

draft

**INEQUALITY AND INNOVATION: DECENTRALIZATION AS AN OPPORTUNITY
STRUCTURE IN BRAZIL.**

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Acronyms

CEB – Comunidade Eclesiástica de Base - ecclesiastical base community

CMO - Conselho Municipal de Orçamento – municipal budget council

COP - Conselho do Orçamento Participativo - Council of the Participatory Budget

ICMS - Imposto sobre Circulação de Mercadorias e Serviços – Tax on the Circulation of Merchandise and Services

IPTU - Imposto Predial e Territorial Urbano - Tax on Buildings and Urban Lands

ISSQN - Imposto sobre Serviços de Qualquer Natureza - Services Tax

LOM - Lei Orgânica Municipal - Municipal Constitution

PB - Orçamento Participativo - participatory budget

PDS - Partido Democrático Social- Democratic Social Party¹

PDT - Partido Democrático Trabalhista - Democratic Labor Party

PFL - Partido da Frente Liberal - Liberal Front Party

PI - Plano de Investimento - Yearly Investment Plan

PMDB- Partido do Movimento Democrático Brasileiro - Brazilian Democratic Movement Party

PROMORAR - Programa Pró Moradia - Housing Program

PSB - Partido Socialista Brasileiro - Brazilian Socialist Party

PSDB - Partido Social Democrático Brasileiro - Brazilian Social Democratic Party

PT - Partido dos Trabalhadores - Workers' Party

PTB - Partido Trabalhista Brasileiro - Brazilian Labor Party

SFH - Sistema Federal de Habitação - Federal Housing Agency

¹ The PDS became the PPR in 1993.

Introduction

The decentralization of government has become standard policy prescription in recent years, and Brazil's experiment with decentralization, codified in the 1988 post-dictatorship constitution, has accordingly attracted a great deal of reflection in and outside of policy circles by virtue of being among the most far-reaching reforms among Latin American, if not developing countries as a whole (Willis, Garmas and Haggard 1999). After more than a decade of continuing reforms, Brazil's decentralization has both its admirers and critics; admirers point to the way that some subnational units have innovated service provision and governance, pointing to well-known examples of local innovation like the municipalities of Curitiba and Porto Alegre, and to the state of Ceará, home as examples of "good governance in the tropics" (Tendler 1997) made possible by decentralization (Campbell 1997; Peterson 1997a). Detractors note the ambiguities and incompleteness of Brazilian-style Federalism, including the lack of central coordination on areas like fiscal and industrial policy. Other charges include the way decentralization has provided a source of spoils for patrimonial elites, the way that decentralization has exacerbated regional inequalities, as well as to the inability of municipalities to provide the services for which they became responsible, a situation of an "unfunded mandate" as once described by Porto Alegre's ex-Mayor Raul Pont (Pont 2001). The unchecked and uncoordinated power of state governors has caused some to describe Brazil's system as the "most demos-constraining federation in the world" (Stepan 2000: 143).

This brief article seeks to add to the debate on Brazilian decentralization, and the nature of decentralization of the state more generally, by reintroducing to the discussion the political dimension of the phenomenon. Specifically, I consider the impact of

decentralization through the lens of the “structure of opportunity” it creates for local actors to create democratic innovations in terms of governance. Theorizing on opportunity structures has a long tradition within political sociology, though it has more often been applied to instances of collective contentious action and the way that changes in the political context enable and constrain its appearance and success. To consider decentralization as an opportunity structure means to consider institutional openings and resulting enabling and constraining factors to local actors who would be the agents of change in the direction of democratic innovation. It also means acknowledging that democratic innovation of the type heralded by defenders of Brazil’s decentralization takes place in specific local contexts in a process of political contestation in which “democratic innovation” may well be against the interests of powerful actors, but also in which innovation itself is part of the political project of other actors.

To foreshadow my conclusion, in this article I argue that Brazil’s decentralization is largely “guilty as charged”: despite a complicated system of transfers it has not addressed regional inequalities, and the expected improvement of service delivery has not made up for the net decrease in spending in the area, and the ambiguities in the system help account for the way that local (particularly state-level) elites have used the decentralized resources in patronage schemes. On the other hand, decentralization has created the institutional opening for local actors to create a wide-ranging number of local experiments in innovative governance, in fact fulfilling the promise of “bringing government closer to citizens.” The article does not pretend to exhaust all facets of decentralization in Brazil, and for analytical clarity I consider in particular the case of Participatory Budgeting as an innovation made possible by virtue of the decentralizing

reforms, that as far as the available evidence suggests, generally increased democratic accountability, citizen participation and had good governance outcomes that were redistributive. The opportunity structure for these innovations, however, is unevenly distributed despite the fact that the reforms were applied nationally. The structure is such that it has made it generally less likely for actors in poorer, smaller, and northern municipalities to carry out such innovations, as well as generally block off similar innovations at the state level. While exhaustive and comprehensive historical data does not exist for all municipalities that carried out or attempted PB or similar reforms, I here proceed on the basis of inference from known municipalities that instituted PB according to NGO surveys², and from available individual case studies in an inductive fashion to discuss three particular constraints against innovation: political constraints, resource constraints, and associational deficits. After a brief discussion of the background and origins of decentralization in Brazil, I discuss its institutional features and overall impacts before discussing municipal innovations, and addressing the “lessons” of Brazil’s experiment.

Theorists of the state disagree about the implications of this continent-wide pattern of devolution and decentralization in the context of globalization. O’Donnel (XXXX) has emphasized the appearance of areas with and without the presence of the

² A national survey carried out in 2001 by the FNPP, the National Forum on Popular Participation, an umbrella body consisting of several Brazilian NGOs is described by Ribeiro and Garcia (2002). An earlier survey by FASE complements a variety of individual cases described in the literature. The authors of the 2001 survey admit its limits, and any discussion of the evolution of the PB in Brazil will be limited by the lack of such “institutional memory.”

state, while Evans (1999) has discussed highly beneficial local institutional innovation. In either case, it is clear that the decisive shift of responsibility for state provision to the municipal level has opened up possibilities for strategically placed local actors willing to contest power at the most local level and to eventually assume control of the local provision of services. Local governments have achieved much greater capacity and autonomy as a result of these changes, but it is not clear whether these changes will tend to exacerbate district-level inequalities or whether the increased allocative and productive efficiency of local governments will make up for the disparities. This paper traces the background of these changes and their impact, and the argument I develop here is that the decentralization of the national state opened up local institutional spaces for innovation and helped create the new conditions for new, locally-oriented civic engagement and political competition.

The Background and Context of Decentralization in Brazil

The devolution and decentralization of government in Brazil, as well as Latin America in general, has been brought forth by a coalition of reformers, pro-democracy activists, and consultants from international agencies. International pressures to comply with fiscal austerity measures as well as to modernize the state apparatus contributed to the transfer of government responsibilities since the late 1980s in areas as education, social services, and health to municipal government.(Alvarez 1993; Nickson 1995) This coincided with the transition to the democracy (1984-1988), and part of the changes included the fact that municipal governments were also given greater autonomy with

regard to municipal laws and with regards to the development of local long-term planning priorities. In Brazil, the 'decentralization of government' was codified with the first post-dictatorship constitution, ratified in 1988. A number of actors formed the coalition behind the change, including modernizers within government, progressive politicians, politicians tied to regional elites, and activists (Nickson 1995).

Scholars have argued that Brazil's decentralization in the post-dictatorship period should be understood as part of a continuum of "center-state-local power relationships"(Souza, 2002:25). That is, shifts in power between center and local units has been result of political contestations over time that have favored one or the other. Since the founding of the Brazilian republic in 1889, municipalities and states have traditionally been highly autonomous and the stronghold of a variety of regional elites with specific interests. The national state has sought to "reign in" states at various points, such as during the Vargas dictatorship (1930-1937), and again under the military regime (1964-1984), when government functions were re-centralized, partially as a move to weaken the influence of regional elites. A variety of measures, including for example, the abolishment of state constitutions and flags under the early years of the regime, were sought as a way to strengthen the "center." Since the mid 1970s, however, there were signs of decentralization, such as the incremental increase of transfers to states. Scholars have argued that this was result of the national state's search for political legitimacy among regional elites represented by politicians in the two legal parties (Kugelmas and Sola 2000). The first elections for governors in 1982 (ahead of the full transition to democracy of 1984-1988) brought a number of opposition governors to power as well as a number of governors tied to regional elites. From then on, the dictatorship sought to

appease these local “power brokers” who were seen as the key to political legitimacy(Abrucio 1998).

The actual decentralization reforms in the post-dictatorship period reflected a variety of sources of pressure from regional elites, popular pressure, and international bodies. The Federal Constitution of 1988 was partially crafted with the input of nationally mobilized neighborhood associations and urban movements. Brazil’s negotiated transition to democracy, beginning in 1985 took place at a time when poverty and exclusion had increased quite sharply throughout Brazilian cities and the belts of poverty and exclusion around cities provided for a powerful impetus for organizing around the delivery of urban services and urban quality of life issues. The 1980s were thus characterized in Brazil by urban social movements making a variety of claims at the local level. With the transition to democracy under way, and the discussion for the new constitution beginning in 1986, urban social movements made demands for more accountable forms of city governance. The national meeting of the ‘National Forum for Urban Reform’ in 1989, for instance, concluded with a statement of principles that called for citizen participation in the running of city affairs as a basic right of citizenship (Moura 1989). The movement mobilized around the legal proviso for popular amendments to the constitution. ‘Popular Lobbies’ in the form of caravans to Brasília accompanied the 122 amendments that were submitted with the requisite number of signatures, and movement representatives were allowed to testify as consultants in the hearings. (Alvarez, 1993)

The ‘decentralization of government’ was also a catch phrase for policy makers throughout the Americas in the 1980s, who argued that a less centralized state would be a

less bureaucratic, more responsive, and more efficient state.³ However, it was the debt crisis of the 1980s and not benign concerns about centralized power that led to these institutional changes in Brazil. The fiscal crisis of Latin American governments intensified in 1982 when Mexico's default on its debt payments led to the IMF sanctioning a series of austere structural adjustment policies throughout the continent. Hardest hit by these austerity measures were urban services – provided by central agencies – at a time when absolute levels of poverty in the belts of poverty around cities was rising most dramatically. In order to adjust national fiscal spending to meet with IMF conditionalities, international lending agencies very actively encouraged the transfer of responsibilities for social services to the local level. Most notably, the Inter American Development Bank and the World Bank in the mid 1980s encouraged local institution building, by offering loans and training programs directly to municipal governments (Nickson 1995).

Political scientists have also argued that a crucial factor in the crafting of the new constitution was the fact that parliamentarians involved in the Constitutional Assembly simply reflected disparate regional interests, and there was a general consensus that weakening the center as much as possible would lead to the most resources to regions (Montero 2001; Montero 1997; Samuels and Abrucio 2000).

³ See, for instance, some representative positions in IDB (1997), IBAM (1988), Quercia (1984).

The Changes and the Constitution of 1988

In essence, the constitution reflected four broad transformations between national and local state power. First, local governments were given more significantly more political autonomy from their district-level and national counterparts. In a rare constitutional arrangement, municipalities were to be thus considered ‘state-members’ of the national federation on equal footing as states. They were free to develop ‘organic laws’ – in essence, municipal constitutions that were more responsive to local needs. A number of cities in Brazil would organize mass public debates on the construction of municipal constitutions, including Recife and Porto Alegre. Cities were thus also allowed greater discretion with land legislation, particularly ‘social use’ and ‘social interest’ laws that guaranteed broad rights to municipal government to regulate the use of empty plots of land, or to develop municipal policies to deal with squatter’s settlements. Local autonomy in deciding land rights questions would have important implications for the problem of urban poverty. On the other hand, the status of municipalities would also mean that there would be ambiguities in the coordination of the decentralizing efforts because it would not be legally possible for states or the federation to “force” municipalities to carry out services.

Second, local and state governments were given greater fiscal autonomy from the union, as the constitution codified a number of mechanisms of transfer of resources toward subnational government. Traditionally, the principal source of funding for local government came from federal revenue-sharing arrangements. The 1988 Constitution shifted a significant number of resources towards states and municipalities, while increasing the number of taxes each could raise, like vehicle, sales, and services taxes for

municipalities. It also allowed for greater nondiscretionary transfers from the state and federal government to the local government. Five taxes were transferred to states, including ICMS (value-added tax); states were free to set their own rates and were given discretion on its use, save for a provision that 25% would be transferred to municipalities in the state. The two funds of nondiscretionary transfers to states and cities, the “participation funds” (FPM and FPE) were augmented by increasing the proportion of the income tax (IR) and industrial products tax (IPI) transferred to it; these funds would be distributed according to states and municipalities on a formula based on per capita income and size.

Third, local governments were given the responsibility (or co-responsibility) for the some of the main aspects of social service delivery that were “municipalized”. In 1987, the national health system was abolished in favor of municipally based service provision. The 1988 constitution formally recognized that cities would be responsible for health services, along with transportation and primary education. As I discuss below, these devolutionary policies have led to mixed results because of the ambiguities involved in which level of government would be responsible and accountable for provision.

Fourth, local governments became *free to institutionalize channels of direct popular participation into public affairs*. The 1988 Constitution established legal provisos for participatory mechanisms calling for the input of popular councils in the development of social programs. At the same time municipal governments were developing de-centralization schemes. The well-known Article 29 of the constitution

calls for ‘the cooperation of representative associations in municipal planning.’ (Brazil, 1988)

Recentralizing Tendencies

The economic context under which these reforms were introduced was not an auspicious one, as mentioned; the late 1980s was a period of runaway inflation and difficulties with debt repayments as well as constrained public investments. As a result of the economic changes of the 1980s and the dislocations of the population to urban peripheries, the tendency for city services and city hall offices to serve ‘downtown’ areas instead of outlying areas had been exacerbated. Newly elected local and state governments conflicted with the national state over service provision and acceptable levels of spending.

One of the conflicts involved the high levels of public expenditures of states by the early 1990s, particularly with personnel, which threatened fiscal stability. Newly elected governors in 1982 increased payrolls with 500,000 new employees at the state level (Samuels and Abrucio 2000). Worries about the “runaway” spending of states (an increase in real terms of 33% between 1986 and 1995 while states’ GDP only increased by 16% in the same period) and several subsequent federal bail-outs triggered a number of moves designed to foster fiscal recentralization (Kugelmas and Sola 1999). The Real stabilization plan of Fernando Henrique Cardoso of 1994 included several re-centralizing measures as well as attempts to curb the spending of states. This included curbing the amounts of tax transfers to states, and the creation of a new tax on transfers. A law on fiscal responsibility (the LRF) limited public sector spending, and another law of 1996

(Lei Kandir) then curbed the amount spent by subnational government on personnel (Souza, 2002).

The Impacts of Decentralization in Brazil

There is a wide-ranging discussion on the impacts of decentralization in Brazil, and while there are disagreements, the literature as a whole describes “mixed but largely disappointing results in terms of service delivery, popular participation, strengthened local elites, and reform initiatives” (Weyland, 1999:1006). The analysis of economists of various stripes has consistently pointed to a number of persistent problems with Brazil’s decentralization: the functional ambiguity of the reforms, regional inequalities, clientelism/elite capture, and runaway spending by governors. Political scientists have pointed to the way that it “tended to revitalize the power of traditional, patrimonial elites” (Montero, 1997).

Provision of Services

Scholars have noted the many redundancies in the institutional arrangements created by the new constitution. The wording of the constitution, in most cases, does not create privileged levels of government for the provision of certain services. Because of overlapping responsibilities in most areas, de facto decentralization has been uneven, with lower levels of government often unwilling, or unable, to take over service provision. As Kugelmas and Sola suggest, “how can decentralization be a success while states and municipalities lack the administrative, financial, and institutional conditions to

implement programs?” (Kugelmas and Sola 1999:75) Shortly after the constitution of 1988, the federal government undertook “operação desmonte,” or the dismantling operation, that significantly removed funding for federal social programs, a period when there was an aggregate decrease in per-capita social expenditures for the nation as a whole (from US\$80 to US\$40 between 1988 and 1993 for health, for example) (Workman, 1997:49). One of the downfalls of the devolution of government has been that smaller cities in cash-poor states have suffered significant loss in revenues while assuming greater responsibilities for service delivery. Overall, devolution has been accompanied by a net loss in social service expenditure in Brazil that has particularly hard for smaller municipalities and for poorer states (Dowbor 1998; Peterson 1997b; Willis, Garman and Haggard 1999).

By the year 2000, municipalities and states were spending over half of public expenditures, becoming the dominant providers of health, education, and infrastructure. While the federal government was still the spending the largest portion of public expenditures as well as the largest source of social spending, the fact that in 2000 78% of federal spending went to debt amortization, and 65% of its social spending was in pensions highlights the importance of subnational units (Souza, 2002:37). Table XX below shows the progression of social spending by source in Brazil from 1987 to 1996.

Table 1: Proportion of Total Social Spending in Brazil by Source, 1987-1996

Year	1987	1989	1992	1994	1996
Federal	63	60	56	60	57
State	26	28	28	23	23
Municipal	11	12	16	17	19

Source: IBASE, 1992; Souza, 2000.

Table XX below shows the breakdown of spending by sector in Brazil by government level for 2000. As it shows, municipalities and states have become the principal providers of a number of services, with municipalities accounting for 68.7% of housing, 30.9% of Education and Culture, and 30.3% of Health expenditures. States account for 49.6% of Education and Culture, 47.3% of Transportation, and 25.4% of Health expenditures.

Table 2: Government Expenditures in Brazil by Level, 2000

<i>Function</i>	<i>Union</i>	<i>States</i>	<i>Municipalities .a</i>
Social Insurance and Social Assistance	78.8	16.2	5.0
Education,Culture, Sport and Leisure	19.5	49.6	30.9
Health and Sanitation	44.2	25.4	30.3
Housing and Urbanism	15.2	16.1	68.7
Labor	90.8	9.3	—
Environmental Management	100.0	—	—
Energy and Mineral Resources	72.2	19.8	8.0
Transportation	23.8	47.3	28.9
Sectorial Policies	58.9	33.0	8.1
Defense	100.0	—	—
Public Security	15.2	82.2	2.5
Foreign Affairs	100.0	0.0	—
Legislative Branch	23.5	41.0	35.5
Judiciary Branch	42.4	56.3	1.3
Total Expenditures b	45.5	37.9	16.5

Source: XX, 2002.

The resource base of municipalities and states has increased in real terms over the period of the reforms, a growth in real revenues of 161.5% between 1989 and 1995, causing some to declare Brazilian municipalities, “the envy of the developing world” (Shah, 1994: XX). In fact, however, many scholars and practitioners have argued the opposite – while there has been an increase in resources, municipalities have been in fact entrusted with an even greater responsibility for service provision as result of the

dismantling of federal services, with the result being an overload of demands to local level institutions, particularly with smaller municipalities (Araujo 1997; Arretche 2000; Carvalho 1997; Lebauspain 2000; Pont 2001; Souza 1996; Souza 1997b). Table XX below shows the evolution of fiscal decentralization in Brazil, and the distribution of total tax revenues available per level of government between 1987 and 2002. In addition to showing a tendency toward recentralization after 1991, the table shows (when compared to table XX above) that social spending has fallen to municipalities in greater proportion of their available budgets.

Table 3: Fiscal Decentralization in Brazil, Distribution of Tax Revenues 1987-2002

Year	Federal	States	Municipalities
1987	65.28%	23.98%	10.74%
1988	67.17%	22.51%	10.32%
1989	62.93%	25.72%	11.35%
1990	61.10%	26.40%	12.50%
1991	58.55%	28.40%	13.05%
1992	60.18%	27.19%	12.63%
1993	62.55%	25.26%	12.19%
1994	63.62%	24.99%	11.39%
1995	61.73%	26.00%	12.28%
1996	61.47%	26.25%	12.28%
1997	62.48%	25.43%	12.09%
1998	62.85%	24.52%	12.63%
1999	63.18%	24.00%	12.82%
2000	62.71%	24.56%	12.73%
2001	62.44%	24.54%	13.02%
2002	63.46%	23.59%	12.95%

Source: BNDE, *Termômetro da Descentralização*

Among poorer municipalities, where per-capita levels of municipal budgets are low, there is difficulty in raising independent revenues. According to Souza (2002), three

quarters of municipalities, and over 90% of towns with less than 10,000 inhabitants, depend on transfers for over 90% of their revenue (2002:36).

The evidence about the performance of service provision under the regime of decentralization is mixed. Souza (Souza 1997a), in a study that focuses on education, challenges the notion that decentralization has brought any improvements to performance, and that it has exacerbated regional disparities. Other scholars examining education, health, and social service provision have also generally found few overall improvements, if pointing to local instances of innovation (Araujo 1997; Arretche 2000; Costa 1996; Costa 2002; Graham 1997; Graham and Wilson 1997; Jacobi 1994; Sposati et al. 1990)

In terms of education, a principal problem with the decentralization reforms was the level of disparity in provision and the inability of municipalities to take over responsibilities. Some states, like Ceará, developed some innovative ways of incentivizing municipalization in the early 1990s, but on whole the reforms had little success in altering the proportion of students in municipal schools throughout the 1990s. An effort in 1998 to equalize service provision was the creation of a federal fund (FUNDEF) to supplement local funds for education up to per-student minimum, with an earmarking of 60% of funds to go to wages and salaries. As a result, there has been a significant increase in municipalization of education, supplementing the decision-making autonomy given by the constitution with an increase in the capacity to carry out those decisions. Between 1996 and 1999, the number of children in municipal schools increased by over six million, bringing the proportion of all students in municipal schools to 40% from 31.8%.(Afonso and Melo 2000).

In terms of health care provision, one of the principal problems was the lack of access in smaller and cash-poor municipalities in a context of the dismantling of federal programs. Efforts in the late 1990s to increase the equity in the resource base for the health provision at the municipal level were somewhat successful in increasing access to health care. Transfers to meet per-capita minimums for certain preventive care programs were introduced, as was a mechanism to create inter-municipal consortia for health care delivery since small municipalities do not have the means to meet the scale of investment necessary for certain types of health care services. The vast majority of such consortia, however, are in the South and Southeast regions of the country (Afonso and Melo 2000; Araujo 1997; Costa 1996).

Regional Disparities

The transfer of responsibilities has also been accompanied by the transfer of revenue-raising powers and a greater autonomy of subnational governments with regards to budgets. While the constitution mandates a number of transfers that are, in principle, supposed to offset regional inequalities, scholars have pointed out that despite formal mechanisms to reduce regional inequalities, the economic supremacy of the industrialized Rio-São Paulo-Minas Gerais belt in the Southeast worsened between 1988 and 2000. The available budgets for states and municipalities in different regions is widely varied, and for social service provision therefore, are widely disparate.

Real disparities exist among municipalities, which have caused egregious examples of decrease in quality of service provision. In addition to the increase in transfers, and to the increase in share of certain taxes, municipalities were given

additional powers to raise taxes, as described above. Municipal taxes include a land-use tax (IPTU), a service tax (ISS), a real estate tax (ITBI), and together they accounted for 15% of municipal income for 1997. The remaining municipal resources come from federal and state transfers; the federal transfer comes from a portion of federal income tax (IR) and the value added tax (ICMS), which made up 60% of transfers into a Municipal Fund (FPM) which is then distributed according to a formula that.... State transfers come from a portion of state taxes over motor vehicles (IPVA) and valued added tax (ICMS).

While smaller municipalities tend to be more dependent on transfers, the situation is worse in the less economically developed areas of the country. Because the taxes which municipalities can raise privilege developed urban areas, the ability for municipalities to raise taxes is concentrated in the country's richer areas. In 1999, 71% of all municipal revenues were raised in the Southeastern region, while the North, Northeastern, and Central-West regions accounted for 15% of that (Afonso and Araújo 2000; Neves 1993; Nunes 2001). Among Northeastern municipalities, 60% were in a "high degree of dependency" for transfers; among smaller municipalities, own resources accounted to between 1.5 and 5% of total budgets for 1994, for example (Carvalho 1997). Among states, the picture is not much different; for 1999 states in the North, Northeast, and Center-West depended on transfers for almost two thirds of their state budgets, while the figure for South and Southeast was closer to a third (Afonso and Melo 2000). Even among state capitals, the disparity between per-capita budgets between the capitals in less developed regions and those in more developed regions is stark, with South and

Southeast capitals having between two and three times the available per capita budgets than other capitals (Rosenblatt and Shildo 1996).

Observers have also noted that the de facto implementation of decentralization has been extremely uneven. Part of the problem is the institutionally vague arrangement of the reforms. The constitution, as mentioned earlier, is vague and does not assign responsibility for provisions, rather assigning “directives.” Articles 198 and 204, for instance, assign directives for health and social assistance to municipalities, without specifying the responsible entity. There are, in fact, thirty such areas of “concurrent responsibilities” in Brazil (Araujo 1997; Medeiros 1994). Another part of the problem is the inability of local governments to assume responsibilities for lack of capacity.

According to Arretche (1999), the levels of “actual decentralization” – that is, the actual transfer of competencies to local units is regionally varied. For instance, while the provision of school lunches has been fully turned over from the federal to the municipal government, in the area of social services, only 33% of municipalities by 1997 offered social services while service provision was turned over to municipalities with the constitution; while health was officially turned over to municipalities, only 54% of medical consults in 1996 were offered in municipal clinics (Arretche 2000). While Arretche finds clear variation by region and by the size (and fiscal capacity) of municipality, it is not possible to assign a single causal explanatory variable to whether a municipality assumes services or not; rather, a combination of political factors (such as whether local elected officials will take a risk), associative conditions and resource constraints account for the outcome.

According to a study of the Northern state of Bahia, a state with low municipal capacity and traditionally clientelistic politicians, carried out between 1987 and 1997, the decentralization of services was not met with any significant increase in local level initiatives. In the case of housing, with the dismantling of federal programs simply meant the virtual stoppage of housing assistance, and housing and infrastructure remained at roughly 1.5% of combined municipal budgets for the period. Health and education revealed similar features, and local-level social services were largely spent in clientelistic arrangements (Carvalho 1997).

Decentralization as Opportunity Structure: Democratic Innovation

The Decentralization of Government in Brazil has also opened up institutional spaces for local actors to carry out innovative reforms. The combination of increased political autonomy, greater discretion with regards to the allocation of resources, and a growing movement of local actors with ties to social movements willing to contest elections has meant the conditions for democratic innovation were made possible, or for the possibility of translating civil society innovations into new forms of governance as has been described by Avritzer (2002a). Some of the best-known examples of such innovation are probably the instances of participatory governance such as the ones noted in Belo Horizonte, Porto Alegre, Santos, or Diadema, under the Workers' Party (PT). In Belo Horizonte, in the state of Minas Gerais, a '*favela* urbanization' program has helped several thousands of families of squatters to earn the title to their land. In Diadema, in the state of São Paulo, after twelve years of PT rule, the city administration managed to reduce child mortality by two-thirds and paved practically 100% of its streets up from

fifteen percent a few years before (Klink 1999: 331). The city of Santos, also in São Paulo, under the PT, developed innovative AIDS programs and community-based mental health programs that have become an international model (Branford and Kucinski 1995: 85). And in the city of Porto Alegre, in Rio Grande do Sul, all of the city's municipal budget decisions have been turned over to participatory citizen councils that, with the involvement of thousands of people a year, have cleaned up municipal finances and achieved many significant gains in the provision of services to the poor. Other innovations have been described in the literature, particularly in terms of municipal innovations, of “cities that work,” or “islands of efficiency”(Figueiredo Júnior and Lamounier 1997). These have been in the areas of environmental action, health provision, and use of computer resources at the municipal level (Figueiredo Júnior and Lamounier 1997; Instituto Pólis 2001; Jacobi 2000; Lebauspain 2000; Spink and Clemente 1997).

Given that these are “islands” and a minority of municipalities, in this paper I propose to understand them in terms of the structures of opportunity afforded by the decentralizing reforms. While opportunity structures have often been considered in terms of understanding the way collective action is responsive to opportunities in the polity (Amenta and Zylan 1991; Tarrow 1996; Tilly 1978), scholars of democratic innovations have pointed to the specific institutional and political contexts that made such innovations possible. Neo-institutionalist approaches within sociology that would “bring the state back in” as having relatively autonomous explanatory power would point to the interaction of changing state structures with social actors (Evans, Reuschemeyer and Skocpol 1985; Skocpol 1982). Structured “rounds” of state-society interactions in

which, at each turn, the balance of power and institutional legacies of previous turn limit some possibilities but also open other ones (Migdal 2001). While Tilly and Shorter (1974), have pointed, for example, to the ways in which the centralization and nationalization of political power in nineteenth century in France fostered the emergence of national political parties, it is possible to understand these moments of innovation, carried out by concrete political actors in specific contexts, in terms of the opportunities the decentralization of government has afforded.

The Decentralization of the Polis, and new civil society actors in Democracy

One central aspect of the impact of the reforms has been that the decentralization of government, and the concurrent democratization, have had contradictory outcomes in terms of the emergence of new actors. On one hand, decentralization has strengthened the power of governors, the “barons of decentralization” (Abrucio, 1998) who have largely represented regional elites and patrimonial political practices. Brazil’s already regionalized politics were further fractured when the reforms increased the sources for discretionary spending of governors. Brazil’s weak and undisciplined party structure, well discussed elsewhere, has contributed to a “domination of regional interests” in congress by parliamentarians who often assemble with governors and local clientelistic networks to assure re-election (Samuels and Abrucio 2000). Open-list contests in each state have tended to favor politicians in capital cities close to the networks of influence of governors, strengthening the “electoral fortress” around state-level elites (Ames 2001). While in the 1982 gubernatorial election, a number of official opposition governors were

elected, by and large governors elected have been from Brazil's established political parties, such as the PMDB, and with ties to regional political elites.

In contrast to state-level competitions that seldom elect political outsiders or candidates with ties to grassroots movements, the decentralization of government has also contributed to the opening of political space for competition at the municipal level (Shildo 1998). The transition to democracy in Brazil allowed some municipal elections in 1982, and in 1985 full municipal elections were held. A number of notable Mayors were elected in Brazilian capitals in 1985 and in 1988 from Brazil's left-of-center parties with ties to civil society, including in Porto Alegre, São Paulo, Fortaleza, Recife and Vitória. Elections again in 1988, 1992 and 1996 brought an increasingly diverse group of administrators to power in cities of all sizes in Brazil. Among 26-27 state capitals⁴, Mayors from parties with ties to grassroots movements⁵ elected five Mayors in 1985, eight in 1988, nine in 1992, and XX in 1996.

A number of new urban social movements in the 1970s had appeared defending new visions of urban democracy, access to services, and participation to Brazilian politics.⁶

⁴ By the 1992 elections it was 27 with the inclusion of the new state of Tocantins.

⁵ In this context, I mean the PT, the PDT, and the PSB. Among political parties in Brazil, the PT is the one that is most coherent and has the most ties to civil society, but in the cases at hand, Mayors from the PDT and PSB were elected with significant civil society support. For a discussion of Brazil's party system, see Mainwaring (1992-93).

⁶ There is a very extensive literature on the social movements of the 1970s and 1980s in Brazil, which is impossible to review here (Boschi 1987; Cardoso 1988; Evers 1985; Telles 1987; Viola and Mainwaring 1987).

Under the influence of the ideas of radical popular educators and radical clergy, these movements emphasized autonomy from manipulative government agencies and patronage schemes, proceduralism and democracy in decision making, and democratic access to urban services (Viola and Mainwaring 1987). Throughout Brazil participants in these movements sought ways to organize various local neighborhood associations and social movements into common blocs that could make demands on city and state government (Jacobi 1987). Nationally, organized movements for urban rights such as the Cost of Living Movement, the Housing Movement and the Collective Transports Movement, emphasized entitlement to specific urban services (Silva 1990). Increased urban poverty and exclusion throughout the 1980s in Brazilian cities served as a powerful impetus for urban activists to organize around the delivery of urban services during the immediate post-authoritarian period. With the transition to democracy under way, and the discussion for the new constitution beginning in 1986, urban social movements made demands for more accountable forms of city governance. The national meeting of the 'National Forum for Urban Reform' in 1989, for instance, concluded with a statement of principles that called for citizen participation in the running of city affairs as a basic right of citizenship (Moura 1989).

Several of the notable experiments of municipal reforms in the 1990s have been carried out by the *Partido dos Trabalhadores*, or Workers' Party (PT), which has relied on successes of its administrations in providing efficient service delivery, especially to poorer sections of cities, to build up electoral support (Abers 1996; Baiocchi 2002a; Nylén 1998). The Workers' Party, PT, emerged as one of the novelties of the period as a political party with the aspiration to translate civil society demands into party platforms.

Founded in 1980, the PT started to contest local elections in 1982, eventually registering significant victories in 1988⁷. The party created the National Department for the Discussion of Institutional Action in 1988 to coordinate plans of action for local-level victories. The history of the PT is well-known in the literature, as it has evolved since its founding in the late 1970s from a closer identification with its industrial working class core to a party more closely associated with a broad range of social movements and a platform of social justice and the democratizing of state institutions (Branford and Kucinski 1995; Keck 1992a; Keck 1992b; Lowy 1987; Meneguello 1989; Novaes 1993; Silva 1996; Singer 2001).

A number of PT experiments in democratizing municipal institutions have achieved attention for their novel institutional forms.⁸ Four principles made up the PT vision for municipal government; these included popular participation, transparent governance, state democratization, and the creation of a new political culture (Bittar 1992). It is important to note that these instances of innovation have always been carried out in the context of electoral competition at the local level and were introduced in contexts in

⁷ It is impossible to review here the history of the PT. See chapters 1 and 11 in Baiocchi (2003).

⁸ In addition to Porto Alegre, a number of other larger cities have been described: São Paulo (Couto 1995a; Inês Magalhães 1999; Macaulay 1996; Singer 1996), Santos (Ferreira and al 1994; Filho 1991), Santo André and Diadema (Klink 1999; Ribeiro 1999; Simoes 1992), Belo Horizonte (Azevedo 1997; Somarriba and Dulci 1997) (Avritzer 2000a; Azevedo 1997; Somarriba and Dulci 1997), Fortaleza (Pinto 1992) (Pinto 1992), and Belém (Guidry and Petit 2002). For smaller towns see (Silva 2002) and (Nylen 1995b; Nylen 2002b; Nylen 2002c; Silva 2002). For an overview, see (Baiocchi 2002a; Nylen 1998).

which administrators considered the electoral calculus involved. The PT, in particular, has become a party that has consistently capitalized on the success of reforms, and in particular, on the element of broad popular participation as a legitimacy-enhancing feature.

The Range of Local Level Reforms

Coalitions of local activists, particularly those linked to progressive parties like the PT, have carried out a number of experiments with democratic reforms in various cities, as Santo André, Salvador, Fortaleza, Belo Horizonte, São Paulo, Recife, Florianópolis, and Porto Alegre. Administrators from the first cohorts of opposition Mayors of 1985-1988 experienced significant difficulties in carrying out effective governance and assuring re-election. While these were often not radical programs that granted substantial decision-making powers to local groups, ‘decentralization and participation’ were part of the municipal government plans of many cities in Brazil and Latin America at the time. (Nickson, 1995. Rosenfeld, 1995) The capital cities of Curitiba, Rio de Janeiro, Recife, and Salvador developed some sort of participatory structures by 1989.⁹ These varied widely in terms of district-level scope, composition, and decision-making power. Caccia Bava (1995) lists several types of participatory channels that have become institutionalized in Brazil since the late 1980s, from which it is possible to discern six types :

Self-Help and Mutual Assistance Programs are very common policies in Brazilian cities today, particularly around issues of housing or sanitation. City officials provide

⁹ See Fischer, Colomer and Teixeira (1989) for a more complete discussion of the details of these programs.

technical assistance and materials to citizens to improve certain areas decided upon by the citizens themselves. Social Movement activists have often been critical of some of the programs but some policy analysts have defended the success of some programs, as the one in Rio de Janeiro, in creating improvements and fostering participation. (Hinders, 1997). These allow little decision making power about planning strategies, for example, and tend to be very local interventions. Nonetheless, they do count as an institutionalized interface between state and society. *Local Management of specific municipal services*: These are local councils of residents that may have some input on the management of a specific municipal service, as a parents' council at a single school. While varying in practice, these arrangements, by definition, allow a limited amount of decision-making power. *District-level Councils* cover wider areas and involve the participation of the population in some kind of decision making capacity about a specific service over an area. The district-level health councils of São Paulo, for instance, also fall under this category. They typically allow a greater amount of decision-making, by allowing a greater role of actors in civil society in strategic decision-making.

Municipal Sectoral Councils are more encompassing participatory structures where citizens from districts or organized along trades and professions participate in decision making on a specific 'sectoral issue.' The Municipal Health Council in São Paulo, for instance, started during the PT administration (1988-1992) is a 32 person council that serves as both 'watchdog' over municipal health services and makes policy recommendations to the mayor's office. Of the 32 members, 16 are elected from 'civil society', eight are from unions in the health care industry, and eight are from the municipal administration (Graham 1997). *Human Rights and Special Interest*

Commissions have been established in a number of cities to address, at the local level, discrimination against women, minorities, the disabled and elderly, gays and other vulnerable groups in Brazil, as street children and sex workers. One of the best known is the one in Porto Alegre, where bi-monthly meetings by representatives of various groups deliberate to make recommendations. *Municipal Intersectoral Councils* are the most comprehensive of these forums in terms of composition, scope of activity, and decision making power. Participation in these is broadest, drawing from district-level, trade, and city-wide civic groups, the types of issues addressed cover the gamut of municipal competences, and the decision making power may include actual policy. Caccia Bava lists primarily participatory budgeting experiments, as those of Diadema, Santos, and Belo Horizonte, as well as citywide forums to decide upon government directives and city constitutions, as those that took place in Porto Alegre, and Recife.

A second cohort, from 1989-1992 was more effective, and Participatory Budgeting was introduced in some 12 municipalities. Since 1993, dozens of municipalities in Brazil have been home to innovations, which have included participatory decision-making over education, health, the municipal budget, municipal planning, and environmental regulation. (Abers 1996; Abers 2000; Avritzer 2000b; Baiocchi 2001a; Branford and Kucinski 1995; Campbell 1997; Jacobi 1991; Keck 1992b; Kowarick and Singer 1994; McCarney 1996; Nylén 1998; Reilly 1995; Soler 1995) While a number of early experiments ended in electoral failure, and sometimes without offering any improvement in service delivery, more recent versions of institutional designs have been more robust, though still vulnerable to losing electoral contests.

Decentralization Within Decentralization: Participatory Budgeting

A principal local-level reform, and the one that has attracted the most attention have been the Participatory Budgeting reforms, which aim to include ordinary citizens in binding discussions about the direction of municipal investments. Several municipalities, mostly under the PT, have carried out successful participatory reforms of the sort, often involving thousands of citizens, or in some cases, a significant proportion of the adult population in yearly meetings. The cities of Porto Alegre, Belém, Santos, Angra dos Reis, Belo Horizonte, Campinas, among others, have achieved significant successes and have managed re-election. Participatory Budgeting is currently the subject of much attention from within policy circles and academic circles, and while no comprehensive evidence exists about its various impacts across contexts, in a number of individual cases PB has been linked to redistributive outcomes (Calderón et al. 2002; Carvalho and Felgueiras 2000; Lebauspain 2000; Pont 2001; Pontual 1997; Pozzobon 1998), increased governmental efficiency (Marquetti 2002), increased civic activity and a transformed political culture (Baiocchi 2002b). Research, of course, still needs to establish the net impact of the range of PB reforms across Brazil.

Porto Alegre's Participatory Budget

One of the most successful examples of democratic reform in municipal governance has been in the city of Porto Alegre, in the South of Brazil, around the Participatory Budget, a neighborhood-based system of deliberation over basic capital investments for the city. The city of Porto Alegre in the southern state of Rio Grande do Sul became a model administration, as its participatory budgeting (PB) reforms became

the model for many subsequent administrations. During the first PT term, the first PT reforms were introduced, and by the end of four years, the administration had succeeded in balancing municipal finances and bringing in several thousand people as active participants in fora on city investments. Largely as a result of the success of these citizen participatory forums, the administration has kept local opposition at bay and carried out a number of ambitious reforms, such as introducing land-use taxes targeted at wealthier citizens that have funded many of the PB's projects.

The Participatory Budget has devolved decision-making over new capital investments to citizen-councils, organized around the city's regions. Citizens participate as individuals and as representatives of various groups of civil society (neighborhood associations, cultural groups, special interest groups) throughout a yearly cycle. They deliberate and decide on projects for specific districts and on municipal investment priorities, and then to monitor the outcome of these projects. Over the ten years of its existence, it has decided upon hundreds of projects accounting for almost 20% of the city's budget, and drawing in several thousand participants from poorer sectors.

The current format of these citizen forums in Porto Alegre has evolved from original broad concerns with increasing popular participation in government and with the 'inversion of priorities,' reversing the traditional pattern of spending public monies in Brazilian cities that privileged wealthier areas. Since its first round of meetings in 1989, the PB has evolved into a complex structure of meetings throughout the city where elected delegates from civic groups such as neighborhood associations meet regularly to discuss, prioritize, and eventually monitor the types of investments needed in each district. The projects can include anything within the scope of municipal government:

street pavement, water, sewage, social services, health care, housing, and primary and adult education. In addition, the structure has evolved to include thematic forums where participants can debate city priorities that are not necessarily specific to one district or neighborhood, such as culture and education, economic development, or health.

The process begins in March of each year, with regional assemblies in each of the city's sixteen districts. These large meetings, with occasional participation of upwards of a thousand persons, accomplish two things: delegates are elected to represent specific neighborhoods review the previous year's projects and budget. The Mayor and staff attend these meetings to reply to the concerns of citizens about projects in the district. The number of total delegates is based on a diminishing proportion to the number of attendees, and the proportion of persons from a specific neighborhood to that total.¹⁰ Neighborhood associations or groups are responsible for electing their own delegates.

In subsequent months, these delegates meet in each of the districts on a weekly or bi-monthly basis to acquaint themselves with the technical criteria involved in demanding a project as well as to deliberate about the district's needs. The number of participants varies, but forty to sixty persons attend regularly in most districts. Similarly, in each of the thematic fora, delegates also debate and deliberate on projects of concern to more than a district within each specific theme. At these meetings, representatives from each of

¹⁰ The number of delegates for a district is determined as follows: for the first 100 persons, one delegate for every ten persons for the next 150 persons, one for twenty for the next 150, one for thirty for each additional forty persons after that, one delegate. To cite an example, a district that had 520 persons in attendance would have 26 delegates. An association with 47 members in attendance would have two delegates. (9% of the delegates.).

the municipal government's departments attend and present on the department's specific competencies. These smaller *Intermediary Meetings* come to a close when, at a *Second Plenary Meeting* a vote among regional delegates serves to prioritize the district's demands and priorities and elect councilors to serve on the Municipal Council of the Budget.

This Municipal Council of the Budget is a smaller forum of representatives of each of the districts and thematic meetings that meets with representatives of the administration. Its main function is to reconcile the demands from each district with available resources and propose and approve a municipal budget in conjunction with members of the administration. Its 42 members meet biweekly with representatives of municipal government for several months. Councilors – two per district and per each of the five thematic areas – maintain links with their districts at this time and will, by the end of their one-year term, proposed and approve changes to the rules of the whole process. For instance, in recent years, some of the changes have included increasing the scope of areas covered by the Participatory Budget, broadening the powers of the Municipal Council of the Budget to cover personnel expenditures of the administration, and changing the criteria for assessing how resources are to be allocated to each of the districts.¹¹

This experiment has been, by most measures, very successful. Named by the United Nations as a model city government, Porto Alegre has been an object of attention for administrators from Europe to Africa because of its fiscal efficiency as well as its

¹¹ Resources are allocated to each district based on a system of weights that considers the district's population, its need for the service, and its chosen priorities. I describe this system of weights in the Appendix.

consistently high level of participation. The last round of budget meetings for 2000 drew over twenty thousand citizens, a figure that does not include participation in the many forums outside of official meetings and the budget structure, such as meetings in health councils. Approval rates for municipal administration have been consistently high, and every year of meetings features a notable percentage of first-time participants.

The outcomes of these reforms have been impressive in terms of good governance as well. As part of a joint strategy of promoting urban improvements in the lowest-income areas while ‘cleaning up’ public finances, the PB has been very effective. Of the hundreds of projects approved, investment in the poorer residential regions of the city has far exceeded investment in wealthier areas, and as a result of these public policies, 98% of all residences in the city had running water, up from 75% in 1988. Sewage coverage has gone up to 98% from 46%. Of the yearly 25-30 kilometers of road paved, almost all of it has been in the city’s poor peripheries. Between 1992 and 1995, the housing department offered housing assistance to 28,862 families compared to 1,714 for the comparable period of between 1986 and 88. Another example is the increase in the number of functioning public municipal schools, from 29 in 1988 to 86 today (Pozzobon 1998). The proportion of direct service expenses to administrative expenses has also improved (Utzig 1999). The city has achieved almost 100% coverage in basic sewage and water (up from 79%) in the ten years, and has doubled the number of children in public primary schools (Abers 1996; Baiocchi 2001a; Navarro 1996; Santos 1998; Utzig 1996). In Porto Alegre, the number of active neighborhood associations has increased in the first twelve years of the PB, and interviews showed that today Neighborhood Associations and civic groups had an easier time mobilizing participants than in the past,

when their main activities for urban improvements consisted of protests and petitions (Baiocchi 2002b).

The key institutional features of the Participatory Budget have been an 'open interface' with civil society that permits both the organized and unorganized sectors to participate; a geographical and an interest-based organization of fora that permits persons to participate at the local level as well as around municipal priorities; a strong didactic component that permits persons with low education and experience to advance within its ranks; an open institutional setting for meetings that permits community members to run meetings; self-regulation of the system by participants; incentives for the coordination of local demands into regional demands; and strong accountability of higher participatory tiers from lower ones (Baiocchi 2001a; Baiocchi 2002b).

Variations on a Theme

Participatory Budgeting reforms were copied (being transformed as they were copied) and were replicated throughout Brazil. In addition to the twelve cities that carried it out between 1989-1992, thirty-six did between 1993-1996, and at least 103 did in the 1997-2000 tenure according to surveys done by Brazilian NGOs. The 2001 survey offers a snapshot of the practice in Brazil for the time period. Under the rubric of “participatory budgeting” administrators have carried out a number of variations on the theme. The common framework was the devolution of decision-making over the budget to participants, coupled with some kind of decentralization based on territorial divisions, breaking up municipalities into 10 to 50 districts as a basis for meetings and the distribution of funds (Grazia and Ribeiro, 2002: 41).

The basic structure adopted by municipalities generally included an yearly cycle with district-level meetings, concurrent meetings of a main budget council, and somewhat less commonly, municipal thematic meetings. The majority of cases included a system of representation of delegates based on numbers of participants at some meeting or less commonly, on the number of residents per district, as well as a second tier of councilors who were elected among delegates¹². Less common features involved meetings directly scheduled with groups in civil society, and group visits to chosen priorities. The purpose of meetings varied; among district-level meetings the election of delegates was commonly held, as was the purpose of deliberating over priorities, raising needs, and accounting about last years' projects. According to Teixeira (2002) many experiments begin as exact copies of the Porto Alegre experiment, down to the names of the municipal departments responsible for the process, only to be modified after a year or two.

There is also variation in how much decision-making is afforded participants and how this decision-making takes place. In Santo André, São Paulo, at the Council of the Budget, municipal department heads have the same number of votes as councilors (Carvalho and Felgueiras 2000). In Belo Horizonte, only 50% of capital expenditures are turned over to the PB, and in Recife district-level priorities are chosen at the same time as delegates (Azevedo 1997; Boschi 1999; Somarriba and Dulci 1997). But

¹² In some municipalities, there was no Council of the Budget, and in some elected delegates met municipally at the same time as the Council of the Budget.

according to Grazia and Ribeiro, there is good reason to suspect that there is limited decision-making devolved to participants in the 18% municipalities where participants do not deliberate over needs, merely raising them, and the 19% of municipalities where the final decision over investments rests with the Mayor's office. In some municipalities there have been complaints over merely consultative role afforded for the population, as was the case with the early versions of the PB in Recife (Assies 1992). The majority of arrangements then delegated to participants the responsibility of monitoring projects. Less clear evidence exists about its actual institutionalization. According to the survey, 65% of municipalities responding to the survey question had PBs in which the amount of total budget discussed was less than 10% of the total municipal budget, and then only a third of municipalities allowed 100% of discussion over investments (Grazia and Ribeiro, 41-56).

The Uneven Diffusion of Innovation: Limits of Decentralization

The relative successes above might suggest that a lesson from decentralization in Brazil is that the devolution of responsibilities and resources to municipalities was largely a positive factor, since it has made such innovation possible. But the opportunity structure the reforms opened were not equally available. The question that remains is why innovation has been limited. Again, taking the set of cities with self-designated PB experiments as a starting point, it is apparent that cities over 500,000 in the South and Southeast were overrepresented, and smaller municipalities away from the more developed regions have by and large seldom had such reforms.

Table 4: Municipalities with PB by Region and by Size, 1997-2000

Region	N	NE	S	SE	Total
Up to 20,000	2	1	23	4	30
20,000 to 100,000	1	2	8	21	32
100,000 to 500,000	0	6	7	19	32
500,000 to 1,000,000	0	3	0	1	4
1,000,000 and up	1	1	1	2	5
Total	4	13	39	47	103

Source: *Ribeiro and Grazia, 2002.*

Table 5: Municipalities in Brazil by Size, 2000

up to 20,000	3918
20,000 to 100,000	1261
100,000 to 500,000	193
500,000 to 1,000,000	18
1,000,000 and up	12
Total	5402

Source: *IBGE, 2000*

Participatory Budgeting has evolved geographically, moving away from its original home in the state of São Paulo, where the majority of experiments took place in the 1989-1992 tenure, to the South, where a number of experiments went underway in the 1993-1996 period, to a move to the North and Northeast where experiments took place in a significant way in the 1997-2000 period. This both follows the evolution of the PT, which has gained a following away from its home state of São Paulo in the same period (Singer 2001), as well as an evolution away from the PT. While the vast majority of experiments were PT experiments for the first two periods, by 1997-2000 half of experiments were carried out by other political parties, though still mostly by left-of-

center parties, with some notable exceptions.¹³ Nonetheless it raises the question of whether “participatory budgeting” has become an innovation that has been depoliticized and has been carried out by actors who value its potentially governance-enhancing (as opposed to redistributive) features.

The literature shows a number of difficulties faced by administrators attempting to implement participatory reforms. Difficulties mentioned include the administration’s fiscal standing, reprisal from higher levels of government, pressures from local elites, electoral pressures, pressure from the party’s own bases, among others. Since most PT or left administrations have been elected by slim margins, often on protest votes (and therefore facing great expectations), and generally face the hostility of local elites and difficult governing conditions, the calculus for administrators often appears as the choices among a number of difficult options. Here I discuss two principal difficulties: resource constraints against such reforms, and political constraints.

The Resource Constraint

Although some cities like Porto Alegre were relative winners in this decentralization scheme, the devolution of the responsibility of social services has meant many more additional fiscal burdens because the federal transfer of funds has not kept up

¹³ Of the 103, 25 were carried out by leftist parties traditionally tied to social movements (the PDT, the PPS, the PSB, the PV; 22 were carried out by left-of-center political parties originating in the country’s pro-democracy movement of the 1980s, the PMDB and the PSDB; and four were carried out by right-wing parties (PTB, and the PFL). The volatility of the Brazilian electorate and the lack of programmatic discipline as well as the personalism of most political parties cautions against extrapolating much information from these data, however (Ames 2001; Mainwaring 1999).

with the increased responsibilities on municipal governments. Participatory Reforms in Porto Alegre have been part of a broader strategy to modernize municipal apparatus and tributary mechanisms. This has included the raising of the land-use tax (IPTU), a progressive taxation reform that has freed up significant funds for additional investments of the administration.

With the decentralization reforms codified in Brazil's 1988 constitution, cities gained new ways of raising revenue through vehicle, sales, and services taxes. Porto Alegre has been a relative winner by virtue of being a capital city in a wealthy state, and has had the ability to raise enough revenues to keep up with the increased fiscal burdens placed by the devolution of social services while carrying out new investments throughout the period in question. The Porto Alegre administration, with yearly revenues today well-over US\$150 per person has the capacity to offer many more returns than some of the municipal governments around Porto Alegre, like those of the commuter community of Alvorada that has elected a PT administration, but, with per-capita revenues at a fraction of Porto Alegre levels, has not succeeded in drawing sustained attendance to participatory meetings.¹⁴ These participatory reforms have followed a strict 'recipe-book,' in copying the PB of Porto Alegre without much attention to context. Silva writes that such mechanical application may run into difficulties in the context of 'associational fragility' and low state capacity, yielding few results (Silva 2002).

¹⁴ Marcelo Kunrath, in personal conversation, 5/1999. On the other hand, there are PT administrations that have reported success in developing participatory schemas based on the Porto Alegre model in small towns with similar revenues as those of Alvorada; this suggests that a combination of factors may offset the revenue constraint.

Table 6: Sources of Revenue for the Municipality of Porto Alegre, 1989-1992

	1989	1990	1991	1992
Municipal Sources	47,9	53,1	53,5	59,1
Transfers	52,1	46,9	46,5	40,9

Source: Horn, 1993:39

Among the cities that carried out PB in 1997-2001, “the municipalities, in relation to the total of Brazilian municipalities, presented, in the period in question, a more solid revenue base” (Grazia and Ribeiro, 2002: 87).

It is crucial that the reforms actually deliver goods in a timely fashion to overcome cynicism and to convince persons who have a limited amount of time that participation is worthwhile. The experiment would fail to provide such a robust defense of deliberative institutions were it not for these relatively timely results.¹⁵ Students of urban politics in Latin America have pointed to “bounded rationality” problems of the poor in terms of democratic participation (Dietz 1998). Participation may not make much sense for poor persons save for an assurance of timely returns. In highly fragmented social contexts, or where persons are not accustomed to civic engagement, the equation may be even more stark. In addition to the lack of resources to devolve to the populace in municipalities with low resources for investment, the issue of adequate administrative capacity is also an important one.

¹⁵ In the case of Porto Alegre, for example, analysis showed that among PB participants (a 1998 survey) the survey question: ‘Do you think the population really decides on the results of the Participatory Budget?’ was associated with ‘Has your district or thematic area received benefits?’ Positive answers to the perceived popular control and positive answers to having received benefits were very clearly linked. (Baiocchi 2001b)

The Political Constraint

State governments are a good example of how entrenched political elites have prevented such reforms. Attempts at introducing PB-type reforms at the state level have generally failed. The 1995-1998 administrations of Vitor Buaiz and Cristovam Buarque, in Espírito Santo and the Federal District, for example, show among other things, the power of entrenched elites. Buaiz faced a number of difficulties upon assuming office; in addition to a number of difficult situations in terms of service provision, he faced an inhospitable state legislature and a split party. His choices, marginalizing opposing factions within his government while making alliances with the electoral right in order to carry out his platforms, was a failure. He then only shifted his agenda away from the party platform, and opting for technical solutions to some of the problems of governance and abandoning the participatory programs established in his first year. Buarque's administration in the Federal District was more successful; while part of its successes included having fewer fiscal constraints than Buaiz, its successes had also to do with introducing a participatory program that drew significant numbers of people to decide on the state-level budget. The close election that Buarque lost was blamed on a number of factors, including no doubt the poor relationship with public sector employees, who experienced salary caps during Buarque's tenure, repeating a pattern of difficult dealings with public sector unions by PT administrations.

The PT administration in Rio Grande do Sul, in power from 1999-2002, was plagued by similar problems. In addition to the costly strike by the state teachers early on, the introduction of the PB faced numerous political challenges, with local elites battling its legal standing in courts almost from the start. At the state level, oppositions

have been more organized, and “[g]iven the problems of the large scale, the fierce opposition, and the meager resources available for investments, establishing the PB in Rio Grande do Sul clearly has not been an easy process (Goldfrank and Schneider 2002)”

At the local level, entrenched elites have generally not posed the same problems, and internal ruling party fights and difficult relationships with municipal unions have been more of a challenge. According to the 2001 survey, conflicts with the administrative apparatus were noted in almost half the cases, conflicts with the local legislative in a third of cases, and conflicts within the ruling political party in 20% of cases (Grazia and Ribeiro 2002: 67). In the city of Betim, Minas Gerais, for example, the inability of the administration to negotiate with its own bases of support cost it considerable legitimacy in an already inauspicious context and eventually rendered the administration inviable. The fact that the PB assemblies were almost exclusively occupied by PT activists only contributed to the difficulties in carrying through the reforms (Nylen 2002a). The story the PT in São Paulo under Erundina, is one of the administrators’ inability to negotiate sources of internal pressure within the PT immobilized it from even attempting some of the solutions that worked in other settings (Couto 1995b).

One of the key problems with many of the early PT administrations was an inability to find a way to give voice to organized social movements within the administration without succumbing to the charge of privileging “special interests” and without becoming embroiled in inter-faction disputes between social movements within

the party.¹⁶ The PT administration in São Paulo, for instance, came under attack for giving "special privilege" to social movements sympathetic to the Party without considering "the whole city's interests." Without a broad-based participatory system that drew participants from outside organized movement sectors, the municipal government was open to the charge of "left patronage (Kowarick and Singer 1994)." And without a clear system of rules for negotiating competing interests, the administration in time also came under attack from segments of the Party that accused the administration of "class treason" for attending to the interests of business in certain decisions.

Political Negotiations

There are, nonetheless, examples of municipal administrations that have carried out PB reforms in extremely unfavorable contexts –ones marked by non-existent social movements, cash-poor municipalities, and extreme social needs – which points to the importance of the contingent outcome of political negotiations, rather than hard-set historical limits against which progressive administrators cannot push. The municipality of Icapuí, in the northern state of Ceará is sometimes held up as such an example. A small municipality of 15,000 that relies on fishing, it has managed to carry out a number of social programs anchored around a participatory scheme, despite the fact that the PT was non-existent before its first turn in the government, managing successful education and health reforms and participatory system that stimulated the creation of several associations (Campos 1992; Fischer and Teixeira 1993; Nylén 1995a; Teixeira 2002).¹⁷

¹⁶ Some of these difficulties, which led to in some cases splits in the Party, are discussed in (Keck 1992b)

¹⁷ Some of these examples include Amambaí (Mato Grosso do Sul), São João do Triunfo (Paraná), Ronda Alta (Rio Grande do Sul), Jaguaquara (Bahia), and Quixadá (Ceará). (Campos 1992; Nylén 1995a)

The Belém administration in the traditionally conservative northern state of Pará provides another important example. The cornerstone of the PT administration was its implementation of the PB, inspired by other cities in Brazil, like Porto Alegre, and where, according to Guidry and Petit write, it succeeded in ‘bringing ordinary citizens into policy decisions’ becoming ‘active political agents’ (Guidry and Petit 2002). There is the example of the municipality of Mauá, in the industrial belt outside of São Paulo, where the PT administration that came into power in a context of extreme economic duress in 1997. The administration held over forty meetings in the first weeks of government, primarily to publicize the financial straits of the municipality. Because of the lack of ability to carry out new investments, the administration held off on carrying out PB-type reforms, relying instead on more limited fora, while the administration ‘put its house in order’ only to apply modified PB-type reforms later. That administration would eventually received extremely high approval ratings by its population (Carvalho and Felgueiras 2000).

Lessons from Brazil’s Decentralization and Future Research

The ideal of bringing “government closer to the people” as defended by those who advocate decentralization on normative grounds may not find proof of its desirability when Brazil’s reforms are considered as a whole. While the literature on the reforms is far from conclusive, there is agreement that, at least in its current incarnation, the reforms have had mixed results from the perspectives of governance, fiscal stability, redistribution, or participation. In this essay I have reviewed the context for, and some of the principal features of, Brazil’s decentralization as codified in its 1988 constitution, devoting some effort to discussing the much-heralded experiments in Participatory

Budgeting (PB) as a democratic innovation made possible by decentralization.

Peculiarities of Brazil's history – such as the power of regional elites, high social deficit, and a history of high regional imbalances – help account for some of the undesirable results of the reforms, while features of the reforms themselves – such as the ambiguous concurrent responsibility provisions are no doubt part of the story as well.

Nonetheless, Brazil has also been home to innovative instances of reform of local government, moments in a larger story that were made possible by decentralization. Rather than conclude that this is simply a positive outcome of decentralization, I have sought in this essay to explore the ways in which decentralization has made possible such innovation by addressing the structure of opportunity for it. I have argued that the decentralization of the state has opened up the space for electoral competition at the municipal (and not necessarily the state) level, and where new actors have translated civil society innovations into platforms for governance. In examining Participatory Budgeting in particular, a heralded reform that is thought to hold the potential for a number of positive outcomes, I discussed the ways that it has been diffused as an innovation, first in the more developed regions in the country and later to Northern and Northeastern regions. I discussed two constraints on the adoption of such reforms, assuming local level actors exist who are willing to carry them out, resource constraints and political constraints, though the literature does point to instances in which implementation was still possible and successful when local actors resourcefully found ways to do so.

The debate on decentralization (and local innovation) is far from over, in the context of Brazil or elsewhere. In the case of Brazil, a number of instructive comparative analyses could be carried out, particularly with countries where similar local moments of

innovation followed decentralization, such as Mexico or the Philippines. In the case of Brazil, there are still glaring omissions in the state of our knowledge about these local reforms. First is the question of their actual impact across regions and socioeconomic contexts, and over time. Despite the largely positive case studies, it is simply not known how, and whether, these impacts vary. To cite an example, a contentious point in the discussion about the associative impact of the PB is whether the results found for Porto Alegre, for example, might be found elsewhere or not¹⁸. Second, little is still known about PB reforms carried out by political parties other than the PT, which would allow insight into the importance of political projects and the PB. In the analysis advanced here, the redistributive political project of actors like PT administrators is important to understanding its appearance, but the question remains about actors with different projects who nonetheless introduce the PB. While some scholars are skeptical of their impact, it is probably not wise to foreclose an examination of their experiments. If the Brazilian reforms have any lesson it is that institutional changes can have unintended consequences by virtue of openings for local actors.

¹⁸ The point that PB fostered more civic engagement is made most explicitly in (Baiocchi 2002b), but vigorously contested as to its applicability by Avritzer (2002b).

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