



Peru's Participatory Budgeting: Pitfalls and Potentials

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*"The possible is never achieved if the impossible
is not attempted again and again"*

Max Weber in *Politics as a Vocation* "Politik als Beruf" 1919

ABSTRACT

In 2003 Peru adopted the "Framework Law on participatory budgeting", therewith requiring its municipal and regional governments to develop their long-term development plans in a participatory manner and institutionalize a yearly "participatory budgeting process". The participatory budgeting process in Peru is now in its 5th round.

In its original form of the Porto Alegre experience PB was conceived as a radical political project. In its current dissemination through international institutions PB is presented as a "good governance tool". Whether or not one considers PB having "transformative potential" heavily depends on the question *what* is to be transformed.

Building on the existing evaluations of the Peruvian nation-wide implementation of PB (2003-2007) this paper addresses both the pitfalls and the transformative potential of Peruvian PB. It does conclude that despite mounting criticism PB has led to substantial and important changes in Peru, especially when the point of departure of the process is taken into account.

1. THE SPREAD OF PARTICIPATORY BUDGETING

Participatory Budgeting (PB)¹ is “en vogue”. Since the “Orçamento Participativo” from Porto Alegre has been awarded recognition as “best practice in urban management” during the Habitat II conference in 1996, participatory budgeting has been spreading around the world in different forms. It probably has received its most important boost through the networks of civil society and political activists and South-South exchange. Hundreds thousands of activists have visited the most famous and prominent initiator of the PB, Porto Alegre, during the World Social Fora convened in there (2001, 2002, 2003 and 2005). Participatory budgeting does, however, also receive a remarkable strong support from international organizations. The Urban Management Programme for Latin America started to support dissemination of the best practice throughout the region. In 2003 Participatory Budgeting and Local Finance became one of the 12 themes on which the European Union financed knowledge exchange between Latin American and European cities². This project has developed into a network of 350 members. The World Bank first promoted the PB through analysis and dissemination of publications³, but is now actively promoting the spread of PB through pilot projects in for instance Albania and Bosnia, as well as through regional offices such as the Participatory Budgeting Knowledge and Action Support Centre for Africa⁴. At the regional level the Asian Development Bank supported “public participation in budget-making” in pilots in Indonesia, The Marshall Islands and Pakistan.⁵ There are experiments with Children’s PBs (Cabannes 2006); UNIFEM and UNV support gender mainstreaming in participatory budgeting⁶; also DfID published guidelines to address gender issues in Participatory Budgeting⁷; in England senior managers and elected members from local governments can follow courses on Participatory Budgeting⁸ or seek help from an NGO if they wish to get started⁹. Germans can turn to websites in German¹⁰; and the Ecuadorian

¹ In this paper Participatory Budgeting is understood as “a process by which citizens, either as individuals or through civic associations, may voluntarily and regularly participate in the decision-making over at least part of a public budget through an annual series of scheduled meetings with government authorities” (Goldfrank 2006:) I therewith explicitly want to distinguish it from other budget related participatory processes such as participatory expenditure tracking, independent budget analysis, or the vaguer “public participation in budget-making”. Although these practices might be valuable in their own right, the actual decision-making power over (a part of) the budget is in my opinion crucial for the transformative potential of participatory budgeting. The rapid dissemination of the PB-model also implied a dilution of its original content.

² See the website of the municipality of Porto Alegre for more information on this URBAL-9 programme http://www2.portoalegre.rs.gov.br/urbal9_ing/ (accessed 1st of August 2007). At the European side membership includes municipalities from Germany, Belgium, Denmark, France, Italy, Portugal and Spain. At the Latin American side municipalities from Argentina, Brasil, Bolivia, Chile, Colombia, Costa Rica, El Salvador, Ecuador, Mexico, Paraguay and Uruguay take part.

³ See for instance Wampler 2000 “A Guide to Participatory Budgeting” , World Bank, <http://siteresources.worldbank.org/INTPCENG/214578-1116506912206/20508879/WamplerPB.pdf>

⁴ See <http://www.mdpafrica.org.zw/newseven.htm> for more details

⁵ Note that “Public Participation in budget making not necessarily includes popular decision making power over the budget. Also quite a number of African cases recently discussed in Harare <http://www.asaaf.org.zw/pbw-harare6-8march.html> tilt towards popular consultation or even less than that.

⁶ See <http://www.unv.org/en/news-resources/news/doc/unifem-unv-gender-budgeting.html>, and see <http://www.cgmediaonline.info/media/andia.pdf> for the analysis of the (participatory) budget from Villa El Salvador, Peru, 2007

⁷ DfID 2004 Gender and Participatory Budgeting <http://www.dfid.gov.uk/aboutdfid/organisation/pfma/pfma-gender-participatory-budgeting.pdf> and

⁸ Organized by Governance International, <http://unpan1.un.org/intradoc/groups/public/documents/unpan/unpan025293.pdf>

⁹ see <http://www.participatorybudgeting.org.uk/>

¹⁰ <http://www.buergerhaushalt-europa.de/>

Centro Internacional de Gestión Urbana (CIGU) publishes quarterly newsletters and offers an online training course in Spanish¹¹, to just name a few noteworthy initiatives. A recent World Bank publication stated that PB of some sort is now practiced in at least 20 countries (Shah, 2007).

This rapid spread has some resemblance with what Evans (2004) has dubbed “Institutional monocropping.” In its original definition “institutional monocropping” refers to the imposition of idealized versions of the mainly Anglo-American governance institutions across the globe to promote development (Evans 2004:30). Main promoters of these blueprints are the international institutions, local policy makers and private consultants. The blueprint reforms promoted under the “Washington Consensus” have of course been most heavily criticized, both because of their detrimental effects, especially on the poor, as well as because of their “one size fits all” character. The institutional reforms promoted as “tools” under the “good governance” banner met with far less criticism and their implementation seems to run more smoothly. Yet: practice has proven that taking advantage of other countries’ ideas is difficult (Evans 2004:31-32), also in the realm of good governance. The reported success of these governance reforms is often only superficial. The reforms introduced under the “good governance” banner are imposed on those realms that can be most easily moulded: the formal rules of public sector organizations. But the estimates of the capacity of these organizations to implement the new formal rules are overly optimistic. Paper won’t blush, and as long as the changes in the written rules of the game do not require changes in practice, they meet no open resistance. Though as soon as the required changes touch informal power relations, the change is resisted, sometimes openly, more often hidden. There is thus an underlying structure that the superficial reforms on paper do not touch. It is this disjunction between the formal structures and the underlying more informal structures of power and daily practice that render the formal structures ineffective (Evans 2004:34).

Interestingly enough Evans promotes deliberative democracy in general, and participatory budgeting in particular, as a possible alternative for institutional mono-cropping. He does so because PB as practiced in Porto Alegre was the outcome of a process of local deliberation. It thus resulted from extensive public discussion and exchange of ideas and opinion. The result therewith was a process that reflected local characteristics, as interpreted by local actors in response to local needs, its functioning being under constant public scrutiny and pressure for improvement. Building on Sen’s capabilities approach Evans argues that where such “thick democracy” (extensive exchange of ideas and opinions in public deliberation) occurs, people are enabled to exercise one of the most important of their capabilities: the ability to choose. Enabling people to choose and exercise influence on their immediate circumstances is an inherent goal of development itself.

2. PB AS A TOOL?

As in this seminar, PB is often presented as a tool: a tool to make urban governance more inclusionary, transparent and/or effective. And this is no wonder. Over 15 years of Participatory Budgeting in Porto Alegre has proven that PB can have a redistributive impact, can increase investments in poorer neighbourhoods, addresses clientelism and corruption. It furthermore can increase legitimacy of local government, and even a substantial increase in tax-income has been reported where people see that funds generated are indeed used for investments (Abers and Abers 1998; Baiocchi 2001; Schneider and Goldfrank 2002; Baiocchi 2003; Chavez 2004; Wampler 2004; Baiocchi 2005; Goldfrank 2005; Wampler 2005; Avritzer 2006; Goldfrank 2007).

¹¹ <http://www.cigu.org/cgi-bin/cigu>

Only some authors have focused on several unique features on which the Porto Alegre experiment could flourish. What made Porto Alegre's starting position for this experiment unique was the relative advantageous position. Porto Alegre is the state capital of one of the wealthiest states of Brazil: Rio Grande do Sul. Average income, education level, life-expectancy were already well above the national averages when the experiment started. The population can be considered highly homogeneous for Brazilian standards, with the vast majority of the population considering themselves white and roman catholic. In Porto Alegre the actors could further more build on existing active associative life(Baiocchi 2001; Goldfrank 2002; Chavez 2002).

The spread of PB has also given ímpetus to a comparative analysis of preconditions to be met and common characteristics of successful PB-experiments As important pre-conditions are mentioned:

- A strong political will (especially from the mayor)
- Sufficient resources to invest in public works and social programs
- Political decentralization
- An active and organized civil society
- A professional and qualified administrative staff
- Adequate institutional and legal framework (Navarro 2004 Wampler 2007;Goldfrank 2007)

Goldfrank (2007) made a comparative analysis of 14 Latin American cases in Bolivia, Nicaragua, Guatemala and Peru), and 3 sets of national laws on participation (Bolivia, Peru, Guatemala). He concludes that PB has been successful to a certain extent in quite a number of cases and in a wide variety of local contexts. Searching for the commonalities in the success-cases he encountered he reaffirms the importance of enough discretionary funds and the pre-existence of an active civil society. He adds as important common features in the succesfull cases:

- The mayor is either indigenous or from a party on the left (or both),
- Opposition from local political elites is weak or non-existent,
- National or international organizations provide project funding and/or technical assistance (Goldfrank 2007:116).

Likewise authors have elaborated on the constraints or risks of PB. Among the most often mentioned are the atomization of the budget; the formation of a class of (new) community leaders dominating the process and/or well organized groups benefiting at the expense of less organized groups; elite-capture; capture by political parties; mobilization becoming an end in itself; short-term visions impeding long term development planning; dropping participation rates once direct individual interest are no longer attended (Abers 1998; Baiocchi 2002; Hordijk 2005; Wampler 2007). PB is thus by no means always and everywhere the right answer to all local governance perils. Before we can asses to what extent the PB-process as it is currently taking place in Peru can advance and have a transformative potential, we have to address the question to transform *what*.

PB was originally conceived as a radical political project, explicitly meant to be an alternative to both classic soviet socialism with its omnipotent state, as well as to the minimalist state of neo-liberalism. There is a strong role foreseen for the state, but a participatory state that can regain legitimacy by becoming more effective, redistributive and transparent. A state furthermore, that is appropriated by empowered citizens who interact with their governors and hold them accountable.

PB was seen as an important vehicle in this “revolution” through four key-characteristics:

- Direct citizens participation in government decision making
- Transforming residents into citizens, aware of their democratic rights.
- Fiscal and administrative transparency to prevent corruption and clientelism
- Concrete improvements in infrastructure and services, with an emphasis redistribution (Goldfrank 2007:95)

Or, in the eloquent words of Olivio Dutra, Porto Alegre’s mayor in the first years of implementation of the PB-process who extended the process to state level when he was elected Governor of Rio Grande do Sul: *“Besides deepening and radicalizing democracy, participatory budgeting is constituted by a vigorous social impulse, if we conceive socialism as a process in which direct, participatory democracy is an essential element, because it facilitates critical consciousness and ties of solidarity among the exploited and oppressed, opening the way for public appropriation of the State, and the construction of a new society”*¹²

It goes without saying that the international organisations promoting PB not necessarily subscribe the entire radical agenda. Participatory Budgeting can be implemented under the “good governance” banner along with neo-liberal reforms of reducing the role of the state, privatisations and leaving development more to market forces. PB is then promoted as a means to prevent popular alienation from government, since this undermines political stability and therewith impedes (economic) development. Also in this approach PB is meant to reach a more effective and transparent state, to reduce corruption and clientelism and to improve infrastructure and services. Goldfrank warns that the discourse on PB stemming from the international organizations is often very similar to what is used in the original radical approach. (Goldfrank 2007). “Citizens” in the neo-liberal approach though, are more often conceptualised as consumers, than as the active, empowered “agents of change” in the radical approach (Oxhorn 2005; Dagnino 2005).

PB can thus be seen as having transformative potential of quite a number of elements in local governance, namely both at the level of the actors, the processes and organizations and the outcomes.

In terms of the actors it is supposed to transform both the governors and the governed, and the prevailing political culture that shapes their interrelations. The governors are supposed to become more responsive to citizens demand. The governed are supposed to be transformed from “residents” into “citizens”, enabled to deploy a wide range of their capacities. There are further quite a number of studies indicating how PB-processes lead to increased capacity of the participants (Baiocchi 1998, Hordijk 2005).

In terms of processes and organizations: decision making at local government is supposed to become more transparent, with less room for corruption and clientelism.

The outcomes are expected to be both more and better (more infrastructure, better provision), better responding to expressed needs, and reflecting a more just distribution of resources. This implies redistribution at the level of the city, as is reported to have happened in Porto Alegre.

In the following paragraphs we will sketch how PB was introduced in Peru. We will assess which preconditions can be considered full-filled. Subsequently we will discuss to what extent PB has advanced in Peru. To be able to judge whether any transformation has been achieved we will also discuss the main elements of the prevailing political culture and

¹² Olivio Dutra 2002 “PP y Socialismo” in a translation by Goldfrank (2007:95).

existing institutional framework. We will conclude with an assessment to what extent PB has advanced in Peru and its prospects for the future.

3 A SHORT HISTORY OF PB IN PERU

In 1999, the network-organization “Cities for Life” organized an intensive tour of a representative of the city of Porto Alegre, presenting the Participatory Budgeting experience in a number of Peruvian cities¹³. In the same period the Urban Management Programme for Latin America (PGU-ALC) developed dissemination activities. This sparked a rapidly increasing interest in the potential of the Brazilian experiment.

In 2000, two mayors of municipalities with a strong tradition in participatory governance started PB-experiments, namely Villa El Salvador and Ilo. Both municipalities had gained international recognition as “best practice in urban governance” in the past.¹⁴ Villa El Salvador had been founded as a “self-governing” district municipality under the left-wing dictatorship of General Juan Velasco in the early 70s. Since the first municipal elections in 1985 Villa El Salvador had mainly been ruled by left-wing mayors (Zapata 1996; Hordijk 2005). Ilo had been governed by Izquierda Unida (United Left) for six consecutive terms, and had become an example in participatory environmental management (Diaz 1996; Follegatti 2000, Boon 2001). In 2001 the Urban Management Programme for Latin America facilitated an international seminar on Participatory Budgeting in Villa El Salvador, which strengthened the experiment in Villa El Salvador and further disseminated the practice in Peru.

After the return to democracy in 2000, the country embarked on an ambitious reform program, which major goal was to recreate democratic institutions. Despite the fact that there was already wide-spread scepticism about the presidential capacities of the newly elected Alejandro Toledo who assumed office in 2001, there was an almost general political and public will to restore and renovate democratic institutions. In this spirit a wide range of political actors, private sector institutions and civil society representatives signed the *Acuerdo Nacional* (National Agreement) in July 2002, articulating 30 state policies to be achieved over the next 20 years. These 30 policies were grouped under four major headings:

1. Democracy and the Rule of Law
2. Equity and Social Justice
3. Competitiveness of the country
4. An efficient, transparent and decentralized state.

Most reforms were only implemented haltingly or not at all. There is general agreement that Toledo’s government has only made headway on the fourth dimension, especially on the dimension of decentralization (McClintock 2006; Grompone 2005). The introduction of participatory budgeting should be seen in this framework, since its overarching “Framework law on Participatory Budgeting” was part and parcel of the ambitious decentralization package of the Toledo government.

During the decade of Fujimori’s *democracia* cities as Ilo and Villa El Salvador had continued to function as an incubator for new forms of popular participation. Their experiences, as well as the model in Porto Alegre, have been disseminated through

¹³ Including the cities Ilo, Arequipa, Lima, Chimbote and Trujillo. His presentations combined introductions on participatory budgeting with a presentation of the environmental atlas of Porto Alegre.

¹⁴ Even before the identification of best practices became popular, Villa El Salvador was selected as a positive example during the year of the homeless (1987), and was shortlisted for the Dubai Best Practices award in 2000. Ilo was selected as one of the 40 ‘best practices’ in the world-wide Habitat II contest.

networks as the forum Cities for Life and others. It was in these local spaces which offered an alternative to the authoritarian rule that many people prepared and were capacitated. Many of them rapidly filled the ranks of governments, civil society organizations or international institutions after the return to democracy. The mayor of Ilo and one of his equally progressive colleagues from Cerre de Pasco were for instance elected in Congress, and promoted participatory budgeting from within. The Toledo government furthermore rapidly created a number of consultative spaces where civil society had an important role to play in framing major policies. Most successful of these spaces for “social dialogue” became the Roundtables for *Concertacion*¹⁵ on the Fight against Poverty (*Mesas de Concertación para la Lucha contra la Pobreza*)¹⁶, functioning at national and regional level. Here and elsewhere decentralization policies were extensively discussed.

In 2002 the Peruvian Government issued two import laws on decentralization, namely the Law on Decentralization and the Law on Regional Governments (See textbox 1). In the first law from the reforms package the principle of participatory budgeting was already included, Article 20 of the Law on Decentralization reads:

The regional and municipal governments¹⁷ sustain themselves and govern through yearly participatory budgets as instruments for their administration, these participatory budgets have to be formulated and executed in conformity with the law and in correspondence with the Concertated Development Plans. (author’s translation)

The government furthermore promised a steady increase in the financial resources transferred to the regional and local governments. Local governments were promised that their share in the national budgets would increase from 4% in 2000 to 12% by 2005.

In the same year, the Peruvian Forum of Cities for Life launched an international conference on Local Agenda 21 and participatory budgeting under the auspices of the Peruvian congress. On this occasion, already eight Peruvian localities could present their experiences in participatory budgeting (Miranda Sara 2003). Simultaneously, the Ministry of Economy and Finances in cooperation with the Round Tables in the Fight against Poverty commenced nine pilot projects in Participatory Budgeting at the regional level¹⁸. It was a surprising choice to opt for the regional level. First of all since although the Law on Regional governments was already adopted, elections for regional governments were scheduled for 2003. The pilots thus had to be run by institutions that were an inheritance from the Fujimori-era, namely the non-democratic Transitional Councils on Regional Administration (CTAR). Secondly the regional level is not a level where civil society is strongly organized. Civil society organisations more commonly focus at the local, national or international level. Twenty-two regions presented their “Consertated Local Development Plan”, only nine qualified. The others often disqualified because civil society presence was considered to be too low. It is noteworthy that of the nine who did qualify quite a number had already – against the

¹⁵ We have argued elsewhere that concertación can not be adequately translated. It goes beyond consultation and brings the different stakeholders around the table so that solutions can be negotiated and responsibilities assigned. This includes conflicting interests, where these exist. See Miranda & Hordijk 1999:71

¹⁶ <http://www.mesadeconcertacion.org.pe/>

¹⁷With the adoption of this law Peru is now divided into 26 regions, with their respective regional governments, further subdivided in 194 provinces with their respective provincial municipal governments, and 1833 district municipalities. Many Peruvians still use the old word “departamento” to refer to the regions. In this paper both provincial as district municipalities are captured under the term ‘municipal’ governments to distinguish them from the “regional” governments.

¹⁸ Being Amazonas, Huanuco, Huancavelica, Junin, Moquegua, Pasco, Puno, Tacna and San Martin.

authoritarian current - started experimenting with participatory approaches during the nineties¹⁹.

Based on the experiences in the pilots and on discussions with civil society the Framework Law on Participatory Budgeting was further developed, and adopted in July 2003. This was rather late in the yearly budgetary cycle, in view of the fact that the law requires to first develop a development plan in a participatory manner, and thereafter develop project proposals in line with this plan. These project proposals thereafter should be assessed by a technical team on their feasibility, which should present the feasible ones in a format required by the National System For Public Investment (SNIP), which is quite an arduous task. Only after the assessment and budgeting by the technical team the entire budget can first be presented to those who participated in the PB-process, and thereafter is supposed to be adopted by the regional or local council as part of the budget for the next year.

Since it was known that the bill on PB was being drafted, and the basics were known, many localities already started the process in an improvised manner. The law itself, furthermore, was rather general in nature. For an interpretation of what the legislator actually had in mind the Peruvians had to wait till the "Rules of the Framework Law on Participatory Budgeting" were issued in November 2003. The general outlines however could be derived from "The Guidelines for the Participatory Formulation of the Budgets for the fiscal year 2004".

It is important to note that in this year 2003 many events coincided. Firstly, it has been the most tumultuous year in Toledo's government. Especially in the months from May to August public protest mounted in the streets, there was general disillusion with the government's performance. Secondly it was the year that in many provincial and district municipalities new administrations entered, as a result of the municipal elections held in November 2002. Thirdly, Peruvians voted for the first time in history for regional governments. These newly formed regional governments from the outset received considerable budgets, including investment budgets.

In 2004, the administrations were confronted with the daunting task to implement the agreements of the improvised 2003 PB-cycle, and to simultaneously start with the 2004 PB round. The Ministry of Economy and Finance continued consultative rounds with a number of organizations, including representatives from the Roundtables against Poverty, civil society organisations and international donors. This resulted in a new version of the "Guidelines for Participatory Budgeting" for the next year. From then on new version of these Guidelines was published each year. Each Guideline followed the same grid, but tried to incorporate the suggestions for improvement coming from a growing number of civil society organisations and their federations and the professional organisations.

One of the requirements stipulated in these guidelines is that each locality develops its own municipal bylaw which details the local specificities of the process and procedures. From 2005 onwards an increasing number of local and regional governments is publishing their municipal by-laws and other documents related to the PB process on the municipal websites. So over the years a very dense network of laws and regulations came to buttress the Participatory Budgeting Process (see textbox 1)

Textbox 1 Legal Framework relevant for the PB-process in Peru

Overarching Laws

¹⁹ For instance: Moguegua is the provincial capital of Ilo, the experiences in Ilo also shaped provincial policies. Both Piura and Pasco had started participatory planning in the 90s, Huancavelica had created its Round Table for Development in 1998. San Martin participatory experiments had even started in the 80s. See for details Grompone (2005).

Law on Citizen Participation (1994) (*Ley de los Derechos de Participación y Control Ciudadanos Ley 26300*): stipulates the general conditions for citizens participation. This law is currently under revision.

Law on Constitutional Reform (2002) *Ley de Reforma Constitucional Ley N° 27680*

Law on decentralization (2002) (*Ley de bases de la Descentralización 27783*) gives a first indication of the foreseen responsibilities of the regional and local governments.

Law of Regional Governments (2002) (*Ley orgánica de Gobiernos Regionales 27867*) and

Law of Municipal Governments (2003) (*Ley Orgánica de Municipalidades 27972*) further elaborate on how citizens can participate in public management in general and in participatory budgeting in particular. Stipulate the creation of Councils for Regional or Local Coordination (Consejo de Coordinación Regional (CCR), Consejo de Coordinación Local (CCL)

Laws on Public Finance

NEW in 2007: Directive on Performance Based Budgeting, *Resolución Directoral N° 027 - 2007-EF/76.01*

Law on the General System of the National Budget (*Ley General del Sistema Nacional de Presupuesto N° 28411*)

Framework law on the Promotion of Decentralized Investment (*Ley Marco de Promoción de la Inversión Descentralizada; Artículo 11°, Ley N° 28059*)

Law on Budget Management of the State (*Ley de Gestión Presupuestaria del Estado; Ley N° 27209*)

Law on Fiscal Decentralization (*Ley de Descentralización Fiscal; Artículo 33°, Decreto Legislativo N° 955*)

Law on the Budget for the Public sector for the fiscal year X (issued each year) (*Ley de Presupuesto del Sector Público para el Año Fiscal X*)

Law on Fiscal Prudence and Transparency (*Ley de Prudencia y Transparencia Fiscal Ley N° 27245*)

Laws and directives on Participatory Budgeting

Framework Law on Participatory Budgeting (*Ley Marco de Presupuesto Participativo 28056*)

Rules of the Framework Law on Participatory Budgeting (

Participatory Budgeting guidelines for 2008 (2007) *Instructivo para el proceso de Planeamiento del Desarrollo Concertado y presupuesto participativo* Instructivo No. 001-2007-EF/76.01 and similarly:

Participatory Budgeting guidelines for 2007 (2006) Instructivo No. 001-2006-EF/76.01

Participatory budgeting guidelines for 2006 (2005) Instructivo No. 001-2005-EF/76.01

Participatory budgeting guidelines for 2005 (2004) Instructivo No. 001-2004-EF/76.01:

Participatory budgeting guidelines for 2004 (2003) Instructivo No. 001-2003-EF/76.01

Regional and municipal by laws: all regions and many municipalities have formulated by-laws indicating how the provision stipulated by national law will be implemented in their locality.

Sources: MCLCP (2007) Marco legal planeamiento concertada y la participación en los presupuestos públicos, and the website of the Ministry of Economy and Finance www.mef.gob.pe

It is not surprising that such a vast legal framework is crippled by contradictions and unclarity. Part of the problem was already nested in the conception. The decentralization process was bolstered by broad political support, whereas the element of participatory budgeting was contested politically. Especially Peru's only surviving traditional party, the APRA, with 20% of the seats in congress, spread the common anxiety of traditional parties,

hat participatory budgeting would undermine representative democracy. A second problem was that the overarching laws on decentralization were prepared through the National Commission on Decentralization (CND) and discussed in the congressional committee on decentralization, whereas the laws on Participatory budgeting were prepared with technical support from the Ministry of Finance, and discussed in the congressional economic committee. The two committees never coordinated, and the committee on Decentralization had not even seen the proposed framework law on Participatory budgeting before it was presented in congress (Grompone 2005: 30). The PB laws almost did not pass and what was finally adopted was a product of many compromises (Chirinos 2004).

4. BASIC CHARACTERISTICS OF THE PERUVIAN PB

The Framework Law on Participatory Budgeting defines PB-process as ‘A mechanism to assign public resources in a just, rational, efficient, effective and transparent manner, which strengthens the relationship between the state and civil society’ (Ley Marco, article 1, author’s translation). The introduction at the webpage of the Ministry of Finance reflects a similar spirit, where we can read: Participatory Budgeting is:

- Transparency and Citizens control
- Modernisation and democratization of public management
- Strengthening of the governability of the country
- Construction of social capital
- Citizen’s participation in planning and public management²⁰.

The same elements are also to be found in the objectives of PB described in the PB-guidelines. Poverty alleviation is supposed to be achieved through “equal opportunities for all”, with special attention for those in need. It is thus clear that PB in Peru is first and foremost conceived as a mechanism to improve the quality of state-institutions, and to reconstruct the relation between citizens and their government. In the way it is presented to the population there is no reference to the radical political project that was envisaged in Porto Alegre.

A second clear characteristic of the Peruvian PB is that it is implemented top-down, in a highly formalized manner. The following steps in the process are foreseen.

1. Preparation
2. Call
3. Identification and nomination of the *Participating Agents*
4. Training and capacity building
5. Workshops
 - a. Update of the Development Plan
 - b. Defining criteria to prioritize projects
 - c. Defining problems and priorities
 - d. Defining the projects to be prioritized
6. Evaluation of proposed projects by the technical teams

²⁰ Autor’s translation from the webpage of the Ministry of Economy and Finance, http://presupuesto-participativo.mef.gob.pe/app_pp/entrada.php

7. Formalization of agreements

The term “Participating Agents” (*Agentes Participantes*) is quintessentially Peruvian, and represents a third important characteristic of the Peruvian PB, namely a peculiar mix of direct and representative democracy. To fully participate in the PB rounds prospective participants have to register at the municipality. The “call” is thus meant to convoke this process of registration. Originally there were quite a number of requirements one had to fulfil to be able to register, namely being a representative of a legally registered organization with at least three years of existence. In later years this requirement was loosened, since it excluded many community organizations. It furthermore did not make much sense, since also “representatives of the unorganized parts of society” could participate – leaving unexplained how unorganized parts of society do choose their representatives. To complicate matters even more the yearly guidelines published by the MEF even allowed for “natural persons” to register (Monge 2004). This resulted in a mix of “*agentes participantes*” representing organizations – either on paper or in practice – and individuals.

A second element of this mix of representative and direct democracy is the creation of the so called Regional and Local Coordinating Councils (CCR and CCL respectively). The formation of these councils is laid down in the new law on Regional Government and the new Municipal Law. Their function is inter alia to promote and oversee the entire PB –process. On paper they do fulfil a very important role in phase six of the process. After the priority projects have been assessed and elaborated by the technical team, the Coordinating Councils is supposed to prepare and formalize the agreements of that years PB and present them to the regional or municipal council. The Coordinating Council therewith is supposed to have a crucial role in finalizing the agreements. How this Coordinating Council should be composed is also regulated in a rather detailed manner. Sixty percent of the members should be state-representatives, 40% should come from civil society. Of this 40% coming from civil society at least 30% should be representatives from organizations from entrepreneurs. Regional and local governments are furthermore encouraged to include a further specification in their by-laws, to ensure proper gender divisions, the inclusion of indigenous groups were relevant, and/or the inclusion of other marginalized groups (Grompone 2005). The strong state-representation in this Coordination Councils is one of the compromises with those who feared the undermining of representative democracy. The result however is that ambiguity is increased, since the competencies of the Coordination Councils vis-à-vis the normal Regional or Municipal councils are not clearly defined. The regions – where APRA had won almost in half of them in the regional elections of 2003 – resisted the formation of CCRs in the beginning, so congress even adopted a specific law once more obliging them to install them (Chirinos 2004). By now they are formed in all regions.

How the interplay between the Coordination Council and the Local council works out in each locality depends on local power-configurations. An active and committed local government can take the lead, civil society can promote the process, a fruitful partnership can yield even better results. Whatever the case, the results have to be presented to the Regional or Municipal Council for approval, since these are the legislative branches of the respective governments. This can lead to a stalemate. If the Regional or Municipal Council opposes the PB-process and does dare to negate the result of a participatory process, it refuses approval. Yet: the council does not have the right to submit a budget. The consequence then can be that there is no approved budget at all. More common then such a plain refusal of the legislative branch, is that once the result of the PB-rounds is subscribed in the Coordinating Councils, a second round of negotiations starts. This time it is at the level of the legislature, and often behind the scenes. It then depends on the local power-configurations who wins such a battle. It goes without saying that it is easier to spend the money differently throughout the year, than to enter in direct confrontation. It is not uncommon that councillors are included in the CCRs or CCLs to try to minimize this second round of negotiations. Since

Peruvian Mayors have extensive discretionary power, including over expenditures, in the end it is often at the Mayor's office where the final spending decision is made.

It is furthermore important to note that the Peruvian CCRs or CCLs differ substantially from the council of delegates in the original Porto Alegre experience. In Porto Alegre the council of delegates is the entity representing the population vis-à-vis government. In Porto Alegre these delegates are civil society representatives, elected after a first round of deliberations open to all citizens. The delegates are the representatives of the inhabitants, casting the final votes on the projects. In Peru the Coordinating Council is the arena where negotiations between representatives of different government levels, which hold the majority in the council, and civil society representatives takes place. The public deliberation process takes place between the registered "participating agents". It should be noted though that in practice many people who are not registered join the PB-workshops, and many who registered participate only in those workshops where decisions on projects are prepared. Nevertheless: the representatives of the public sector have a strong say and position in the process.

Next to the public sector and civil society representatives there is a third important group in the PB-process, namely the earlier mentioned "Technical Team", that translates the proposed projects in feasible proposals. They do participate in the CCRs and CCLs without voting right. But in the process of assessing the projects feasibility and preparing the budget they have a lot of de facto power. What they declare unfeasible cannot reach final agreements. Over the years more and more civil society members were included in the technical committees. In some localities these were professionals, in others it were neighbourhood leaders. Since 2006 members from civil society should be included in the technical team (PB-guidelines for 2006). It however heavily depends on the capacity of these civil society members whether they will be able to make a difference in the process.

A last potentially important entity are the foreseen "*comités de vigilancia*", the "monitoring committees", responsible for overseeing the process. It is a committee to be elected by the participants in the PB, from the members of civil society. Although named in the PB-guidelines, neither the composition nor the role of the monitoring committee is specified. An important duty is to ensure that the agreements reached in the PB process are also considered in the regional and municipal budgets. It is unclear however what the monitoring committee can do if this does not happen.

5 THE PRECONDITIONS FOR PB IN PERU

To do justice to the attempt to introduce PB nation-wide in Peru, it is important to note that PB was introduced first and for all to recreate democratic institutions and regain citizen's trust in a country where political parties have lost all legitimacy among the public. The original experiments in Ilo and Salvador were undertaken by left-wing mayors in opposition to national government, their initiators shared the ideals of a societal transformation as embodied in the Porto Alegre experiment. It is basically the idea of citizen's empowerment and involvement that has remained in the nation-wide version. The nation-wide version shows more resemblance with the popularised "PB-as a tool for good governance", as promoted by the international institutions. The introduction furthermore resembles "institutional mono-cropping", although practiced by a national government. As Evans indicated in such a case the introduction might look successful at superficial level, but might be resisted at deeper levels of society.

Several preconditions necessary for successful implementation are certainly present in Peru. Most importantly: PB is part of a substantial decentralization process. In this decentralization process both the transfer of responsibilities as well as the transfer of funds is taking place. This is accompanied by a process of political decentralization: Peruvians can now also vote for regional governments. The resource base of the district and provincial municipalities is

strengthened. Investment budgets at these levels more than doubled between 2000-2005. It should be noted though that it therewith doubled from “almost nothing” to “something more”. The newly formed regional governments receive a far larger share of the national budget.

Other necessary preconditions mentioned in the literature were a supportive legal and institutional framework, and the presence of a qualified professional administrative staff. There certainly is a massive legal framework in Peru. This body of legislations has mushroomed to such an extent that it has become unworkable and contradictory. It can be expected to have become more a hindrance than a help. As a consequence of the dire resource base of Peruvian municipalities they are known to be understaffed, both in quantitative as in qualitative terms. The PB-process furthermore is also envisaged to take place in Peru’s small district municipalities of less than 5000 inhabitants. These municipalities normally have less than 10 workers, none of them “professionals” (AMPE 2006). Goldfrank (2007) furthermore noted that the presence of donor-support increased chances of success. In Peru there is strong support from international organizations, but more in terms of capacity building and dissemination of training materials, discussion documents and bulletins than in terms of financial resources for investment. Seen the level of decentralization, the increasing funds and the support from national government level, the overall pre-conditions in Peru can be considered relatively favorable. The lack of professional capacities can form an important bottleneck.

6. THE YEARS 2004, 2005 AND 2006: FIRST STEPS IN THE CONSOLIDATION

Since 2005 the Ministry of Economy and Finance (MEF) tries to monitor the implementation of the Participatory Budgeting in Peru through an interactive website²¹. Although not entirely representative – not all localities where PB takes place will register their activities with the MEF – it gives a reasonable indication of the spread of the process in absolute numbers.²² There are furthermore an increasing number of institutions publishing evaluations of the PB process. Among these are several important referent institutions in Peruvian public life, such as the National Ombudsman (Defensoría Nacional del Pueblo), which published evaluation in 2003 and 2005; the Round Tables against Poverty, which play an important in the national consultation processes as well as in a number of local implementation processes published a first nation wide evaluation in 2007 (MCLCP 2007), and the recently constituted Inter-institutional Collective on Participatory Budgeting published their assessment of the process (CIPP 2007).

The very fact that this Interinstitutional Collective has been formed can be seen as a sign of consolidation: the many institutions with a continuous stake and interest in the process decided to ensure the institutionalization of their coordination. It is important to note that very different actors do take part in this Collective: namely actors from national government levels, umbrella-organisations from civil society, but also municipal associations and donors. Their evaluation of the process so far thus gives an indication how important stakeholders judge the process.

Textbox 2 Members of the Colectivo Interinstitucional del Presupuesto Participativo:

²¹ http://presupuesto-participativo.mef.gob.pe/app_pp/entrada.php , login via “ acceso para la ciudadanía”

²² It should be noted that the quality of this monitoring leaves a lot to be desired. It basically limits itself to the numbers, such as number of projects approved, amount of financial resources implied, number and background of participating agents and the like. Most importantly, it does not monitor how many of the projects approved are implemented, therewith missing out on one of the most crucial bottlenecks of the process.

State-Agencies: Ministry of Economy and Finance; Ministry of Women and Human Development; National Council on Decentralization; FONCODES (Fund for Social Development)

Municipal Association: Red de Municipalidades de Peru, REMURPE

Civil Society umbrella Organizations: Mesa de Concertación para la Lucha contra la Pobreza (MCLCP) National network of NGOs (ANC), “Grupo Propuesta Ciudadana”(Citizens Proposal); PRODES (Pro Decentralization); Red-Peru; Participa Peru; *NGOs:* Calandria, COOPERacción

International organizations and donors: USAID-Peru, UNICEF, UNIFEM, Care

Source: CIPP (2007) Presupuesto Participativo: Agenda Pendiente: Balance, Lecciones aprendidas y recomendaciones

The numbers we can derive from different attempts to monitor the PB-process show a clear increase in both the number of PB-processes, as well as an increase in the number of participants per process in the period 2004-2006. For the time being they also show a decrease for the process of 2007. This should be taken with caution. Since the PB-guidelines for 2008 were only published in April, many municipalities might not yet have registered. On the other hand, the high number of “participating agents” in the PB 2006 might be an effect of the campaigns for the elections for regional and municipal governments, which were held in November 2006. For many mayors and regional presidents running for re-election an improved and more effective PB might have looked like a good trump in the election campaign. Consequently many inhabitants might have expected good results this year. Although the data of the MEF thus have to be interpreted with quite some caution – we have no idea how many PB-processes do run without being registered²³ - we can conclude that over 40.000 representatives participated in the 2006 rounds, and that at least over 600 PB-processes have started in 2007. In 2005 – a more “average” year without election campaigns – all regional governments, 57% of the provincial municipal governments and 41% of the district governments had registered PB processes. In total they presented 12473 projects to the MEF, for a total of over US\$ 750 million). At the regional level most of these funds are destined to finance improving transport (33%) and agricultural production (16%) by construction irrigation works. In the provincial governments an even larger share is used for transport related projects (58%), health-infrastructure scores second (18%) (MEF 2005). A remarkable trend is that a growing number of municipalities are bringing a higher percentage of the investment budget under PB, some of them even including part of the ‘*canon minera*’²⁴ (CIPP 2007). To counter a the persistent myth about PB that “PB atomizes the budget” MEF argues that the vast majority of the Peruvian municipalities has such a low investment budget, that the atomization of the budget has already taken place before it reaches the municipalities. In 2005 76% of the municipalities (1395) had an investment budget of less than US\$ 600.000 (MEF 2005).

Table 1 Number of Registered PBs and Number of Participating Agents

	2004	2005	2006	2007
<i>Number of PBs registered</i>				
Regional Government	24	26	26	25
Provincial municipalities	n.a.	111	85	104
District municipalities*	513	664	376	532
Total	537	801	487	661

²³ Even the more so since municipalities with a population of less than 5000 inhabitants and/or without access to internet are supposed to send in the data by regular mail.

²⁴ Municipalities in mining towns receive a share of the income tax paid by mining companies.

<i>Number of "Participating Agents"</i>				
Regional Government		2392	3696	1918
Provincial municipalities		6997	10667	8369
District municipalities		20672	29324	26781
Total		30061	43687	37068
* This number includes the provincial municipalities				

Source: Various presentations from DNPP-MEF on [www.http://presupuesto-participativo.mef.gob.pe/portal_pp/html/index.php](http://presupuesto-participativo.mef.gob.pe/portal_pp/html/index.php)

A similar trend of increased participation was reported in the evaluation by the Round Table against Poverty (MCLCP 2007)²⁵. They report an increase of ca 22% in the number of participants per PB-workshop at the regional level, 35% at the provincial level and 15% at the district level between 2005 and 2006. Most of the new participants in these rounds are civil society representatives, especially at district level. The higher the level of government, the stronger the participation of the public sector representatives.

The call to participate in the PB-process is spread through a number of media, especially local radio stations and local newspapers. At district level, and to a lesser extent also at the level of the provincial municipalities – the call is now also spread in the local native language where relevant (MCLCP 2007). Many municipalities and all regions furthermore do use their websites to publish the PB-guidelines and local by-laws. There is nowadays far more information on local government affairs and finances available than in the past, or in the words of the Interinstitutional committee “the level of information is in-sufficient, but increasing” (CIPP 2007:9).

Of those participating, the vast majority is relatively positive about the PB-process 2006. Especially when contrasted with the overall judgement of Peruvians on the quality of their democracy (see § 7) it is remarkable that less than 10% considers the process of bad quality, and over 30% even considers it of good quality.²⁶ It is furthermore clear that the participants at the lowest level are more positive about the process than participants at the highest (regional) level. Here only 30% considers the quality of the process “good” or even “excellent”, as compared to 46% at the district level. This coincides with the findings of other studies, indicating that at regional level the process are far more mature in terms of fulfilling the formalities, but far less rich in participatory dynamics (Grompone 2005)

Table 2 Quality of the PB-process 2006 by level of implementation

Qualification	Level of PB-Process			Average
	District	Provincial	Regional	
Bad	7,6	9,1	13,6	9
Average	46	54,5	56,8	50,5
Good	38,2	33,3	28,6	35,1
Excellent	8,2	3	1	5,4
Total	100	100	100	

Source: MCCLP 2007 I Informe Nacional de Monitoreo, p. 52

²⁵ MCLCP (2007) surveyed 174 case of PB: 20 at regional level, 60 at provincial level and 94 at district level, therewith thus covering between 20%-25% of the registered PBs.

²⁶ Based on a questionnaire filled in by 1291 participating agents, 201 from regional level, 431 from provincial level, 659 from district level. This distribution does not adequately represent the number of regional (26), provincial (ca. 85), and district (ca. 376) processes.

Another important finding is that the participants consider the PB-process of 2006 of a higher quality than the process in 2005. Here a similar trend between the different levels of scale can be observed: the lower level of scale, the more positive the participants, although the difference is less strong. The same study also concludes that the longer one participates in the process, the more positive one becomes.

Table 3 Quality of the PB-process 2006 compared with 2005 by level of implementation

Qualification	Level of PB-Process			Average
	District	Provincial	Regional	
Much better	17	15	11,7	15,5
Better	51	54,8	61,4	53,9
The same	23,2	23,1	19,8	22,6
worse	6,2	5,2	6,1	5,9
much worse	0,6	0,7	0	0,6
Don't know	2,0	1,2	1	1,6
Total	100	100	100	

Source: MCCLP 2007 I Informe Nacional de Monitoreo, p. 53

Most importantly: all studies conclude an improved relation between citizens and their respective governments. Or, in the words of the Inter-institutional collective: Participatory Budgeting is contributing to transform the relations between the state and civil society, through a new form of exercising citizenships, in the framework of implementing mechanisms of participatory democracy. .. This participation has a positive influence on the quality of the democracy and the governability, and fosters the intervention of citizens in decision making....The participatory budgeting processes are also contributing to the transparency in public management, and therewith strengthen relations of trust (CIPP 2007:6)

Despite the positive signs – increasing number of PB, increasing number of participants in the process, increasing number of members from civil society and a positive valuation by many of the participants – the monitoring studies of course also point to a number of weaknesses. In a self-assessment of their own performance the MEF-DNPP summarised their successes and weaknesses as follows:

Successes:

- Having introduced popular participation as a tool to improve budgeting and public management
- A new perspective on the relation between the Ministry of Economy and Finance and the subnational government levels.
- Cooperative relations with civil society are established
- A public-private network has been formed that fosters and promotes participation
- PB has become an issue on the agenda with the international donors

Weaknesses:

- Insufficient capacities to implement the process
- In some departments we are hardly present
- We lack a proper training methodology to strengthen capacities
- There is little involvement of the highest levels of the Ministry.

And as general limitations to the process:

- Authorities do not always respect the outcome of the participatory process
- Inadequate methodologies are used in the decision making processes
- Authorities do not know the fundamentals of the PB-process, and are little committed
- The “participating agents” have a limited representativity and legitimacy
- The participation in the process is limited to the “traditional sectors”
- The general public is neither informed about nor prepared for the process.
- There is a pressure from certain interest groups to return to the status-quo in sub-national budgetary decision making (MEF 2005)

The themes most often mentioned in the other evaluations are:

- Overregulation in all the laws and guidelines, therewith inviting non-compliance with the rules (Grompone 2005; Conterno 2006)
- As a consequence of the detailed regulation a “one-size-fits-all” approach results, that does not do justice to the rich diversity of the country. The same rules apply for a coastal city of 750.000 inhabitants like Trujillo, as for a small jungle town with native Indians (Grompone 2005) This is partly repaired in the local by-laws, meant to adapt the process to local circumstances.
- Unclearities, paradoxes in competencies and overlapping authorities between different levels of government (Grompone 2005; Llona 2004; Conterno 2006)
- The ambiguous role of the coordinating councils vis a vis the “real” councils (Conterno 2006, CIPP 2007, Grompone 2005)
- Agreements reached in the PB rounds are not respected by the authorities.²⁷, thus projects are either altered or not implemented at all (CIPP 2007; Conterno 2006; Grompone 2005).
- There are no mechanism to redress this non-compliance. Complaints filed with the MEF or the National Ombudsman so far had no success (CIPP 2007).
- Transfers from national to local governments are unreliable and unpredictable (CIPP 2007) .
- National government maintains excessive control over the local processes through the application of the National System for Public Investment (SNIP). This system is considered to be overly bureaucratic, detailed and sluggish. Projects that do not pass the system can not receive public finance. Therewith many projects that are locally considered relevant cannot be implemented because of national guidelines. This runs counter to the spirit of PB.
- One of the weakest points in the process is the functioning of the monitoring committees. These are either not formed, or do not function (CIPP 2007; Conterno 2005; MCLCP 2007)
- There is a lack of articulation between the development plans and the PB-processes at the local, provincial and national level. Although the steps to ensure such an

²⁷ Unfortunately the level of compliance is not measured systematically. In the MCLCP (2007) survey an average of 13% of the respondents indicated that there was little respect for the agreements reached. Although this was slightly higher among CSO-representatives (17,5%) than among public sector representatives (6,5%) this is a surprisingly low level seen the persistence of this theme in the evaluations.

articulation become ever more specific in the guidelines, this so far has not happened in practice (CIPP 2007; MCLCP 2007)

- PB leads to an atomization of the budget. In practice this means that the low investment budgets of all those small municipalities are even further dispersed. Case-studies indicate that the money is spend on for instance roofs of communal kitchens, side-walks and parks (Hordijk 2005; Konstantakos 2006). Projects prioritized are often ad-hoc projects. There are very few examples of projects with a multi-annual budget (CIPP 2007).
- There is a lack of capacity and political will in many municipalities (Grompone 2005; Defensoria del Pueblo 2005; MCLCP 2007; CIPP 2007).

The most important weakness, recurring in many studies (Llona 2004;Grompone 2005, Defensoria del Pueblo 2005 CIPP 2007) is the lack of participation by ordinary citizens. Existing case-studies indicate the same weakness (Hordijk 2005; Salinas 2006; Konstantakos 2006). As also the MEF assessment indicated many inhabitants do not even know about the PB-process. A lack of funds to publicize the effort is considered part of the reason (CIPP 2007:9). Yet general disinterest might also be a reason. Of those who know, many are not interested. As one of the inhabitants in one of the case-studies mentioned “If I can not gain from it, I am not going” (Konstantakos 2006). And of those going, many lack the skills required. The inter-institutional commission carefully formulates: “The number of trainings provided by public and private institutions is increasing, but still limited. It is below what participating agents need and expect. The level of capabilities of the participants is basic, but we appreciate the improvement in the capacity of organisations to include certain crucial aspects of development in their proposals.” (CIPP 2007:9-10). Yet Grompone (2005) straightly characterizes the PB as a “process for the elite”.

7. TRANSFORMING WHAT? AUTHORITARIANISM, POPULISM AND POPULAR PARTICIPATION IN PERU

There were no civic or democratic traditions to built on for Peru’s first presidents. For the majority of the Peruvians the change of rule meant little change in their daily lives. Instead of being ruled by Spanish mainlanders, they were now ruled by the homegrown *criollo*²⁸ elite, whose aim was to maintain their privileged socio-economic position. The political vacuum that resulted from competing liberation forces was filled by virulent form of Andean *caudillismo*: local strongmen whose powerbase was either based on their status as militia in the independence armies, their charisma and their clientelist networks. Thus, as Forment noted “Peruvians had achieved independence, but the majority continued to conceive of each other as colonial subjects rather than democratic citizens” (Forment 2003:130).

Also in the twentieth century the political culture was heavily criticised. José Carlos Mariátegui, Peru’s most famous socialist/Marxist intellectual of the beginning of the twentieth century complained that the ruling class was backward in its mentality, causing that “the democratic and liberal institutions cannot ...flourish or operate’, the outcome being a prevalence of *gamonalismo* [political bossism] and frequent rule by military *caudillos* (1971: 16, 34 cited in Taylor 2007:2). Víctor Andrés Belaunde, from the opposite side of the political spectrum, argued that ‘Behind the labels and titles of parties in Peru, only three political forces have counted: the coastal plutocracy, the military bureaucracy and highland *caciques*.

²⁸ In the Latin American context the term *criollo* originally referred to people of either unmixed Spanish ancestry, or no more than 1/8 amerindian blood.

The middle and popular classes have lacked effective representation ... parliamentary government has been a disaster ' (Belaunde 1984 cited in Taylor 2007:2) With the meagre 5,2 Peruvians gave the level of democracy in their country in the most recent Latinobárometro, only leaving Guatamala, El Salvador and Paraguay, behind, the situation does not seem to have improved (Latinobarometro 2006: 59).

Authoritarianism is a lasting characteristic of Peruvian political life. When Alan García assumed office in 2006 he was the 108th president of the Republic. Only 21 of these presidents came to power through elections of some kind, and only 5 of them under full adult suffrage. In the twentieth century Peruvians have spent almost half of the time under authoritarian regimes: 26 years under military rule and 22 under civilian dictators (including the 10 year under Fujimori). On average Peruvian presidents spent 1,7 years in office before being replaced. Although authoritarian regimes seemed somewhat more stable than democratic ones, neither of them endured. As a consequence neither democratic nor authoritarian practices have become strongly institutionalized in Peru (Kenney 2004), Peruvians are used to live with a mix. Furthermore, even under democratic rule citizens participation in public affairs was rather limited to a very small elite. Another important characteristic is that Peruvian presidents are bestowed with strong executive power, only to be counterbalanced if they do not control majority in congress. Their powers include substantial autonomy on budgetary decisions.

Populism has been a second lasting characteristic of Peruvian politics from the 1930s onward, in its classic understanding of "charismatic leaders who formed multi-class coalitions and pursued expansive economic policies" The major change Peruvians witnessed the last two decades that "populism" was exchanged for "neo-populism": combining the pursuit of personalised ties with the poor with fierce neo-liberal economic policies. Fujimori championed this approach, and Toledo's attitude has been characterised as a failed attempt of neopopulism (Barr 2003:1162).

"Caciquismo", populism and clientelism are copied at the local level, and have characterised the relationship between the governors and the governed for centuries. The excluded and poor population had to turn to the rulers for favours. These rulers were appointed by the president. It is only in 1980 that the first elections for municipal governments were held.²⁹ The fact that Peruvians now could elect their mayors and councillors did not reduce levels of clientelism, nor did it reduce the mayors' discretionary power (Hordijk 2000). Over the decades the interaction between the population and their authorities became institutionalized. The mayor is supposed to be a local champion. The population turns to him for favours. This can be strong demand-making for the provision of land, regularizing land-tenure or basic services. It equally well can be a request for help in difficult private circumstances. The mayor is approached as "el papa" (the Pope), and expected to solve the problems in the short or the long run. Demand-making for basic services happens at a collective level. The population organizes itself in neighbourhood organizations. These neighbourhood organizations are registered at the municipality, and therewith neighbourhood leaders become authorised to decide and sign on behalf of the population they represent. Neighbourhood leaders know that they have better chances of success – both with the political leaders as well with the administrative staff of the municipalities – when they behave politely and respectful. To achieve success they have to constantly pressure the authorities at different levels: visiting the mayor's office, presenting petitions, befriending municipal employees. Tanaka (2001) warns that it is only in the very small, isolated rural communities where we can expect "popular participation" to imply the participation of the vast majority of

²⁹ Belaunde tried to introduce municipal elections in 1966, but this was rapidly reversed when the country returned to authoritarian rule.

the population. In all other localities we have to understand “popular participation” as the participation of a small number of “brokers” or “intermediaries” on behalf of the general population. This “popular participation” has developed into a pyramid-structure, of local leaders electing leaders of umbrella organizations, which again federate and elect their leaders. A new class of popular leaders emerges, sometimes becoming part of the lower echelons of NGOs. Being a neighbourhood leader can be part of a personal strategy for social mobility, either in the form of a political or a professional career. The question to what extent community leaders represent the general, community interest or their own private interests is always pertinent. As Grompone (2004) argues: All participatory processes inherently do bring new or reproduce existing inequalities and do lead to some form of cooptation. We can only mitigate this if we are willing to face it. There are always inevitable tensions between the direct results and quick wins needed to motivate participants in a process, and the long time span needed for a genuine participatory process with all its disjunctions. Total transparency in the decision making process is a – dangerous – ideal or illusion. We better make sure we know the – informal – decision making rules of the game. We have politically trained neighbourhood leader, who perfectly know and manage the “filters giving access to decision making processes”, and make use of them. We have to work with this reality, take up the challenge, and try to make the process more inclusive step by step (Grompone 2004).

Evans (2004) indicated that reforms at the superficial levels might meet with firm resistance from deeper rooted institutions. In Peru these deep rooted institutions include an authoritarian, populist tradition and hierarchical forms of representation of the population. It is furthermore important to realize how “young” the democratic institutions in Peru actually are. The pitfalls and potentials of Peruvian PB should be judged against this background.

8. CONCLUDING REMARKS

The participatory budgeting experiment in Porto Alegre was conceived as a radical political project, aiming at transforming existing structures of power and inequality. But Porto Alegre was relatively rich, had a relatively high standard of living and a relatively well educated population, a strong civil society to build on, and a relatively high investment budget per capita.

If we look at the preconditions that need to be met to enhance PBs chances, we see a very mixed picture in the Peruvian case:

The political will: There are municipalities where a strong political will is reported, but there is also much opposition, most notably at the regional level. Furthermore it is not known what happens in the 2/3 of the Peruvian municipalities that do not register their PB-processes. This can involve cases of dire resistance, as well as beautiful local processes just not registered at the Ministries’ portal.

The availability of resources: Transfers to local governments in Peru are historically low, but have increased substantially in recent years, both in relative and in absolute terms. In 2006 30% of the national budget was managed by sub-national government entities, that is without historical precedent. Yet: most of this money is transferred to the regional governments. Unfortunately this is also the level where the PB-processes are weak in terms of popular participation. Also municipal governments saw important increases in their budgets, including their investment budgets. With the increased investment capacity municipal governments have the possibility to substantially increase investment in public works. Nevertheless: the majority of the Peruvian municipalities has an investment budget of less than US\$ 600.000. If this is further dispersed “to keep all participants happy” the projects undertaken become of little significance. We can conclude that also in Peru they struggle with what are considered weaknesses of the PB-process in general, such as the atomization of the budget, the tension

between the legislature and the executive branch, the creation of a (new) elite of community leaders, volatile participation rates.

We can also conclude that Participatory Budgeting has reached an impressive number of Peruvian municipalities. In these municipalities it has reached at least 30.000 – 40.000 people. Furthermore: civil society representation in all relevant bodies – including the technical teams – has increased.

But it has not reached “the general public”, and it probably does not mean that “the general public” now actively exercises voice in budgetary decisions. Yet: is it realistic to expect such deep transformations to happen in 5 years, after centuries of authoritarianism, favouritism and clientelism? Of the 27 years that have passed since full adult suffrage was introduced, 10 were spent under civilian authoritarian rule. The fact that there is such extensive consultation and coordination with Peruvian civil society is entirely new at national government level. These consultations furthermore lead to changes in the legal framework. It is highly unusual that a Peruvian state-agency so openly shares its self-assessment as MEF-DNPP does in this process. This shows that at least at the Ministry of Economy and Finance and among the members of the Interinstitutional Collective on Participatory Budgeting the PB is taken up as “work in progress”. They work in a spirit of continuous learning and improvement. Those currently involved in the process do form a small elite. An elite of public employees, development professionals and community leaders. Yet the alliances formed and the level of consultation is unprecedented in the Peruvian context.

An important transformation is taken place. PB has become part of the Peruvian budgeting cycle and practice. It is a limited elite that does participate in the decisions about the vastest share of the budget – namely the budgets at regional level – but that is already a tremendous break with the past. In the past there were no regional governments at all, these investment decisions were taken at national government level. In the past there was no consultation nor coordination at national level. Another important transformation is that participants in the process do value it, and express that relations between citizens and authorities are improved. Once again: this is limited to a small elite. But it can also be considered as an important step forward that it is possible at all for ordinary people to engage in these processes. Information on public expenditures is more readily available, and the number of community leaders knowing about municipal management and budgets is increasing. Yes, this is an elite. But this “community elite” is trained to monitor governments behaviour and call the municipalities to account.

We can also conclude that the Peruvian nation-wide approach is an interesting mix of “public deliberation” and “institutional mono-cropping”. It is taken as a recipe, that is intensively debated, but by a small elite. This elite then imposes it on all Peruvian sub-national governments. Where it sometimes meets with the fierce resistance Evans predicts that transplanted blue-prints might face. Especially since PB can become a radical political instrument at the local level, even if at the national level it is primarily conceived of as a “tool”. This however requires transformation at the deeper levels of society, namely the political culture that has been shaped over centuries.

Most importantly: it seems that Peruvian PB is there to stay. Although he already expressed some criticism, the current president Alan García does not seem to intend to revert the process. and he furthermore indicates that he intends to speed up the decentralization process. In his recent address to the nation García claims that this fiscal year 70% of the national budget will be spend by sub-national governments. In a historically hyper-centralized country as Peru this can be considered a revolution! Alan García furthermore plans to decentralize the heavily criticized SNIP. This might bring real localized priority setting much closer. A third change adopted by García’s government is the adoption of “performance

based budgeting". For the time being it is unclear how this will influence the PB-processes on the ground.

We probably do more justice to the Peruvian experiment if we keep in mind what Max Weber already expressed almost a century ago in "politics as a vocation": The possible is never achieved, if the impossible is not attempted over and over again".

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