to Good Urban Governance. Nevertheless, if one considers the

most advanced and intermediate situations, it can be concluded that the positive and direct links are especially clear in the case of the following indicators:

- Participation: Public Forum (13) and Civic Associations per 10,000 population (14)
- Effectiveness: Published performance delivery standards (3) and Major sources of income (1)
- Accountability: Formal publication (contracts and tenders; budgets and accounts) (15), Facility for citizen complaints (18) and Independent audit (21)
- Security: Conflict resolution (24)

Chapter I provides additional elements in this regard.

**DEVELOPMENT**

**CHAPTER III  
PARTICIPATORY BUDGETING  
AND THE MILLENNIUM  
GOALS (MDGs)**

## **PARTICIPATORY BUDGETING AND THE MILLENNIUM DEVELOPMENT GOALS (MDGs)**

### **3.1 Introduction to the MDGs**

#### **3.1.1 What are the MDGs?**

The Millennium Development Goals, adopted by the Member States of the United Nations in the year 2000, are broad development goals for the entire globe. They encompass essential elements of poverty and its effects on the lives of people, tackling priority issues relative to poverty reduction, health, gender equity, education and environmental sustainability. By accepting these objectives, the international community has made a commitment to the poor and the most vulnerable of the world, in precise terms, establishing quantitative targets.

With the purpose of assisting the Member States in reaching the eight goals of the Millennium Declaration, the U.N. System has established numeric targets for each goal. Additionally, it has selected appropriate indicators to monitor progress towards the goals and towards reaching the corresponding targets. A list of 18 goals and over 40 corresponding indicators make it possible to evaluate and assess the state of the MDGs at the global, national and local levels.<sup>111</sup>

**Table N°3  
Millennium Development Goals**

#### **Goal 1. Eradicate extreme poverty and hunger**

Target 1: Halve the proportion of people whose income is less than one dollar a day.

Target 2: Halve the proportion of people who suffer from hunger.

#### **Goal 2. Achieve universal primary education**

Target 3: Ensure that children everywhere, boys and girls alike, will be able to complete a full course of primary schooling

#### **Goal 3. Promote gender equality and empower women**

Target 4: Eliminate gender disparity in primary and secondary education preferably by 2005 and in all levels of education no later than 2015

#### **Goal 4. Reduce child mortality**

Target 5: Reduce by two-thirds the under-five mortality rate

**Goal 5. Improve maternal health** Target 6: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio

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<sup>111</sup>UN-HABITAT, Global Urban Observatory. Guide to Monitoring Target 11: Improving the lives of 100 million slum dwellers, April 2003, p.2.

**Goal 6. Combat HIV/AIDS, malaria, and other diseases**

Target 7: Halt and begin to reverse the spread of HIV/AIDS

Target 8: Halt and begin to reverse the incidence of malaria and other major diseases

**Goal 7. Ensure environmental sustainability**

Target 9: Integrate the principles of sustainable development into country policies and program and reverse the loss of environmental resources

Target 10: Halve the proportion of people without sustainable access to safe drinking water and basic sanitation

Target 11: Have achieved, by 2020, a significant improvement in the lives of at least 100 million slum dwellers

**Goal 8. Develop a global partnership for development**

Target 12: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system (includes a commitment to good governance, development, and poverty reduction—both nationally and internationally)

Target 13: Address the special needs of the least developed countries (includes tariff-and quota-free access for exports enhanced program of debt relief for HIPC and cancellation of official bilateral debt, and more generous ODA for countries committed to poverty reduction)

Target 14: Address the special needs of landlocked countries and small island developing states

Target 15: Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term

Target 16: In cooperation with developing countries, develop and implement strategies for decent and productive work for youth

Target 17: In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries

Target 18: In cooperation with the private sector, make available the benefits of new technologies, especially information and communications

Source: UNDP, 2003

### 3.1.2 The responsibilities of UN-HABITAT with regard to the MDGs

The United Nations System assigned UN-HABITAT the responsibility to assist the Member States in the monitoring and eventual fulfilment of the “Cities without slums” goal, also known as Target 11. One of the three targets of Goal 7, “Ensure environmental Sustainability”, Target 11 is: *“By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers”*.

**Target 11 of Goal 7** comes in response to one of the most pressing challenges of the Millennium. Dealing with people who live in the most depressed physical conditions in the cities of the world, Target 11 is a direct recognition that slums are a development issue that must be confronted head-on. Slums can’t be considered simply as an unfortunate consequence of urban poverty, but rather need to be addressed as a primary concern.



In an effort to advance in the monitoring of this objective, UN-HABITAT has assumed the task of articulating relevant indicators, in consultation with activists, professionals and government officials with proven experience in urban poverty reduction. The Agency is also prepared to collect information globally in order to generate data and statistically valid estimates that allow for the quantification of the magnitude and characteristics of the slums, as a necessary first step for the formulation of policy and action recommendations at the global level. Planned future steps include assistance to Member States with advocacy instruments such as the Global Campaigns for Secure Tenure and Urban Governance, and with technical cooperation in slum upgrading and urban management.<sup>112</sup>

### **3.2 Contribution of Participatory Budgeting towards reaching Target 11 of the MDGs “By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers”**

#### **3.2.1 Monitoring of Target 11**

The United Nations system initially assigned two indicators for target 11: Indicator 31: Proportion of population with secure tenure, and Indicator 32: Proportion of the population with access to improved sanitation. However, until recently there was no internationally recognised operational definition of a “slum”. Other concepts were used to document the existence of slums: the percentage of the population living in informal settlements; the durability, quality and size of the housing units; the level of basic services, etc. The same applies to the security of tenure (indicator 31).

In a meeting of a group of experts took place in Nairobi in November 2002 to “define slums and secure tenure,” the following definition of slums was reached: “A slum is a contiguous settlement in which the inhabitants are characterised by having inadequate housing and basic services. A slum is often not recognized and identified by public authorities as an integral or equal part of the city.”

The expert group meeting recommended that the adequate monitoring of Target 11 be carried out through five components that reflect the conditions that characterise slums:

- Inadequate access to safe water
- Inadequate access to sanitation and other infrastructure
- Poor structural quality of housing
- Overcrowding
- Insecure residential status

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<sup>112</sup> UN-HABITAT, Global Urban Observatory. Guide to Monitoring Target 11: Improving the lives of 100 million slum dwellers, p.2.

### 3.2.2 Contribution of Participatory Budgeting to slum upgrading

#### Indicator I. Inadequate access to safe water

*Definition: A household is considered to have access to improved water supply if it has sufficient amount of water for family use, at an affordable price, available to household members without being subject to extreme effort, especially to women and children.*<sup>113</sup>

Without a doubt, one of the tangible and concrete results of Participatory Budgets is the improved access to water in cities,<sup>114</sup> as this is one of the first demands prioritised by the population. Furthermore, the criteria for distributing budgetary resources, by district or region, generally take into account the proportion of households without access to water<sup>115</sup> as part of the Unmet Basic Needs measure.

Participatory Budgets are not limited to increasing the coverage of the potable water supply. Various cities simultaneously tackle demands for rainwater drainage and basic sanitation, which tend together to improve the supply and treatments cycle, and thus the quality of water.<sup>116</sup> In other cases, the financed requests are for maintenance of the supply network or its replacement,<sup>117</sup> which can reduce water losses. This kind of request is interesting because it allows for a renewal of the network based on the perceived problems of the population.

#### Indicator II: Access to sanitation

*Definition: A household is considered to have adequate access to sanitation, if an excreta disposal system, either in the form of a private toilet or a public toilet shared with a reasonable number of people, is available to household members (max. 2 households).*<sup>118</sup>

The comments made regarding access to water are also applicable to sanitation, as they are both priorities expressed by neighbourhoods where such access does not exist.<sup>119</sup>

The Participatory Budget must address not only water and sewage, but also the integrated upgrading of slums, at least in large cities.<sup>120</sup> By way of example, the city of Belo Horizonte

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<sup>113</sup> UN-HABITAT, Global Urban Observatory. Guide to Monitoring Target 11: Improving the lives of 100 million slum dwellers, p.2.

<sup>114</sup> In Porto Alegre, the coverage of the potable water supply network was 99.5% in 2002 and 94.7% in 1989. This increase resulted from the requests made during the Participatory Budget.

<sup>115</sup> The resource allocation criteria generally take into account unmet basic needs (see for example Collection of Resources on PB. Allocation Criteria. Villa El Salvador, Ilo or Dourados) including the need for water. In addition (ex. Cotacachi, Illustrative City), the criteria "lack of water" can be given preferential status and "weigh" more than other needs.

<sup>116</sup> See Collection of Resources on PB, Instruments, Accountability, Caxias do Sul. The lists of works financed appear clearly: drainage, water supply and sewage.

<sup>117</sup> See Collection of Resources on PB, Instruments, Management Commitment (Compromiso de Gestión). Montevideo, which lists the works dealing with water network replacement.

<sup>118</sup> UN-HABITAT. Guide to Monitoring Target 11, op cit.

<sup>119</sup> Retaking the example of Porto Alegre, the impact on sewerage is even stronger than that for potable water: "[the sewer system] went from 41% coverage of the population in 1984 to 84% in 2002, and the percentage of treated wastewater also rose from 2% in 1989 to 27.5% in 2002." Baierle S., The Participatory Budget in Porto Alegre. Chapter 2. Urb-al Base Document, 2003. Collection of Resources on PB, Digital Library, Urb-al Base Document (PDF format).

<sup>120</sup> See Collection of Resources on PB, Illustrative Cities, Sao Paulo, Belo Horizonte, Porto Alegre.

financed 969 activities with its own resources through its Participatory Budget over 10 years (1994-2003), of which 439 (45%) were infrastructure projects and 254 (26%) were urbanization of slums (*vilas*).<sup>121</sup> In capital cities the levels of accumulated investment are calculated in hundreds of millions of dollars of municipal resources. The quality of these interventions, their integrated character and their “co-management” aspect explain why several cities with Participatory Budgeting are better candidates for international loans, destined to accelerate the first steps that the city has taken on its own.

The solutions that come out of Participatory Budgeting go beyond the minimal norms expressed in the Millennium Goal indicator. The demands are generally for levels and quality of infrastructure services similar to those in consolidated neighbourhoods. In this way, these demands are a way of defending the principle of universal access to basic services.

### **Indicator III: Durability of Housing**

*Definition: Proportion of households which live in a house considered as ‘durable’, i.e. built on a non-hazardous location and has a structure permanent and adequate enough to protect its inhabitants from the extremes of climatic conditions such as rain, heat, cold, humidity.*<sup>122</sup>

Despite being an issue essentially in the central government’s domain, housing appears regularly as one of the major priorities of Participatory Budgets, in particular in Brazilian cities. By way of example, between 1993 and 2004, housing was always among the first three most voted priorities in Porto Alegre, and during six of those years, was the first.<sup>123</sup>

In countries where Participatory Budgeting experiences take place, housing policies are not the responsibility of the local government. Nevertheless, there is a wide range of innovative practices, stimulated through Participatory Budgets. They deserve to be documented and systematised, as they are a qualitative, and in some cases quantitative, contribution to the Millennium Development Goals.

Various municipalities, by regularising urban spaces and lots<sup>124</sup> or lands<sup>125</sup> in response to requests from organized poor communities, are leveraging international or provincial housing funds. To respond to the pressure of the demand for affordable housing, some municipalities have reactivated or created innovative Housing Institutes or Corporations.<sup>126</sup>

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<sup>121</sup> Municipality of Porto Alegre. Orçamento Participativo 10 años, 2003. Collection of Resources on PB, Illustrative Cities, Belo Horizonte.

<sup>122</sup> UN-HABITAT, Guide to Monitoring Target 11, op cit.

<sup>123</sup> See Baierle S., The Participatory Budget in Porto Alegre. Chapter 2. Urban Base Document, 2003. Collection of Resources on PB, Digital Library, Urban Base Document. Also Nuñez, T. Participación popular y combate a la pobreza en Porto Alegre, 2003, op cit. Collection of Resources on PB, UMP Digital Library, Working Paper No.126 (PDF format). Sergio Baierle, in discussing the contribution of the Participatory Budget to the reduction in the housing deficit, writes: “In the area of housing, despite the concentration of resources and financial strategies of the federal government, it was possible to expand the number of locally produced units from an average of 493 per year, during the period from 1973-1988, to 1.000 units per year from 1989-2003, which allowed Porto Alegre to contain the growth of its housing deficit for the first time.”

<sup>124</sup> See for example the land regularization policy of Sao Paulo.

<sup>125</sup> See the operation of urbanisation (housing developments) in Porto Alegre, a product of the demands of dispossessed groups, organized by the National Struggle for Housing Movement. These areas will benefit in 2004 from housing financed by the Federal Government.

<sup>126</sup> See for example the experience of Juiz de Fora, Brazil.

One of the most original and positive experiences is the Participatory Housing Budget (*Orçamento Participativo de Habitação*) in Belo Horizonte which sets aside a significant amount of resources to respond to the demands of the needy population, organized into “homeless cells”.<sup>127</sup>

Between 1996 and 2003, over 4.300 housing units were approved, of which 2.100 were completed. While this represents a limited part of the current housing deficit, now estimated at 50.000 units, it is still a significant contribution, to the deficit as well to the Millennium Development Goals.

Beyond the units constructed and resources invested, it is important to note that in general, housing programmes which result from Participatory Budgets are co-managed and/or have a strong participatory and self-help element in them. They are different from private housing production, and form a part of what is called in Latin America “the social production of housing”.

#### **Indicator IV: Sufficient living area**

*Definition: Proportion of households with three persons or more per room.*

This dimension of slum dwelling is related to the previous one, and therefore those comments apply in a similar fashion.

#### **Indicator V: Secure Tenure**

*Definition Proportion of individuals which have secure tenure, i.e. which have: 1. evidence of documentation that can be used as proof of secure tenure status; 2. either de facto or perceived protection from forced evictions, with the following specific sub-indicators: i) Evictions: Proportion of men and women who are evicted from their residence in the past ten years; ii) Perception of security of tenure: Proportion of household heads who believe that they will not be evicted from their present residence within the next five years.*

Currently, there are no precise studies or data that provide evidence of the contributions that Participatory Budgeting makes to secure tenure. Nevertheless, several elements which would be worthy of further consideration can be identified.

On the one hand, land regularisation, as well as many slum upgrading programs, in response to demands of the homeless are a very clear and significant contribution. On the other, the interventions, the works and services, limited as they may be, are in many cases the first intervention of the public authority. They tend to modify the perception of the settlers, particularly when these public interventions are in response to their demands, and are made in “non-legalised” terrain, as they feel less threatened with evictions.<sup>128</sup>

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<sup>127</sup> See Valadares, G. El OP Habitación de Belo Horizonte and Cabannes Y. Resultados de la OP Habitación de Belo Horizonte, Era Urbana Special Issue, 2004. Collection of Resources on PB, Digital Library, Era Urbana (PDF format).

<sup>128</sup> This hypothesis, a product of many field visits and debates with housing movements and community associations, will have to be more thoroughly analyzed with specific studies and surveys

A second empirical observation relating to the past few years, is that there have been no violent forced evictions in cities with Participatory Budgets.<sup>129</sup> This phenomenon can be explained in part by the positive attitude of the local government toward the most vulnerable groups, but above all by the vigilance and mobilisation of civil society in these same cities.

In (very few) cities, affirmative actions that favour vulnerable groups are focused on the homeless.<sup>130</sup> Whether or not these always result in solving the housing problem for everyone, they represent innovative practices of social inclusion.

### **Indicator VI: Conclusions on the contribution of Participatory Budgeting to the slum upgrading millennium goal (Target 11)**

Participatory Budgets have a clear and significant impact on at least four of the five elements that make up this indicator: access to water, access to sanitation, secure tenure and durability of housing. Nevertheless, it would be necessary to take a look at a part or all of the 300 experiences currently underway, in order to measure this contribution in a precise manner. One of the priorities of the Urban Management Programme of UN-HABITAT has been to take a first, albeit modest step in this direction.

Beyond the quantitative dimension, Participatory Budgets are vehicles and facilitators for slum upgrading policies, in which the municipality appears as an articulator of integrated and high-quality interventions.<sup>131</sup>

### **3.3 Contributions of Participatory Budgeting to the fulfilment of the remaining Millennium Development Goals**

Other Millennium Development Goals with which Participatory Budgeting has direct or indirect connections are described below.

#### **3.3.1 Participatory Budgeting and Goal N°2: Achieve universal primary education**

The education sector, in particular primary education, is another regularly selected priority, especially in Brazil where education is a municipal responsibility. The amounts debated, beyond the 25% assigned by law,<sup>132</sup> reach extremely high numbers.

In 2002, of the 179 million Dollars debated by the city of Sao Paulo (6% of the municipal budget), nearly 73 million were designated for education, for the construction of pre-schools, primary schools, the expansion of school properties and networks of school transportation.<sup>133</sup>

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<sup>129</sup> With the very particular exception of the occupations of empty buildings in downtown Sao Paulo which were resolved with tense negotiations.

<sup>130</sup> See Collection of Resources on PB, Illustrative Cities, Sao Paulo. In this city, the normal number of delegates per participant is 1 delegate for 20 participants. For those living on the street, the proportion is 1 to 1. In other words these participants have the chance to be delegates, and therefore more directly affect the priorities to be voted on.

<sup>131</sup> See in particular the Integrated Program of Social Inclusion of the Municipality of Santo Andre which managed to link the various components of an integrated intervention in specific favelas, with positive ties to the Participatory Budget. Collection of Resources on PB, Digital Library, Specialized Bibliography by Cities).

<sup>132</sup> Municipalities have to assign 25% of their resources to primary education, which are in theory part of the federal government's transfers to the municipalities.

Various initiatives which encourage the participation of young people through the schools, have an impact on the *content* of education, by fomenting civic education and the formation of citizens. Youth participation tends to prioritise projects which improve the physical conditions of the educational infrastructure. This includes the repair of chairs and tables, development of sports fields,<sup>134</sup> the installation of windows in cold regions,<sup>135</sup> that is, a variety of measures which could transform the educational environment.

Participatory Budgeting, in accordance with what is mentioned above, is an additional instrument within public administration. The increase in the proportion of children attending school in Icapui cannot be attributed solely to the “Happy Day” (Participatory Budgeting for children and youth) initiative, but it was certainly a contributing factor.<sup>136</sup>

### **3.3.2 Participatory Budgeting and Goals N°4: Reduce child mortality and 5: Improve maternal health**

Together with the educational sector, health care is regularly one of the most prioritised issues in many cities during the Participatory Budget. Once again looking at the example of Sao Paulo, this sector received (as an outcome of the debates) in 2002, close to 95 million dollars (53% of the total), above all for the Family Health Programme, the continued construction of two hospitals and Basic Health Units.<sup>137</sup>

In addition, in the demands prioritised during the Participatory Health Budget those programmes are generally the best adapted to the reality of the communities. For example, just after the dramatic Argentine crisis, in four of the six regions of Rosario, the first priority was “to maintain and expand the supply of medicines”, a demand which probably would not have been emphasised so highly in years prior to the crisis.<sup>138</sup>

The cities which carry out Participatory Budgeting with children and/or youth are generally the most attuned to goals 4 and 5.

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<sup>133</sup> Municipality of Sao Paulo. São Paulo tem seu lugar no mundo. See *Relações internacionais*, 2002, 57p.

<sup>134</sup> Barra Mansa priorities

<sup>135</sup> Priorities in Cotacachi (Collection of Resources on PB, Illustrative Cities) of the indigenous students of rural school in the Ecuadorian Andes.

<sup>136</sup> The municipality of Icapui (Collection of Resources on PB, Illustrative Cities) in one of the poorest regions of Brazil has achieved exceptional results in terms of the numbers of children in school and the reduction of school absences. See Collection of Resources on PB, UMP Digital Library, Working Paper 95. *Brincando e Cantando Crianças e Jovens Constroem a Gestão Participativa de Icapuí*. Municipality of Icapui, Agora XXI, UMP, Quito, 2001.

<sup>137</sup> Municipality of Sao Paulo, 2000, op cit. p.29.

<sup>138</sup> Municipality of Rosario. *Presupuesto Participativo. Pautas presupuestarias 2003 definidas por los vecinos y las vecinas de la ciudad*, 2003, 57p.

# **CONCLUSIONS AND PERSPECTIVES**

## CONCLUSIONS AND PERSPECTIVES

### Learning more about the experiences

Participatory Budgeting practices cannot fit into a single model, because they represent a range of initiatives with their own characteristics which, furthermore, are constantly evolving and changing. They are multidimensional processes which can be seen in the light of four dimensions in particular:

- a) Participatory
- b) Budgetary
- c) Normative/legal
- d) Territorial/physical

A range of variables allows us to differentiate this heterogeneous universe and determine various types of “arrangements” for each one.

As there is no single or normative definition, many cities have described their own experiences as “Participatory Budgeting.” In order to differentiate one from the other, a set of 18 variables have been proposed, each one capable of being categorised into “minimum”, “intermediate” and “advanced” arrangements. One of the conclusions is that each experience at any given moment in time is a combination of variables and no city studied is completely “minimalist” or totally “advanced” in its practices. Table 1, “Dimensions and variables to differentiate self-described Participatory Budgeting experiences”, helps to classify these experiences and indicates that great variety and levels of seriousness, intensity and impact exist. It shows, in fact, the limits of Participatory Budgeting in cases where it is not implemented with enough commitment to reach its full potential.

With the proposed analytical framework, it is possible at least to establish a profile of each experience and follow its progress over time. It allows one to detect if the experience is “minimalist” or if it represents a truly new way of control and execution of the public budget. Now that an observation instrument exists, it would be necessary to establish *Profiles of Participatory Budgeting Experiences* and to define for each variable whether the situation is “minimalist”, “intermediate” or “advanced”. Beyond making a qualified reading possible, these profiles will allow the relevant urban actors to reflect on their own experience, debate each aspect (for example, the role of the legislative branch or the ideal degree of intramunicipal decentralisation for conducting a Participatory Budget) and visualise the possible steps that could still be taken. On the other hand, it is only upon experimenting with the set of the proposed variables, case by case, that true feedback can be obtained on the relevance of the PB and its capacity to bring to light the most important issues for the city.

Furthermore, these profiles of experiences will allow us to draw the boundaries of what is today self-described as Participatory Budgeting. The “map” is still a sketch with many blurry lines, some sharp ones (many times tied to participation) and others that have not yet been drawn. This exercise is necessary on a conceptual level, in order to appreciate the limits of these processes and the issues which still require profound discussion.



Many of the critiques made of Participatory Budgeting these days in general, and they are numerous, may apply to one experience, but be irrelevant to others, precisely because of their great variety. For example, in one Brazilian city, one of the main criticisms identified was the significant presence of public officials among the delegates of councillors of the Participatory Budget. Part of the complaint was that the citizenry could not occupy all of the decision-making space envisaged in the rules. This critique questioned the democratisation of the process, but it is not often encountered and therefore cannot be extrapolated to Participatory Budgeting as a whole.

Therefore, the deepening of the theoretical, operational and political debate on Participatory Budgeting, in the light of the principles of good governance, passes through the attempt to expand one's understanding of a wide gamut of experiences, in various stages of consolidation.<sup>139</sup> In spite of the available studies (few cities have many), there is today a knowledge deficit, particularly clear in the light of the large number of places where PB is being implemented.

## **Urban Governance**

An important characteristic of Participatory Budgeting is that it is a process regulated by time (usually in annual cycles), by physical territory (normally the city limits) and in which the main characters are local governments and civil society in the broadest sense. One of the central conclusions of Section Two of this Concept Paper is that these processes are builders of Good Governance and have a direct and indirect impact on the key principles that characterise it, namely, effectiveness, equity, participation, accountability and public safety.

Nevertheless, PBs are not a miracle solution which mechanically and uniformly enhances all of these principles. An examination of Participatory Budgeting, in the light of the 26 indicators which compose the Urban Governance Index, leads to the conclusion that the contributions of Participatory Budgeting, in order of importance, are:

1. An expansion and deepening of participation,
2. An increase in effectiveness,
3. A qualitatively different accountability system,
4. Improved equity
5. Enhanced public safety

Upon broadening and deepening citizen participation and the participation of public officials, Participatory Budgeting appears as an extremely positive process for the construction of *inclusive cities*, that is cities in which the traditionally marginalised, by participating and deciding about public spending, break the often historical cycle of exclusion.

By contributing (in a more or less important manner) to the principles of good governance, Participatory Budgeting is emerging as one of the primary innovations in the fields of urban governance and the democratisation of cities. This is the most likely reason why more and more cities, in an attempt to democratise local management, are adopting it, with many variations. It

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<sup>139</sup> This concern is shared by several of the cities of Urban Network 9: Participatory Budgeting and Local Finances.

is precisely because of its great potential that specialised work on its limitations and potential problems should be carried out on a large scale. It is likely that in the future, once its limits are clear, the presence of Participatory Budgeting (in its ‘intermediate’ to ‘advanced’ forms) will become a *de facto* indicator of good urban governance.

### **Participatory Budgeting and the Millennium Development Goals**

Participatory Budgeting is not limited to a process that contributes positively to good urban governance. One of its most important characteristics is linking democratic processes with concrete and perceptible results in the short term. These materialise, according to the case, with basic services, housing, health centres, educational infrastructure, etc. Improvements in life conditions, in particular of the urban poor, should be understood as one of the most tangible and positive contributions to the development goals and targets of the millennium.

Participatory Budgets generate a *transparent, democratic, public, non-governmental sphere in which the State and Civil Society exercise co-management of public resources*.<sup>140</sup> The public fora, the thematic assemblies and various plenaries which mark the decisive stages of the process, are the new *agoras* of a participatory democracy under construction. One of the contributions of this democracy is to have transformed the community and associative dimension into a fourth pillar of a “true democracy”, together with the Legislative, Executive and Judicial pillars.

It is important to underline that many cities choose Participatory Budgeting not only to improve governance, but also because it is a significant step in the construction of a different political model which ties Representative Democracy to Participatory Democracy and various forms of Direct Democracy. They see it as an indispensable political model for the elimination of poverty and the fulfilment of the Millennium Development Goals.

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<sup>140</sup> Pontual, P. Construindo mina pedagogia da gestão democrática, art. cit.

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