CHAPTER FIVE

THE REDISTRIBUTIVE EFFECTS OF THE PARTICIPATORY BUDGETING IN PORTO ALEGRE

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Introduction

In recent years many publications have stated that participatory budgeting at the local policy level is an innovative mechanism that stimulates the distribution of wealth and improves the living conditions of the poor. Such an institutional innovation extends the democratic process toward the poorer segments of society and incorporates them in the economic development. It is a fundamental process that can change a pattern of perverse distribution of income and wealth, which is widespread in Latin America. The issues of redistribution and poverty reduction are especially relevant in the Brazilian context due to the country’s high concentration of wealth and high levels of urban poverty. Brazil's GINI coefficient for income is one of the highest in the world, reaching 0.6 in the 1990s.

Most publications, however, do not substantiate empirical facts to underpin this claim of a redistributive effect of the participatory budgeting. The lack of concrete data may be explained by, firstly, the focus on developing a theoretical framework for the study of the functioning and the implications of this innovative participatory mechanism; and secondly, by the fact that the political administrators of the participatory budgeting were too involved in implementing which left no room for worrying about quantifying and measuring the effects of the mechanism on the population. Hence, researchers have been confronted with very little statistical material to make a proper analysis.

This is, however, odd because it is highly relevant to know the impact of a new administrative model, especially after this participatory budgeting has aroused so much attention in the academic world and in political debates in Latin America. The model of participatory budgeting has now been adopted in one way or another in many municipalities in Latin America and other cities in the world. In Brazil in particular
the number of cities adopting a type of participatory budgeting has gradually increased during the last four municipal terms, especially in large cities. Among the 223 Brazilian cities with population above 100,000 inhabitants in 2000, the number of experiences of participatory budgeting rose from 4 cities (1989–1992) to 7 cities (1993–1996), then to 34 cities (1997–2000) and it reached 69 cities in the period 2001 and 2004 (Marquetti, 2005). The increasing number of experiences is, partially, explained by the expansion of cities governed by leftist parties, in particular the Worker’s Party. Some large Brazilian cities have adopted the participatory budgeting such as São Paulo, Porto Alegre, Belém, Belo Horizonte, and Recife.

This chapter analyses and measures the redistributive effects of the participatory budgeting in Porto Alegre using data of the annual investment plans of the city of Porto Alegre in the period 1996–2005 and the number of public works during 1990–2004 to investigate whether the poorer regions received a larger share of the investment per capita. Additionally, the investments are compared with the previous administration before 1989 and further examined in order to find out whether there have been certain priorities in the allocation of the investments after the budget became participatory. The first part of this chapter shows that the direct democracy in Porto Alegre has had positive effects on the efficiency and redistribution. The second part discusses relevant data on the national level. Subsequently I will discuss the Porto Alegre case focussing especially on the redistributive effect of the participatory budgeting.

A central question to address is whether the redistributive effects are the consequence of the participation of civil society or just result from the fact that the PT party administered the city of Porto Alegre during 16 years. The income distribution was a policy priority of the PT when the party took office in 1989 and was carried out in a close partnership with civil society in an atmosphere of collaboration and understanding between the public and private sphere. There was a kind of symbiotic relation between the municipal government and some segments of civil society. Therefore, it does not make much sense to try to single out the influence from the municipal authorities or civil society. More relevant, in this respect, is to discern the capacity of this unique state-society relationship to generate positive results for the city as whole.