

Fiscal Decentralisation, Participatory Budgeting and Governance in Selected Fast Growth Cities of the Global South

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Chance 2 Sustain Work Package 6 Thematic Report

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Introduction and Background

The past few decades have witnessed a highly uneven process of political and administrative decentralisation across many countries. Both developed and developing nation states have had to come to terms with emerging global governance orthodoxies whilst citizens have mobilised for greater access to processes that govern them. In the global south some political transitions have also opened room for new arrangements between levels of government. The unevenness of these processes has its roots in a range of factors that could include: influential historical domestic governance relationships; the relationships between actors internal to nation states and those external to them, including the influence of global governance orthodoxies; the character of any political transitions and the historic patterns of subnational government arrangements. In this regard, any expectation that one is likely to find substantial congruity across the experiences of different countries (and spaces within those countries) is likely to leave investigators somewhat perplexed at the nuances and peculiarities that abound in the case studies that have formed the basis of this study. This research process sought to try and understand how selected fast growing cities in the global south fared in the context of fiscal decentralisation and participatory governance (including public participation) as part of an effort to examine the degree to which these elements had contributed to wider urban outcomes, and more particularly for more inclusive urban environments for the urban poor.

However, as is documented in the discussion that follows (and in material included in the WP 6 Fieldwork Report: Gurza Lavalle *et al.*, 2013), the research findings nevertheless served to highlight that two important issues, one primarily conceptual and the other more methodological, that had to be taken account of in the midst of the process of research and which had not necessarily been adequately captured in the original project and research design. Firstly, in terms of the more conceptual matters, it was revealed to the researchers during the process of their research activities that, at least in the majority of case studies in this project, matters of fiscal decentralisation and participatory budgeting are in fact somewhat secondary in their influence when compared to the influences of broader processes of political decentralisation and the participatory governance dimensions underpinning this (within cities and between cities and other layers of government). This finding echoes that of other researchers such as Faguet (2005; 2011). That is to say, whilst fiscal decentralisation and participatory

budgeting/public participation were noticeable elements present in the cases, although to varying degrees and in highly differentiated ways, the research pointed to the character and form of broader governance processes (in addition to those just relating to budgeting) as being far more influential in how actors within urban governance processes influence not just fiscal outcomes, but also impacts across matters such as irregular and underserved settlements, water management and in the generating of economic infrastructure. Even in the more celebrated experiences in local participatory governance, where forms of budgetary participation have become increasingly widespread, such as those in Brazil's municipalities (including the Guarulhos case in Sao Paulo Metropolitan region), these tend to form only a discreet element of the broader governance machinery. Fiscal decentralisation and participatory budgeting or public participation are more accurately described, in the best of cases, as favourable but not necessary and, by no means sufficient conditions, to help city actors generate more sustainable and inclusive development processes. Drawing on this research experience, and the perhaps somewhat naïve guiding research questions, the authors had to widen their net of enquiry in order to make sense of some of the processes encountered in the various researched cities. This also had implication for the formulations given priority in the original WP Literature Review (Gurza Lavalle *et al.*, 2011).

Secondly, in relation to methodological issues of the study, the project of gathering and comparing city-level fiscal data across the chosen sites, as one tool to help uncovering the character of allocations made in urban government revenue, planned allocations and spending proved a highly complex operation. Three factors stood out as worth noting as both issues encountered in the project and as matters relevant to any future studies of this sort:

1. Comprehensively different official protocols in organising financial information and in terms of making it available beyond the reach of decision makers rendered this data gathering effort highly challenging. This is not a problem only encountered by this project (as is noted in reports on the field from bodies such as the World Bank), but nonetheless required something of a sorting of cases between those where reliable data was more readily available for analysis compared to those where it might have been beset by problems of unevenness or incompleteness.

2. As already noted the fiscal regulatory context and fiscal management practices varied substantially, for example in terms of different state actors with overlapping spending authority in a single municipal area. In almost all the cases multiple layers of actors are responsible for public expenditure at the local level, with many variations and terms of the degree of involvement of local government structures.
3. A further complication encountered in this process related to the tendency for primary and other source materials, and respondents, to mix up information on different phases of the budgeting process. For instance, in some cases planned budget material was available but not verified expenditure information. The project tended to focus more on the former as we were interested in the process issues associated with fiscal decision making but the latter, although less often obtained tend to provide a better reflection of actual choices which might deviate comprehensively from planned budgets.

Where possible, the absence of a depth or breadth of primary data was, to a degree, compensated through the project drawing on other sources but in some cases the research process had to depend more on qualitative assessments. Despite these data gaps and challenges, the fieldwork managed to generate some interesting, if perhaps at times tentative, reflections on budgets across the case cities, which further served to reinforce the conclusions, noted previously, that emphasised the extent of differences in local and national approaches.

An added methodological note of some significance, and one bound up in the issues of comparative data analysis, is that of the normative base used in many city comparisons. For example, is a city where own revenue sources make up a larger proportion of the total budget compared to another city, one which could be said to be having more autonomy in its budgeting processes than the city with a smaller share on own revenue in its budget? What this research revealed, was that a great deal of caution needs to be exercised in relation to such claims as

the proverbial “devil” is often in the detail. For instance, going back to the example cited earlier, issues such as revenue raising mandates of local government must be looked at alongside an array of legislative matters, the protocols of allocation shares of national revenue and the often less easy to pin down power relationships between actors at the local, regional/provincial and national sphere. Informed by this, and noting the complexities of collecting data already outlined, this research tended towards an approach of exercising considerable caution in drawing on value-laden adverbs and adjectives, sticking rather to descriptions of more or less pointing in the direction of the respondents interviewed or other sources when such commentary might have been relevant.

This report has sought to capture the range of experiences of the case study cities and to appreciate the nuances that make their experiences a unique expression of the specific conditions faced in those cities and in their relationships with actors beyond the municipal boundaries. Despite this emphasis on these nuances, it is almost inevitable that commonalities would be found across some, (rarely most) of the cities and their country contexts, and some effort were made to try and explore these points of overlap and any meaning that might be associated with them. The report begins with an overview of the literature that was first drawn on at the start of the project to inform the research approach. As the research unfolded gaps in this literature were noted and efforts made to fill them. The following section seeks to note the new literature sources that were introduced to help understand the cities and their processes better. This is followed by a recap of both the original research questions and any amendments made to them and a highlighting of notable research findings. The final substantive section seeks to discuss how this research and its findings might contribute to enhanced analytical approaches around cities and their access to and distribution of fiscal resources and citizens participation and oversight over that distribution. In this regard the report seeks, in conclusion, to highlight possible consequences related to choices made, whether they be made locally or nationally or with or without meaningful citizen input.

In the WP 6 literature review produced for the Chance 2 Sustain project, titled, “Participatory Governance, Inclusive Development and Decentralization in the Global South”(Gurza Lavallo *et al.*, 2011), a detailed overview of literature on issues of participatory budgeting and fiscal decentralisation (or fiscal flows) was provided, as was some discussion of more general issues of participatory governance. These streams of literature were discussed in light of the research questions set out for WP6 at the start of the Chance 2 Sustain project. Both participatory governance, with an original focus more on participatory budgeting, and decentralization were seen as very important factors in the evolution of developing country cities and their governance systems, and both had received some considerable attention in the literature. In the document an attempt was made, drawing on available literature, to demonstrate that the two processes could, whilst being independent of one another, still interact in interesting ways. For instance, greater spending authority to local government could make participation in local (city or neighbourhood) budgeting processes more meaningful. The literature also revealed a range of experiences of sub-national and local government where relatively far-reaching attempts at more participatory governance processes alongside fiscal decentralisation had been experimented with. These would include vary efforts at participatory planning (and ultimately budget planning to) in contexts such as Kerala (Heller, 2001; Heller & Harilal, 2007), as well as attempts in this regard in the case study cities of Durban and Rio. However, it was also noted that participatory budgeting exercises could also take place in an environment of more limited fiscal decentralization, where, for instance, a very narrow set of issues with limited budgetary consequences could be subjected to forms of localised or community level engagement. Here the issue of the impact of political forces is critical, whether they be inside local government or in the form of civic groups.

In this regard, since the very beginning of the project, WP6 faced two analytical challenges, figuring out plausible relations (i) between decentralisation and participation — paying greater attention to the fiscal component of decentralization —, and (ii) between them (decentralisation and participation) and inclusive approaches to sustainable development. The first challenge was specific to WP6, while the second has been one shared by all Chance 2 Sustain (C2S) WPs. In both cases, however, the challenge is similar. It is not related to the definition of each term per se —

although definitional ambiguities do exist —, but to both their multidimensionality and their expected positive effects. In other words, participation, decentralization and sustainable development were supposed to be positively correlated, the former two been conducive to the later. By assuming a positive correlation among those three phenomena, the project was not standing alone, but following conventional wisdom.

In the literature review an attempt was made to connect decentralization and participation by incorporating governance literature, as well as to identify different dimensions of both phenomena. The analytical aim of this was simple: showing that there were no straight forward relations between the three terms and shedding light in to some dimensions that could be more propitious in trying to grasp expected effects. It was argued in the literature review that a strong case existed for understanding decentralization as having political, administrative, fiscal and policy decision-making dimensions, which might or might not imply actual devolution to the local level. Equally, it was shown that participatory governance entailed complex and context specific mixes of cooperation, conflict and power relations, between a host of organized market, state and civil society actors — all of which are, to some extent, influenced by the design of local institutions and thus having a bearing on the inclusive dimensions of participatory spaces.

Looking retrospectively, the effort in the literature review of trying to breakdown abstract concepts and argue the contingency of the effects of decentralization over participation, and of the latter over policy outcomes, left the material short of any specific set of adopted approaches or models. Neither was there any explicit attempt to venture into the more speculative territory of trying to connect participation and decentralisation with sustainable development — apart from noting the case made by some that effective participation generated better information to enhance technical choices (aligning with what Shah and Shah present as New Public Management influences (2007)). Thus, the obvious question arises on the back of a number of years of research: What insights have been derived from the research findings, interaction with a range of researchers in other work streams, and a subsequent wider reading of the literature, in relation to the original questions asked? The response, set out in the material that follows is



twofold: firstly, we do have a better understanding of why participation, governance and decentralization appears so closely intertwined in literature, although we still fall short of a rigorous framework for comparing our highly differentiated cases; secondly, as the project has intensified its focus on sustainability (via a detour to issues of resilience), the opportunity for new insights has been opened up, after all a municipal budget might contribute more or less to sustainable outcomes now or into the future.

As for the first issue outlined above, it has become clearer, through the process of research, that the connection between decentralization and participation, and between both and governance, are related to both a wide set of phenomena that have often been interpreted as having weakening effects over central states and traditional bureaucratic forms of hierarchy (Houtzager, 2006), and to an analytical trend towards localism in different fields. In a nutshell, phenomena such as European Unification, the structural adjustment of the state, the “rediscovery” of civil society, or the provisions for democratic innovations in the new wave of constitutions around the world, are read as entailing the “hollowing out” of the state (Rhodes, 1994; Jessop, 1999, 2004). Although nowadays that diagnosis seems highly overstated, its basic premises still underpin different literatures. Just to take the first phenomena as an example, multilevel governance literature (Bache and Flinders 2004), strongly connected to European Unification (Marks, 1992), have depicted central state as inefficient, authoritarian and unable to cope with the complexity of global problems (Marks, Hooghe, 2004). Therefore, the diagnosis put forward point out a historical shift to different forms of governance instead of centralized state authority, to networks instead of bureaucracy, to diplomacy and persuasion instead of commands (Rhodes, 2007). In sum, policy networks “governing without government” (Rhodes, 1996; see also Plummer and Slaymaker, 2007). Not surprisingly Faguet’s review of the state of the art in literature concludes that “better governance is single biggest theoretical justification for decentralization, and in practice it is the major political justification driving real reforms around the world” (Faguet 2013: 10).

Drawing on this material, the connection between good governance and decentralization can be seen as part of the localist *zeitgeist*, understood by scholars as a shift of power downwards, to sub-national units, and local market, state and civil society actors. In this context it is no surprise that scholars also became more interested in local democratic innovation and politics. For example, Peter Evans (2002: 7) suggests that, “in a neoliberal world, local and regional institutions have become more interesting places to look for sources of alternative agency”. Some scholars have also

gone as far as to predict that, “The next decade will witness a rebuilding of the capacity of local government” (Warner, 2010: 146).

As for the second issue, namely that of sustainability there are some useful reflections that could be proposed. In fact the term sustainability is quite widely used in the literature about fiscal matters and local government, but almost always this is in its pared-down form as a concept associated with sound fiscal management relating to the adequate balancing of risks between present and future obligations. So, for instance it would not be uncommon for a municipal fiscal report to suggest that municipal finances would be more sustainable if greater attention was paid to matters of investing in maintenance programmes to limit future expenditure shocks from infrastructure failures. Or in another context municipal officials might note concern as to whether loan repayment obligations or forms of grant financing might be sustainable in that their effects on fiscal systems might aggravate temporary or longer-term instability. What is clear from the fieldwork and the literature related to fiscal flows is that the influences of a more widely understood notion of sustainability as enhancing multiple features of cities future prospects in some balanced manner is not a major element of the discourse. The discussion on sustainability in these contexts is one very much driven by concerns about economic sustainability.¹

It is worth noting that the on-going processes of substantial reform of systems of fiscal distribution and authority, that are a feature of all the project case-study countries, are seen by actors as bringing both opportunities and challenges in terms of sustainability (understood in the broader Brundtland Commission sense). These concerns relate to matters such as institutional capacity – a particularly popular subject in literature about fiscal devolution – as well as the scope to respond to citizen demands and political agendas in a needs-intensive, yet fiscally constrained, environment. On the capacity front, the growing use of special agencies/institutional arrangements to undertake major municipal-level activities (water delivery structures in Peru or the Delhi Development Corporation in India) is in part a route to ensuring specific capacity is matched with specific programmes and organisations. However,

1 Although some might also interpret some fiscal rules as having links to particular understandings of the links between economic and social sustainability. For example, one of the reasons why governments might impose some limits on borrowing would be to avoid the present generation borrowing to the detriment of future generations (an idea often incorporated into environmental sustainability).

it must be noted that this is at some distance from the conventional state structures and brings with it concerns of authors such as Brenner (2004) and Jessop (2004) about new formations capturing state functions with the absence of meaningful democratic systems of oversight. Also noted is the use of conditional grants which require certain capacity standards are in place before funds are fully disbursed. This has been a feature of the South African and the Indian experience, although shortcomings often persist around meeting audit requirements or meeting technical capacity requirements – something often noted in the JNNURM where verification processes might be lack some rigour. In the Brazil case the use of regulatory powers to set particular capacity preconditions is also a feature.

Although there is starting to be a growing international literature on issues of sustainability, from an economic perspective, and fiscal management issues, a more integrated notion of sustainability has not really been a comprehensive feature with respect to the cities being looked at. Nevertheless there are some other features worth noting with respect to some aspects of sustainability. Two issues raised in debates in the European context have been budgetary approaches to responding to disaster and to risk reduction efforts (often following on from a disaster such as floods). This has started to encourage specific national funding instruments for both disaster relief and risk reduction, although issues of the financial crisis post 2008 and its effect on public expenditure should be noted here. As with many other previous policy agendas there are increasing requirements for local governments to report on how their programmes (and the associated present and future budgets) might try and avoid disaster or more gradual climate change impacts through risk reduction, lessen the effects of disaster or climate change impacts through adaptive strategies and enhance capabilities in the city and in governance arrangements to cope with these challenges. This is noted as having very particular implications for municipal budget and municipal financing as it often requires forms of present day expenditure (not all with direct revenue potential) to meet possible future circumstances and as a result inevitably results in something of a trade-off with matters of a more immediate nature (for example school refurbishing).

Discussion on these matters has also started to feature in the background of city policy engagements in some of the other cities for example in greater Sao Paulo and also in civil-society initiated engagements in Lima. Some of this draws on growing dialogues in international for a about how cities can best cope with pressures of climate change. For example, the OECD notes, “If urbanisation is contributing to the increase in CO2 emissions, many cities are also likely

to be affected by climate change in increasingly detrimental ways. The fact that they tend to be located in coastal areas increases their vulnerability to water-related calamities, increasing the risk to property, livelihoods and urban infrastructure.” (Kamal-Chaoui, 2008: 30) This approach tends to suggest that sustainability-aware cities will be those investing in climate change mitigation and adaption programmes such as those related to public transportation, more effective land-use management to avoid sprawl and reductions in energy dependence. Elements of these programmes do feature in most, if not all, the case studies as they also feature in many mainstream city development processes recommended in initiatives such as those of the Cities Alliance or UN-Habitat. However, the framing of these as explicit fiscal agendas geared to sustainability remains relatively weak in the bulk of the case study cities. Furthermore, the integration of these issues with public participation driven agendas remains in question in the case study cities.

In Durban, the eThekweni Municipality, has undertaken a Municipal Climate Protection Programme under a Environmental Planning and Climate Protection Department (EPCPD) which has involved not only investigating various climate change risks and modelling of possible impact, but also prioritized adaption strategies in issues such as municipal land use planning, development authorisations and bio-diversity protection. Although this is not expressly connected to a municipal finance agenda it has brought budgetary attention to areas of municipal activity that might have otherwise not been highly prioritized (see ICLEI, 2012 report at <http://www.gbcsa.org.za/wp-content/uploads/2013/06/ICLEI-Ethekweni-Durban-Municipalitys-climate-protection-program-April-2012.pdf> accessed on 6 March 2014). However, another feature relevant to this discussion is the use, in some of the cities, of seeking to value ecological infrastructure in the city in order to contribute to more sustainable processes in municipal decision-making. This is once again a feature in Durban where the value of ecological services provided by natural areas around the city have been used to demonstrate that their protection actually saves the municipality money in that it does not have to invest its own capital to replace these services or respond to failures as often as it might have done.

In terms of the links between sustainability discourses and participatory budgeting fields it is noted that there are some insights gained more from the fieldwork than the literature per se. For example in Lima – in both Peru and Arequipa – municipal participatory processes have featured discussions on the consequences of river catchment development for lower income communities.



Indian cases, on the other hand bring out an increased sensitivity towards the poor as a result of the JNNURM program which mandates local bodies in investing around 25 percent of their budgets for the urban poor. Nonetheless, as local budget planning in India does not invite public participation, there are instances of particular (allocative) politics involved within such budgetary planning and investment, even within budgets, dedicated for poor

(evidences matters such as in the Kalyan Dombvili case). Further to this, the JNNURM program directs 35% of total expenditure on housing and basic civic amenities for the urban poor in the name of Basic Services for the Urban Poor fund. Similar obligations for allocating budgets to the needs of the urban poor also feature in South Africa but these also have little in the way of direct impacts over the participatory features or urban governance.

3

The Evidence from Our Case Studies

The fieldwork conducted for WP6 of the Chance 2 Sustain project had a number of key elements. The first of these was that related to processes of decentralisation, and in particular fiscal decentralisation. The second was that related to participation in budgeting processes by the citizenry. The issues identified in the work are captured in some detail in the WP6 Fieldwork Report. This section provides something of an overview. The following table provides an overview of the cities where research took place and sets out some of the characteristics in relation to the main research questions. Here it should be noted, as was discussed previously in terms of methodological matters, a handful of the cities involved more in-depth research with others being characterised by research activities of a lower intensity. In addition to this, in some of the cases the level of data collected was severely constrained by a lack of public information and/or the high degree of complexity (most apparent in India) with respect to local area budgeting and spending.

3.1. Fiscal decentralisation and fiscal flows

There are two key dimensions that are important to pick up from the research. The first of these relates to the processes of decentralisation from the national to the city level. The second relates to decentralisation from the city-level to the district or neighbourhood and community level. The bulk of this discussion focuses on the former, however, as is discussed elsewhere in this document, the latter is an important but not exclusive element in enhancing democratic processes and forms of accountability. The international literature has tended to focus on national to sub-national processes (including the intermediary role of

provincial/state level government structures), but recent discussions on participatory budgeting have highlighted the second element of how cities leaders and administrators engage their citizenry at the sub-city level.

In Table 2. we set out material drawn from a range of sources that have sought to measure indices of decentralisation. What is clear from the table is that the indices vary quite substantially from country to country. Brazil features as the highest ranked country in terms of a combined index of political, administrative and financial decentralisation (at a ranking of 13) followed by South Africa, Peru and finally India, which is close to the bottom of the index. Although India has been through a range of reforms over the past two decades these have only gradually started to take effect across the three dimensions of decentralisation (measured by the indices). It is also noted in the research that the situation of cities and their position in relation to state governments varies substantially from state to state. Here it is also worth taking account of the status of Delhi and Lima as very influential national capitals which both tend to be treated in an exceptional manner, suggesting that the arrangement of state-capital and related municipal structures are different from the norm in a number of respects

In terms of fiscal decentralisation specifically, it is noted that Brazil has the strongest index figures (at 0,78) again followed by South Africa (0,58) and then India (0,48) (Ivanyna & Shah, 2012). India's position is relatively strong as the index also takes account of decentralisation to the provincial or state level that happens to be a notable feature of the Indian context, although is less substantial in Peru. Although it should be noted that in years since this index was devised Peru (at 0,37) has accelerated moves to decentralization. All countries represented in this study

Table 1: Case study city key characteristics

	South Africa	Brazil			Peru		India		
WP6 City level character	Durban	Guarulhos (in Sao Paulo)	Rio de Janeiro	Salvador	Lima and Callao	Arequipa	Delhi	Kalyan Dombivili	Chennai
City Status	3rd largest city by population.	Part of Sao Paulo - Brazil's largest city region by population.	2nd largest city by population.	3rd largest city by population.	Capital and primary city.	3rd largest city by population.	National capital and largest city in India by population.	Edge city to Mumbai metropolitan region.	6th largest metropolitan district in India by population.
City population	3,468,087	1,244,518	6,390,290	2,710,968	8,472,935	815,166	11,007,835	1,246,000	4,681,087
Share of national GDP/GVA	9%	0.99%	5.05%	0.97%	52%	5.90%	3.87%		
City per capita GDP national currency	86,667	30,393	30,101	13,733			210,000		
City per capita GDP USD	10,232	14,826	14,683	6,699	13,344		3,831		
Poverty - % of people in poverty	31.30%	6.50%	5.01%	11.35%	15.7%			44%	
Unemployed percent	20.40%	9.96%	7.28%	13.06%	7.9%		1.07%		
City HDI	0.61	0.763	0.799	0.759	0.737	0.737	0.586	0.586	0.586
Recent municipal budget in local currency (note - India Crore)	25,980,000,000	2,795,950,945	19,689,459,137	3,835,789,642	4,194,069,517	633,300,770	37,450	1,135	9,246
Recent municipal budget in USD	3,067,296,340	1,363,878,510	9,604,614,213	1,871,116,898	1,644,733,144	248,353,243	6,832,694,764	207,079,000	1,686,918,446
Total municipal spend per capita in local currency (note- India Rupees)	7,491.	2,247	3,081	1,415	495	777	34,021	9,109	19,752
Total municipal spend per capita in USD	884	1,096	1,503	690	194	305	621	166	360

Table 1 notes:

1. This table has been prepared for illustrative purposes from a wide variety of data sources, some official and some reported in other sources. The table should only be read as providing some order of magnitude comparisons across the cities as in some cases the years vary and furthermore the currency conversion to USD has been done for a standard year for purposes of simplicity.
2. Population: Durban, South Africa, 2010 (eThekweni Municipality, 2010); Brazil, 2010 (Tesouro Nacional - Finbra / Contas Públicas - Caixa Econômica Federal, 2012); Peru 2010; India, 2011 (Office of the Registrar General and Census Commissioner, India, 2011)
3. Share of GDP/GVA: South Africa 2010; Brazil 2010; Peru 2007; India 2013 (NCT of Delhi)
4. City per capita GDP: South Africa 2012; Brazil 2010; Peru ; India 2013 (NCT of Delhi)
5. Percentage people in poverty: South Africa 2010; Brazil 2010;
6. Unemployed: South Africa 2012; Brazil 2010; Peru, 2011; India, Delhi 2009.
7. City HDI: South Africa 2012; Brazil 2013; Peru & India national HDI 2013.
8. Budget information: South Africa 2010/11; Brazil 2012; Peru 2010; India (Delhi projected 2013/14; Kalyan Dombivili 2011/12); Chennai 2011/12.
9. USD exchange rates: Rate at 31 December 2012 used (1 USD = ZAR 8.47; =R\$2.05; =PEN2.55; = Rs54.81) from <http://www.exchangerates.org.uk>.
10. Recent municipal budget in local currency: South Africa Rand, Brazil Real, Peru Nuevo Sol, India Crore (1 crore = 10,000,000 Rupees).
11. Municipal spend per capita in local currency: South Africa Rand, Brazil Real, Peru Nuevo Sol, India Rupees.

Additional sources: 2010/11 Municipal planned budget (eThekweni Municipality, 2010); 2012 Brazil budget figures from Tesouro Nacional - Finbra / Contas Públicas - Caixa Econômica Federal - 2012 - Receita Orçamentária; Centro de Pensamiento en Estrategias Competitivas (CEPEC), 2013; Arana, 2013; UNDP, 2014; UNData, 2014; Government of National Capital Territory of Delhi, 2012; Chennai Municipal Corporation, 2013; Pioneer, 2013; Pancholi, 2013.

have experienced growing allocations to municipal level spending from national revenue, making cities a more important part of the national public sector fiscal allocations system, as well as endorsing a greater level of decentralized power. In Brazil close to one fifth of the national fiscus² is allocated to local expenditure and fast growth has also been seen in Peru as the country's commodity export boom has substantially raised revenue to the municipal level and as the national government has sought to support growth of the primary city, Lima. Across all the countries, as with fiscal allocations, it can also be seen that the local share of national GDP has been growing, even if it has been from a very low base in a country such as India. Estimates for China place local government expenditure as a share of GDP at 10.8% and the Organisation of Economic Development and Cooperation (OECD) average at 14% (Oomen, 2010).

These figures, and the surveyed literature by country, paint a picture of generally steady, but in some cases significant shifts, towards more public sector spending

² Noting that allocations to education and health provision through local administrations can substantially boost these figures.

being allocated to the local level in absolute and relative terms. However, this only provides a partial picture of decentralisation in that it is also important to know what devolution of authority has characterised these increasing allocations. Here the picture becomes even more varied across the country contexts and even the case study cities.

In the first instance the constitutional, legislative and regulatory mandates of local government vary. This results in a different mix of administrative responsibilities from country to country. For example in some cases the administration of education is a local responsibility whilst in others it is not³. This affects the quantum of resources allocated. To complicate matters further, in some cases the administrative responsibility is a local one, but the allocation of funds rests with another sphere of government. Even

³ In South Africa, municipal government – at least in the cities – provides some infrastructure and resources for primary health care clinics but does not play a role in education delivery. In Brazil, cities do allocate some resources to health care and to primary education, with other education activities in the hands of the federal government. In Peru municipalities play little or no role in health and education, as is the case in India.

Table 2: Fiscal decentralisation by cases country context

Item	South Africa	India	Brazil	Peru	Source notes
Ivanyna & Shah Overall decentralisation index (political, admin & financial) ranking (n182)	47	137	13	58	(Ivanyna & Shah, 2012: 39)
Ivanyna & Shah Fiscal decentralisation index	0.58	0.48	0.78	0.37	(Ivanyna & Shah, 2012: 31-32 - composed from equation using a variety of indicators (see page 12 of Ivanyna & Shah))
Ranking on Fiscal Decentralisation Index (n182)	30	47	12	131	(Ivanyna & Shah, 2012: 36)
Local government share in consolidated general government expenditures for all orders of government *****	18%	5%	15%	15%	(Ivanyna & Shah, 2012: 31-32)
Share of national public budget allocated to municipal sphere - division of revenue (excluding municipal own revenue) *****	4.6% (2005); 8.7% (2011)*	2% (2000); 5% (2007)**	10% (1965); 17% (2005)***	4% (2000); 11.8% (2007); 22% (2010)****	(* Republic of South Africa National Treasury, 2011; ** Mohanty <i>et al.</i> , 2007: 90-91; *** Serra & Afonso, 2007: 48-9; **** Takano, 2013 & Radics, 2012: 115)
Local government expenditure as a share of GDP	5.4% (2006/7); 6.9% (2007); 7.1% (2010/11)*	0.79% (2000); 1.7% (2003/4); 1.5% (2008)**	3.2% (1988); 6.5% (2003); 7.3% (2008)***	1.78% (2001); 3.9% (2010)****	(* Republic of South Africa National Treasury, 2011: 50; ** Srihardan, 2013: 41; *** Serra & Afonso, 2007: 36; **** Radics, 2012: 120)

Sources: see source notes column in Table 2.

Additional notes:

***** These two measures overlap. The second of the two has as its focus division of revenue allocations for spending direct by local government. The first includes forms of allocation to national departments who in turn spend funds in local government areas.

aspects that might be considered “core” to the business of local government (for example water delivery, sanitation or transport) are not universally devolved to local government. And when there is a clear trend towards devolution, as in Brazil, the trend does not necessarily mean devolution of authority or decision power, but mainly power to implement. A range of institutional and governance actors often exist at the local, metropolitan, regional or national scale that add to this complexity. It is also noted that these arrangements are not always fixed with authority of various matters subject to a measure of change, depending on political and policy shifts. Of the cases, probably the most complex is that of India, where, local government has generally lower levels of mandated authority and lower levels of funds available, and where often a range of national and state level actors have local mandates that often tend to supersede the local politics despite the shifts to some increased local mandates under the 1992 Constitutional Amendment.

It is apparent that there has been on-going reform in the past years across all the countries. Probably the most significant growth in resource allocations – because of the very low base the reforms started from – has been that in the Indian cases. However, this has been accompanied by a very mixed experience in terms of decentralisation where effective devolution of powers to local authorities has not always been the major feature. The array of special development authorities and para-statal agencies that play a role in expending these funds is notable such as those linked to the Jawaharlal Nehru Urban Renewal Mission (JNNURM) but requirements for local governments to put in applications for plans to be funded does suggest a role is generated for local government which might not have been considered in the past. The fact that schemes such as the JNNURM have had a major impact in resource allocation to expenditure in major cities is undeniable. Nevertheless, their impact on actual governance reforms remains less clear as their processes tend towards reinforcing many of the existing hierarchical alignments between national, state and local governments.

In the Peru cases, the growth in public sector resources related to the global commodity boom of the 2000s (and stretching beyond the 2008 financial crisis into the present decade, has seen some substantial growth in allocations to municipal level spending, but not always through agencies accountable to local municipalities. A variety of schemes intended to support local spending have tended to be funded out of the national fiscus and come with direct intervention by the national state or its agencies. Two other features are notable in Peru. The first of these relates to the ability of some Peruvian local governments to access shares of mining revenue directly from their

areas. This has seen some towns and cities having their budgets growing very substantially, although this does not pertain to Lima with a limited profile of mining activities – despite playing host to many of the mining company and other headquarters. The second aspect relates primarily to Lima’s status as the primary national city and the national government’s eagerness to promote development in this city. A tendency has been witnessed where concessions are secured with direct national intervention and allocated to multi-national construction and financing interests (see WP 2). These examples provide further insight into the unevenness of fiscal decentralisation matters across the countries and the cities.

There is also some evidence of other forms of intervening power that get exercised over local authorities in the manner they budget and spend. In South Africa there has been some noticeable growth in conditional grants from a national government level, that set in places forms of accountability over programme spending that are not always in place for unconditional grants. National and Provincial government also have some powers to monitor and, if necessary, intervene if local authorities are shown to be abusing resources. These powers can take on something of a political flavour, although they are not used that often, despite the very poor audited financial performance of most of the 250-odd municipalities in the country. The Indian JNNURM scheme has also emphasised the critical role of state and national bodies in spending oversight and not done much to reinforce local processes in this regard, let alone enhance accountability of spending patterns in local authorities to local citizens.

Processes of decentralisation can also be accompanied by somewhat contradictory agendas of national governments. In three of the case study countries (India, South Africa and Peru) there is growing pressure for cities to increase their sources of own revenue through the introduction of various utility charges and taxes. In Brazil the context appears to be one more influenced by growing national programme allocations to municipalities (as has been seen in all cities) and this has not been accompanied by an agenda to drive up local revenue sources, although these have been a major feature of municipal income for some time. In the research, municipal authorities regularly complained that they were expected to fund services out of local revenues when in fact these had previously been funded of the national or provincial/state fiscus. However, certainly in the South African context, city leaders and administrators also spoke favourably of their revenue generating responsibilities in that this income could be allocated largely in terms of local choices. For instance in Durban, own sources of revenue helped fund some economic development “flagship” projects that would have

been unlikely to be funded out of national conditional or unconditional grants. In Chennai the municipality has been active in the process of extending the city boundaries to incorporate the IT corridor because of the important tax revenue associated with this development. This has been supported at the state level in Tamil Nadu where the state government has emphasised raising local revenues in its funding mechanisms for local projects.

At the level between city administrations and the citizenry there were some interesting results. In South Africa (Durban) the creation of a metropolitan level of local government in the city – from over fifty smaller municipal-level councils and related administrative structures – was informed by the call for “one city, one tax base” by progressive forces who argued that fragmented local government would be less able to generate a redistributive agenda across the city – thus responding to the inequalities built into apartheid local government. This resulted in a process of centralising local government structures, administration and revenue into a single metropolitan administration. Although the city has a relatively elaborate local government representative structure with over one hundred ward councillors and an equivalent number or proportional representative councillors, the highly centralized administration has not encouraged fiscal decentralisation to the sub-municipal level.

In the Brazilian cases, particularly in Sao Paulo’s Guarulhos municipality, but also to some degree in Rio de Janeiro and Salvador, a measure of decentralisation has taken place through participatory budgeting processes. Guarulhos’ sub-municipal region is made up of over forty participatory budget or OP districts thus affording a fair degree of decentralized decision-making. In Lima there are also local municipalities that have distinct responsibilities alongside a metropolitan Lima structure. This does not afford the city a single tax base as discussed in the South Africa context and sees some local municipalities jealously holding onto their powers to raise revenue from better off residents to provide a higher standard of services.

In Delhi there has been a degree of administrative reform intended restructure the relationships between local authorities and the Delhi state government structure. This has consolidated some lower level municipal-type structures into local government layers with greater geographic reach but the roles and responsibilities and powers remain quite dispersed across a new arrangement of these structures. This suggests that reforms of local government systems can generate new forms of fragmentation (Schindler, 2014). Chennai, on the other hand, has operated more like a metropolitan council as the city has expanded its territorial footprint, with the support

of the state government, and absorbed smaller local government structures. Small village administration structures have been effectively dismantled in this process. On the outskirts of metropolitan Mumbai, Kalyan Dombivili has been created after merging three municipal councils and few urban villages into one municipal corporation in order to enable improved integrated municipal management of fast growth areas on the edge of the country’s largest city.

Across India the system of allocating budgetary resources directly to members of elected structures is one that also needs some noting in discussions of fiscal decentralisation. In terms of guidelines, these funds should be used for a range of smaller projects in the areas from which the representatives are elected. In the case of local councillors the funds can be used for any basic services, except those requiring recurring expenses, and in the case of MLAs and MPs also, could be used for all the basic services (including, local roads, public toilet, bus shelter, hutments, schools, playgrounds, garbage bins, parks, drainage, fountains etc.). They provide a measure of what some might consider a form of fiscal descentralisation not seen in the other cases, but are also deemed by many to be largely ineffective, or at least uneven in their effects, in terms of meeting local needs, either because of a lack of capacity or because of issues of corruption. Despite their possible shortcomings, these funds are not insignificant in calculating total local funds and, in theory, come with the prospect for some representative-enabled local participation. Heller (2001) has made the point with respect to research in Kerala that these efforts that place considerable faith in high contested forms of representative democracy fall short of the more deliberative processes witnessed in some of the participatory processes seen in countries such as Brazil.

3.2. Participatory budgeting, public participation and participatory governance

Although issues of political and fiscal decentralization have featured in all the cases with growing real levels of resources being allocated to them in recent years, the experiences in terms of participatory processes and related participatory governance dynamics have followed highly varied patterns. Of critical importance in these processes is the character of national, state and local political processes which have either reinforced certain processes or curtailed them. In this regard country contexts are very important as they come with differing configurations of actors and their struggles and/or alliances, historical experiences, socio-



economic conditions and institutional arrangements. With governance being understood as not just a product of technical organization of institutions/organisations and their processes, but rather heavily influenced by these contextual factors it is not surprising that arrangements and practices as well as outcomes vary so substantially across the cases. This conceptualization of the context influenced the project orientation towards attempting to understand the nesting of participatory budgeting (of choices related to the absence of this) and participation more generally in the context of wider governance processes.

It has already been noted elsewhere in this report that forms of participatory budgeting were not a feature of the bulk of the cities (only really being a prominent feature in Brazilian cities) and where they were a feature they tended to be relatively marginal in wider city processes (because they dealt with only a fraction of public spending and related to only a small element of municipal policy budgets). However, that being said, it is also important to note that where they were a feature, the allocation of some authority to community-level structures to make decisions on local priorities did carry important symbolic influences in wider city processes. The introduction of citizen voices in these allocations, in a context where for so long control of these processes is closely guarded by political leaders and/or bureaucrats/technicians, should not be completely discounted in terms of on the wider processes of governance. As one official from Durban/eThekweni municipality noted, when reflecting on their knowledge of the Brazilian experience in cities such as Porto Alegre and Belo Horizonte, giving citizens or citizen-groups a foot-in-the-door on such an important and delicate issue such as municipal spending would result in it being very difficult to close that door again.

It is important that all the countries had policy frameworks, as varied as they were, which encouraged elements of a participatory agenda, at times at the city-scale and at times at a local/community scale. However, this was not always clearly attached to matters of fiscal decision making. Furthermore, the country and city context factors played a considerable role in influencing both budgetary and wider participatory processes. For example in Peru, years of authoritarian government and persistent high levels of corruption amongst influential elites, meant that with the political transition from the 1980s through to the 1990s and 2000s a particularly strong focus was on enhanced forms of transparency and highly symbolic forms of local public engagement at the local level between elected officials, bureaucrats and citizens. In India, the municipal decentralization reforms of the past decade tended to leave considerable freedom to state-level officials as to how best to interpret legislative agendas intending

improved democratic outcomes. In Brazil, the pro-poor policy agenda of the PT (Workers' Party) has been particularly important in promoting wider application of participatory dialogues at the federal/national, state and local levels. However, the existence of different political configurations at the state and local level has seen participatory practices and their levels of influence vary substantially, for example between a PT aligned Guarulhos, where participatory processes are central to governance processes and a more centrist-aligned municipality in Rio de Janeiro where participatory processes tended towards being less widespread and less influential. In Durban the influence of a legislated framework for public participation in various municipal acts and the combined influence of a dominant political party and a institutionally strong finance bureaucracy curtailed participation to carefully choreographed and sequenced formal invited spaces to discuss community needs or to obtain comment on draft planning documents or budgets.

In India the experience of the different cities pointed to the varied practices around both governance and participatory issues. As with South Africa, to some degree, there is a strong reliance in the Indian cases on representative structures where elected representatives have the mandate to introduce the views of the public into municipal processes. In Kalyan Dombivili, Delhi and Chennai there were examples of elected officials and municipal bureaucrats consulting with local citizens on intended activities and possible future plans. However, these did not appear to be backed by consistent governance arrangements to accommodate these community insights. In KD and Chennai there seemed to be an appreciation as to some potential technical benefits to greater insights obtained from community members, but these were also associated with an interest in greater regulation such as that related to property information for property tax systems. The Bhagidari system developed in the national capital territory of Delhi has also created scope for a series of area and city-wide workshops for local government to engage with citizens about their particular needs.⁴ This programme has been said, by some, to have displayed signs of weak

4 For instance the Delhi local government has reported that, "The Govt. of NCT of Delhi has accorded great importance to the Bhagidari Scheme which seeks to promote a meaningful partnership between the Govt. agencies and citizens, basically covering the provision of civic services. The successful implementation of this approach requires the ability to understand public needs, a high degree of innovation and willingness to adopt a problem-solving approach. The govt has made Bhagidari the root of all developmental and welfare schemes." (Accessed from http://dcsouth.delhigovt.nic.in/bhagidari_scheme.htm on 8 June 2014)

sustainability and, in many cases, to have also excluded the urban poor. Nonetheless, the initiatives do suggest a degree of experimentation with deeper participatory processes.

However, beyond these city-specific generalisations there were also clear indications that practice in the cities has been subject to change over time with ebbs and flows around a continuum (or perhaps hierarchy) of participation associated with more or less substantive governance dynamics. For instance, in the Indian cases it was not unusual for lower income communities to assume some responsibility for direct production of services or infrastructure provision – for example the laying of water pipes using community labour and community-generated funds – at times with support from local political representatives and at times in spite of activities of local political representatives. In Lima the pressure on local municipal councils to present financial information on web sites and in other public forums, due to local campaigns and the national transparency office⁵, offered the potential for citizens to ask questions of government on not just issues of planned expenditure, but also in terms of specific projects and their associated contracts. In Brazil, the influence of highly participatory national policy forums across all fields of government activity at all scales should not be underestimated, even where local participatory practices might be somewhat curtailed. In Durban, South Africa, there was also some emerging practice, echoing some of that in Kalyan Dombvili, of using locally generated citizen views to build citizen-responsive needs indices across city space to inform resource allocation. In Indian cities, the use of citizen facilitation centres, mobile phone complaints systems were new ways of managing such feedback, privileging mostly the middle-class (see van Teeffelen and Baud 2011; Martinez *et al.*, 2011).

In the bulk of the study cases, as the cities have grown over time and as these growth pressures have changed the dynamics within the cities, participatory governance processes have been found wanting. In particular for the urban poor, many of whom live in sub-standard settlements or in rapidly transforming peri-urban areas, and who make up anything from a third to two thirds of households, evolving governance processes have tended to fall short not just of expectations, but also of needs. Whilst forms of innovation in the inclusive dimensions of governance processes – mostly through exploration of varied modes of participation in planning and decision-making – are a feature of the cities, they have tended to be the exception rather than the rule. The combination of a pro-poor political agenda with a stronger commitment to

participatory forms of governance is strongest in the Guarulhos case, and has been an erratic presence in some of the others. However, it appears that there are numerous obstacles to a more inclusive and more participatory mode of governance, ranging from the inertia of established representative and bureaucratic modes, the influence of elite and powerful actors (whether they be at a community level or at city or other levels), and new forms of managerialism or other ideological currents that curtail the scope for inclusive deliberative processes that encourage more inclusive outcomes.

Shah and Shah (2007) pick up on some of the public engagement gains that come with so-called new public management processes which value mechanisms to take account of citizen voices to enable better delivery. These reflect a measure of progress from the more traditional view of local government as a sub-ordinate institutional form to state/provincial or national/federal government. Despite this traditional approach being seen as somewhat out-dated, there continue to be currents of this seen in the case study cities, whether it be the clear federal policy directives in Brazil, the instructions from national government in Peru for cities and other structures to concession things like water authorities, forms of conditionality in South African grants and layers of institutions with local government mandates in India. They also point to ongoing currents of public choice theory whereby examples of the promotion of more local autonomy are accompanied by individuals' or groups' self-interested capturing of gains. In this contradictory mix one can also see modes of reform best explained by new institutional economics where the presence of capacitated institutions can be argued to resolve, or at least lessen the effect of, various failures or high transaction costs. In South Africa local government activities are closely scrutinized by regulatory bodies such as the Office of the Auditor General and the National Energy Regulator of South Africa, which seek to promote efficiency and some alignment to public interest.

The presence of these competing reform agendas, alongside moments of citizen contestation and influences by a range of other actors provide an indication of the complexities in concurrent governance dynamics that characterize urban spaces. At times points of confluence or divergence in these processes open up various types of spaces for citizen participation, some more meaningful and deeper than others. Drawing on Cornwall (2002) and other authors' engagement with Lefebvre (1991), Gaventa (2006: 26) sets out ideas of spaces offering potential for participation being closed, invited, invented or created. In the "space" of municipal fiscal matters much continues to happen in closed spaces, with mostly those in power being

5 See <http://www.munlima.gob.pe/gobierno-abierto-municipal/transparencia/mml/>.

in a position to invent or create spaces with significant influence – often informally – for their issues to be heard. Invited spaces are a growing feature in a number of the cities and being tested in one way or another in all. However, their governance significance often remains quite limited in that their symbolic influence often exceeds their transformatory role in local institutions. The variety of channels linked to ‘negotiated spaces’ shows differences across social groups with differing levels of ‘rights to the city’ (Baud and Nainan, 2008).

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4

The Implications of the Findings for a New Improved Analytical Approach to the Issues of the Paper.

The research process set out to explore issues of fiscal decentralization and public participation in budgeting with specific reference to municipal government in the case study cities. It is clear from the material gathered and analysed that issues of fiscal decentralization have, alongside on-going processes of political and administrative decentralization, been an important feature of the cities over the past decade and even in the research period from 2010/11. Whilst the character and extent of decentralization varies substantially, it can be seen that with the bulk of the cases more and more responsibilities are being devolved to the municipal level, although progress has been comparatively slow in India. Alongside this, in terms of this national/federal or state/province to local dynamic, it is also notable that the growing strategic interest in cities from other spheres of government has also seen the evolution of some parallel mechanisms that can also serve have the effect of diluting some of these more legislatively driven decentralization processes. Whether this be in terms of conditional grants (South Africa); the allocation of major resources national and state decision-making for local level projects such as with the Jawaharlal Nehru Urban Renewal Mission (JNNURM); the outright direct interventions of the national state in certain municipal level activities in Lima – for example in awarding concessions; or the character of

a growing array of policy directives from federal government with respect to municipal activities in Brazil, it is clear that the ebbs and flows of decentralisation are not without some complexities that can bring into question the depth of country decentralisation commitments. Of the case study countries it is probably India where the results of a few decades of reform are least clear to see in terms of devolution of effective authority to local structures. This is due in part to a lack of clear mechanisms for implementation of national decentralisation policies from the state-level to the local level and also because of the role of numerous agencies that operate with limited accountability to the local state in delivering programmes at the local level.

It is also noted that the municipal budgeting environment, whilst becoming more and more open, is also highly more complex. For example, during the research process Kalyan Dombvili, Chennai and a number of Lima municipalities placed considerable budget level information in the public domain on the internet when this has previously been less easy to locate when compared to some of the Brazilian cases and that of Durban. The emergence of some e-governance type initiatives in India such as those reporting on audit results of government funds would contribute to a greater degree of transparency. However,

in the South African experience, increased regulation around accounting systems as well as the complexity of flows of funds into spending on infrastructure and services has rendered some of the information less accessible to community activists and interested citizens. Budget transparency thus opens some critical windows as to what is going on in terms of intended fiscal allocations. Budget transparency initiatives also need to be accompanied by what Heller (2001) referred to a more deliberative processes between the local state and citizens to enable both to fully benefit from the placing of more information in the public domain. The push in many countries to get cities to access private credit markets or even those of development finance institutions has also encouraged some greater clarity in reporting as these entities, including credit rating agencies and the like, seek more standardized representations of municipal financial positions.

Within-city decentralization, is also important to note alongside national to local decentralization – after all, it is this level where citizens are most likely to want structures to accommodate their perspectives. Of the cities under investigation all fall under the influence of some metropolitan-level structure, but the specific arrangements differ substantially. For example Kalyan Dombvili falls within Mumbai Metropolitan Region and development plans of KD require approval from the Metropolitan Regional Development Authority (MMRDA); the Delhi municipal corporations are going through an as yet incomplete municipal structuring which could also change their relationships with the Delhi capital region structure; in Durban the late 1990s process of creating a metropolitan council did away with the last vestiges of sub or local councils; and in Brazil Sao Paulo and Rio de Janeiro have quite different arrangements with that of Rio reflecting more metropolitan characteristics whilst in Sao Paulo an extensive layer of sub-council structures exists. Within these multiple scalar arrangements there are also further layers of administrative or citizen engagement that can be noted. These range from irregular or temporary and at times informal structures – whether they be related to area-based management projects (such as in Durban) or consultative forums that have been noted at various times in other cities. In some instances these have appeared to be more institutionally integrated and consistent such as the local area participatory forums in Guarulhos. Although in other cases, such as in Durban, elected ward councils appeared to be largely dysfunctional during the period of study.

Despite the inconsistencies in the functioning of many of these more localised layers, and the often complex relations with other municipal structures (whether they be metropolitan layers or service delivery entities of various

sorts), they do appear to be valued by citizens. They also appear to better able to exert influence and secure accountability at this community level – even if the mandates of these structures leaves much to be desired. However, there is some evidence that these lower-level layers are increasingly having powers questioned and functions removed to entities, elected or otherwise, that have mandates across larger geographic spaces. These trends do raise some concerns about the degree to which the metro to local or sub-municipal forms of decentralization are being compromised or even being recentralised. Arguments around creating common systems and economies of scale are being widely deployed to make the case for authorities or mandates to vest at some more aggregated level. Even where metropolitan layers start with very limited functions – such as in Lima and Sao Paulo – there is some evidence of attempts to reinforce and extend the powers of these structures. In South Africa the case has been made that only such integrated metropolitan level government structures can engineer the spatial redistribution of resources to meet the needs of excluded residents, but the effect has been to leave citizens in a city such as Durban relatively remote from the machinery of government decision making as other intermediary type forums fall short of their promise.

This discussion, highlighting what can, at times, be contradictory ebbs and flows of decentralization, also raises the issue of participation and participatory governance. As is already stated, all the cities do display elements of participatory processes ranging from those closer to the highly deliberative governance type systems in an areas such as Guarulhos through to the more representative-type driven contexts of India and South Africa. These processes, and their related spaces, are subject to on-going struggles and forms of contestation, whether it be from within the state or from private and community type interests outside the state. In this context the specific issue of participatory budgeting is suggested to be far less significant than the more general issues of participation and participatory governance in the cities. Where the local state seeks to organize “invited spaces” to consult or to enhance the legitimacy of processes, and these do not feature as part of a more institutionalized and/or highly responsive system of participatory and deliberative governance across the city and across structures, it is likely that their effects will be more fleeting, especially in terms of inclusiveness of the urban poor. Forms of participatory budgeting at a very localised level do provide very important governance signals in a broader governance system. However, experience from some of the cities shows that forms of expenditure accountability such as the transparency offices being tested in Lima, the holding to account of MLA’s expenditure in terms of citizen

views and city plans in Kalyan Dombivili and Chennai, and the opening up debates on more strategic budget matters in eThekweni (Durban) all demonstrate a measure of opening up of processes of participatory governance in other municipal budget processes. Although these might not yet have had community level impacts that some of Brazil's PB processes have had, they are nonetheless important as examples of experimentation around matters of participatory governance.

A feature also worth noting is that related to the political configurations in the cities. For example the influence of a powerful and long-term political administration has been seen in Delhi at the state/capital region level (more recently disrupted by elections), in Durban, where the African National Congress (ANC) has been the dominant party since the mid-1990s, and in Kalyan Dombivili where influential families and castes have held sway in local politics. In these contexts the dominance of the representative mode of governance processes is highly significant, where it is not uncommon for municipal officials to note that the real

political engagement with elected representatives far outweighs processes of citizen consultation. In other cities where municipal political leadership has been for more contested there have been suggestions that this generates both unevenness in governance processes over time, but also can allow spaces to be opened for deliberative engagement beyond the narrow elected forums as either political leaders seek to build coalitions for action to strengthen their position or administrators make a case for broader forms of engagement where political leadership processes are more transitory. Whilst a degree of instability in political structures can exacerbate governance failures it can, at times, open up spaces for participatory oriented governance processes or moments as is noted in the project reports on Lima in Peru and also discussed by Goldfrank (2006). However, where a degree of political contestation is a feature, and where there are strong civil society formations, such as in Guarulhos, realignment can take place where the distribution of power allows for more sustained inclusive processes for the urban poor.

5

Reflections from WP6 on Other Work Packages (Especially in Terms of Sustainability and Participatory Spatial Knowledge Production)

Issues explored in Work Package 6 did feature as issues in other work packages and similarly matters of significance to other work packages were also identified in work package 6. For example, in Work Package 4, which had as its focus matters of climate change and water and in Work Package 3 (settlement and mobilisation), matters of governance, citizen participation and fiscal issues were consistently raised. In fact for Work Package 6, reflections on settlement dynamics and citizen mobilisation helped reveal how municipal governance processes, beyond those directly related to financial matters, often have shortcomings when it comes to including the voices of the urban poor. Alongside this, the substantial impact of mega-projects (Work Package 2), helped reveal how different public and/or private actors can capture significant public resources for initiatives that tend to have major impacts in space and more often than not generate forms of exclusion – not just in spaces created, but also in terms of displacement from direct or indirect project impacts.

Within Work Package 6 research processes it was also noted that in some cases mega-projects (Work Package 2)

were placing a major strain on public sector budgets (eThekweni Municipality (Durban) and in some of the Brazilian cases) but were also the basis for major new financial flows into the cities for projects focused on boosting the growth prospects of the cities (Lima, Delhi, Rio de Janeiro and the Dube Trade Port in Durban). It was also noted that in environments where significant numbers of residents, and at times the majority, were living in informal settlements or sub-standard settlements, issues of participatory governance did not seem to consistently give these citizens a voice in allocations of public resources or decision making processes on their future place in the city (with reference to Work Package 3). In terms of climate change processes (Work Package 4) the need for growing city, provincial/state or national sphere budget allocations for disaster responses, mitigation or adaptation measures – particularly for flooding, but also for securing increasingly stressed supplies of water – was also a growing feature of the pressures being placed on municipal governance. However, for most of the cities, sustainability with respect to finance matters was more an issue of ensuring revenue aligned with expenditure or balancing

maintenance and capital needs, and thus was not fully integrated with broader city sustainability agendas where these were a feature.

The Chance 2 Sustain project also concerned itself with issues of participatory spatial knowledge production (Work Package 5). On the surface it might appear that Work Package 6's concerns would have little direct interaction with those issues in Work Package 5. However, as the material was analysed and exchanges of information took place between the various research teams, some interesting points of intersection were revealed. Perhaps the most obvious forms of interconnection between participation, space and budget processes, has been the examples of citizen participation in budget processes. Whether these are the substantive engagements in a city such as Gaurulhos, the citizen engagements in Lima or the Bhagidari processes in Delhi, all have sought to draw on citizen knowledge of their own community spaces in informing resource allocation choices. These processes could constitute some form of participatory spatial knowledge production.

Over and above these activities there is some evidence in all the case studies that indicates a growing convergence between digitizing citizen property information central to billing and taxation (and therefore municipal fiscal resources management) and spatial knowledge sources. There is, in the Indian case study cities, a considerable drive to enhance the information available to public officials about properties in all areas of the cities. Traditionally, property taxes and billing arrangements have been weak in many of these cities but efforts to confront corruption, growing access to technology (inside and outside government), more widespread use of mapping and GIS approaches as management tools, and revenue recovery pressures on municipal entities are all reported – whether in Work Package 5 or Work Package 6. These approaches have long been a feature of approaches of the South African and some of the Brazilian case-study city municipalities, but are also noted in the Peruvian cases. For example reforms in Lima local government have seen the digitizing of property data-bases similar to that which has occurred in Durban and Gaurulhos for some time.

Although the participatory dimensions of these processes are largely non-existent and certainly issues of unevenness in access persist in almost all cases, they have nonetheless given rise to some citizen and urban actor mobilisation around information. For instance, the ability to reveal on a map how wealthier areas might pay lower taxes than poor settlements can be made possible and citizens can use access to Google Earth and other technologies to examine the scale of private residential homes of wealthier residents or even political leaders.

Recent mobilisation around corruption in Delhi has included protesting groups raising claims related to these issues. In Durban the Municipality has an internet-based searchable listing of all properties assessed for property taxes and any citizen with access to an Internet connection can examine the tax being allocated to a specific property. This has allowed citizens to use these comparisons to argue for lower assessed taxes, or more often result in a correction of assessments that are lower than they should be. However, as Ranganathan (2013) points out these processes do not necessarily lend themselves to collective action and are only geared to a very narrow set of indicators that favour the administration rather the citizens in any direct manner.

In Durban, the eThekweni Municipality has started to try and combine layers of GIS mapping data related to sub-municipal district level aggregated needs (based on both community discussions and official statistical sources) with planned service delivery sites and capital projects to try and build a better technical case for budgetary decision making. Whilst these have not yet translated into explicit public engagement processes they have been a feature of interactions between elected representatives and municipal officials. They are also starting to be made public through official municipal planning documents such as the Integrated Development Plan. The potential of these sources of information and the related technologies to migrate into civil society processes (noting that they are already pervasive in the private sector) is strong with the potential that point in space or area specific identifiers on maps can often be more accessible than spread sheets and the like that have little or no spatial references. The potential of drawing on citizen knowledge in bottom-up processes that can be translated into spatialised knowledge was explored in Work Package 3, 4 and in Work Package 5. Action research processes in Durban with an informal settlement community showed that converting of community prepared maps into a digital layer can help transfer knowledge from these communities to municipal officials. Localised participatory budget processes in Lima and Gaurulhos also generate spatially distinct inputs into city decision-making that have had some connections to formal municipal spatial referencing processes.

It should also be noted, as was suggested previously, that the combination of technology and the ability to extract data from things such as aerial photographs can also be used to strengthen the capacity of the state to regulate and enforce. In eThekweni regular aerial photography is used to monitor the densities and extent of informal settlements and formal developments. These are used to enforce limitations imposed on settlement expansion. Maps are also used in Lima to impose boundaries to older and new

settlements. In Chennai, the interest of the Chennai Municipal Corporation to expand the physical areas under its administration has also been supported by the translation of information into GIS systems than can be used to reinforce a particular set of arguments for incorporation. In eThekweni the forms of registered-property based regulation and the incorporation of this into billing and taxation systems as well as the strict controls on

informal settlements have stimulated considerable growth in settlement in communal/traditional peri-urban land where the ability of the municipal officials to use spatialised data to enforce regulation is circumscribed by the less formalized systems of land administration and patterns of homestead establishment (noted in Work Package 3 discussions about water services to peri-urban residents).

6

Conclusion

Early in this paper it was noted that there were considerable challenges experienced in exploring the often very different experiences of cities spanning three different continents and four different countries. The research process did not set out to find only to identify similarities or differences, but instead sought to try and explore how responses were emerging to common themes under decentralisation and budgeting. Core to this was the attempt to reflect on the treatment of participatory governance dimensions in these varied contexts. Using the municipal financing lens to explore participatory governance dimensions in both decentralisation and in municipal budgeting processes was challenging but still provided an array of issues that were not only discussed in this document and in various city reports (produced under Chance 2 Sustain) but could also provide some possible pointers to future research.

Drawing from the discussions it was clear that all the cities had experienced, and continue to experience, ongoing processes which contribute to the evolution of municipal influence and responsibility with regard to fiscal processes. These processes have had a substantially different character across the cities, in that they have been influenced by differing histories and contexts (even within the same countries *vis-à-vis* the issue of special treatment of capital cities). These same local contextual factors also impacted on the extent to which these processes of decentralisation, in terms of local fiscal matters, were enabling new spaces for more participatory governance. The results of this research would suggest that these processes have not been automatically associated with enhanced participatory governance beyond the often complex and citizen-remote experiences of representative democracy and the innovations in participation that have presented in some other spaces in local government.

The processes of mobilising and allocating resources in cities, by the public sector in all its forms, also remains a critical arena for further investigation. Paths chosen by different actors in these processes, whether they be national or federal governments or city officials, are often the subject of negotiation and gradual reform, but have also been shown to heavily influenced by particular moments where disjunctures with past practise are enabled. These can be influenced by regime change through elections and/or popular pressure resulting from other forms of citizen mobilisation. Recent changes in the governing parties in the Delhi National Capital Region or those in Peru of a few years back demonstrate how citizen mobilisation and changes in institutionalised politics can intersect and how these can in turn also influence resource allocation issues from the quantum through to the mechanisms (including citizen engagement mechanisms). These less regular processes tend to occur against a backdrop of forms of global influence around best-practise models, laced with ideological infusions of what constitutes sound democratic practise, and the opening up of new avenues for funding rapidly growing budgetary needs of cities. In this context it is also clear that forms of recentralisation can exist alongside processes of decentralisation, and avenues opened up for budget participation or more ambitious participatory governance processes can also be challenged by parallel agendas undermining such endeavours.

Despite some of these somewhat contradictory narratives, it does appear that even the most placid of fiscal decentralisation processes can create actual or potential spaces for citizens to mobilise around. Conscious of imperatives to enhance government performance or to respond to growing citizen disquiet opportunities for citizen engineered knowledge to be drawn in are displayed



– even if they remain as marginal as they might be in some of the Indian cities. Elites who happen to be particularly interested in the flow of resources – whether it be in impeding or in directing these flows—tend to influence representative politics or carry influence into bureaucracies.

Under such conditions the imperative to align these processes with enhanced participatory governance processes that secure spaces for the widest possible array of citizen interests to not just be heard, but also be reflected in decisions, is critical.

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