

The Participative Budget in Porto Alegre: Insights from a Study Visit of a Canadian Councillor

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Introduction

City Councillor Clive Doucet went to Porto Alegre in February 2002 primarily to study the 'participative budget' process, which was created in the city of Porto Alegre after the Workers Party (PT) was elected in 1988-89.

The report is a simple narrative and will confine itself to some observations about the 'participative budget' in Porto Alegre from the point of view of a local councillor*. The discussion paper will go on to reflect on the potential benefits and costs of a participative budget at local level in Canada. The paper will conclude with some general observations and recommendations on the introduction of a participative budget for Canadian cities.

Part 1: The Participative Budget in Porto Alegre

The Beginnings of the Participative Budget in Porto Alegre

The participative budget is a whole new way of preparing municipal budgets. Prior to 1988, it didn't exist. Prior to that date, Porto Alegre prepared its municipal budget exactly the same way every Canadian city and town does. Staff worked hard behind closed doors. The budget was then presented to Committee where it was discussed, small changes were made and then it rose to Council where it was passed. End of story. In 1988, the social democratic workers party, which was elected for the first time in Porto Alegre, decided that it wanted to find a new way of preparing the city budget. After their successful election, they went back to the electorate and in a rather amazing display of political humility said, 'we don't like the old system. We think it should be replaced by something else but we're not sure what with. Please help us figure out a new way.'

Public discussions were held and what came out of these discussions was the birth of the 'participative budget'.

The broad strokes of the Participative Budget in Porto Alegre

Essentially, what the participative budget does is take the city staff process that we have in Canada and simply throw it open to the public. Instead of staff evaluating and negotiating behind closed doors, they take their very preliminary documents to the public in March and the public discussion begins. The planning cycle is ten months, it begins in March and finishes with the document rising to City Council in December. January and February are summer months in

Porto Alegre and rest months for both the population and city council, similar to our July and August.

It is interesting what they call the Porto Alegre city budget document. They call it the 2002 City Investment and Service Plan document. This may seem trivial but the word budget doesn't appear anywhere. The whole budget process begins on a different premise that I am used to in Ottawa. What I am used to in Ottawa during our budget process is tremendous preoccupation with 'saving' money.

In Ottawa, we begin with a financial envelope of X dollars of Capital and Y dollars of Operating funds and then the budget exercise is to shoe horn all the essential services and most pressing capital demands into that envelope size. At the end of the day, all the media is really interested in 'did you make it?' Did you force the city's expenditures into the budget envelope and if you didn't how much did you take from the Reserves? Or deficit finance? Or what project did you cut? The budget process is all about the money envelope; the service and community investment side of the budget appears almost as an after thought. I have never seen a single editorial or columnist in the Ottawa press talking about the benefits of say investment in public transit versus roads.

In Porto Alegre, they start the budget debate from the other end of the equation. What services do people want? What new expenditures do people want? This is the primary preoccupation of the public process – to identify each ward's priorities and the overall city priorities. The participative budget process doesn't have the say on what priorities will be approved or even how much money will be raised by the city to pay for the priorities identified, this all remains with the elected council. *But what the participative budget does is identify the priorities and the distribution of those priorities across the city and within each ward.*

As one of the citizens on the citizen panel that I attended said, 'we still have industries which pollute in Porto Alegre. We still have a problem with urban poverty. The participative budget hasn't solved all our problems, but it has made the budget system more transparent, more honest, more equitable and there is more confidence that our tax dollars are getting spent on what people want, not what someone in authority thinks will be good for us.

As an example of equity, he pointed out that Porto Alegre had the opposite problem from the city of Ottawa and most Canadian cities that I am familiar with, the bulk of the annual city allocations flowed into central city neighbourhoods. Suburban areas were much poorer and less well served with even basic services like sanitation and piped water. And you certainly can see that in Porto Alegre. The entire central areas of the city are delightful. They are blessed with many parks, elegant generous streetscapes and the public spaces are all beautifully maintained.

After 12 years of 'participative budget, the basic services to the population have grown impressively. The number of children in school has doubled. Daycares have grown from 2 to 120. Homes with sanitation from 46 per cent to 85 per cent between 1989 and 1999. 25 kilometres of new road have been added. Sewage treatment from 2 per cent to 26 per cent.

Their public transit system is especially impressive, a fully integrated system from light, electric rail, to articulated buses on busways, shoulder lanes, mid-sized buses, small buses, air

conditioned, comfortable, 95 cents to use. The effectiveness of this system was evident in the usage. The buses were busy all day. Everyone used them. I could only find three parking lots in the downtown, although there must have been more. And people were on the bus not because they were poor, Porto Alegre is a very middle class city, larger than Edmonton or Ottawa at 1.3 million but similar in neighbourhoods, universities, hospitals, businesses. Alegrans used the bus system simply because it was less hassle than driving your own vehicle to your destination. Curiously, nighttime seemed to see more cars on the street. The private car in Porto Alegre seemed more like a social accoutrement than a necessity.

The demands for city services are so strong and clear from the Algerian population that the city has raised more taxes through a real estate tax, similar to our development charges and through small regular increases in property taxes.

These are very big accomplishments. The size of them can be appreciated when one learns although the participative budget was only born 12 years ago, in 12 years it has spread to 200 Brazilian municipalities, including most recently Sao Paulo. It is a city of 15 to 17 million people, the biggest city in Brazil and one of the largest on the planet. And councillors sympathetic to the participative budget process have been returned for three successive mandates and it looks like it will be returned for a fourth.

Implementation of the Participative Budget in Porto Alegre

The participative budget is still evolving and there is considerable flexibility from district to district i.e. the participative process is not exactly the same from one ward to another. But the skeleton of it seems to be as follows: In March, there is a single large assembly, which the mayor presides at, and which kicks off the process. There are preliminary documents available for discussion. The broad challenges for the year are sketched out.

Then there are meetings in each of the city's districts or wards. Councillors attend these meetings but only as observers, much as Ottawa councillors do, on our advisory committees, to which they have been assigned. At these meetings, two delegates are elected and two alternates are elected. These along with delegates from the other wards will form the annual *Council of Participative Budget (COP)* which will 'participate' in the smaller meetings between staff and the public to prepare the documents and the agendas for the ward and citywide meetings. Those participating in the annual participative budget are all volunteers and those delegates to the COP are only elected for one year. Each year a new group of delegates is elected.

Then, there is a cumulative, ten month cascade of discussions between city staff, the COP, the district meetings and the city meetings as plans and priorities under various municipal funding themes -- water, parks, recreation, roads, public transit, police etc. - are gradually refined from an amorphous wish list, to actual projects and programs which make sense in terms of the city's requirements and ability to fund.

In general, each ward expresses preferences, both across city wide sectors such as urban development, health, transport, education, culture, recreation and then in subsequent meetings each ward decides on their individual priorities. Choices are discussed and voted on in both neighbourhood meetings and also in ward and citywide assemblies that addresses each civic theme. These meetings are open to all citizens. The poorer areas of the city usually emphasize

basic services such as water supply, sanitation and roads while the wealthier pay more attention to parks and recreational facilities.

One of the most impressive outcomes of the 'participative budget' is, however, not just the physical result of each year's Investment and Services Plan but also in the level of civic enthusiasm and commitment to the city government. Everywhere I went people spoke well of the government and the process. Even those who were quick to preface their comments with the note that they were capitalists, not socialists, thought the city government was a good one.

Even given the possibility of some factual inflation around the process and its success, it would seem by almost any measure the Porto Alegran participative budget can be described as a model which has achieved more than anyone would have thought possible. Otherwise, it would be difficult to explain why so many other Brazilian municipalities are lining up to copy it because it requires considerable change on the part of both elected officials and staff.

Part 2: Transferring Participative Budgets to the Local Level in Canada

Would a participative budget process work in Canada?

Yes, I believe it would. If a participative budget was piloted in a Canadian municipality over the three year term of one council, I am sure at the end of that period, it would be clear to both the elected officials and the volunteer participants whether the system would work or not in Canada.

It would work in Canada for the same reason that it works in southern Brazil. WE have a city population with a tradition of volunteerism and commitment to making their cities work just as there is in Porto Alegre. Our population is highly educated as it is in Porto Alegre. And I believe the participative budget would also bring increased transparency, understanding of the trade-offs, clarity about the preferred budget objectives, priorities, funding. I, also, think it would have the side effect of reducing civic cynicism and increasing commitment to the democratic, civic government process.

Potential Benefits of the Participative Budget in Ottawa

A recent poll by Environics in Ottawa identified that 49 per cent of Ottawa residents want to see more money spent on public transit rather on road widenings, 19 per cent want to see more money spent on road widenings than on public transit. You would think that message is pretty clear and the allocation to public transit versus road construction would reflect that citizen desire. It does not. In fact it is the reverse.

In 2002, using a combination of provincial tax money, development charges and local property taxes, Ottawa will spend more than twice as much on new roads and road widenings than it will on public transit. If you take out the simple bus replacement costs that I regard as operational and not capital, the transit costs sink to a quarter of the money spent on roads.

This kind of discrepancy between what the majority of people want and the city council actually funds is much less likely to happen in a participative budget process both because of the public involvement and the length of the process.

In a six week public consultation process which also includes at the same time the legislative committee and council debate, there is very little time to do anything but make the most peripheral changes before rubber stamping what was supposed to be a 'draft' budget. But which is in reality the final budget from the moment it is introduced.

Are the added costs of ten months of public consultation worth it?

Staff spend about ten months developing the annual budget anyway, so it doesn't make much of a difference to staff costs. Council and committees receive the same amount of time to debate the budget in the participative model. The principal added costs come from the printing of documents and organizing of public meetings which requires new city staff to undertake. I was never able to get a figure for this, but I would presume it would be a couple of a million dollars at a minimum.

Are a couple of millions dollars worth it? Well, what are the costs of pursuing civic objectives which people don't want, and resent their city government spending their hard earned taxes on? Let me give a couple of examples from Ottawa.

In Ottawa, it is very clear that all of the central city neighbourhoods want to see their small-scale community and recreation centres modernized and expanded. They do not want car-based, 'recreation complexes'. The citizens of Ottawa under the current budgeting process cannot get either the city staff or council to buy into small-scale community centres, and there has been what amounts to a ten-year conflict between residents and City Hall. With the citizens mounting partnership funding drives, protests, parades, bake sales, tea parties, you name it, to get city hall to reinvest in neighbourhood scale recreation infrastructure. And on the city side, the city keeps commissioning new consultants to create recreation studies designed to prove to citizens what they want is not efficient or reasonable, and what they should really want is a modern, multi-purpose centre with several ice pads, a swimming pool, a library, an admin centre, and a convenient parking lot.

This has wasted a huge amount of time and effort on everyone's part and effectively frozen any reinvestment in central city community and recreation centres. In a participative budget this kind of problem simply disappears because planning becomes part of the budgeting process. In the participative process, staff and residents come to an agreement around planning as well as the disposition of funds, because the process is designed to create consensus, not entrenched opposing positions.

Let me give another particular example. In the recent Ottawa budget, the reconstruction of Bank Street was dropped as a cost saving measure. When I asked staff why, they said quite reasonably with the shortage of funds that the decayed state of the road was not quite as bad as another stretch of road in the city, so it was dropped. I have no doubt staff made the right judgement based on a technical evaluation of the road surface, sewers, water mains etc.

But the evaluation did not consider the social and economic impact of dropping this reconstruction of the surrounding communities because that wasn't in their terms of reference. The problem is the social and economic impact of not rebuilding Bank Street, which is a Main Street configuration with over fifty stores, businesses and residences, is enormous. The community and the businesses on Bank Street had been preparing for this interruption in their

summer business for three years. New investments had been put off. New investments had been contemplated, to be timed with the road construction. Putting off the road construction would have enormous effect on the community.

On the other hand, the street that was judged more decayed had no business on it and a few residents, putting off reconstruction would mean some summer patching and that was the net effect. A participative budget is inclusive enough in both the particular and the citywide to pick up these kinds of connections and come up with different decisions because the bowl of considerations is larger.

Finally, on the city wide scale, what is the effect of continuing to invest 80 per cent of your transportation budget in roads when it is the clear wish of the majority of your residents report that they want the environmental, community and personal health benefits of investing 80 per cent of the transportation budget in public transit?

Conclusion

Right now, Canadian City Budgets are presented to the public in several volumes and can be spread over 1000 pages. It is very difficult to involve the public in any consultative process because even the keenest community activists regard the budget preparation process as too difficult to decipher. Even if it is decipherable, citizens have very little chance to influence the final outcome. Yet there is nothing more important that City Council does.

The Official Plan can be an award-winning document but if the city's expenditures don't reflect the principles described in the Official Plan, what purpose does it serve? Where is the connection between the enormous efforts every Canadian city makes to prepare an Official Plan and the annual budget? Frequently there isn't. For example, public transit can be the no.1 priority in the Official Plan, but what does that priority mean if in the annual budget more gets spent on building and maintaining roads. In Porto Alegre, it is exactly the reverse. The city planning and development process focuses on the budget and the development of 'Official Plans' takes a back seat to the development of the annual budget process.

Once the public understands how much is being spent on Greenfield development versus lifecycle costs in established areas, decisions can be made about whether there is an equitable balance. In Porto Alegre, it was discovered that there was an inequity between the downtown and the suburban areas. Much more money was being spent on the centre of the city than the suburban areas, the participative budget process changed this, but you can't make this policy change until you see the figures. How many Canadian cities have equity of expenditure as one of their budget direction priorities? How many Canadian cities know how much they are spending on new capacity for roads versus new capacity for public transit? Until the public has these comparative figures, policy discussions around the budget can't take place.

In Ottawa, we are moving towards a participative budget process. In the second year of the new city, we began budget discussions in June and without figures. The first public consultation was just around what kind of information the public would like to have so that a considered debate can take place about general budget priorities and the eventual, actual allocation of funds. Staff has been asked to develop a four or five page document, which just lays out the basic trade-offs

that are possible. This will be crucial. For the first time, citizens of Ottawa will have the chance to comment on whether they want more money in recreation opportunities than new roads, or more in public transit capacity versus more road capacity.

It is a first for the city and may be the most important thing that the new city will ever do. Somewhere between 10 and 15 per cent of the city's budget is discretionary. In Ottawa that amounts to between 170 and 250 million per year. Redeploying that 10 per cent over ten years in Porto Alegre to people services and public transit changed the face of the city. It will do the same in Ottawa.

Note:

The reader should take into consideration that the author's comments are by necessity very general. One of the difficulties in visiting Porto Alegre is that no one speaks English. Indeed, the author made the comment that English is a very distant language for the Brazilians. They have about the same relationship to it as we (the Canadians) do to Russian. They know it's out there somewhere but there is no connection to it. For example, the author did not find one person in eight days from Porto Alegre including hotel clerks who could speak English. Even ordering food in a restaurant took a fair bit of ingenuity. The discussion paper is based on translated documents and translated conversations with officials from Porto Alegre.