

Participative budgeting in Belo Horizonte: democratization and citizenship

Paulo Roberto Paixão Bretas

SUMMARY: *This paper describes how a government elected to power in Belo Horizonte in 1993 introduced a participative budget. This not only meant a much greater involvement by citizens and community organizations in determining priorities but also a more transparent and accountable form of government. The paper describes also how this innovation changed the priorities in public spending.*

Paulo Roberto Paixão Bretas is a Brazilian economist who is now working as Municipal Secretary for Special Affairs in Belo Horizonte. Prior to this, he was Deputy Director for Planning for the municipality of Belo Horizonte. He has also worked as a consultant for FAO.

Address: *Secretario Municipal Adjunto, Prefeitura Municipal de Belo Horizonte, Av. Afonso Pena 1212 (5º andar, sala 512), Belo Horizonte, Brazil. Fax: (55) 31 277 4355*

I. INTRODUCTION

BELO HORIZONTE IS the third largest and most important city in Brazil, and is also at the centre of the second most important industrial concentration. With two million inhabitants and about 160 illegal or informal settlements (*favelas*), Belo Horizonte is also an example of a Latin American city experiencing all the consequences of an unequal income distribution and subsequent social problems. The city has a single local government, the municipal authority, run by a mayor. It is further divided into a number of smaller regions, each administered by a regional administrator appointed by the municipal authority. The main function of the regions is to provide services through a decentralized structure.

In January 1993, a new local government came to power after democratic elections. This was formed by a group of people who had a programme based on a radical new agenda with new priorities, a desire to support the poor and promote people's participation. One of their first actions was to divide the city's investment budget into two with half of the investment priorities being determined through a "participative budget".

The democratization of the state and of politics is only made possible through an honest, open and critical dialogue between government and its citizens. To have such a dialogue requires social agents that are prepared to listen and discuss and an autonomous civil society which is strong and organized. By the same token, the state must be transparent and, above all, a part of the everyday life of its citizens.

There have been many models for the relationship between

state and society. There are authoritative models in which the government has dictated policies and strategies with little access being offered to pressure groups (including citizen groups). There are paternalistic models based on clientelistic strategies with the co-optation of community leadership. Local residents and their votes become merchandise to be purchased through government actions. There is also the authoritarian model based on excessive reliance on state personnel rather than on civil society and with an exaggerated nationalization and bureaucratization of the state.

The new popular city administrations in Brazil are refusing to follow such models. The core of their strategies and programmes is a reversal of priorities through people's participation. Local citizens are encouraged to participate in government decision-making and in establishing a permanent control over the use of state resources. This reversal of priorities has, together with effective popular participation, made it possible for public administrations to work in favour of the major interests of the population instead of a few pressure groups or vested interests.

Participative budgeting is a technique which achieves two objectives: citizens' determination of new municipal priorities, and the involvement of civil society in decision-making and control of the state. Belo Horizonte is one among a number of Brazilian cities in which participative budgeting is underway, a practice which began in Porto Alegre during the administration of Mayor Olivio Dutra (1989-1992).

Participative budgeting creates new ways of thinking, educates, and leads to cultural changes. It both recognizes the importance of group participation and encourages individual citizens to claim her or his rights. It demands a decentralized form of governance, creating a direct relationship between key government staff and the community. Based on the recognition of a citizen's right to have information and make demands on the state, state agencies have to consider the feasibility of any request and either demonstrate that it is feasible or, if not, why this is so. At the same time, the state begins to invest in projects which are needed by the organized communities and which are their priorities. The participation of the people in the elaboration of the budget creates an open dialogue between government and population without the old "clientelistic" schemes or even the authoritative imposition of public investments. For the purpose of participative budgeting, sub-regions have been created within the regional authorities. These sub-regions have been established taking into account the size of the population and any natural physical barriers such as rivers but the main factor determining their establishment has been to facilitate access to the budgetary process by local people.

The main objectives of participative budgeting are to:

- involve and give importance to people's organizations;
- share information about the financial and administrative situation of the city hall (revenue and expenses);
- define investment priorities within each of the nine regions into which the city is divided (and also within sub-regions);

- guarantee citizens the right to be involved in defining government goals and strategies in order to meet social needs.

In 1995, the City Hall invested US\$ 18 million in 192 different types of investment throughout Belo Horizonte. The number of people involved in the process of participative budgeting through attending meetings or other forms of consultation was 28,263 in 1995, an 80 per cent increase in participation over 1994.

Through being involved in this process, government demands of itself a transparency and the capacity to predict and to solve the issues and problems that arise. State agencies have to be ready to supply the necessary information so that they can plan their actions, prioritize and make decisions. All such agencies need to develop a capacity to be tolerant, must know how to listen and to respect all the requests and discuss these with the help of technical knowledge. They must be able to indicate to the population, based on technical and financial reasons, whether or not these requests are feasible. The result of the participative budgeting process is that citizens become more aware of their rights and obligations, they appreciate the city and take more care of it. They become aware of how taxes are being used for the well-being of all and they pay taxes, with more confidence in the public sector.

II. THE DEVELOPMENT OF PARTICIPATIVE BUDGETING

BUDGETS, IN MOST cities, have been just an accounting item with little or no link with reality. The vast majority of the population know nothing about the government's budgets or expenditure, for example, how much is used for road maintenance, how much goes to cover the salaries of public employees, how much on interest or debt repayments and what is the investment in public works? These are some of the questions asked by citizens.

In Belo Horizonte, as in many other cities, until 1992 all the decisions regarding expenditure on public works were made without the people's knowledge. In general, the city administration followed a "clientelistic or paternalistic" model of governance. The political will and the search for a more appropriate method of governance prompted a new administration in Belo Horizonte to develop a different approach and, drawing on the experience of Porto Alegre's City Hall, to adopt participative budgeting. This process is summarized in Box 1 and discussed in more detail in section III.

1993 was the first year that the citizens of the city were consulted on how to spend part of the resources allocated to city investments. Through these discussions, local citizens started to be involved in the planning processes of the city. A total of 15,000 citizens participated in this first year, drawn in by publicity on the radio and TV and through information sheets distributed in low-income settlements. On August 22 1993, the deputies from each of the nine regions into which the city is

Box 1: The Sequence of Meetings for Participative Budgeting

- **The opening seminar at which the Mayor announces the regional allocations and commences the participative budget.**
- **A meeting within each of the regions to look back at expenditure for the previous year and forward to the expenditure limits for the forthcoming investment programme.**
- **Two further meetings within the sub-regions. At the first of these, sectoral preferences for investment are discussed and people write down their preferences on forms. At the second, the forms are considered and a list of priority public works is decided (in accordance with a regional plan). At this second meeting, community representatives are elected to participate in the regional forum for budgetary priorities.**
- **Regional caravan of priorities**
- **Regional forum for budgetary priorities (decide on a programme for the regional components of the budget and elect members to the monitoring commission). Election of *conforça* and follow-up work of this agency.**
- **Meeting of representatives from each of the nine regions with city authorities in the municipal forum of budget priorities.**
- **Budget proposal sent by the municipal administration to the municipal legislative on the last working day of September.**

divided went to pre-arranged meetings to receive the requests for public works from each of the sub-regions. Based on the recommendations from the sub-regions and on the available resources, the deputies chose the priority projects to be included in the budget proposal to be sent to the City Council in September.

In 1994, US\$ 15.6 million was divided among the regions for the execution of the works. This represented some 40 per cent of the total investment of Belo Horizonte's City Hall. Of the prioritized projects, 37 per cent of the funding was for sanitation, 28 per cent for road paving, 13 per cent for education, 8 per cent for health, 5 per cent for housing and 9 per cent for social services, transport, road infrastructure and sports.

During this first year of operation, difficulties were encountered and mistakes were made. Improvements were made to the methodology and the following year, participation increased by 80 per cent. The explanation for this growth lies in a combination of three factors: intensive action by the regional administrations; better adaptation by the municipal agencies to the process; and greater responsibility being delegated to citizen control. Gallup Institute opinion polls in August 1994 revealed that people perceived the main accomplishment of the city's administration to be the participative budget. Eighty per cent of those sampled considered that the process had been effective in increasing participation. Seventy per cent of those interviewed said that the data about the city's budget had been clearly explained by the technicians from City Hall.

In 1995, the municipal government had two main tasks. The first was to complete the works approved for 1993 and 1994. Some had not been completed due to the excessive bureauc-

racy involved in public administration and also because of the difficulties in managing and executing a large number of relatively small projects. By this time, it had become clear that some of the difficulties could be addressed through a decentralized maintenance plan which allowed the participative budget to be allocated to bigger and more important works. The second task was to improve the methodology of the participative budget, both regarding the identification of investments and the relationship with the community and with the municipal legislature.

III. PRECONDITIONS FOR PARTICIPATIVE BUDGETING

THE METHODOLOGY USED for the participative budgeting process is the final outcome of a three-year experience in the administration of Belo Horizonte. This experience suggests that five factors are critical to its success:

- **Political will:** the budgetary process must be a priority for the administration, with the support and personal participation of the Mayor, deputy-Mayor and other members of the city government.
- **Regionalization of the city:** the city needs to be divided into regions and sub-regions in order to decentralize the participative budgeting process, and with this process being supported within each region or sub-region by a responsible administrative staff and technicians.
- **Definition of transparent technical criteria for a fair distribution of resources:** the city government must define both the criteria for allocated resources and the amount to be allocated by the budgetary process, and also how much is available for public works in the city. Everyone must be aware that not all the investment resources can be determined by the participative budget because there are city works which must be made with the endorsement of the city acting as a whole through its municipal council. There are also other city expenditures which are not flexible such as the cost of the municipal labour force or interest or capital payments on debts. However, this information needs to be presented in a way which the population can understand. Once the resources for the participative budget have been defined, they will have to be allocated to the regions according to agreed criteria.

In Belo Horizonte, for each of the nine regions, an urban life quality index (ULQI) has been calculated based on the population, income levels and existing infrastructure. This index is used to allocate investment funds between the regions.

- **Adaptation of the administration:** the city offices responsible for public works and for developing the budget have to change. Bureaucracy has to be reduced and there is also a need to modernize procedures and to improve on the effectiveness of activities. It is also necessary to ensure that the

public administration cooperates with this process. Many of the questions raised by citizens require research and analysis, and this requires qualified technical teams capable of rapidly responding to important questions. **Staff have to learn to work in a reality in which local citizens define their work and activities, and have the power to supervise an agreed agenda.**

- **Legislative involvement:** the city legislators must participate in the process. They are the ones who set and amend the scale of resources allocated to the participative budget. Such direct democracy may seem to threaten the power of the elected representatives and, for them also, participative budgeting requires a change of behaviour and of philosophy.

Once all these requirements have been met, it is possible to establish the participative budgetary process itself.

IV. HOW THE PARTICIPATIVE BUDGETING WAS ORGANIZED

THE ANNUAL PROCESS of participative budgeting takes place between May and September. To facilitate the process, the city has been divided into nine regions, each with its own administrator. Each region is responsible for the coordination of local activities and also acts as a focal point for information. Each region is further divided into sub-regions or groups of districts. Participative budgeting involves three meetings in each of the sub-regions.

The whole process is initiated with the opening of the budget at a large public meeting or seminar. Here, a detailed account of the previous year's expenditure is presented. A report, presented by deputy inspectors, is given on the follow-up of works for that year and transparency is emphasized. The people who participate in this seminar are the city administrators and their senior secretaries, regional administrators and assistants. During the meeting, the following year's budget is also presented, detailing its main revenue and expenses. The regional allocations for the city are announced and the criteria used for deciding these allocations made clear. The meeting is also an opportunity to invite a well-known public speaker to give a presentation to explain the budgetary process to all participants.

Prior to this opening ceremony, there is a meeting between the coordinating team for the participative budget and the Mayor, secretaries and regional administrators, the deputy inspectors selected for the previous year and the follow-up committee for the participative budget (*conforças*). The preparation which precedes the seminar starts in the month of April and ends in early May. Street theatre and puppet shows make presentations in the downtown area, in the most popular sections of the city and even in neighbourhoods and *favelas*. Comic magazines explain participative budgeting in a simple language. These cultural presentations demonstrate to the people that they are being genuinely invited to participate.

After the opening seminar, meetings with the people are held in each region of the city. There are also cultural presentations where the administration presents the work done in each region. During the first regional round of visitations, the public works accomplished for the previous period are visited and inaugurated by the Mayor. This is done by day, with the regional assembly being held in the evening and open to all. In the people's assembly, the regional administrator opens the session. At this first regional meeting, City Hall gives an account of last year's expenditure allocated through the participative budgeting process and sets out the general economic situation of the municipality. A video on the participative budget for the previous year is shown and a newspaper or newsletter is distributed with a detailed explanation of the progress of public works in 1994/95 and the sectoral projects for 1995. The Mayor then speaks about the importance of the budget, summarizes political plans for the forthcoming year and mentions other accomplishments of City Hall. After an open and often frank question and answer session between the administration and the participants, the regional administrator speaks about the participatory budget process, about preparing the year's schedule and about reinforcing the importance of the people's participation.

The second round of discussions brings together the city's sub-regions. The video is shown and the process for determining the year's budget presented. Participants at the meeting are given information on the anticipated revenues and expenses for the following year and the resources that have been allocated to the region. Citizens debate the local government recommendations for investment and make their own suggestions. Regional priorities and activities are discussed and evaluated to prepare for the decisions to be taken in the following round. The participants fill out individual forms where they list their main requests. With these forms comes an explanation of the factors that must be taken into account. For example, in the case of education, when a school needs expanding people must be aware that certain technical conditions must be met such as the existence of a site next to the school, the need to obtain the land and the kind and size of site which is needed.

The elected delegates visit all the places targeted for investment before choosing the regional priorities in the forum. It is also in the forum that fiscal commissions are elected to monitor the execution of the budget during the year. The (unpaid) members of the fiscal commissions work with the help of the regional administrations.

In September, after three months of discussion, the municipal forum of budget priorities takes place with the participation of all delegates from all regions, the Mayor and his secretaries, the City Hall representatives and the people.

The third round is also within the sub-regions. During this people's assembly, the popular demands are established. Each region is entitled to 25 interventions which are divided between the sub-regions. In the third round, participants chose or decide which works should be taken to the regional forum for budgetary priorities. In this forum, the plans are discussed and the

delegates chosen to represent the region at the city-wide meeting. These delegates are divided between the sub-regions according to the total population of the region. The delegates are chosen by the following criteria:

- Fifty citizens are elected by popular assemblies within each region, distributed according to the relative size of the region.
- One citizen for each 50 persons present at the forum.
- One representative for each residents' association in the region.
- Twenty representatives from other local voluntary associations in the region.

Once this third round is over, the "regional caravan of priorities" (or regional visits) can take place. The deputies are taken to visit the areas which will be receiving the investments. They bring with them a list containing the local population's priorities with cost estimates for the improvement projects, prepared by the city administration. Fifteen days after these "caravans" have been completed, the forums meet to discuss regional budget priorities, plan the activities and elect the committees which will inspect and follow up the year's budget, called the *conforça*.

The criteria used for the election of the *conforça* are the following:

- Twenty per cent of the citizens elected in the people's assembly within the sub-regions.
- Twenty per cent of the people who represent the region's neighbourhood associations.
- Twenty per cent of the people who represent other organizations in the region.

The number of participants has increased from 188 in 1994 to 236 in 1995 and an anticipated 251 in 1996, reflecting a general increase in participation in the budgeting round.

The forms listing the demands or requests in the third round are sent to the municipal planning secretary who coordinates the preparation of the works, to the office responsible for urban development and to the public works department. At the regional budget priority forum, participants decide on a plan for the necessary projects based on the cost of works and on the quotas allocated to each sub-region. These are integrated into the budgetary proposal that the municipal administration sends to the municipal legislative on the last working day of September.

The process of participative budget ends when the city forum for budget priorities takes place and the elected deputies and members of *conforça* deliver to the Mayor a list of the priority works to be done in each region. It is an important celebration which is filled with different symbols. The Mayor makes the commitment to incorporate these democratic decisions into the city's budget. In general terms, 50 per cent of the total capital budget of the municipality is allocated to the participative budget.

This allocation is supported through a multi-annual municipal development plan for 1995-97 which was voted on and approved by councillors.

There have been several changes in the distribution of municipal expenditure as a result of participative budgeting. First, there have been changes within infrastructure programmes. For example, there is no longer a road improvement programme in the *favelas* but one of sanitation, drainage and infrastructure. The amount allocated to public works in *favelas* has increased from US\$ 2 million in 1992 to 14 million *reals* in 1995. Second, there is more work being carried out on the periphery of the city as this is where most of the low-income settlements are located, and less carried out in the centre of the city.

Most of the public works approved by the participative budget are linked to infrastructure and sanitation with the second largest category being site preparation including roads, water, sanitation and drainage and, in some instances, plot divisions, and the allocation of public areas. The specific interventions approved by the participative budget in *favelas* are given in Table 1.

Table 1: The Projects Approved by Participatory Budgeting in the *favelas*

| | 1994 | 1995 | 1996 |
|--|------|------|------|
| Infrastructure and sanitation | 45 | 48 | 50 |
| Site preparation and specific interventions | 25 | 23 | 27 |
| Education | 11 | 5 | 9 |
| Health | 10 | 10 | 8 |
| Housing* | 4 | 7 | 18 |
| Other** | 5 | 7 | 6 |

* In 1995, a specific item was included for housing in the 1996 budget which was agreed by the municipal housing committee and the urban social movements. It was agreed that, of the 33 million *reals* allocated to the participative budget, 6 million should be for housing.

** Investments related to sports, leisure and social action projects. For example, over 13,000 children under the age of six are taken care of in 134 private crèches through agreements between them and the municipality.

The urban social movements referred to in Table 1 date back to the earlier years of this century soon after the founding of Belo Horizonte in 1897. The movement began around demands for public services, especially water, in the low-income settlements, especially those housing the construction workers for the new capital. Between 1943 and 1964, about 20 community associations served the interests of those living in the low-income settlements and the main activity was to protect the communities from evictions. In the second half of the 1970s, the number of such community organizations increased rapidly with

the gradual liberalization of the military regime. Today, there are about 1,000 such organizations concentrated mainly in the *favela* areas of the city. Their major aim is to press for infrastructure improvements. These remain the most popular and significant form of local organization, they are non-religious and provide an important channel of communication between those with the lowest incomes and the government.

V. CONCLUSIONS

THE GREATER THE number of public works that are chosen by local citizens, the more the people trust the participative budget and thus the greater the number of people who will participate the following year. Through the *conforças*, new community leaders are emerging and taking control of matters which were previously the prerogative of the state.

However, the process must be continually improved upon and the idea passed to other cities which will, in turn, develop further modifications and options. An important area which needs improvement is the provision of information on the city's revenues. A better understanding of taxes and fiscal policy, of how charges are set and what the problems involved in revenue collection are, may help ensure that taxes are paid and may perhaps make it easier to increase them when necessary. Taxpayers need to be conscious of their responsibilities; they also need to understand that their contribution is helping to improve the city. And the politicians must help them in their endeavour.

The world is going through major changes and considerable attention is being given to redefining the role of the state. In this context, the participative budget experience is very important because it helps to strengthen democracy, broadens citizens' consciousness and increases the people's direct control over government. Hopefully, this idea will grow and spread to other cities.