

## INTRODUCTION

Poor municipal fiscal management presents significant risks to inclusive urban development. The 2008-2009 global financial crisis brought some of the most obvious dangers into abrupt focus. Slower growth, higher borrowing costs, and lower revenues placed local governments under significant fiscal stress, limiting their ability to provide key services and invest in much needed infrastructure.

But there are more subtle, less dramatic dangers of fiscal mismanagement: lack of transparency, waste, corruption, and elite capture. To help combat these problems, the city of Porto Alegre, Rio Grande do Sul,

Brazil, piloted a new, radically democratic model for budgeting in the late 1980s. It became known as Orçamento Participativo (participatory budgeting, or PB).

Participatory budgeting is now probably one of the most widely studied, praised, and emulated innovations in municipal fiscal management. While not a panacea, it has contributed to improved public service outcomes where it has been implemented. Just as importantly, perhaps, it dramatically illustrates how, in today's interconnected world, a single innovative idea can be quickly recognized and imitated on a global scale.

Participatory budgeting is a process by which citizens themselves articulate their spending priorities and influence budgetary allocations. As developed in Porto Alegre, it entails an essentially **year-round set of large-scale neighborhood and thematic meetings**, as well as smaller coordination assemblies. **Funding decisions are debated at both the district and city level**, and determinations are presented to the City Council for final approval. At least initially, the amount of funding allocated under participatory budgeting represents a relatively small fraction (5-8%) of the total city budget (though, in Porto Alegre, the share has increased considerably over time, reaching 21% in 1999). The criteria for allocating funding among districts (usually indicators like poverty rates, number/size of schools, and so on) are themselves negotiated by the participants. As the concept of participatory budgeting has spread worldwide, it has been adapted to the local context, but these core features remain relatively constant.



Porto Alegre's share of the budget for health and education spending increased from 13% in 1985 to nearly 40% in 1996

One of the advantages of participatory budgeting is that it is, on its own terms, revenue neutral. Some expense and inefficiencies are associated with the consultation process, **but gains in government performance and public satisfaction can be realized in revenue neutral environments**. Moreover, some studies show that it increases citizens' willingness to pay taxes. While not attributable to participatory budgeting alone, progress in Porto Alegre has been quite impressive: new public housing units accommodated an additional 27,000 residents by 1989 and the percentage of households with sewer and water connections increased from 75% in 1988 to 98% in 1997. Porto Alegre's share of the budget for health and education spending increased from 13% in 1985 to nearly 40% in 1996. Just as impressively, in some sense, is the scale of citizen participation: in 1999, roughly 40,000 citizens of Porto Alegre (out of a total of 1.3 million) helped determine the city's budget.



**27,000** additional residents accommodated in public housing units by 1989

The percentage of households with sewer and water connections increased from 75% in 1988 to 98% in 1997

Since its genesis in Porto Alegre, the concept of participatory budgeting has been discussed, studied, and replicated worldwide. According to the Participatory Budgeting Project, a non-profit, **over 1,500 cities have adopted the practice**. Thus, despite its roots in a unique political context, participatory budgeting has been adapted on a truly massive scale (though to differing extents—sometimes involving smaller proportions of the population, or determining a smaller portion of the budget). However, serious questions still linger—some theoretical, some practical. One concerns the ideal balance between representative and direct democracy in a modern city. Some argue that a technically proficient administration needs to be insulated, to a certain extent, from an ever changing, largely unprofessional public opinion. Others question if the model of participatory budget is really a solution to marginalization—do the truly vulnerable have the time to attend public meetings, for instance?

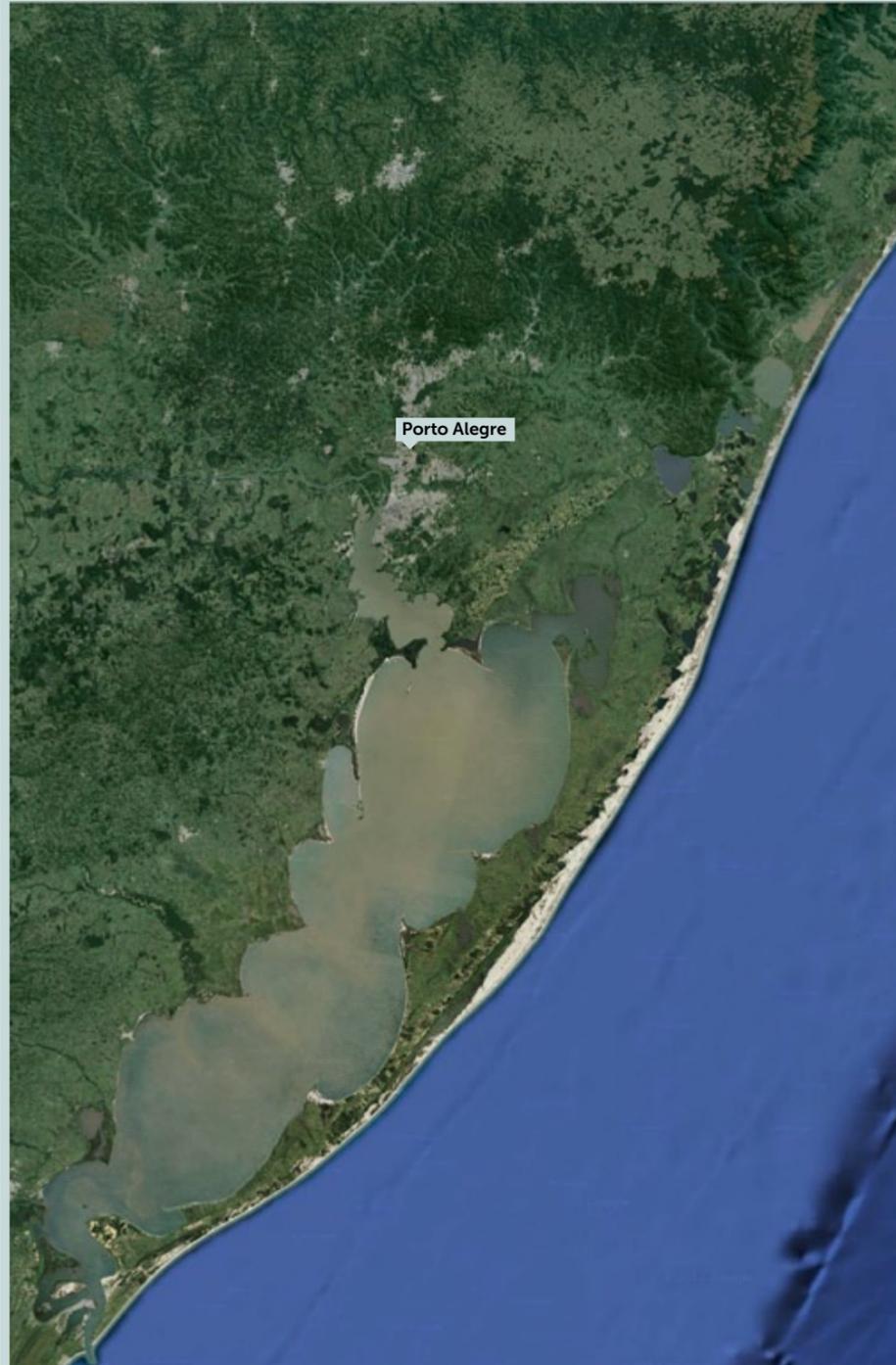
## CONCLUSION

Despite these reservations, it is hard to see the process in Porto Alegre as anything but a success. The concrete improvements in service outcomes are joined by evidence suggesting that participation is not limited to the middle class or supporters of the incumbent party, and that the poor do take part, at least to some extent. Most encouragingly, as the concept has spread, it has been refined and improved. The use of internet voting allows participation on a much larger scale. And budget literacy campaigns and web-based budget monitoring tools have increased the effectiveness of the deliberative process.

### CREDITS AND LINKS

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World Bank. 2008. Brazil: Toward a More Inclusive and Effective Participatory Budget in Porto Alegre, Volume 1. Washington, DC. <https://openknowledge.worldbank.org/handle/10986/8042>



**PORTO ALEGRE**



COORDINATES  
**30°03'S 51°13'W**  
 AREA  
**496,8 sq mi**  
 POPULATION  
**1,509,939**  
 DENSITY  
**2,836,86 sq mi**  
 GDP total  
**\$58.574 billion**  
 GDP per capita  
**\$13,352**

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1. Budget resulting from a participatory process in Icapuí, Brazil.

2. Skyline of Porto Alegre, Brazil.

**SOURCES**

- 1 Paolo Massa, Wikimedia Commons
- 2 Eurivan Barbosa, Wikimedia Commons

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PORTO ALEGRE, Brazil

**PARTICIPATORY BUDGETING, AN INCLUSIVE APPROACH TO MUNICIPAL FISCAL MANAGEMENT**

In collaboration with MIT

SA+P

senseable city lab:::

