

# Participatory Governance, Inclusive Development and Decentralization in the Global South

## Literature Review

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### 1 Introduction

Conventional wisdom assumes that participatory governance, inclusive development and decentralization go together. International donors, multilateral agencies, center left to left wing governments—either populists or not—share this common assumption. Although it does not seem wise to assume that all good things go together, there are some basic features of participation, inclusion and decentralization that give plausibility to this common understanding. On the one hand, participation would be recognized as an instrument allowing the expression of voices that are not listened on traditional circuits of political representation, and this expression makes possible, in principle, that these voices are taken into account in policy decision-making. On the other hand, decentralization would approach decision-making to the eventually affected population, whether it is composed by users, beneficiaries or collectivities. Moreover, when decentralization includes the tax dimension, the availability of resources would increase the capacity of local-level incumbents to take decisions about the allocation of these resources, making the local level a potentially effective locus to be targeted by formulation demands of civil society and local population.

However relations between participatory governance, inclusive development and decentralization are not straightforward. Theoretically, scholars have pointed out that not only decentralization may or may not be related with devolution—even if the former heavily includes a fiscal dimension—, but participatory governance institutions may or may not enhance participation, and could give or not a say to voiceless interests, as well as lead

or not to decisions which actually include such interests. Even more, within participatory governance institutions the relation between public officials and citizens and organized stakeholders could vary from strongly contentious to purely collaborative. Empirically, it is an open question whether participation and decentralization converge and are conducive to inclusive development. A careful look at the global south shows there are a wide range of variation within both participatory governance institutions and decentralization processes, and among both as well. Within such range, very few experiences have been described as connecting participation and decentralization with inclusive development (Avritzer 2010, Isunza & Gurza Lavalle 2010, Törnquist, Webster and Stokke 2010, Dagnino 2002). To be sure, empirically, the relation between outcomes of decentralization and democratic governance is ambiguous and contradictory, to depict it with Oxfam words (2004: 16-21).

In this paper we examine participatory governance experiences and decentralization in four countries of the global south: Brazil, India, South Africa and Peru. Relying on scholar local literatures and on local practitioners expertise, we offer both a review of the possible or analytically posited relations between governance, decentralization and participation and a map of how actual participatory governance and decentralization looks like in those cities. We take distance from the normative common assumptions on literature about the relation between governance, decentralization and participation and show that decentralization is more a process of changing

institutional context, which may or may not be related with devolution or autonomy for decision making at the local level, while participatory governance involve several processes which can play out at very different levels.<sup>1</sup> Therefore, participatory governance and decentralization can clearly be delinked to each other. We also argue for bringing in to the fore the politics of interaction between private sector, local communities—who are themselves divided—, and government institutions—which are also heterogeneous. Taking in to account politics of interaction and alliances at different scale levels is crucial for understanding the roles and actual reach of participatory governance institutions.

Our argument is exposed as follows. In the next two sections we show how governance and decentralization could be analytically linked and to participation, and we expose our own position. The third section maps participatory governance institutions in our selected cities and it is followed by a section aimed at reviewing the state of the art in local practitioners and scholarly research about Brazilian, Indian and Peruvian participatory innovations. The fifth section gives an account of decentralization on those countries and we end the paper pointing at some knowledge gaps that seems valuable to address.

## 2

## Bridging Governance and Participation

The governance agenda has increasingly opened up to a wide and more complex set of themes, considering the changing role of government in relation to non-state actors, new complex institutional sets that include social networks and markets, and the centrality of politics beyond government and political parties. Although originally the term “governance” was used to bring in politics in to the understanding of administration, it was not used as clearly different form that of government. Nowadays, the focus has “...been broadened beyond government to encompass relationships between a range of state and non-state institutions” Plummer and Slaymaker (2007). More precisely, governance can be understood “as a product of social and political contestation and bargaining between multiple different actors, with a growing focus on participation and empowerment of marginalized groups or individuals” (Ibidem)

This broad view that considers a wide range of actors and political relationships that go beyond the State is present in the governance models developed by authors such as Gaventa, Cornwall, Joshi, Ansell, Fung, Wright and Newell, among others. We draw on those author’s work for shedding light on analytical dimension we judge relevant. Our synthetic understanding of a useful model is one that focuses on citizens’ agency and participation as practiced by citizens, collective social and private actors, and government actor as well. Thus, it should focus on interaction politics as shaped by power relations within participatory governance spaces. Although participatory spaces’ internal dynamics includes citizens, they are driven heavily by government, parties and civil society organization’s contentious or complementary agendas.

Those agendas could reach collaborative governance dynamics or foster conflicts. The former case seems to open room for a continuous process of citizens and civil society policy influence.

Gaventa (2004) notes that the concept of participation is increasingly being related to rights of citizenship and democratic governance. He points to the importance and potential for assessing the transformative possibilities of citizen engagement with local governance especially in terms of pro-poor outcomes, since there is a crisis in governance from the perspective of pro-poor development (according to WDR 2000; Commonwealth Foundation, 1999; apud Gaventa, 2004). This general concern is shared by others such as Cornwall, Houtzager and Joshi.

Gaventa proposes to work on the interface between civil society/participatory approaches and good governance agenda. He points that “increasingly, however, we are beginning to see the importance of working on both sides of the equation. As participatory approaches are scaled up from projects to policies, they inevitably enter the arena of government, and find that participation can become effective only as it engages with issues of institutional change. And, as concerns about good governance and state responsiveness grow, questions about how citizens engage and make demands on the state also come to the fore” (Gaventa, 2004: 27).

In order to build an approach to work this interface, Gaventa argues that it is necessary to “bridge the gap between citizen and the state by recasting citizenship as practiced rather than as given”, involving social and political



participation. This approach suggests a more active notion of citizenship, “which recognizes the agency of citizens as ‘makers and shapers’ rather than as ‘users and choosers’ of interventions or services designed by others” (Cornwall and Gaventa 2000 apud Gaventa, 2004).

Going further, by Gaventa argument it is possible to understand the reach of new spaces for participatory governance as potentially useful for transformative engagement, but also for reinforcing control over citizens. It depends on power relations within such spaces and on participation as practiced by participants, collective stakeholders and public officials. In this sense, Gaventa agrees with Cornwall, who argues that spaces for participation are not neutral, but shaped by power relations, invoking French social theorists (Lefebvre, Foucault, Bourdieu, among others) for whom the concept of power and the concept of space are deeply linked (Cornwall 2002). In fact, Gaventa and Cornwall provide a nuanced approach to power relations escaping from binary terms (powerful-powerless), understanding that “those who are powerful in one space may in fact be less powerful in another”.

Power relations within participatory governance institutions or spaces depend heavily on the making up of the spaces themselves. Gaventa and Cornwall (Cornwall 2002; Brock, Cornwall, Gaventa 2001) put forward a typology of spaces ordered in a continuum: i) *closed or provided spaces*, where decisions are made by elites behind closed doors without broader consultation or involvement; ii) *invited spaces*, “those into which people (as users, as citizens, as beneficiaries) are invited to participate by various kinds of authorities, be they government, supranational agencies or non-governmental organizations” (Cornwall 2002:24 apud Gaventa, 2004); and *claimed/created or invented spaces*, “‘organic’ spaces which emerge ‘out of sets of common concerns or identifications’ and ‘may come into being as a result of popular mobilization, such as around identity or issue-based concerns, or may consist of spaces in which like-minded people join together in common pursuits’” (Cornwall, 2002: 24). Gaventa argues that “these spaces exist in dynamic relationship to one another, and are constantly opening and closing through struggles for legitimacy and resistance, co-optation and transformation. That means the typology is not a taxonomic exercise classifying spaces as species, but rather a conceptual tool for understanding changing participatory institutions. Part of the story of those changes is related, of course, to the differences of power among social groups (Gaventa, 1982)

No doubt basic features of the participatory governance institutions as those pointed out by Gaventa and Cornwall shape power relations within such spaces, and thus the

very dynamics of participation itself. However, the connection between those features and inclusive development outcomes are less straightforward than it seems is assumed in the typology. Typology seems to assume that the more claimed or invented the space is the more conducive to inclusive development their outcomes will be. Although that is understandable normative preference, it is an empirical question what and how different types of spaces produce inclusive development. Particularly, we need to understand better the role of government and civil society organizations in those spaces. Who use them and why do they use them: are they useful for social different groups following stratification lines, for popular interests, for CSOs, for “ordinary citizens” (Törnquist, Webster and Stokke 2010; Baud and Nainan 2008; Gurza Lavalle and Houtzager 2005)

In this regard, Ansell’s (2003) approach to collaborative governance is useful, as well as the way it is linked with societal embeddedness. This approach emphasizes processes of open dialogue between agencies and public officials, on the one hand, and society, on the other hand. As stakeholders get involved, a mutual adjustment about common problems emerges progressively. This is a strategy which relies on the idea that opportunities – not anticipated by stakeholders – will be identified along the process of dialogue. In this sense there is a perception of cooperation between stakeholders and government, or at least the recognition of pathways allowing to mitigate the costs of conflict between society and public administration. The notion of embeddedness is associated to collaborative governance. Stakeholders are embedded in, or in contact with, territorial communities by network embeddedness. That is, civil society actors networks connect spaces of participation with population in the territory, contributing not only to provide trust and social capital, but also to increase and potencialize the possibility to administrate the exchange with society, in this sense, influencing the shape of governance structure. This approach allows to think that there are not punctual relations between territorial “communities” and those that participate in their name, as different stakeholders are connected in different ways to these communities by social networks in which they are embedded. Though, participatory institutions constitute an interface in which nor government, neither society are present “*in toto*” (Gurza Lavalle e Isunza 2010).

From a different stand point, Joshi’s (2008; 2010) work on democratic local governance also leads to pay more attention on how civil society is different from citizens. She is concerned with the impact and effectiveness of transparency and accountability initiatives over service delivery for the poor, using a community-based and sectoral approach. Joshi and Houtzager claim that transparency and

accountability initiatives that build on participatory processes of citizen engagement are more likely to generate state responsiveness when there are organized collective action driving citizens' demands. (Houtzager & Joshi 2008: 4-5 apud McGee & Gaventa 2010). More specifically, Joshi points out that collective action rather than individual user or consumer based approaches are more likely to lead to positive gains. According to her, "this is because collective accountability mechanisms are better suited to use by the poor and vulnerable and are more likely to result in improved public good benefits as opposed to the private benefits that can be the outcomes of individual action [...]. In particular collective accountability is more likely to result in reduced corruption and increased empowerment of people as citizens" (Joshi, 2010 apud McGee & Gaventa, 2010). The focus on collective action and civil society sheds light on important conditions for accountability to work, but there still are individual ways of problem solving and, of course, traditional channels that link people with political society — either as parties, bosses or big mans (Harris 2005; Houtzager and Acharya 2011).

Joshi also establishes a positive relationship between processes of social accountability/citizen participation and state responsiveness/democratic local governance at service delivery level, but her approach wisely recommends caution, as she is aware of the lack of clear causation in normative accounts of participatory governance and social accountability. In Joshi words:

"The links between transparency and accountability and their impact and effectiveness in the service delivery arena are often largely assumed rather than explicitly articulated. Most generally, the assumed link leads from awareness (through transparency and information) to empowerment and articulating voice (through formal and informal institutions) and ultimately accountability (changing the incentives of providers so that change their behaviour and respond in fear of sanctions). Yet, this chain of causation is seldom explicitly examined. In fact, many initiatives are focused at increasing transparency and amplifying voice, without examining the link of these with accountability and ultimately responsiveness" (Joshi, 2010: 6).

She argues that the citizen and civil society side of accountability dynamics and its impact are still poorly described, "thus affording only superficial understandings of the role of citizen and civil society participation in the logical chain leading to accountable outcomes" (Joshi apud McGee & Gaventa, 2010).

Among the criterion for assessing the success of experiences of transparency and accountability initiatives according to Joshi (2010), are the level of political will and

overall political environment that favors a balanced supply, and citizens and civil society organisations' capabilities to take up opportunities offered by those initiatives. The combined reading of the proposals put forward by Gaventa and Cornwall, Ansell and Joshi suggests the usefulness of adopting an approach of instances of participatory governance that takes into account the origin of this instances, its internal dynamics and the way through which the participation of actors with different agendas shape this dynamics, establishing or not collaborative equilibrium that make these instances capable of producing inclusive development outcomes along time in a sustainable way.

The advantages of adopting multidimensional modes have already been emphasized in the literature. Archon Fung and Erik O. Wright developed the so called Empowered Deliberative Democracy (EDD) model. This model rely upon different experiences or participatory governance, from which the authors select a set of practices, capable of eliciting energy and the influence of ordinary people in politics. The authors stress the importance of the institutional design, arguing that some policies can surpass conventional democracy, introducing a form of democracy that is more "fair, participatory, deliberative and accountable". The EDD model combines two sets of principles. The first principles are more general and refers to problems that can be treated in the spaces of participation, individuals that should be involved in the participatory process and the type of the deliberative solution that should be found in order to proceed to decisions. Whereas the second set of principles regards to the characteristics of the institutions of the model, that is, "the devolution of public decision authority to empowered local units", the provision of formal links with central authorities of the model, in order to ensure issues such as responsibility, distribution of resources, and communication between government and society, and the fact that new practices draw lessons from the generation of participatory experiences that became references for the purpose of formulating new practices. Both sets of principles must be coupled with a background of necessary conditions in order to be effective, such as literacy of citizens participating and a balance of power reasonably well equated between participants.

Whilst the authors previously discussed focus on participatory local governance, the scope of governance literature is considerably wider. On the one hand, actors others than state and civil society actors, and arenas other than state and sub-national arenas are also addressed by governance literature. Levy and Newell (2005) propose a political economy approach to understand the role of business in international environmental governance, which brings new light to International Relations theories. They



understand that “business activity is both a response to, as well as constitutive of, environmental governance at the global level”. They also include a wide range of actors in building governance, and a political view of their actions. “The broader view of environmental governance adopted here suggests that more market-oriented corporate activities can also be viewed as political.” (Levy & Newell, 2005: 4). This opens up analytical space to examine the embeddedness of particular environmental regimes within broader economic and political structures of the global economy, and the linkages between domestic and international politics (DeSombre 2000; Schreurs 1997). This raises an old debate on where to draw the frontiers of civil society, should non-government actors as firms and corporation count as civil society. However, while studying participatory governance institutions, the actors that one should look at are selected and filtered by the institutions themselves.

On the other hand, governance can be understood as well as either an organizational paradigm shift or as a macro historical change on how politics works or on how interests

shape politics. The first approach is common in organizational theory (Piore, Sable 1984, Sable & Seitlin 2007). The latter can be found in macro historical sociology scholars. Ruth Berlin Collier and Samuel Haydin insist on the fact that Latin America is going through a moment of transformation in the form of association and collective action on what regards the representation of interests. This change is characterized by the shift from the UP-Hub (Union Party Hub) regime – in which parties were central to the representation of interests – to the A-Nets (Associational Networks), where associations (especially urban) play a crucial role. The authors emphasize the configuration of new patterns of participation and new structures of representation in the “arena of interests”. This arena is different from the traditional electoral arena, in which participation is made by the ballot box and relations of representation between elected authorities and electors is mediated by formal and legal devices. The “arena of interests” is a place characterized by its informal dynamic. It opens a space for the emergence of a center of articulation of specific interests carried out by individuals and associations through political action.

### 3

## Decentralization or Devolution... and Participation?

Decentralization is a process of state reform composed by a set of public policies that transfer in highly variable extent responsibilities, resources, or authority from higher to lower levels of government in the context of a specific national-state. The mix of those components vary across different forms of decentralization: i) political decentralization can also be defined as electoral decentralization, and implies the proportion of tiers at which direct elections are held to pick executives or the legislators who then choose an executive from their number; ii) administrative decentralization aims at transferring the delivery of select number of public services from the central government to other levels of government, agencies, and field offices of central government line agencies; iii) fiscal decentralization, which increases local tax revenue or state and national level transfer to local level. We are primarily interested in the latter form of decentralization. The theories of decentralization are based on the following frameworks: Hayek’s idea of knowledge in society, Oates’ notion of fiscal federalism, Tiebout’s notion of inter-jurisdictional competition and Market preserving federalism.

Although fiscal decentralization generally refers to the increase of taxing and spending powers from the control of central government authorities to government authorities at sub-national levels, it should not be conflated with devolution, as higher local fiscal power may be related to different degrees of authority for deciding on spending priorities (Arretche 2010, 2009). In other words, fiscal decentralization, administrative or management decentralization, service delivery decentralizations does necessarily goes together and, for sure, are not a consequence of devolution or decision making/authority decentralization. There is wide diversity between individual states in the scale of the fiscal decentralization and the tasks effectively devolved to local government. In most countries local government is responsible for what are often called “communal services”: local roads and lighting, water supply and sanitation, waste management, parks and sports facilities.

What varies greatly is the extent of local responsibility for the social sector, chiefly comprising education, health and social assistance. In some cases the whole service is funded by the State Budget, in some costs are split between

levels of government, in some local budgets meet all costs except central supervision. Cost splitting may be by function (e.g. the State paying for secondary education, hospitals, social benefits and local government for basic education, primary health care and social services) or by cost factor (e.g. the State providing professional salaries while local government pays all other operating costs). This varying degree of local budget responsibility for the social sector makes a major difference to the nature and scale of decentralization. Fiscal transfers which are an essential aspect of fiscal decentralization, occur across the vertical tiers of governments for various purposes, such as bridging vertical fiscal gaps between the different tiers to reduce the mismatches between their revenues and their expenses.

As in the case of local democratic governance literature, decentralization literature is normally optimistic about the local and developmental benefits of decentralization. Elmer (2009) points out that Capital investment decisions may be made based on technical assumptions that are inconsistent with community values and local land use plans. The local capital improvement plan and budget, however, are strategic tools that can be used to coordinate decision making within and between jurisdictions and to insure that capital investments promote community goals and objectives. Arguing with four kinds of costs: Information costs, coordination costs, diminishing supply costs and dynamic instability, Breton (200?) states that though there are failures in decentralization, it is an important instrument in bringing in intergovernmental competition and to check political and bureaucratic power.

However, decentralization is a complex phenomenon and in order to achieve the developmental benefits it is suppose to produce, several conditions should converge favorably. What is more, even within positive accounts, it can be taken for granted that the more decentralization the better. Bahl and Vazquez (2006) point out that sequencing of fiscal decentralization often results in cost and risk minimization of implementing fiscal decentralization. After analyzing many case study countries, they reveal that sequencing decentralization requires a sustained discipline at all levels, and vision for implementing as well as overcoming pressures from political actors. Countering "Oates Conjecture" (Oates 1993) that the degree of centralization and economic growth should be correlated positively, and decentralization should allow better tailoring of public policies to suit local economic conditions, Arcalean et al. (2008) show that unless the budget size is large, decentralization may not be a good answer, especially for infrastructure productivity. Based on empirical evidences, they argue that partial centralization of the fiscal powers prove to be more effective in achieving desired infrastructure productivity. Tanzi (2000) argues that unless local

institutions are well developed fiscal decentralization will lead to more corruption. Fjeldstad (2011?) opines that like all public policies, intergovernmental fiscal policies must take into account political constraints facing the policy makers such as the positive aspects of various regions, groups in political decision-making, economic constraints and the stage of development of financial markets. Braun and Grote (2000) state that political and administrative decentralization should precede fiscal decentralization for it to succeed. They opine that political decentralization has substantial and positive effects for the poor, if implemented before the fiscal decentralization.

The relation between decentralization and participation is less developed in scholarly literature, although conventional wisdom within the international development community assumes a positive relation. The Millennium Development Goals' emphasis on inclusive and representative planning processes assumes that the principle of participation is understood by partner countries in terms of its potential to redefine the relationships between a government and civil society. Empowerment of citizens and their involvement in the decision-making processes, from central to sub-national, is regarded as vital for supporting pro-poor policies, improved service delivery (basic services- access to health, education, sanitation, safe drinking water, poverty reduction, solid waste management) and the attainment of MDGs. From this perspective, fiscal decentralization brings about the promise of participation in decision-making processes. For example, the experience gained from participatory budgeting in Porto Alegre, Brazil, has been taken as paramount, providing a wide scope for participation through fiscal decentralization.

MDGs are a political statement expressing common goals, thus it is explainable they state win-win combinations or pursuit the best possible state of the world. Fiscal decentralization is supposed to ensure a more efficient allocation of resources, enhance local resource mobilization, and improve local governance. One important assumption is that the reduction of poverty is more likely to be assured when the people for whom pro-poor interventions are meant are allowed, through empowerment, to effectively participate in these interventions. Fiscal decentralization has highlighted the potential of citizen engagement as an integral feature of local governance for inclusive spatial development but our major concern is to see how fiscal decentralization and participatory budgeting could bring inclusiveness in spatial planning to attain the targets of MDGs with special focus on the selected case study.

There are no solid grounds for these assumptions. Decentralization literature is dense and highly developed, but so far participation has not received much attention



within that literature. Huddleston (2005b) points out how the planning, especially local area plans can be linked to municipal budget process to achieve desired planning effects, especially in the provision of infrastructure. Huddleston also reveals (2005a), how a local area can generate resources for revenue expenditure through incremental taxing and creating special business districts. All these may be possible through participatory governance

spaces (as participatory budgeting or policy councils). However, most existing studies focus on technical and institutional factors and the extent to which increased citizen engagement can increase the efficiency and effectiveness of resource allocations, leaving aside the resource generating capacity at the local level and the issues addressed by participatory budgeting.

## 4

## Mapping Participatory Governance Innovations in Global South

Brazil, Peru and India are widely known as global south countries with reach democratic governance innovation repertoire. Brazil and India host some of the most researched and championed experiences of local participation—PB and the campaign for participatory planning in Kerala. Within Latin America, Peru is considered the second country with a wider range of participatory institutions. What is more: Peru has by now more case of participatory budgeting functioning that Brazil ever had in the last twenty years. Thus, we are comparing outstanding cases. Looking carefully at the participatory governance structures of those countries strikes because of strong variation among countries, and in the case of India within national territory as well. . While Peru and Brazil have a national embracing participatory governance structures running from the central to the local governments, India presents national participatory legislation, but partial and differentiated implementation across sub-national units. National bills has shown strong effects allowing for budget oversight and diminishing corruption, although they seems contingent upon activism. On the other hand, the reach of participatory institutions in Peru and Brazil depends on the institutional design that distributes power decision and enforcement within those institutions. Although Brazilian and Peruvian federated participatory governance implies mandatory participation, enforcement seems weaker in Peru and room for bottom up or scaling up policy influence seems smaller as well. In India, PB seems to follow the lines of national bills with sub-national under-implementation, but rich city level innovation experiences. In Brazil and Peru, PB does not belong to the national participatory governance structure, but to regional and local politics and innovation. Therefore, PB seems unlikely related with decentralization processes.

### Brazil

Brazil is often invoked as a paradigmatic case of democratic governance due to its experiences in participatory institutional innovation. Broadly speaking, we can distinguish three waves of institutional innovation experiences with different characteristics: participatory budgeting (PB), mandatory policy councils (MPCs), and national conferences (NCs) (Avrizer 2008). There are also other national experiences in democratic innovation, which are mandatory but where implementation of the consultative process varies considerably in scope and format: namely, public hearings for the definition of the public budget. Besides that, other consultative instances are required by the Constitution in order to define the public budget, taking the form of public hearings with open participation and free expression of opinions by the municipality's population. These are spaces of accountability held before final approval of the PPA (multi-annual plan, which covers a 4-year period), the LDO (Budgetary Guidelines Law, which likewise covers a 4-year period) and the LOA (Annual Budget Law, for each year) by the municipal legislative chamber.

The third and more recent wave of participatory institutions is national in scope, though not necessarily mandatory. Conferences are prescribed by legislation primarily in the case of sectoral policies structured in nationally integrated systems such as Health and Social Assistance (SUS – Unified Health System and SUAS – Unified Social Assistance System) with a strong involvement of social and professional actors as managers and reformers of the respective policies. However, the immense majority of conferences are not mandatory. National conferences are wide-ranging decision-making processes that involve the main stakeholders in a public policy area or sub-area (for example, education and indigenous school education,

or healthcare and indigenous healthcare) with the aim of defining long-term priorities for these areas or exploring the definition of partial consensus between stakeholders with conflicting positions. In fact, conferences have shown to be a surprisingly effective instrument in terms of their capacity to promote changes in the decisions made on highly polemical issues. This largely stems from their format: they start as an initiative of the federal executive; they employ different methodologies to define the stakeholders from the public authorities, market and civil society who will engage in dialogue over the course of the process; they reflect the federative structure with conferences held at municipal and state level; they take into account opinions expressed during 'on-line conferences' (an open and public consultation process conducted via the internet); and they also take into account opinions expressed and resolutions made in 'free conferences' (debates freely organized by members of civil society) (Pogrenschi 2010a). A crucial aspect of conferences in terms of their capacity to reach forms of consensus and agreement is that the decision-making processes take place away from the media glare and, in this sense, avoid performances for the cameras – as occurs, for example, in parliament (Pogrenschi & Santos 2010). Conferences started to gain prominence under the government of Fernando Henrique Cardoso (1995-2002), during whose mandate 17 were held, though previous governments had held a smaller number of conferences. However, this institutional instrument was consolidated as a key element of democratic governance under the Lula government (55 conferences in the period 2003-2010). Thirty-three themes were covered in the 80 conferences held in the period 1988-2009, focusing on minorities, human rights and healthcare, 97% of which were introduced under the Lula government (Pogrenschi 2010b).

The second wave of participatory institutions, the MPCs, have a considerable reach. The 1988 Constitution enshrined the Brazilian State's commitment to citizen participation. The constitution made citizen participation in strategic areas mandatory. The process of formulating the provisions of the new constitution used councils as the institutional mechanism for enabling the organization of citizen participation in public policies at all three levels of the federation, in the areas of education, healthcare, social welfare, and child and adolescent rights (Tatagiba 2004, 2002b). According to the most reliable survey available, in 2001 there were municipal health councils (5426), social welfare councils (5178), child and adolescent rights councils (4036) and education councils (4072) in most parts of the country (IBGE 2001). The health councils, for example, covered 98% of Brazilian municipalities. Evidently, there also exist state councils and national council for each area. The council's powers vary between the different

areas of public policies, but generally they include roles of supervising policies in the area, helping define policies and sometimes carrying out administrative functions (Borba e Luchmann 2010; Luchman 2008; Tatagiba 2004, 2005). Their composition tends to be equally distributed between representatives of civil society and representatives of other sectors – including government. Their reach varies and has been target of criticism (Tatagiba 2002a) There are also a myriad of other councils forming part of the Brazilian political landscape, similar to and indeed inspired by the mandatory MPCs, but insofar as they are not mandated by law, their creation, continuation and capacity to act depend heavily on local political circumstances (Tatagiba 2008). Hence, for example, in 2001 the country also had more than a thousand municipal councils in the areas of employment and work (1,886), the environment (1,615) and tourism (1,226), as well as several hundred in other areas (IBGE 2001).

The first wave, undoubtedly the best known internationally, is the creation, consolidation and diffusion throughout the country of participatory budgeting (PB) (Baiocchi 2005; Oliveira 2010). Developed and implemented for the first time under the PT (Workers Party) government in the municipality of Porto Alegre, Rio Grande do Sul state (1989-2004), the diffusion of PB was initially linked to the gradual expansion of PT in municipal governments as a distinctive feature of what was called the 'PT way of governing': a mixture of participation, commitment to the local population and distributive policies, as well as transparency in the allocation of public funds. PB remains closely associated with PT administrations, but has spread beyond this party and now forms part of the campaign and administrative programs of other parties (Avritzer and Navarro 2004). Since its implantation it is not legally mandatory – in other words, it remains optional for the government – its institutional features can also be freely decided. Hence a wide variety of experiences go by the name of PB, some of which involve minimal or no public participation and deliberation. The PB model traditionally associated with PT administrations is normally based on regional assemblies open to the public and theme-specific assemblies that attract the participation of civil society actors working in the area in question (education or healthcare, for example). These assemblies set expenditure priorities and select delegates to represent their decisions. The process concludes with the PB council where these delegates meet, which represents the highest instance for aggregating demands and monitoring the public budget (Luchmann 2007; Gurza Lavalle, Houtzager & Acharya 2004, 2005). Today the PB has ceased to be a political novelty and has lost its electoral appeal, meaning that its implantation tends to be confined to PT administrations. No systematic national records exist on the implantation of PB in Brazil,



but currently the Brazilian Participatory Budgeting Network includes 57 municipalities. In fact the largest number of documented examples since the creation of PB are the 103 cases registered in Brazilian municipalities over the period from 1997 to 2000, and between 194 and 200 cases of PB in the years spanning between 2001 and 2005 (Ribeiro & Grazia 2003, Wampler e Avritzer 2006, Cabannes 2006).

Despite the symbolic importance of PB for campaigns for increasing democracy, its practical reach in terms of its diffusion is limited. Participatory Budget (PB) in Brazil is not part of the national decentralized participatory structure, which is wider and involves other participatory institutions. The experience of participation involving citizens in the budgetary process is substantially a municipal program, which has been pioneered in Brazilian cities and achieved international prestige in the last decade; especially with the well succeed experience of the city of Porto Alegre<sup>1</sup>. Furthermore, PB has no direct relation to the process of decentralization in Brazil, and it depends strongly on the will of the municipal executive power not just to continue working, but even to exist, inasmuch as most of the cases do not dispose of any legal enforcement. Thus, PB is quite sensible to changes on the ruling party at municipal level. It should be pondered, moreover, that PB international transfers are conditioned to institutional constraints present in countries of importing cities. In fact, several experiences of PB abroad were narrow emulations of the original Brazilian model of Porto Alegre. A set of cities merely reproduced an ideational dimension PB, which in practice resulted as a simple instance of citizen consulting and information about the municipal budget, without any more effective deliberative process (Oliveira, 2010).

Only a limited number of cities have adopted this participatory policy among the 5.561 Brazilian municipalities (see above), in spite of the success of PB and its large national and international dissemination<sup>2</sup>. At the local level MPCs are as relevant as PB, and play a significant role in the Brazilian decentralized participatory structure. Brazilian political science literature on participatory governance has been focusing, especially, in these two spaces, providing case and comparative studies for understanding the recent participatory phenomena in Brazilian urban contexts. Notwithstanding, a survey of this literature made by Pires and Vaz (2010) argue that participatory spaces have been studied separately, by type of

institution. In fact, nowadays cutting edge debate is on integrating a single frame for participatory institutions, *vis-à-vis* the inertia on studies by type of participatory institution.

We should highlight two essential aspects for understanding the overall structure of democratic governance in Brazil. Firstly, the country contains social actors and movements with a strong presence at municipal, state and federal levels (the black, indigenous movement, housing and human rights movements) and the State in general has become more amenable to the demands of these actors. Secondly the adequate functioning of the democratic innovations in question is linked to the electoral dynamic and, in some cases, such as PB, is entirely dependent on it. In other words, in the case of mandatory innovations such as the MPCs, the government in power can curb their capacity to influence policies, though it has no authority to ban them. But the profile of the elected government is crucial to non-mandatory mechanisms such as PB. The PT tends to be more favorable to participatory institutions and the political turnover means that those parties replacing PT in the state and municipal governments tend to reduce the space given to these institutions. Sometimes participation is raised as a campaign issue in the disputes with other political parties, reproducing the same kind of oscillating relationship found between government and opposition in terms of the value and weighting accorded to participatory structures in policy management. Some municipalities have seen PB experiences promoted by left-wing governments other than PT and subsequently discontinued when other parties were elected. Fewer cities have had PB experiences initiated by PT and later continued by subsequent administrations led by other parties with different methodologies and purposes. At the same time, the success of PB requires continual efforts from the government officials to mobilize and build bridges with the population, ensure accessibility and respond to demands. This important feature makes PB a very specific tool that has to be understood in the context of the political type and leaning of the governments that decide to implement it. Undoubtedly it must be seen as an experience with varying levels of success and subject to disruptions with the change in the governments and parties in power over time.

## India

Government of India came out with Model Participatory Law on the lines of the Act in Andhra Pradesh that gives stimulus to participation of citizens in various planning and implementation activities of the Municipal Corporation. According to the Ministry of Urban Development, 12 states (Andhra Pradesh, Assam, Bihar, Gujarat, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Rajasthan, Tripura, Uttar

1 The Participatory Budget of Porto Alegre had a prime of Best Practice from the United Nations Program – Habitat II in Istanbul in 1996.

2 Considering the group of cities that will be submitted to analysis and comparison in the WP6, Salvador, Rio de Janeiro and Guarulhos, only the latter has a durable experience of participatory budgeting.

Pradesh and West Bengal) have enacted the Community Participation Law (CPL) that ensures participation of citizens at ward level (TERI: 2010). Other states have committed to introduce the Act soon. How far this CPL can bring in effective participation needs to be studied as the CPL of various states varies in terms of content and context.

Government of India also introduced Nagar Raj Bill in 2008. The Bill outlines the need to go below the City/Municipal Level to Ward/Area level in terms of planning and budget making process. The Bill outlines the need to decentralize, administrative, political and functional aspects of urban governance. It also gives the budget making calendar (Schedule I of the Nagar Raj Bill, GOI:2008) that deals with area, ward plan preparation, area/ward budget and how this can be scaled up to Municipal/City level budget. It also sets the time line for review of works and the budget implementation.

In 2006, the National e-governance Plan (NeGP) was initiated by the Government of India to: a) Make all the government services accessible to the common people in their locality through common service delivery outlets and, b) to ensure efficiency, transparency and reliability of such services at affordable prices to realize the basic needs of the people. NeGP is considered as one of the Mission Mode projects under JNNURM. The objective of the project is to leverage ICT opportunities for better urban governance. In this process, the NeGP brings two way interaction of knowledge sharing that is: Citizens to Government (C2G) and Government to Citizens (G2C). C2G comes in the form of Complaint Grievances Redressal System (CGRS), and G2C comes in the form of knowledge sharing and provide a platform for citizen participation in the overall administration of ULBs. This is done through Service Level Bench Marks (SLBs) or Key Performance Indications (KPI).

Certain cities such as Hubli-Dharwad, Mysore, Siliguri have come out with innovative techniques in involving the local citizens in the planning, implementation and monitoring process in infrastructure and other projects of the local authority. For example, Hubli-Dharwad has come out with the idea of Ward Committees needing to approve the work done by contractors before the contractors can get their funds released from the City Corporation. Siliguri in West Bengal has come out with the concept of forming sub-committees under Ward Committees to look after various sectors. Each of them enables the citizens to participate in an effective way in the decentralized environment.

Writing on the Kolkata Metropolitan Development Authority (KMDA), which is the technical wing of the Kolkata Metropolitan Planning Committee, Ghatak and Choudhury (2003) state that use of e-governance in all the

50 Municipalities/Corporations in West Bengal facilitated the decentralized planning involving community with emphasis on social sectors and disadvantaged groups. They observe that the decentralized governance system through technology has resulted in reduction of corruption, greater transparency in decision-making and allocation of resources and a people-friendly government. But how far this technology has brought in participatory budgeting process is yet to be analysed.

Budget oversight in India has taken two forms. One is the Public Auditing system of Accounts & work audits, and through Fiscal Responsibility Bill. Under the Fiscal Responsibility Bill, the Central and State governments are required to make arrangements in which they minimize the revenue loss. Alternatively they retain their credit worthiness. State Governments such as Maharashtra, Kerala and Tamil Nadu came out with the stipulation that no Local Authority should show deficit budget as it affects their credit ratings in the market. Alternatively they hiked up their revenue (window dressing in financial terms), to show that their finances are good (the local authorities introduced accrual based accounting system) to have a better credit rating. However, it is difficult to achieve by any local authorities given the increased dependency on Credit Ratio. However, it is difficult to achieve by any local authorities given the increased dependency on Credit Ratio. However, the State Governments in order to maintain the credit worthiness of the local authorities have demanded that local authorities show a positive budget through window dressing their accounts. This has become common in most of the States in India now.

After the introduction of Jawaharlal Nehru National Mission on Urban Renewal (JNNURM) in 2005, it has become mandatory for the JnNURM cities (62 in number) to get themselves assessed for CREDIT RATING. Of the 62 cities that have been credit rated till January 2010, 50 cities received the rating. The table below summarises the key credit factors across the rating spectrum for the 43 cities rated under JnNURM initiative. The table shows that none of the Municipalities including Municipal Corporation of cities such as Mumbai, Surat, etc could get the highest rating of 'AAA' (Vaidya & Vaidya: 2009). (full reference: Chetan Vaidya & Hitesh Vaidya: 2009L: Market – based Financing of Urban Infrastructure in India', Pear Experience and Reflective Learning Material, National Institute of Urban Affairs, New Delhi).

The Public Accounts and Audit System that the British set up during their regime in India still continues through an independent body under the Public Accounts Committee of Parliament usually headed by an opposition member. But its role is limited to central and state government finances.

**Table 1:** Summary of Municipal Credit Rating under JNNURM

Rating Category	No. of Cities	Cities	Key Credit Factors
AAA	Nil		.
AA	6	Greater Mumbai, Navi Mumbai, Nashik, Surat, Pune and Thane	Cities in this category exhibit robust debt coverage ratios, have strong finances, adequate managerial, technical and institutional abilities, healthy economic base and generate consistent revenue surpluses.
A	8	Nagpur, Kalyan, Rajkot, Vadodara, Mira Bhayanadar, Ahmedabad, Kolkata and Chandigarh	Cities in this category generally have comfortable financial risk and favourable economic base.
BBB	15	Panaji, Indore, Dehradun, Faridabad, Nanded, Bhopal, Cochin, Ajmer, Ludhiana, Trivandrum, Jaipur, Chennai, Coimbatore, Madurai and Mysore	Cities in this category have a weak financial profile, high dependence on government grants/transfers and weak project implementation abilities.
BB	10	Meerut, Asansol, Guwahati, Ujjain, Shimla, Howrah, Ranchi, Jammu, Jabalpur and Amritsar	Cities possess marginal/negative operating surpluses thereby limiting ability to borrow and service additional debt.
B	4	Bodhgaya, Jamshedpur, Varanasi and Haridwar	Cities have inadequate and volatile grant support from state government; poor economic base and adverse financial profile marked by poor collection efficiencies.

Source: Sujatha Sirikumar (2010). "Municipal Credit Rating-Evolution and Implications for Urban Sector Financing (Draft)", Prepared for NIUA. March.

Most of the local authorities are never brought under this cover. The concept of 'social audit' is strongly emerging in India in many rural local authorities, in which the schemes implemented by local authorities are audited by NGOs or persons of eminence outside the local authority both in terms of fiscal and physical outcome and their social impact. Considering the various accounting systems that are prevalent at the urban local authority level, the Government of India brought out a Model Accounting Procedure called Municipal Accounting Manual that guides the accounting standards at local level. This has been approved by the Chartered Accountants Council and is now increasingly followed by major municipal corporations. This limits the type of accounting (double entry accounting system) and spending on various heads of expenses at local level. As outlined before, these are limited to the mega-city level and have not reached below the city level.<sup>3</sup>

<sup>3</sup> There is no detailed studies or implementation. Public Expenditure Tracking study was done on experiment basis in Delhi by a private organization in a selected ward but that was not accepted or implemented by Municipal Corporation.

## Peru

The Peruvian experience in the development of innovative participatory spaces is probably, after the Brazilian one, considered as the most relevant in the Latin American region because of its coverage, the reach of the legal and institutional frameworks, and the relatively high degree of commitment shown by the authorities. There are several mechanisms for citizen participation in Peru such as: regional coordination councils (CCR); local coordination councils (CCL) in its district and provincial versions; 'concerted' development planning that are directly related to participatory budgeting since they define the guidelines for project prioritization and implementation; participatory budgeting, accountability and oversight schemes.

Historically, participatory governance institutions go back to Peru under dictatorship. Already in the 1970s under left-wing military rule a first experiment in 'self-governed' urban governance was enacted. The resulting Limenean district – Villa El Salvador (VES) – became an important point of reference both nationally and internationally, continuing its pioneering role in local governance

innovations in Peru. In the 1980s democratization and decentralization fostered a series of experiments in participatory local governance, most often under left-wing authorities, and in 1990s the country experienced an extreme recentralization, in which budgets and power became concentrated in the Ministry of the Presidency<sup>4</sup>. Since the return to democracy in 2000 the reconstruction of democratic institutions and legitimacy has been high on the political and societal agenda, and consequently also figured prominently in both public and scholarly debate. Decentralization, “concertación” and participation were considered the main vehicles for this reconstruction. Over a decade a substantial administrative and fiscal decentralization took place. Sub-national budgets increased significantly both in relative and in absolute numbers. The development of “Concerted Development Plans” and participatory budgeting are mandatory at regional and national level.

The mechanisms designed to increase “concertación” and participation are quite diverse, and encompass: Direct democracy (referendum and revocation)<sup>5</sup>, “Concerted” development plans, Round Table for Concertation on the Struggle against Poverty at national, regional and local level (MCLCP), Regional and Local Coordination Councils (CCR and CCL), Participatory Budgeting (regions, provincial and district municipalities), Citizen Control (right to public information and accountability), the “Defensor del Pueblo” (national ombudsman) performing important oversight functions, and environmental and other thematic commissions and councils local and regional and national level.

4 There is a famous saying in the women’s organizations in the 1980’s in Perú. Given that most social organizations were the product of a democratic, social, representative and organized tissue that evolved progressively from confrontation towards a more tolerant and proactive attitude with the government it was stated that they have evolved „from protest to proposals“. In the 1990’s and with the new political changes of the Fujimori’s regime the sentence was completed to „from protest to proposals but without answers“...

5 Remy (2011) reminds us that Peru is one out of three Latin American countries with a constitutional right to revocation (together with Colombia and Venezuela), and calls it its most effective and most applied mechanism. In 2006 more than half of the social conflicts recorded by the National Ombudsman referred to attempts to revoke the elected authorities (Wilson 2006). This picture has changed significantly by 2011. In July 2011 more than half of the social conflicts registered by the national ombudsman were socio-environmental conflicts. Nevertheless Remy (2011) considers these mechanisms the most effective, since many local governors have been forced to step down.

It is worth mentioning that participatory governance structure cultural background is important in Peru. There are a strong culture of solidarity, mutual aid and people’s capacity to work together, particularly at a local level. This comes in part from the Andean tradition. Fortunately, these values are also part of the life of the population, especially the urban population. It can be identified in the illegal or informal settlements in urban areas where the population must work together in order to improve their living conditions. It is also practiced among poor municipalities, which depend on such strategy to achieve results.

At the national level, the first participatory space that deserves attention is the *Round Table for Concertation on the Struggle against poverty*. When Peru was still under the transitional government of Paniagua in 2000 the influential bishop Bambarén called for the formation of a space where state and civil society could discuss possible solutions for the widespread poverty. Early 2001 the “La Mesa de Concertación para la Lucha contra la Pobreza” (MCLCP or Round Table for Concertation on the Struggle against Poverty) was officially created<sup>6</sup>. A year later they published their “Carta Social” setting the framework of their work. Over the decade of its existence the Mesa has established itself as a major actor in the public debate, developing proposals, monitoring progress on social policies and developing campaigns. These include support to and monitoring of the decentralization process in general, support to and monitoring of the participatory budgeting process, campaigns on dignified work, social inclusion, special emphasis on the situation of children, monitoring of social policies and of the functioning of the Truth Commission. So far it has survived four changes of national government.

The reconstruction of democracy was marked by the *Acuerdo Nacional* (National Agreement): a national pact established in the process of “concertación” among different sectors in society. Signed in March 2002 it stipulated a set of thirty state policies developed and approved in a consensual way to reconstruct the social pact broken during the Fujimori regime. There were four main policy/issue oriented fields: Democracy and the rule of law, equity and social justice, competitive economy, and efficient, transparent and decentralized state. The agreement was signed by seven of the main political parties, Bishop Bambaren as president of Episcopal

6 The Round Table at national level consists of the thirteen ministers, five representatives of “social” organizations, two representatives of NGOs, three representatives of municipalities, two representatives of religious organizations, two union representatives, two donor representatives and one private sector representative.



conference, a representative of the MCLCP, a representative of the National Society of Industries, the federation of private sector enterprises, the federation of trade unions and the national coordinator of *frentes regionales*.

Despite its media relevance as a political will guarantee for candidates —as seen during the last election with both balotage contenders— it is recognized that the National Agreement had not reached the expected impacts. Neither the Toledo government nor the following García government paid much attention. Interestingly enough the two presidential candidates in the final round of the 2011 elections subscribed the National Agreement. Humala even promised to strengthen it, ensuring that the policies agreed upon would be implemented. He called his new government a ‘government of concertation’. Whether he manages where two previous governments failed remains to be seen.

At the national level there are a number of *National Councils and Committees* as well. There are a series of national councils (like the National Health Council, the National Council of Education, The National Council for Science and Technology etc.). Most of them were formed shortly after the return to democracy, are composed of both government, civil society and private sector organizations, and have as major task to develop policy proposals, discuss and monitor the implementation of current policies. They do so with varying levels of success and recognition. It is important to note that the both the council on Health and the council on Education fostered the creation of Regional Councils.

At the regional and municipal level, participatory governance structure partially replicates the architecture of the national level spaces, as in the case of *Regional and Local Round Tables for Concertation on the Struggle against Poverty* and Coordination Councils. According to the records of the National level Round table, by 2005 26 regional round table were actively functioning, 120 provincial tables and 400 at the district level. (MCLCP 2006:6). Many more had been created, Ballon even counted that 187 out of 194 provinces counted with a Round Table, and 1038 out of 1839 district municipalities had created one (Ballon 2003:20). However, many were no longer functional due to limited human capacities and financial resources. In these regional and local level tables actors enter into dialogue on social policies and programmes. When the Peruvian population was asked in 2001 whether they preferred that support would come from existing social programmes, or through the round tables, a majority opted for the round tables (Ballon 2003:23)

The new legal framework built up since 2002 has mandated the creation of *Regional and Local Coordination*

*Councils* (CCR and CCL respectively).<sup>7</sup> By 2007 78,3% of the local governments had created there CCL. CCR are lead by each regional president, and by law should consist of 60% government representatives, and 40% CSO representatives. CSO representative should represent their respective constituencies. The Organic Law of Municipalities establishes that the structures and functions of CCL are very similar to those ones of CCR. Their main functions are to coordinate with elected authorities, issues related to concerted development plans and annual budgets (with a participatory approach). The objective is that a development plan formulated in a concerted manner provides a long term vision, and that the annual budgets decided upon through participatory budgeting are aligned to these development plans. The development plans define the guidelines for project prioritization and implementation, accountability and oversight schemes. It is important to highlight that the same legal framework also indicates the functioning of the regional Round Table for Concertation on the Struggle against poverty, without clearly defining the distinct responsibilities.

Although their initial importance as a civil society counterbalance, the decision powers of the CCRs and CCLs and representation levels have been undermined because: they have a merely consultative character, their decisions have no binding character; government institutions are not always interested in promoting those spaces or even manipulate their members; there is very unequal and limited knowledge among actors on the roles of these political bodies; they have no assigned resources from the decentralization scheme; some of their functions overlap with those ones of participant agents of participatory budget and regular regional and local councilors. The loss of legitimacy from civil society representatives for CCR can be seen on the participation around the election of the representatives. In 2003, 783 persons voted; in 2005, 569 and in 2007, 392. A persistent absenteeism of mayors from CCR and CCL meetings also indicates the low level of legitimacy of these mechanisms. At the same time, there is no real multi-actor analysis of the economic costs of citizen participation, meaning that there is no idea on how much does the State should ‘invest on democracy’ (USAID 2009), which means that a big quantity of the costs (monetary and opportunity ones) are assumed by the citizenry.

Concerted Development Planning (CDP) is carried out by the CCRs/CCLs and directly related to participatory budgeting since it defines the guidelines for project prioritization and implementation. The Participatory

7 Since the structure and objectives of regional and municipal (provincial and district municipalities) are very similar, they will be discussed in tandem.

Budgeting Framework Law defines the Concerted Development Plans as the documents that lead regional and local development, containing strategic objectives of the community in relation to sector and national planning schemes. The participatory budgeting process must follow the directives of these documents in every case. What is not regulated is the quality of the planning processes, which depending on the difficulties on each jurisdiction have resulted not always as expected.

Not all sub-national participatory institutions follow the national “architecture”. There has been room for regional and local experimentation as in the case of Participatory Budgets and Citizens monitoring. In 2002 the Ministry of Finance and the Round Table for Concertation on the Struggle against Poverty started an experiment with participatory budgeting among nine newly established regional authorities. A year later (2003) the *Participatory Budgeting Law* made PB compulsory for all sub-national governments. According to the current legal framework it aims to: increase the efficiency of expenditure according to planning considerations; reinforce the relationship between state and society; involve the population on the actions for accomplishing Concerted Development Plans; establish priorities on public investment; and reinforce the follow up and citizen control on public administration. If we look at the sheer numbers the increase of PB processes in Peru was phenomenal.

These number refer to PB processes that exist, and that the authorities have submitted budgets to the Ministry of Finance that according to their claims have been developed in a participatory manner. Case studies of singular PB processes reveal that the content and quality of these processes are very diverse, and so are the outcomes (Hordijk; Klop; Borgesa; Sanao \*\*). Nevertheless, since the process started, 36% of investment budgets of district municipalities has been spent based on PB outcomes, an equivalent of approximately US\$ 391 (World Bank 2010:1). In this same study it is mentioned that the number of “participating agents” (i.e. registered participants) steadily rose from an average 41 per process in 2005 to an average 82 in 2009 (World Bank 2010:10). This last number runs counter to other studies, that document a steady decrease in participation, and especially in CSO participation, because of disillusion with both the process and the outcomes (MCLCP 2009). Here it is important to note that in contrast to the Brazilian PB – which knows a clear phase of direct democracy – in the Peruvian PB meeting only registered participants have a voice and vote. Criteria for becoming a registered participant – or “participating agent” vary per year, and have become more formalized. Also other factors have disenchanting citizens, especially the fact that so few of the projects prioritized under PBs are actually implemented. The participation of Civil Society within PB processes can thus be rather limited instrumental to the interests of local and provincial municipalities (USAID 2009a).

**Table 2:** Number of Registered PBs and Number of Participating Agents by Government Level

	2004	2005	2006	2007
<b>Number of PBs registered</b>				
Regional Government	24	25	25	25
Provincial municipalities	n.a.	111	85	104
District municipalities*	513	664	376	532
<b>Total</b>	<b>537</b>	<b>800</b>	<b>486</b>	<b>661</b>
<b>Number of “Participating Agents”</b>				
Regional Government		2392	3896	1918
Provincial municipalities		6997	10667	8369
District municipalities*		20672	29324	26781
<b>Total</b>		<b>30061</b>	<b>43687</b>	<b>37068</b>

\* For 2004 this number includes the provincial municipalities.

Source: Hordijk (2009)





A second issue is how much of the budget is brought under PB. Although it is established that PB amount will result from taking away fix costs, current expenditure, and programs / projects that are already in execution from the expected yearly budget, enforcement mechanisms are not well developed and there is a relatively big maneuver space for governments to discretionally decide the participatory share from the total budget. In average only 5.4% of total Budgets in Lima and Callao are participatorily decided, while this percentage is 20.4% for the case of Arequipa. We can also find differences between districts within cities. For example while 32.2% of the total 2010 budget of Puente Piedra corresponded to participatory projects, this percentage reached only 0.4% for La Molina. At the level of district municipalities in Lima municipalities with lower average consumption capacity have more participatory funds as a percentage from total budgets.

A third issue refers to the quality of expenditure. For 2007, regional governments executed only 34% of the prioritized participatory projects, while rest of the projects portfolio kept accumulating due to a lack of capacities from both sub-national government units and organizations. In average only 15% of CSO participating agents could deliver a project that could fulfill the technical requirements of the process at the municipal government level. On the other hand, at the regional level 43% of civil society agents could meet the standards of the highly technical National System of Public Investment SNIP (CIPP 2009 as cited in Hordijk 2009).

As for *citizens monitoring*, and in part in response to the heavy corruption under the Fujimori regime, the new legal framework puts emphasis on the right to information and oversight. This results in *oversight committees* in PB, and a quite strongly developed legal framework on the right to information, which inter alia forces all government bodies to publish financial information online. This includes budgeting, spending and tendering procedures.

The oversight committees are bodies created within the PB process, between those participant agents who do not belong to the government apparatus. Their functions are mainly to follow up the agreements and denounce irregularities. Although most of the regions count with oversight committees they do not properly operate and their functions can be undermined by no clear acknowledgement of their functions, restricted access to public information, and high costs that need to be self-financed. According to Hordijk (2009) the provision of information from sub-national governments to the Participatory Budgeting information system (DNPP-MEF) has decreased. The author states that in September 2008 it was officially informed that more

than 60% of them did not submit any information regarding that year's process.

The Law on Transparency and Access to Information establishes that every citizen has the right to access to public matter information without giving any particular reason. Particular mechanisms have been established by regional governments in order to systematize their request and provision systems. It is explained on each Administrative Procedure Text (TUPA) which defines requisites, deadlines, costs and complaint procedures.

According to DP in 2009, the level of accomplishment of the transparency legislation was 69% for regional governments and only 37% for the provincial municipalities of departmental capital cities. A survey from 2010 (MIM as cited in Remy 2010) shows that more than half of the population of the country stated that they know their right to be adequately informed by their local governments, but on the other hand less than 20% recognized to have received information. The National Ombudsman publishes quarterly reports on the level of compliance of sub-national government bodies with the law on transparency.

Summarizing we can conclude that since the return to democracy a vast number of "participatory" spaces have been created, in which citizens and CSO participation has very different forms. A characteristic of many of these spaces is that they are established on government's initiative, and under governments guidelines. A recurring theme is that the actual functioning of these spaces is highly dependent on local circumstances. Practices vary rich participatory processes and high levels of implementation of agreements, to pure window-dressing and neglect of the outcomes of the processes by the relevant authorities. A last observation is the subtle but important difference between "participación ciudadana" (citizen's participation) and "participación popular" (popular participation) in the Peruvian context. Whereas the first refers to the participation of all citizens alike – rich or poor, organized or not –, the latter refers to the participation of low income groups. "Citizens participation" and "popular participation" both are important in their own right, but it is important to distinguish when and where "participation" specifically aims to include low income groups, and when it aims at inclusion of citizens at large. Furthermore, the often subconscious interpretation of "participation" of citizens in projects, programmes and processes initiated by others, most often donors or NGOs. The interpretation of "participation" could also be re-conceptualized as the extent in which actors external to a community or sector can participate in what citizens (and especially the poor) already undertake out their own initiative.

5

## The State of the Art on Governance Innovations in Global South

### Brazil

There are interesting findings and analytical improvements on our understanding of participatory institutions in Brazil. Some research problems have been already explored, such as the political projects that are carrying out the participatory experiences (Dagnino *et al.*, 2006), the relationship between institutional design and the empowerment of the citizens (Silva, 2001, Lubambo *et al.*, 2005, Luchmann, 2002) and how the associative tradition at the local level influences the success or failure of the experiences of participation (Avritzer, 2003). However there is little knowledge on participatory institutions effects. Besides some initial works on distribution effects of Porto Alegre PB, which by now have been reasonably challenged, there are very few works in Brazil (for example, Marchetti, Pires e Campos 2008, edited volume, or Wampler's work), and almost none comparing effects between types of participatory institutions. This is one of the ongoing shifts on Brazilian literature. There is still a lot to be explored about the effects of these institutions and of course it is an extremely methodological difficult task. How should one define "effects", as binding decisions, as actual changes in policy at the local level, as well being consequences, as free deliberation or as all encompassing combination of those possible effects?

The concept of **political project** has been used by Albuquerque e Teixeira (2006) to analyze experiences of PB in cities of the state of São Paulo. This approach allows to interpret the PB as a space which transcends its own and exclusive dynamics, that is, the concept offers a more accurate and broader understanding of the intertwined relations between civil society and political system, as well as of the reach of PB in terms of public policy.

A recent literature survey from Tatagiba e Teixeira (2007) shows that studies on municipal councils agree that these spaces have a marginal place in policy decision-making processes, pointing out that, actually, municipal councils do not deliberate (Tatagiba & Teixeira, 2007: 03). Authors argue that this is a partial diagnostic. The reach of these participatory institutions, their effect on sector policies, remains unexplored. They suggest it is necessary to look beyond snapshots, which means researchers should be aware of the risk of crystallizing conjunctural aspects. Special attention should be paid to relational dynamics inside the participatory institutions, as they underpin recognition among actors and allow consolidation to some of them. Another relevant issue

they point out is to avoid setting expectations for disappointment, which can lead to an excessively negative evaluation of the capacity of such experiences. It is not about looking to the spaces of participation without any reference on their meaning or broader aims. Inversely, it is necessary to open room for unexpected directions.

Moreover, the authors propose three groups of variables, considering that the level of impact of the municipal council varies in the different phases of the policy and desiring to understand what explains these variations. The first one considers **the nature of public policy**, taking into account the policy characteristics according to the sector to which the council is attached, the political decentralization, with the specific attributions of the federate body to which the council is connected. The second variable refers to **the political identity** which its definition occurs along the time and is framed by the combination of structural and contextual aspects (including the analysis of the institutional design). Thus, identity is not understood on essentialist basis, but as a dynamic and contextual process of political identification. The last set of variables is composed by the **actors, dynamics and process**, which refers to the profile of the actors and the dynamics of their interaction, and depends on the presence of certain actors in one context in the council. Here is included the analysis of the sharing of political projects among the actors and also the compromise of the actors with the participation and which place the council occupies in the realization of their projects (Tatagiba & Teixeira, 2007: 06; 10; 12;14). These three groups of variables have central elements that have been discussed in part of the literature, this represents an improvement in the attempt to built a methodology of analysis that considers the complexity of relationships, dynamics, legal and normative definitions that permeates the action of actors involved in this spaces and define their reach, constraints and potential about the social control made in these participatory spaces.

In this same direction Pires and Vaz alert us to the importance of studying the impacts of participatory spaces in Brazil, in order to comprehend a crucial facet of participatory spaces, which is, substantially, whether they make any difference and, if so, under which conditions. The authors concentrate their proposition on two fundamental issues. On the one hand, if the participatory spaces have been improving the government way of functioning and the implementation of policies the results, and, on the other hand, if the results of this spaces are changing the quality of life and the access of public goods to Brazilian citizens (Pires & Vaz, 2010: 1).

The scope of the formulation made by Pires and Vaz is to emphasize the need to pay more attention to the impact of participatory spaces, a dimension with which Tatagiba and Teixeira are also concerned. Although in the perspective of the first two scholars this type of problem can be satisfied by thinking of participatory spaces as public policy, which according to the literature on policy analysis must have efficacy, be effective and efficient. Furthermore, the authors suggest some aspects that are easy predictably in terms of cross-participatory-spaces variation in its own functioning such as: representativeness of the participatory spaces; autonomy from the government; entailment with the production of policy; transparency on the rules of functioning of participatory spaces and the results of deliberation; financial and administrative capacity; deliberative effectiveness. This group of criteria serves as variables and dimensions to observe existence and quality of these spaces (Pires & Vaz, 2010: 19).

## Peru

An important group of scholars have studied participatory institutionality from both the academia and more politicized public, private and multilateral institutions such as the “Defensor del Pueblo” (Citizen Attorney’s Office or Ombudsman), Round Table for Concertation on the struggle Against Poverty (MCLCP), “Grupo Propuesta Ciudadana”, “RED PERÚ”, USAID<sup>8</sup> and the World Bank among others. It is important to highlight that scholars moved frequently between more academically oriented and more public debate oriented publications, often spending more time on the public than the academic debate. After the return to democracy a number of networks and concertative spaces have been formed, to perform a monitoring role of the process of re-democratization<sup>9</sup>. The discussion about the reconstruction of democracy in Peru has mainly focused on two issues: decentralization and “concertación” (Grompone 2007). Decentralization receives significantly more attention than “concertación”, and citizens participation is most often studied in function of processes of decentralization and/or “concertación”. Clear examples are Remy (2010) “A Diagnosis of the Effectiveness of the Participatory Mechanisms in the Process of Decentralization”, or “Taking stock of the processes of participation and concertation in the context of

decentralization”, produced by the Congressional Committee on Decentralization (nd), or “Participation and Decentralization: Citizens perceptions and expectations” (a co-production of the Round Table for Concertation on the struggle against poverty and Prodes/Usaid (2009). This social verification/monitoring is at least as important as the scholarly debate. Seen in terms of political incidence it is probably even more important. Government produces public performance reports. In general the scholarly debate is quite critical, whereas reports from both donors and governments are moderate to more positive.

“Concertación” thus plays an important role in both the public and scholarly debate and the political practice in Peru. Despite the importance of “concertación” in the Peruvian political tradition, it is difficult to find a clear definition. In both legal texts (like the Peruvian Constitution, the Law on Decentralization, and the Framework Law on Participator Budgeting) and in scholarly texts (Arroyo 2004; Panfichi & Dammert 2005; Canto 2005) the concept is used without defining its meaning. We have argued elsewhere that it is impossible to properly translate the concept “concertación” (Miranda and Hordijk 1998). It is not incorporated as a lemma in the Encyclopedia Britannica, nor in the Websters Dictionary. Nevertheless the concept appears in Anglophone scholarship as “concertation”. When it appears as such it most often refers to either social dialogue or tripartite negotiations in the framework of the European welfare state, and especially labour relations. Ishikawa highlights that “The term “concertation” in English-speaking countries is usually regarded as identical to cooperation or participation, whereas in France and Italy it is regarded as decision-making through consensus” Hernandez, reviewing Latin American social dialogues, gives it a wider definition as the process of moving towards consensus through dialogue among the social partners (Hernandez 1992 cited in Ishikawa 2003). We contend that the wider Latin American definition of “concertación” expanded beyond the original labour relations arena. It became a wider concept of Concertación, understood not only as a mechanism or as a Social Dialogue instrument, but as the creation of new spaces for the State-Civil Society relation. It implies the achievement of greater participation of social actors and citizens in the government; in other words, in the design, execution and oversight of public policies. Bebbington et al (2005). undertook a comparative research of what they labelled “Espacios Publicos de Concertacion Local”<sup>10</sup> (ECPL). To qualify as an ECPL the

8 USAID has a specific programme aiming at strengthening the decentralization process, which included capacity building programmes for PBs, public campaigns and technical/legal proposals for fiscal decentralization.

9 Such as Grupo Propuesta Ciudadana (an NGO consortium supported by USAID) and RedPeru (an association of individual citizens, organizations and municipalities)

10 The cases compared were the PB in Belho Horizonte Brazil, the Round Table for Concertation on in Struggle against Poverty in Puno, Peru, a poverty alleviation programme in Cerro Navia, Chile, zonal planning in Medellin and a concertacion process in Guamote, Ecuador.

process should have moved beyond consultation, and instead the “the involved actors have managed to get together to construct a process of encounter, negotiation, deliberation and the construction of agreements, each of them with their distinct interests. It have to public spaces where the processes have been visible, scrutinized through social monitoring, and to a certain extent institutionalized<sup>11</sup>.

Thus from a Latin American point of view “concertación” has to move beyond information sharing, consultation and even negotiation, and has to be turned into a process of actively searching agreements among different actors

with differing interests. It therewith also reaches beyond “consensus”. The act of reaching agreement is also reflected in the definition from the dictionary Planeta: Concertar = pactar, acordar, llegar a un acuerdo, which are all synonymous for reaching agreement. “Concertación” can only function if you are willing, capable and interested in positioning yourself in the shoes of the other. It implies that you have to leave you comfort zone, and are ready to accept that there are other ways of thinking and other interests to consider. In other words: you have to be ready to give up part of your agenda in virtue of reaching any form of agreement, expecting that others do likewise. This ensure that none of the parties feels used or maltreated afterwards.

11 Bebbington et.al furthermore noted that they were interested in ECPLs in which community based organizations had participated, where –citizenship was fostered, and new state-civil society relations were developed, and they urged for a special attention to the pathway of successful ECPLs. Often successful ECPLs followed on earlier participatory experiences. They warn no to be romantic about the ECPLs, since they are always embedded in the wider political-economic contexts, and thus embedded in existing power structures, vested interests and claims over material resources. Bebbington et al. 2005

Ballón (2003) and Grompone (2007) explore the different shapes and variations that participation and concertation have taken in recent years. Ballon first illustrates how differently “concertación” is understood by different actors and authors. Is “concertation” only taken as a method, a strategy or is it about real participation, where “real” refers to real influence. This leads him to the following classification:

**Table 3:** Different Ways to Understand „Concertación“

	Method	Strategy	Participation	
			Associations	Delegation
Participation	Authorities offer inform citizens, but take decisions themselves	Opinions and expectations of CSOs are taken into account, but authorities have the lead	Agreements to cooperate are reached and decisions are taken jointly	The authority to take decisions is transferred to the “concertative space” (espacio de concertación)
Kind of Interaction	There is no systematic feedback from citizens, the process is formal	There is feed-back on the decisions taken by the authorities	Negotiations and cooperation in the decision making process	Transfer of responsibilities
Citizen’s Role	Receptive	Citizens/participants as clients	Citizens/participants as members	Citizens/participants as members and executers
Level of Participation	Passive		Influence and decision	Influence, decision and intervention in management

Source: Ballon 2003 p.36



Ballon also proposes a series of criteria to categorize the pletaphora of “concertative spaces” in Peru based on a

number of characteristics. He therewith already illustrates the wide variety of processes ongoing in the country.

**Table 4:** Categorization of „Concertative Spaces“

According to the involved groups	According to their functions	According to ther temporality	According to their organizational forms
Coordination of institutions, personalities and some organizations: population is seen as a beneficiary	Spaces of negotioations and formulation of proposals	Concertation for specific actions	Sector committees. Concertation and participation sees as a method
Confluence of institutions and social organizations: population intervenes on the decisions vis CSOs	Spaces that generate projects	Long term concertation for strategic aims	Concertation Tables Concertation and participation as an strategy
Confluence of institutions and social organizations: population intervenes openly in the decisions taken	Spaces in which proposals are formulated, projects are planned and managed and the public agenda is debated	Institutionalized concertation	Round Tables and Development councils (CCL/CCR). Concertation and participation as a process

Source: Ballon 2003.

Monge (2003) highlights the role of organizations from rural spaces as pioneers in the development of experiences for achieving a genuine idea of —concertation . Regarding more spatial focuses Diez (2009) has studied the territorial reconfiguration of the local sphere given by Participatory Budgeting (PB) seeing it from a perspective of organization in rural contexts (n/d). Regarding the political implications of participation contributions from Tanaka (2001, 2007) are crucial for understating it in the context of the crisis of political parties in Peru. When referring to socio-economic features Ballón (2008) warns about the problems of participation in contexts of economic dependence and poverty.

However, as noted earlier Peruvian scholarship is rather critical. They criticize the extent to which decentralization has been implemented, the quantity and quality of participation and the actual results of the triad “decentralization, concertation and participation”. This criticism is most of the time based on an implicit or explicit normative framework of what this triad should entail and should bring about. Another reason for their criticism is that the process so far has not or only partially met the objectives stated in the policy documents and legal frameworks.

There are a number of recurring points of criticism: a) The state-driven, top down nature of process “one-size fits

all”. Inspired by the pioneering experiences in the 1980s and 1990s central government has built up a complex and some say even rigid framework to guide many processes. Remy 2011 even contends that the design of participatory institutions has followed a “Russian doll” model through which the same schemes have been transplanted into political/territorial spaces of different sizes and complexities which has generated a number of growing contradictions;<sup>12</sup> b) the legal framework is top-heavy, way to detailed and rigid; c) nevertheless, it leaves sufficient room for reluctant authorities to only carry out the processes name (window dressing), effectively boycotting the process; d) there is an overlap between responsibilities of the CCR/CCL and the respective elected councils, which can lead to either stalemates or simple neglect of the concerted decisions; e) the intended coherence between the (medium term) Concerted Development Plans and the (annual) Participatory Budget – as stipulated in the legal framework – is hardly ever achieved; f) civil society is labeled as too fragmented, weak or lacks capacity to adequately perform tits role (Grompone 2003, Chirinos 2007); g) the representativeness of participating agents is questioned; h) the participatory budgeting process remains very dependent on the discretionality of local authorities; (Remy 2011) while it generates autonomous spaces that work in

<sup>12</sup> For example, PB from local to regional levels and coordination councils from regional to local levels.

independent ways instead of generating a bottom up articulation (Diez 2009); i) with each new “Instructivo” produced by the Ministry of Finance the process becomes more technocratic, therewith excluding especially the less educated from the process. CBOs are hardly ever capable to develop project proposals that meet all technical criteria without external assistance; j) under the previous government there seemed to be a silent but steady sidelining of the PB process. The introduction of the “Budgeting for Results” mechanism reduced the room to manoeuvre even further. Given the discourse of the new government, reiterating the importance of concertation, and the inclusion of the voices of especially the poor, the pendulum might move in the opposite directions in the years to come.

It is interesting to note that the empirical studies intending to monitor the process are more nuanced. They note a growing number of municipalities and regions where genuine PB processes take place. They also note for instance a growing number of participating agents in the municipal PB processes, who are better prepared. There are some signs that more projects agreed to under PB are actually implemented. A recent study carried out by the World Bank (2010) even counters the often heard criticism that PB would atomize the budget. There is less atomization in municipalities with genuine PB processes than in those without. They furthermore conclude a clear link between

the unmet basic needs, priorities people identify in the PB rounds and the rubrics for which projects are selected. Ballon (2003) concluded that the totality of the processes of “concertación” certainly has contributed to a better governmentality at the local level. The municipalities, and especially the mayors, have gained legitimacy. Given that the processes were undertaken with the overarching objective to reconstruct democracy. This can be considered an important result. The Peruvian experiences also seems to illustrate a general tendency formulated by Licha (2004:6) in the Latin America the focus is more on the participatory process, whereas in Asia the focus of the process is more on results (Licha 2004:6)

Remy (2011) judged the trajectory of concertative processes in Peru as a “building up and tearing down” (montaje y desmontaje) of concertative spaces. The Peruvian experiences thus clearly illustrate Holston’s proposition that a “democracy always comprises a jumble of processes ... in the making, replete with contradictions and unmaking.... Democracy is always becoming and unbecoming.... It is not a set stage of actors, institutions, social structures and cultural values....Neither democratization nor citizenship is cumulative or progressive. There is always erosion and backsliding” (Holston 2007:78-84). How the participatory processes are judged seems to reveal as much about the normative framework of the scholar, as it reveals about empirical reality.

## 6

## Decentralization in the Global South

There are striking variations between the government structures from country level government to the lowest level government among the three countries we are interested in. This variation implies differently kinds of spatial competition among various levels to demand resource transfers. In Brazil such transfers became crucial instrument for shaping municipal policy from central government, but they are highly institutionalized. In Peru there also was a process of recentralization, and the actual legal faculties of local units have changed going forward and backwards after re-democratization. In India state level is more powerful than in the other, being a main force of variation on the existing disparities in terms of health and education per capita expenditures across provinces. The comparison between those three countries clearly conforms that there is no direct relation between decentralization and devolution, and that high levels of decentralization are compatible with strong central capacity for defining policy. Table 5 provides the level and number of governments in selected case study countries.

### Brazil

The Federative Republic of Brazil is a federation that follows a presidential system. The Federation is divided into 26 states plus the federal district (the capital). Each state is divided into different municipalities, constituting 5.565 municipalities in total in the country. The federation, the states and the municipalities are the political-administrative division in Brazil (levels of government). The executive and legislative powers are organized independently in all three levels of government, while the judiciary is organized only at the federal and state levels. In federal, state and municipal levels the political representatives from executive and legislative powers are elected through regular elections that occur in each four years. Judges and other judicial officials are appointed after passing entry exams.

In the federal level, the president appoints the ministers of State, who assist him in government. Legislative houses

**Table 5:** National and Sub-National Governments in Selected Countries

Country	Intermediate	Local Level
India	28 States & 7 Union Territories	5481 urban local bodies 234,078 rural local bodies
Brazil	27 States	5565 81% of Brazilzn population lives in urban areas
South Africa	9 provinces	850 local authorities

Source: The World Bank, 2000.; IBGE, Brazilian census 2001

in each political entity are the main source of law in Brazil. The National Congress is the Federation's bicameral legislature, consisting of the Chamber of Deputies with 512 representatives and the Federal Senate with 81 senators, three per state. The electoral districts for both the representatives and senators are the states, and while the firsts are elected by open-list with proportional representation, the latter are elected by open list with block vote, majoritarian with district magnitude larger than one. Judiciary authorities exercise jurisdictional duties almost exclusively.

States have autonomous administrations, collect their own taxes and receive a share of taxes collected by the Federal government. They have a governor and a unicameral legislative body. They also have independent Courts of Law for common justice. States have their own constitutions, which must not contradict the Federal Constitution. Municipalities, as the states, have autonomous administrations, collect their own taxes (mainly over land use and economic services) and receive a share of taxes collected by the Union and state governments. Each level has a mayor and an elected legislative body. Municipalities and the Federal District have "organic laws" (leis orgânicas) that again must not contradict the Federal Constitution.

Brazilian political institutions basic profile seems to works for a high dispersion of power: federalism, presidentialism, multiparty system, with an open list electoral system based on proportional representation and multi-party politics. All these institutional features are normally associated with the dispersal of power. Since some of these elements seem to be especially accentuated in Brazil – with its strong federalism and intense multi-party politics, for example – their combination would appear, in principle, to multiply the effects of this dispersal of power. Hence the country is frequently depicted in conventional wisdom as one of the most decentralized in the world, responsible among other things for a harmful degree of party fragmentation, or difficulties in producing integrated

decisions at national political level. However the form in which these institutional features operate and combine is compatible with a high concentration of power at federal and executive level (Figueiredo e Limongi, no prelo; Arretche, Vazquez e Gomes, forthcoming). Understanding this very particular combination of a dispersive institutional structure and a high concentration of decision-making powers is essential to any comparative project in which macro institutional variables play an important role. Another peculiar feature of the structure of democratic governance in Brazil that should be emphasized is participatory institutional experiences.

A distinctive peculiarity of Brazilian federalism is that the 1988 Constitution gave the country's municipalities the status of autonomous entities within the federation. In other words, while federalism is usually defined by a dual relation between state and federal levels of government, Brazil possesses a tripartite relation between autonomous entities: the federation, states and municipalities. The municipalities acquired a degree of political importance unprecedented in national history: their number leapt from 3,991 in 1980 to 5,565 in 2010; over the same period, their share of tax revenue obtained by the three levels of government rose from 8.6% to 16.09%; and they also saw an expansion in their capacity for implementing policies, especially in the area of social policies. This scenario would suggest a growing differentiation and inequality between regions or municipalities due to the possibility for each municipality to opt for different policies. However precisely the opposite has happened in Brazil: the predominant tendency is for the streamlining of policies into the same moulds and a reduction in disparities in social expenditure among municipalities. This derives from the way in which the institutional mechanisms were designed to coordinate inter-governmental relations. The basic mechanism behind this confluence is the conditional transfer of funds from the federal government: in other words, the latter conditions the transfer of funds on the municipality agreeing to and implementing policies designed entirely within this context.

Hence fiscal and administrative decentralization at municipal level are combined with a strong centralization of decision-making powers at the federal executive level.

### India

The constitution of India incorporated a federal structure, with states as sub national entities that were assigned specified political and fiscal authorities. The country has separate legislative, executive and judicial power to centre and state but the highest concentration of power is with the centre. The constitution of India clearly laid out the areas of responsibility of the central and state governments, with respect to expenditure authority, revenue raising instruments, and legislation. It also provides power of independent revenue raising and spending. The constitution thus directs the central government to transfer resources. The Central government transfers are meant to fill the gap between resources required by states to meet their assigned responsibilities and the resources they can raise themselves. The priority based transfers are made on the basis of centralized planning strategy inherited in the Indian planning system in 1950, in which Planning Commission is required to allocate resources.

Before 1992, two tier governments existed in India having highest concentration of financial power with the national government. In practice, devolution to both the states and sub-state (local) government bodies was quite weak before the 1990s. The Balwant Rai Mehta and Ashok Mehta Committee's report has helped in the creation of local institutions below the provincial level. With the implementation of 73rd and 74th Constitutional Amendment Act (CAA) in 1992 a three-tier government system has formed for the devolution of fiscal power also to local governments. However, Constitutional Amendments has had small effects in empowering local level decision making (Kennedy 1999).

The central government forms Central Finance Commission (CFCs) appointed by the President of India every five years in which funds are transferred from centre to state. Besides, CFCs funds have transferred via Planning Commission discretionary transfers through various union ministries and agencies (these are becoming relatively more important in the case of cities). Urban Local Bodies (ULBs) were formed after 74th CAA, which constituted an outline for a municipal financing system. The 12th Schedule lists the 18 functions of ULBs, all are concurrent functions and the availability of financial resources would determine to what extent the ULBs can exercise their constitutional powers. However, the state governments have to implement the new fiscal system and allocate finances to local

governments (according to the existing constitutional division of responsibilities between national and state governments). So, the primary task of the State Finance Commissions (SFCs) is to design and structure a fiscal system that would meet the financial requirements of local bodies, including now urban local bodies (ULBs). The design of the fiscal system consists of (i) tax assignment or devolution to the ULBs, (ii) a revenue-sharing system, (iii) grants-in-aid for the ULBs, and (iv) agreement on management of critical assets, like publicly owned land and infrastructure

A major issue in centre to state fiscal transfers exists due to imbalances in the transfer mechanisms. States have fiscal deficits due to higher rates of expenditure than revenue incomes, due to limited revenue collection power assigned by the centre to the states. At the next level, the main problem associated with state to local government transfers is in forms of devolution of functions, fiscal powers and revenue sharing between the state and ULBs (which remains very limited in % of the state budget). Tables in Annex II show the devolution under various Central Finance Commissions (CFCs) and SFCs from Central to State to Local Authorities (Municipal Corporations, Municipalities, & Panchayats).

At least three different approaches are noted from the recommendations of the SFCs — transfer of specific amounts to municipalities e.g., Himachal Pradesh transfer of parts of those taxes which are appropriated by state governments and shared with municipalities; these comprise of entertainment taxes, taxes on professions, trades, and callings; and electricity duty, and selective transfer of parts of motor vehicle taxes, (Tamil Nadu); and sharing of a pool of states revenues, pool consisting of either the (a) net proceeds of tax revenues, or (b) tax and non-tax proceeds, or (c) non-loan gross own revenue receipts (e.g. Karnataka, Madhya Pradesh, Tamil Nadu).

Various evidences do not indicate that significant transfers of functions have occurred rather the earlier mechanism still exists in many parts of the country. The most recent change has been through the 74th CAA, which talks about bottom-up approach in developmental planning and fiscal transfers to empower the residents at the electoral ward level within cities, but there is a major gap in terms of the flow of funds allocated to this level (cf. Nainan 2008).<sup>13</sup> Ward committees receive very limited funds (in Mumbai it was 6% of the city budget in the early 2000s), and its use is limited to very specific activities. This implies that it would be necessary to devolve fiscal power

13 Change occurred under the JnNURM under 74th CAA, regarding introduction of double entry accounting, introduction of Nagar Raj Bill that deals with Area Sabha/ Ward Committees with budget making process.





to the ULBs who can in theory further strengthen the ward committees for better delivery of services.

## Peru

Focusing on the history of the last 25 years, during the first government of Alan Garcia (Peruvian current president) the efforts for decentralization established on the 1979 constitution were retaken and 11 regions were established in 1989.<sup>14</sup> When Alberto Fujimori took power in 1990 and established a dictatorship in 1992 it was easy to revert a relatively young decentralization project. The creation of the 'Presidency' Super Ministry in 1992 came together with the dismantling of the 11 regions and the creation of the CTAR (Transitory Councils of Regional Administration), in a way that 'an hyper centralism as never seen before' was operating (Garcia Belaunde 2004:13). During some years of the Fujimori Administration approximately 95% of the total budget was spent by the national government while the Ministry of the Presidency administrated 20% of it. By year 2000 the municipal share of the national government was only 4% (Hordijk 2009), at a time when sub-national governments' average share for the rest of the Latin American region was 10% to 15% (AMPE 1999 as cited in Figueroa n/d).

The last decentralization attempt has occurred since 2001, first with the Democratic Transition Government and since 2002 with the Toledo Administration and the Garcia's second mandate. According to Casas (n/d) the aims that at that time lead the process included improving the provision of goods and services through the involvement of sub-national governments. The process aimed to affect 3 spaces: administrative (regarding competences), fiscal (regarding expenditure and income) and political (regarding power). It is clear that its achievements have been neither uniform nor complementary regarding these three components. The new legislation consolidated 2 preexisting levels of government (national and local thorough provincial and district municipalities), and the reconfigured the regional level (as regional governments, with their own presidents and regional councils).

The decentralization process together with a modernization of the state aims to reformulate the state administration system. It implies that regional governments will shift from a sector to a territorial public management approach, and the national government would shift from

service provider to a policy maker status, strengthening capacities from sub-national government units and following up the decentralized service provision. The clear assignation of functions and competences to the three levels of government is still pendent almost 10 years after the process began. When analyzing the process, USAID (2009a) states that it is quite in construction, and it does not count with policies for guiding the transferred functions. By December 2009, 95.6% of the sector functions were transferred to regional governments (USAID 2010). Nevertheless no financial resources have supported the transference of these functions (GPC 2009).

As for the fiscal component the process, the whole public budget in Peru has grown at an average rate of 15% a year for the 2007-2010 period. Regarding the shares of this growing budget per each level of government, the national government share from total expenditure has decreased from 68.3% in 2007 to 61.5% in 2010, evidencing a relative resource transference process. The budget for local governments has grown at the fastest pace with a yearly average of 37.4%. While its share from total expenditure used to be 11.8% in 2007, it grew to more than 20% in 2010. On the other hand, for the case of regional governments this share has certainly decreased going from 19.1% to 18.4 for the same period. However, in relation to current expenditure, the national government still has a very important role due to the still high centralized administration apparatus. The budget decentralization process does not evidence significant variations in the sub-national shares for the last 3 years (steady 34% of total current expenses), despite of the 45% current expenses increase for the 2007-2010 period. Almost all the current expenditure resources transferred are inertial and are not connected with the process of transference of competences to the regional governments.

Regarding sources of funds for Local Governments between 2007 and 2010 we can see an overall 160% budget increase. Following the regional governments trend, great part of that increase is due to transferences from "canon, royalties and customs" that have experienced a fourfold increase and have gone from a 27% to a 41% share of the total budget, representing 82% of the total transferences between 2004 and 2010. In second place we can find the FONCOMUN topic (Municipal Compensation Fund) that represented 20% of the total budget for local governments in 2010. Nevertheless, if compared with 2007, we can see a 5 percentage points reduction. This issue is particularly relevant when considering that this fund is the only income source that has a territorial redistribution approach.

Peruvians are still facing the first stage of the process through which existing departmental jurisdictions work as

14 Although they were not a project from the Garcia Administration (the law was passed one year before Garcia took power), it was seen as politically useful at that particular moment, 1 year before leaving the presidency.

kind of 'preliminary' regions. The failed referendum of 2005 and its indefinite postponing in 2009 represented the biggest back step of the decentralization process in Peru (Azpur 2005:16; Zas Friz n/d in UNDP 2006). According to Garcia Belaunde (2004) the current geographic status of the

regions does not respond to cultural, economic or social common issues, but to a more practical equation supported by years of a 'departamentalist spirit' that has helped them to relatively subsist. That is why the conformation of economic regions in such sense is still a distant stage.

## 7

## So what? ..... A Hunch

Institutions inevitably produce multiple effects on policies and redistribution can be just one of these. But it seems too simple to state that the inclusive development has a strict relation of cause effect with the participatory institutions or decentralization. Therefore it seems wise to look for a form of working the "effects" of participatory institutions which avoids direct causality between participation and aggregated outcomes. One way of proceed is by focusing not on one single space but on the participatory governance structure and their effects over policy priorities (that is, not on welfare). How participatory governance structures actually helps to change priorities in policies and what is the impact of decentralization (if any)

in determining the scope of decision making within participatory institutions.

Considering institutions as independent variables permits to elucidate their own value and, moreover, deal with the effects that they are producing. In this sense, what seem interesting to focus is the capability of institutions to change the status quo of priorities. In order to attain this objective, the different priorities coming from the **parties**, the **executive** and the **communities**, on the one hand, and the decisions produced by decentralized participatory spaces, such as PB and councils, on the other hand, need to be mapped.

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- MEF Ministry of Finance. Aplicativo Web de consultas para los ciudadanos. Presupuesto Participativo.  
[http://presupuesto-participativo.mef.gob.pe/app\\_pp/db\\_distedit.php](http://presupuesto-participativo.mef.gob.pe/app_pp/db_distedit.php)
- INEI National Center of Statistics and Informatics. Census 2007.  
<http://www.inei.gob.pe/>
- ONPE National Office of Electoral Processes  
<http://www.onpe.gob.pe>

# Annex I

## Comparing Participatory Mechanisms and „Concertative Spaces“ in Peru

	Initiator	Composition Actors	Direct/Representative democracy or mix	Mandatory or not	Binding Agreements	Year created	Time Frame	Number/ scope
<b>National</b>								
Revocation and Referendum	Citizens	Citizens, Citizens groups	Direct	Yes (constitutional right)	Yes	1993	n.a.	??
National Agreement	National Government	Political Parties, Private Sector Association, CSO and Religious Associations	Representative	Not mandatory	In theory yes (policies), in practice not yet much implemented	2002	Renewed agreement in 2011, time-frame 2021	1
Mesa de Concertacion Lucha contra la pobreza	National Government	Representatives of different ministries, CSO, religious, municipal government and donor representatives	Representative (but many of their dialogues are open for all interested)	Created by national Government resolution	No	2001	Undefined, functions since 2001	1
Various thematic councils (health, education, environment etc)	Most often national government	Varies per council	???	Not mandatory	No			
<b>Regional</b>								
Referendum, revocation (regional authorities)	Citizens	Individual citizens, CSOs	Direct	Mandatory (constitutional right)	Yes			
Regional Coordination Council	Government	60% government representatives, 40% CSO representatives	Representative	Mandatory	In theory yes Overlap/conflict with both elected councils and the Mesas		Undefined, CSO representatives elected every two years	26 (all regions)
Regional Participatory Budgets	Government	„Participating Agents“ – Formally registered, supposed to represent constituency	Mix	Mandatory	No, the municipal council has to approve the budget	2003	Annual	26 (all regions)
Mesas de Concertación Lucha contra la Pobreza	Government and the National IMCLCP	Representatives of subnational government institutions, CSOs, many more	Representative	Functioning mentioned in Law on Decentralization	No Overlap/conflict with both elected councils and the Mesas	2001	N.a.	26 (all regions)
Regional thematic councils (health, education, environment etc)	Can be government, CSO or others	Representatives of subnational government institutions, CSOs, many more	Representative	Not mandatory	No	Varies	Undefined	??

## Comparing Participatory Mechanisms and „Concertative Spaces“ in Peru, Continued

	Initiator	Composition Actors	Direct/Representative democracy or mix	Mandatory or not	Binding Agreements	Year created	Time Frame	Number/ scope
<b>Provincial / Local</b>								
Referendum and Revocation (local authorities)	Citizens	Individual Citizens, CSOs etc.	Direct	Mandatory (constitutional right)				
Local Coordination Councils	Government	60% government, 40% CSO representative, sometimes citizens	Representative	Mandatory	No, although they are responsible for the concerted development plan	2003	Annual	78,3% of the local authorities had one functioning
Municipal Participatory Budgets	Local Government	Representatives of organized citizens and other — registered participants	Mix	Mandatory	No, the budget has to be approved by the municipal council	2003	Annual	
Local Round Tables	Government and National Round Table	Representatives of subnational government institutions, CSOs, many more	Representative	?	No			Over 500 functioning in 2005



## Annex II

**Table: Recommendations of Central Finance Commission to Urban Local Bodies (ULBs) – Summary Chart**

Items	Tenth CFC (1995-2000)	Eleventh CFC (2000-2005)	Twelfth CFC (2005-2010)	Thirteenth CFC (2010-2015)
Terms of Reference relating local bodies	Not specified. However, since Article 280 had been amended before the expiry of the term, the Commission felt that it was obliged to deal with the issue in terms of the amended Article 280.	The measures needed to augment the Consolidated Fund of the states to supplement the resources of local bodies on the basis of SFC recommendations. The EFC was asked to make its own assessment, if the recommendations of SFCs were not available.	The measures needed to augment the Consolidated Fund of a state to supplement the resources of the Panchayats and municipalities in the state on the basis of the recommendations made by the Finance Commissions of states.	The measures needed to augment the Consolidated Fund of a State to supplement the resources of the Panchayats and municipalities in the state on the basis of the recommendations made by the Finance Commission of state.
Recommendations for ULBs	Recommended Rs. 1000 crore for municipalities to be distributed amongst the states for the five-year period.	Recommended ad hoc annual grant of Rs. 400 crore for municipalities. Activities such as maintenance of accounts, development of database and audit to be the first charge on this grant.	Recommended a sum of Rs. 5,000 crore for the period 2005-2010 as grants-in-aid to augment the Consolidated Fund of the states to supplement the resources of municipalities.	The grant to local bodies to be from a divisible pool of central taxes and an estimated amount for the ULBs comes to Rs. 23,111 crores. The Commission has recommended three types of grants to ULBs namely (i) general basic grant, (ii) performance grant and (iii) special area basic grant.
Criteria for distribution of grant among states	Inner-state ratio of slum population derived from 1971 census.	Based on the following factors and weights: 1. Population: 40% 2. Geographical area: 10% 3. Distance from Per Capita Income (PCI): 20% 4. Index of decentralization: 20% 5. Revenue effort: 10%	Based on the following factors and weights: 1. Population: 40% 2. Geographical area: 10% 3. Distance from highest PCI: 20% 4. Index of deprivation: 10% 5. Revenue effort: 20%	Based on the following factors and weights: 1. Population: 50% 2. Area: 10% 3. Distance from highest per capita sectoral Income: 20% 4. Index of devolution: 15% 5. FC ULB grants utilization index: 5%
Conditions	Local bodies were required to raise 'suitable' matching contribution for the purpose. No amount was to be used for expenditure on salaries and wages.	Matching contribution was not imposed.	No conditionality. No requirement of matching grant. Suggested that 50% of the grants provided to states should be earmarked for solid waste management. Central Government should not impose any conditions for releasing these grants.	General basic grant would be 1.5% of the divisible pool and general performance grant would be up to 1% of the divisible pool. Whereas, an amount of Rs. 20 per capita per year has been allocated as the special area basic grant.

Source: Reports of the Tenth, Eleventh, Twelfth and Thirteenth Central Finance Commissions.



**Table: Devolution Recommendations across State Finance Commissions**

State	Recommended Share as per the First State Finance Commissions	Recommended Share as per the Second State Finance Commissions
Andhra Pradesh	39.24% of state tax and non-tax revenue to all local bodies.	40.92% of state tax and non-tax revenue to all bodies, both rural and urban bodies, 9.97% is allocated to municipalities.
Assam	2% of state tax for local bodies, both rural and urban. (The share of urban local bodies has not been specified.)	
Himachal Pradesh	An amount equal to Rs. 12.2 crore as grants in lieu of Octroi for 1996/97, to rise to Rs. 17.9 crore in 2000/01 and CSS grants to accrue to municipalities.	An amount equal to Rs. 19.66 crore as development grants for the year 2002/03, with a 10 per cent markup to neutralize inflation, rising to Rs. 28.79 crore by 2006/07, and CSS grants to accrue to ULB.
Karnataka	5.4% of the total non-loan gross own revenue receipts for meeting the plan and non-plan requirements.	8% of non-loan gross own revenue receipts for municipalities.
Kerala	1% of state revenues (excluding from certain sources) be transferred to local bodies as non-satutory non-plan grants distributed between the rural and urban local bodies in proportion to their population.	
Madhya Pradesh	8.67% of the tax and non-tax revenues of state government.	1.07% of divisible pool of state own tax revenue.
Maharashtra	25% to 100% of entertainment taxes collected from municipalities of different grades, 25% of vehicle tax and 10% of profession tax are recommended shares for local bodies.	
Orissa	Rs. 179.5 crores is the projected transfer (grant) to urban local bodies between 1998/99 and 2004/05. (The deficit of Rs. 1,378 crores between the estimated income and expenditure and an additional requirement of Rs. 381.48 crore for improvement of core civic services should be met by the Eleventh Finance Commission.	
Punjab	20% of the net proceed for five taxes namely, stamp duty, motor vehicle tax, electricity duty, entertainment tax, and cinematograph shows should be transferred to municipalities, and the projected gap of Rs. 322 crore should be met by the CFC.	4 per cent of net tax proceeds of all state taxes to be devolved to all local bodies.
Rajasthan	2.18% of the net proceeds of state taxes should be devolved on the local bodies; the division of these proceeds between rural and urban should be in the ratio of 3.4:1.	Total devolution of Rs. 794.43 crore consisting of 2.25% share in states net own tax revenue (excluding entertainment tax); 15% share in entertainment tax for ULBs for the award period 2000-05 and 1% share in royalty receipts from minerals to Gram Panchayats.
Tamil Nadu	8% of the state's net tax revenue should be devolved on the local bodies in 1997/98; this percentage should gradually increase in successive years to 9%, 10%, 11% and reaching 12% in 2001/02. The division of this amount between rural and urban should be on the basis of population as in the last Census.	8% of state's own tax revenues, after excluding entertainment tax to local bodies for each year from 2002/03 to 2006/07; shares of PRIs and ULBs in the recommended devolution will be in the ratio 58:42.
Uttar Pradesh	7% of the net proceeds of state's total tax revenue should be transferred to urban local bodies.	
West Bengal	16% of the net proceeds of all taxes collected by the state should be transferred to local bodies. Such funds should be released to the Districts. These proceeds should be divided between urban and rural based on population.	(a) Nearly 72 percent tax proceeds from entertainment tax. (b) 16 percent allocated from states revenue as untied entitlement fund, the proceeds of which are to be distributed between ULB and Panchayats.

Source: NIPFP 2004 and Reports of the State Finance Commissions.