

Public Interest vs. Profits: The Case of Water Supply and Sewage in Porto Alegre, Brazil

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Introduction

Porto Alegre is a progressive southern Brazilian city with a reputation as a leftist centre that is substantially succeeding so far in charting that fine line between market reforms and socialism. In February 2002, around 40,000 activists from all over the world converged in the city for the week-long World Social Forum (WSF), the alternative conference to the annual World Economic Forum of executives of global firms and financial institutions³. The choice of Porto Alegre as the site for this forum is symbolic. Porto Alegre's ruling *Partido dos Trabalhadores* (Worker's Party) came to power some 13 years ago when socialist governments around the world crumbled. They have so far managed to turn the city to be the exception to the rule – implementing certain levels of market reforms while keeping a new form of socialism alive. For instance, transport, power, water and sanitation services remain essentially publicly-run.⁴ What is remarkable is that the services are doing well. They have functioned efficiently in general, and have not been the drains on financial resources like services and utilities in most Third World cities. This allows Porto Alegre to buck the privatisation trend seen throughout most of Latin America. Porto Alegre's experience indeed potentially provides important insights to an investigation of the public vs. private debate.

Porto Alegre City prides itself for having the best quality of life in Brazil,⁵ according to the human development index developed by the United Nations Development Program (UNDP). Between 1991 and 1995, the city scored an index of 0.736, which is remarkably high especially in comparison to similarly sized cities in developing countries. In 1999, this rose to 0.792, which is comparable to the typical 0.80 rating obtained by capital cities of developed countries⁶. This index is derived from a number of basic service indicators – e.g. literacy, education, health, etc. In 2001, Porto Alegre for the second consecutive year has been adjudged first among twelve other regional capitals. Water supply and sanitary sewage systems play a key role in Porto Alegre's high ratings. The city for instance, has one of the lowest rates of infant death in the whole country: 13.8, as compared to the national infant mortality rate of 65 deaths per thousand births. There is a direct correlation between low infant mortality and improved levels of water and sanitation. The city water

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³ Participants to the World Social Forum included internationally renowned figures like former French First Lady Danielle Mitterand, or the American activist academic Noam Chomsky.

⁴ Rail transport and power services are owned by the state government (which is also ruled by the PT), but have opened up to some form of private involvement. Bus transport and water and sanitation services are run by the municipal/city government. Water and sanitation remain publicly-owned; bus transport have been part-privatised.

⁵ Porto Alegre City was adjudged as having the best quality in Brazil in a survey done by *Dirigente Municipal*, an important national magazine. (Vision Group, 1989-90)

⁶ Data from research undertaken by UNDP in partnership with Institute of Applied Economic Research.

system is able to serve 99.5% of the population today, at a price of US\$ 0.3084 per 1000 litres, one of the cheapest in the country. The utility collected raw sewage from approximately 70% of households in 1990, growing to 84% in 2000. In 1990, only 2% of this collected sewage were treated; today this has grown to 27%. The city government is currently negotiating a loan to be used for increasing treatment of up to 77% sewage within five years.

Porto Alegre City's water and sewerage services thus, presents itself as a unique case of an efficient, publicly-owned and managed utility in a developing country. The objective of this study is to examine this 'phenomenon,' and attempt to identify the principal mechanisms, structures and practices that the city uses to guarantee, as much as possible, the efficiency of this publicly delivered service, and of keeping such delivery the responsibility of government.

This study argues that the unique system for participatory democracy that has been put in place in Porto Alegre is the central factor that explains the city's efficient services. These participatory mechanisms, as reflected most prominently in the city's *Orçamento Participativo* (OP) or participatory budgeting processes and in the Deliberative Council of the Department of Water and Sewage, has led to the creation of a *non-state public sphere*, where there is constant interaction between citizens and institutions of government. This interaction tears down the distance that often builds up between a bureaucracy and social reality – it allows the bureaucracy to keep an active role and remain as a change agent in society. It also insures against citizen non-participation and apathy, since it provides them with specific and regular venues with which to influence the course of politics and decision-making in their city.

A number of assumptions are evident in this argument. It is quite clear that state-building in Porto Alegre has followed a different path. Rather than the creation and strengthening of the usual systems of democratic representation (e.g. election of city council members, the mayor, etc.), Porto Alegre has strengthened its systems of direct democratic participation. While representative systems have their value, they often become the reason for citizen non-participation and create distance between state and civil society. This is because it is easy in a representative system to 'just let the elected officials decide.' Direct social control over official decision-making is exercised only through elections, or through the systems of checks and balances that, most often, may be subverted anyway. A bureaucracy in a representative system turns into an organisation that looks primarily after itself, not necessarily at the interests of the public. What emerges is the most serious flaw of representative systems of government -- the state or its institutions can be "captured" by whoever succeeds in mobilising votes or develops enough influence. The public meanwhile, generally remains as passive recipients of what the 'captured' institutions decide. Institutions of the state become easy prey to private interests coming from within (clients or technocrats) or without (corporate or class lobbyists).

Participatory mechanisms reverse this malaise of representative structures, and open up a whole new set of roles for the state. In a market society with predominantly *representative* systems of government, the debate is about reducing the role of the state in the market. Particularly for water and sewerage, it is argued that the state should move out of the task of direct delivery of services and limit itself to the facilitation, monitoring and regulation of private sector involvement. But in a market society with predominantly *participatory* systems of government, the debate changes. Because of the existence of a non-state public sphere, the chances of capture of the state or its institutions by private interests are

significantly reduced. Or even if these were captured, they could not perform in a way that gives undue rewards or preference to particularistic interests. The public good and the general public interest, not particularistic private interests, is thus constantly served. In this context, efficiency is easily attained. Because it will be in the interest of the public good to reduce costs, measures to reduce costs are implemented. Because it would be in the interest of the public good to make sound investments, such decisions are deliberated and implemented with dispatch. Because it would be in the interest of the public good to recover costs, prices are adjusted to make that balanced recovery of costs while considering fully what that public may be able to afford. And so on. What Porto Alegre seems to be trying to prove is that the pursuit of the public good can actually replace the pursuit of profits as the 'invisible hand' that delivers efficiency.

The direct participation of citizens in the management of public resources and in defining the guidelines of state actions paves the way for the construction of Porto Alegre's unique political system. The people of the city directly establish the priorities and delegate a revocable mandate to their representatives or civil servants. Direct participation, therefore, has in a way 'rescued' citizens from apathy, and has become a useful tool for the reduction of inequalities.

In order to describe in detail this quite unique system, this study will highlight three key points:

- The *principles* that guide the *Partido dos Trabalhadores* (PT) and the municipal government in the provision of services.
- The *autonomy* of the Departamento Municipal de Agua e Esgoto (DMAE, or Municipal Department of Water and Sewage) in the operation and management of the service from the government.
- The *participation* of civil society; in particular its participation through the Participatory Budget process.

A brief history and background on Porto Alegre is first presented. The conclusion at the end presents a summary and restates the case that Porto Alegre is making – that *um outro mundo e possivel* (another world is possible).

Background and History

Brazil is the largest and only Portuguese-speaking country in Latin America with a total land area of 8,547,404 square kilometers. It has borders with all South American countries except Chile and Ecuador, and covers more than half of the land area of the continent. Its population is largely Roman Catholic, but the country has no official religion. Brazil is a multi-party federal republic with two national legislative houses. The Senate has 81 members; the Chamber of Deputies has 513 members. They are all based in the capital, Brasilia. The country is divided into 26 states and one federal district where the capital is located. Its major cities are São Paulo, Rio de Janeiro, Salvador, Belo Horizonte, Brasília, Recife, and Porto Alegre. The currency is called the 'real' (R\$)⁷ ([Instituto Brasileiro de Geografia e Estatística, www.ibge.net](http://www.ibge.net))

⁷ For more data on Brazil, see the *Instituto Brasileiro de Geografia e Estatística* web page www.ibge.net.

Roughly two-fifths of the country is occupied by the Amazon basin, the world’s largest rain forest. Through it cuts the Amazon River, which at 6,280 kilometers long is the second longest in the world after the Nile. Brazil is a tropical country but extends well into the temperate zone. The upland plains in the south have a cool, temperate climate and occasional snowfall. The coolest period is from May to September, and the warmest from December to March. Rains come between October and May. (ibid.)

Brazil has a population currently estimated at 174 million. Brazilians are a diverse group of people, with indigenous peoples and migrants from Africa and Europe. Between 1821 and 1945 about 5.2 million European immigrants entered Brazil, most of them settling in the south. (ibid.)

Porto Alegre is the capital of Rio Grande do Sul, Brazil’s southernmost state. Porto Alegre is made up of flat spaces, rests on a 72-kilometer long eastern bank of Lake Guaíba, and is surrounded by 40 hills. Lake Guaíba is where four rivers join: the Jacuí, the Caí, the Sinos and the Gravataí. In the Tupi Guarani local language, “Guaíba” means the “bay of all the waters”. It is the source of nearly all the water consumed by Porto Alegre. Lake Guaíba’s basin has a total area of 85,950 square kilometers, which is equivalent to 30% of the state’s land area. There are 16 islands under the jurisdiction of Porto Alegre, with approximately 4,500 inhabitants. They all form part of the Jacui Delta State Park, as well as other islands from neighboring counties. (ibid.)

The political subdivision is formally known as *Porto Alegre County*. This county has a total land area of 471 square kilometers, of which some 70% is urbanised and 30% is rural land. On average, there are 102 inhabitants per hectare in the county. The most densely populated area is Bom Fim, which has 451 inhabitants per hectare. The least dense area is rural Anchieta, with 1 inhabitant per hectare. Porto Alegre is in a sub-tropical and temperate area. It has a winter low temperature of 0° Celsius, and a summer high temperature of 39° Celsius. There is an average of 140 rainy days each year. (ibid.)

Table 1: Population Growth of Porto Alegre

| Year | Population |
|------|------------|
| 1900 | 73,274 |
| 1910 | 130,227 |
| 1920 | 226,236 |
| 1930 | 233,230 |
| 1940 | 272,232 |
| 1950 | 394,150 |
| 1960 | 635,120 |
| 1970 | 885,540 |
| 1980 | 1,125,470 |
| 1996 | 1,288,879 |
| 2000 | 1,360,590 |

[Source: DMAE 40 Años, pp. 15]

The city was founded on the 26th of March 1772 by Portuguese settlers from the Azores. Since the 19th century, its development has been aided by influx of numerous German and Italian immigrants. Probably because of its closer proximity to Argentina, Paraguay and Uruguay than to the centres of power (Brasília, Rio de Janeiro), Rio Grande do Sul has not always belonged historically to the Luso-Brazilian Empire⁸. At various times the

⁸ Luso is the Portuguese coloniser of Brazil.

state has been politically independent. Porto Alegre has been known through time as an important centre for political and economic activity in the region. It is the seat of two large universities and is an important cultural and literary centre as well. This explains a lot about the history of the city, and of its administrative management. Even during the period when dictatorships ruled Brazil, the mayors appointed by the central powers to run Porto Alegre were obliged to maintain the existing mechanisms of participation and dialogue with the organised society that had not been exiled.

This city of 1.29 million is one of the chief industrial and commercial centres of Brazil. It is constituted as the centre of a larger metropolitan area of over 3 million inhabitants. It is also the nation's major river port, exporting the products of the rich agricultural and pastoral hinterland. It has a modern shipyard, meatpacking plants, foundries, and varied processing industries. Pôrto Alegre's power supply comes from both coal and hydroelectric facilities. (<http://www.encyclopedia.com/html/p/portoale.asp>) Porto Alegre developed into a socialist centre in the 1980s. When Brazil's military government undertook to hand over power to democratically elected representatives, Porto Alegre's large number of organised civil servants helped the Partido dos Trabalhadores win control of the city. (Romero, 4 Feb 2002)

But while it has become the major socialist stronghold of Latin America, some commentators point out that few places in Brazil are as unmeshed in the global economy as Porto Alegre does. Among the companies that have set up factories in the city are General Motors (compact cars), Dell Computers (assembly of personal computers), John Deere (tractors), and British American tobacco (cigarettes). Telefonica of Spain controls wireless communications. Porto Alegre is also home to Brazilian multinationals like Gerdau (a steel producer), Taurus (handguns), and Varig (the airline). Companies choose Porto Alegre because of its location as a gateway to the pampas, stretching to Argentina and Uruguay. But a key reason as well is Porto Alegre's relatively well-educated and prosperous population. (Romero, 4 Feb 2002)

As a result of the investments of these companies, Porto Alegre has the lowest urban unemployment rate in the whole of Brazil (although it is still high at 15.1%). Local politics thus is often about the proper mix of socialist principles with free-market pragmatism. "With its economy so dependent on the rest of the world," writes Romero, "it is no surprise that socialist politicians here tread a fine line between vociferous critiques of globalisation and subtle efforts to lure foreign investment and financing." For instance, while organisers explicitly excluded World Bank officials from attending the World Social Forum, the state government has drawn in the past years over US\$ 170 million in World Bank loans to improve roads and alleviate rural poverty. The municipal administration has received US\$ 76 million from the Inter-American Development Bank to improve water sanitation in poor neighbourhoods, widen roads and develop bicycle paths. (Ibid.)

Disagreement within the Partido dos Trabalhadores on how to tread that fine line appears to be widening. For instance, Olivio Dutra, the former mayor who is now governor of Rio Grande do Sul, saw his popularity decline when in 1999 he refused to honour his predecessor's promise of more than US\$ 400 million in incentives to the Ford Motor Company⁹. As a result, Ford moved plans to build a factory to the poorer northeastern state of Bahia, which cost the metropolitan region of Porto Alegre some 1,500 jobs. Dutra has also halted a privatisation process initiated by the previous governor. Governor Dutra is now being challenged within the Worker's Party by his successor to the city mayorship,

⁹ Dutra argues that the huge incentives would rather be used by the city to generate jobs directly.

Tarso Genro. Genro is a lawyer who backs a more market-friendly type of socialism. 'Hardliners' supporting Dutra have locked horns repeatedly with followers of Genro, which is troubling party leaders.

It is not clear how this debate will be played out within the Partido dos Trabalhadores. But what is clear though is that the discourse on the participatory budgeting process in Porto Alegre will in significant ways shape the outcome of the debates.

Porto Alegre's guiding principles for the provision of services

PT and the current government of Porto Alegre County while open to market reforms remain as staunch believers in public administration and the civil service. There are four key guiding principles that shape the direction of their policy-making:

- That public administration can actually be as competent and efficient, if not more, than any private enterprise;
- That essential services for the population are strategic issues for a nation, and would therefore have to be managed by the general will of the people and expressed through their representatives in the state;
- That the basic needs of a population can not be regarded and treated as a profit source; and
- That good public management can actually provide the conditions for giving a better and cheaper service to the public.

Another basic principle is autonomy of the different administrative services, which is provided for in Brazil's 1988 Constitution. For instance, the federal constitution has devolved to the counties the power to manage the water and sewage services. Porto Alegre, like many other counties, makes full use of this prerogative. This devolution enables a more effective social control, a closer management of resources, a greater clarity in their application and also more efficient responsiveness to the public's demands.

The PT maintains that sovereignty over the management of a strategic natural resource like water need to be maintained. The decisions to be made over it should be subject primarily to the public's demand, not to commercial criteria of profitability. As an essential public service, water should not be subject to the fluctuations of the market. The dramatic situation experienced by Argentina, where resources for public services depend upon what is dictated by the international market, is something that should be avoided. The PT believes Brazilian counties have the capacity to manage their own services. The public and civil society, however, should be empowered as well and guaranteed with the space to demand and question the effectiveness of the management of the services.

However, autonomy has also been used by the federal government to absolve itself of responsibilities of supporting the counties in terms of investments. This lack of investment support is the key reason why many counties have become "inefficient" in terms of the management of resources. This county "inefficiency" is the main justification of the federal government for submitting an urgent bill (PL 4.147/01) to Congress. The bill prescribes the removal of sanitary services from the counties and its transfer to the state governments.

One of the more serious problems of the bill is that it limits the concept of sanitation to only domestic water and sewage sanitation – which is the lucrative area of sanitation. It leaves

out of the definition the more investment-heavy areas of sanitation, like urban drainage, solid residues and the control of *vetores* – any live creatures that carry infections like mosquitoes, rats, etc. Another worrying feature is that because the bill is certified as urgent by the federal government, this may mean passage through Congress with little deliberation and discussion in society. The bill needs to be considered with more time, especially since it will deal with basic infrastructure issues and standards for a growing country.

As such, the Bill is interpreted by the PT as merely a device to set the stage for a wider privatisation of sanitation services. The Bill provides for the consolidation of large supply systems because it would be easier to commercialise 27 state companies than 5000 county services. It corresponds to timeline on privatisations established by the National Bank of Social and Economic Development (NBSED) for the next two years. It is also assumed to be part of the 1999 compromise with the International Money Fund (IMF) that the government divests itself of state companies and county water and sewage services.¹⁰ The bill is needed so the private sector can tap into Brazil's lucrative market for water and sanitation which generates about US\$7 billion per year with 100 million users (Brazil also has 13% of the world's fresh water supplies) [Revista ECOS]. The PT therefore, regards the Bill as *"ignoring the public character of water and turning it into merchandise"*. It also ignores that the provision of a universal sanitation service is the responsibility of the state, resulting from political determination by elected officials.

The importance of sanitation, especially its impact on the national health and the environment, could not be understated. Water and sanitation services thus, the PT asserts, should be under public management – there should be more rather than less social control over water and sanitation resources.

¹⁰ Theo Rochefort, Revistas ECOS, Julio 2001, p. 10.

Porto Alegre's DMAE (Departamento Municipal de Agua e Esgoto)

The DMAE, Porto Alegre's department of water supply and sewage is the public body that supplies water and collects sanitary sewage in the city. About 536,166 households – which covers about 99.5% of the population – receive treated water. Sanitary sewage is collected from 84% of these households. Some 27% of households have their sewage treated before it is released to Lake Guaiba. DMAE plans, supervises, executes and maintains all the equipment and assets for the collection, treatment and distribution of water, as well as the net sewage.

Public sector responsibility in the instalment and delivery of this service is discussed and planned internally by a Technical Management Council. Their decisions are supervised externally by the Deliberative Council – the participatory body composed of the representatives of the different civil associations. DMAE is an autarquic¹¹ department that depends politically on the City Council but has its own status (corporate identity), budget and internal and external management council.

History

Porto Alegre was formally founded in 1772. The first recorded supplies of water are from 1779, which consists of an approval for the construction of two public fountains. Before this, water was collected by the people directly from the banks of Lake Guaiba, something which worried the authorities, on account of the conditions of the water.

In 1876, the authorities took the first measures to introduce a water and sanitation system. Contracts were signed with two private companies – *Hidraulica Portoalegrense* and *Hidraulica Guaybense* – giving them the power to run and supply the piped water service in the city. Apart from these two private companies, there were pipe sellers and mobile water sellers. In 1894, systematic studies on the system and on future development were started. In 1896, the administration gave the first signs that it intended to expropriate the two water companies that were responsible for supplying the city. The Second Report of the committee for the studies on water and sewage, submitted in 1900, recommended that the county administration should perfect the water collection system from Lake Guaiba. As such in 1904, it expropriated *Hidraulica Guaybense*. *Hidraulica Portoalegrense* continued running its water service until 1944. [\[DMAE 40 Años, pp. 19\]](#)

In 1912, a new plumbing network of 51,000 metres was inaugurated. During this year, regulation for the sewage service was also launched. In 1924, the Moinhos de Vento treatment station for water was constructed in an elevated region near the city centre, producing 50 million litres of treated water a day. The treatment consisted of (essentially) filtering the water.

Population growth increased geometrically from the 1920s to the 1940s. In the 1920s, growth was only around 7,000. Through the 1930s, growth went up to over 40,000. And in the 1940s, the growth was over 120,000. The city found itself urgently needing to update its infrastructure, and to attend to the fast population growth and urbanization. A key step taken to deal with this rapid growth was the construction of large, new water treatment

¹¹ We have chosen to use the term “autarquic” as the nearest translation to English of the Portuguese term *autarque*, instead of “autonomous”. An ‘autarquia’ is defined as self-sustaining, which the English concept ‘autonomy’ does not always capture.

stations and the introduction of chemicals like aluminium sulphate, chalk and chlorine in the treatment. Water meters were introduced. In 1928, the sewer service of Porto Alegre was finally organized, with the creation of the *Diretoria Geral de Saneamento* or DGS (General Director of Sanitation). In 1930, 2300 water meters were installed in the city, to regulate and monitor rates of use, as well as to provide information needed for making computations on charges. More precise data were developed starting in 1941, when the city had 30,500 water meters and 46,900 extensions installed. This corresponded to a total of 58,000 households served by that year.

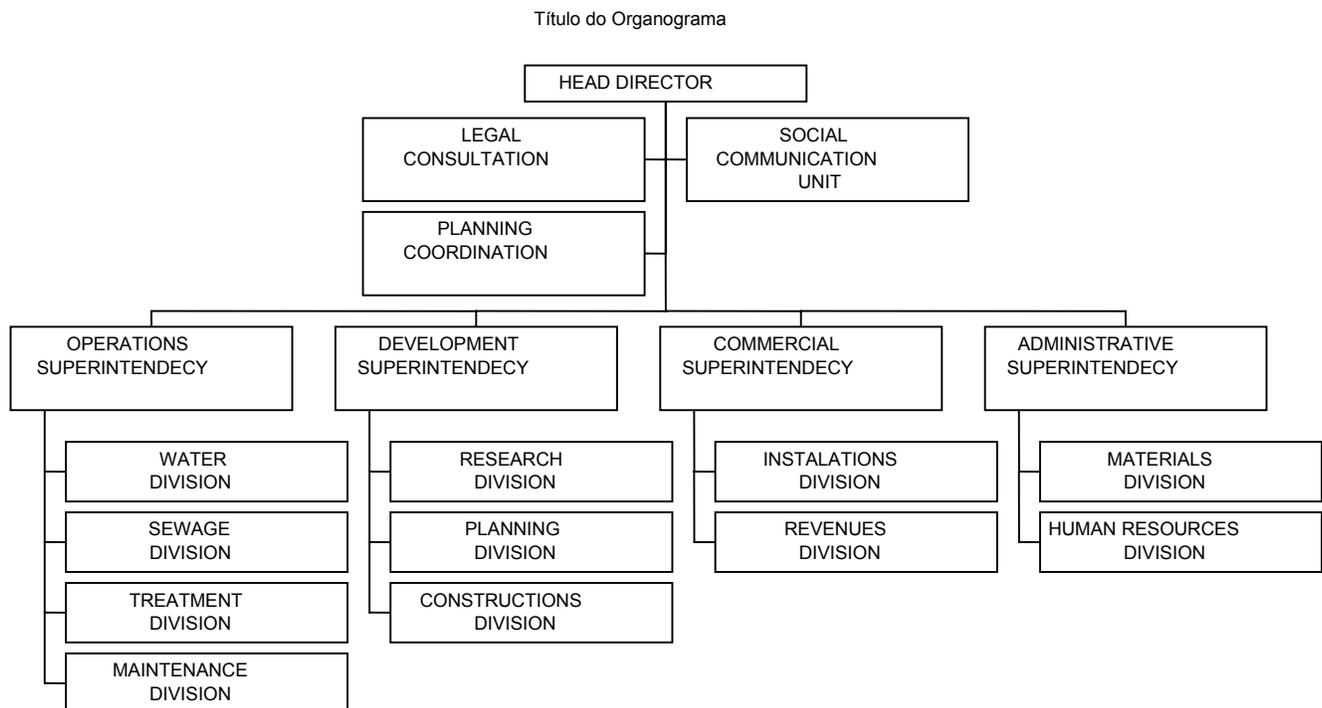
With Leonal Brizola as the mayor in 1956, the County General Office for Water and Sanitation was created. This office integrated the functions of the municipalised Hidraulica Portoaigrense and the DGS. The new body launched new water distribution networks, using asbestos cement instead of iron. Iron was described by authorities at that time as “prone to rusting and decay.”

At the beginning of the 60's, however, the county's financial difficulties became serious. The County General Office's plans to expand the services ran the risk of not being carried out. At this moment, the possibility of a loan from the Interamerican Development Bank (Banco Interamericano de Desenvolvimento or BID) arose. The BID reserved funds to finance basic sanitation infrastructure in Brazil. A US\$3.15 million loan was agreed but the bank made rigorous demands. The main demand was that the money should be invested exclusively in basic sanitation. To control this, BID demanded that the institution in charge of the sanitation service was autonomous, sustainable and with its own accounts. Thus, in 1961, institutional changes were introduced. Act Number 2312 was signed on the 15th of December 1961 by Deputy Mayor Manoel Braga Gastal. This turned the old General County Office for Water and Sanitation into the County Water and Sewage Department (Departamento Municipal de Água e Esgotos, DMAE). This department, with its autonomous budget, was able to design and build all the necessary water-treatment works and improve and expand the net, along with managerial planning and carrying out of technological research.

With the loans on hand, the Menino Deus Water Treatment Works was built. It was inaugurated in 1968. From this time, the water tariff changed from being related to the value of the building, to being linked to water consumption. To do so, a census of all the consumers in the city was carried out, allowing the department to create a basic structure for their tariff collection. This process lasted many years. A General Plan for Sewage was designed in 1966, but this was never properly carried out.

In the 1970's, a new data system was introduced, which allowed the department to increase its revenue. At the beginning of the 80's, an ambitious plan to clean the source of the water – the already polluted Lake Guaiba – was developed and called the River Guaiba Plan. But a consultant company, Corsan, foresaw that the introduction of a sewage network to the city, which would then be treated, would cost at least US\$ 140 million. As a result, the plans were never fully carried out and totally abandoned by the end of the decade. However, one institutional change that came in the 70s was the creation of the Working Group for Pollution Control, on the advise of the Pan-American Health Office. This group evolved into the Center of Basic Sanitation Studies, and was placed within the structure of DMAE. It was put in charge of the detection of the degree of water pollution and the identification of the sources of pollution. It was also tasked with research on pollution control, the training of specialized workers and with the verification of the efficiency of the underwater discharge system.

Organisational Chart



There are three functional bodies that comprise the management structure of DMAE. First is the general administration headed by the Director-General, an appointee of the Mayor and the party. Next and most importantly, there is a *Deliberative Council*, a non-state, non-party institution for citizen's participation composed of different organisations and bodies which has some link and interest in water and sanitation. Finally, there is the Technical Management Council composed of the four superintendents and eleven division directors. This body provides advice and technical information to the Deliberative Council. DMAE is also subject to an Audit, which exercise some oversight and de facto management functions.

As an '*autarque*', DMAE is structured as an autonomous department that maintains its own financial system, is self-sufficient or does not rely on government funds for resources, maintains its own sources of revenue and is responsible for the collection of these revenues, and has its own internal systems of accountability. As an autonomous public body, it is in theory a separate entity from any existing government or administration – that is, it is not directly subject to municipal government decision-making. For instance, it can make its own decisions on how to invest revenues it collected, and such decisions are not directly subject to interference or deliberation by the County Legislature. But the city government retains some degree of power, since the Mayor appoints the Director-General. Appointments must however be made on the basis of certain criteria such as that the appointee must be a graduate engineer and selected from a list of names approved by the Administrative Council – a larger collective governing council for the County. The Director-General in turn, has the power to nominate about 20 *cargos* who enjoy his trust, and whom he can assign to any superintendency or division, provided they possess the necessary

qualifications. The rest of the positions in DMAE are filled by open public recruitment and selection. Salaries for the different positions must pass the approval of the County Legislature.

The Technical Management Council is a special body presided by the Director-General. This council functions as a collective, horizontal leadership and its meetings provide space for the exchange of information, deliberation and evaluation of projects and infrastructure work undertaken by the Superintendencies and Divisions. Changes in management structures, financial procedures, and taxing routines and processes are first discussed in this Council.

The key instrument for citizen's participation is the Deliberative Council. It should be noted that the Deliberative Council has been existence since DMAE's foundation in 1961, thus predating the participatory budgeting process initiated by the Workers' Party by 28 years. The Deliberative Council is a space where different interest groups with some link with water and sanitation can find representation and a more formal influence in decision-making. Throughout DMAE's forty years of existence, the Deliberative Council has organised 1,629 committees to deliver questions of interest to the Department. DMAE officials are then supposed to act and respond to these questions of interest. Thirteen entities currently compose the actual Council. They meet to analyse processes, investments, polemical questions, as well as *prestação de contas das açoes* (water tariff). These thirteen are the:

- Engineering Society
- Economic Society
- The Medical Association
- The Chamber of Industries
- Lawyer's Institute
- Federal University of Rio Grande do Sul
- Riograndense Press Association
- Household Associations' Union of Porto Alegre
- Syndicated Departments of Economic, Social and Statistical Studies (Dieese)
- Municipal Workers Syndicate
- Gaúcha Environmental Protection Association (Agapan)
- Syndicate of managers of enterprises in the sale and let of residential houses.

As a collegial organ that is in theory representative of the key interest groups in water and sanitation, the Deliberative has formal powers to give opinion and decide on general DMAE policy. Members and substitutes are named by the County Mayor, from a list of three names submitted by each group. A member sits in the council for three years. Every year, a third of the members step down and are replaced. One of the most important aspects of this council is its heterogeneous composition – ranging from experts to ordinary citizen organisations.

The Director-General presides over the meetings of the Deliberative Council. They perform certain general functions, including deliberation and approval of the general plan of work; prioritisation of projects; the annual building work programme; contracts in which DMAE is a contracting party; and water and sewerage taxes (tarifas). But the council's work can also be extensive, as they often also deliberate on the annual budget proposal, the economic and financial reports, agreements, financial operations, disposal of materials and equipment that have outlived its usefulness, or employment issues, when asked by

the Director-General. The Council regularly meets once a week with a quorum of seven members. They also meet when extraordinary matters arise, or when the Director-General summons a meeting.

Another separate special body that provides for greater participation is the *ouvidoria*, which is the link between the Administration and the workers. The *ouvidoria* is a space where DMAE workers can vindicate their rights, receive claims, make criticisms and suggestions as well as make denunciations and demands. Once these are made, contact is established with the relevant area or department, who are then required to formally respond.

DMAE in numbers

Table 2. Staff Ratios at DMAE

| | |
|---|---|
| Total number of civil servants (Oct 2001) | 2,453 |
| Budget for 2001 | R\$ 169,534,674.38 or US\$ 63,734,840.00 |
| Number of connections with water and domestic sewage (Oct 01) | 833,837 |
| | |
| Budget to staff ratio | R\$ 69,000 per staff in activity Or US\$25,000 per staff in activity |
| Ratio of city inhabitants to staff (Oct 2001) | 439 inhabitants per staff in activity |
| Ratio of connections to staff | 340 connections per staff in activity |

Table 3: Water Figures in Porto Alegre

| | |
|--|--------------------|
| Pumping stations for untreated water (EBABs) | 8 |
| Water treatment stations (ETAs) | 8 |
| Treated water pumping stations (EBATs) | 91 |
| Number of reservoirs | 96 |
| Capacity of reservoirs | 183,738 cu. meters |
| Number of truck that deliver water | 13 |
| Number of linked branches (1 linked branch provides connections to several households) | 249,340 |
| Number of households connected | 539,772 |
| Percent of population connected to water system | 99.5% |

Table 4: Sewage Figures in Porto Alegre

| | |
|--|---------|
| Sewer pumping stations (EBEs) | 12 |
| Houses (structures) linked to sewer sewage | 100,419 |
| Housed linked to mixed sewage (wastewater & sewer) | 74,918 |
| Households connected to sewers | 294,065 |
| Households connected to mixed sewage | 158,362 |
| Percent of households linked to sewage (55% sewer, | 84% |

| | |
|---|-----|
| 29% mixed) | |
| Percent of households whose sewage is treated | 27% |

Table 4: Subsidised Tariff Rates in Porto Alegre

| | |
|---|-------------------------|
| Residential basic tariff per cubic metre | R\$ 0.8915 or US\$ 0.34 |
| Social tariff per 4 cubic meters (water/sewage) | R\$ 6.4188 or US\$ 2.41 |
| Water social tariff (4 cu.m) | R\$ 3.5660 or US\$ 1.34 |
| Sewer social tariff (4 cu.m) | R\$ 2.8528 or US\$ 1.07 |

Table 5: Comparison of Prices of Water and Sewage in Brazilian Cities

Figures are in Brazilian Reais (US\$1 = R\$ 2.80) are based on monthly consumption

| | Service/Company | CITY/STATE | 20m ³ WATER+SEWAGE | 20m ³ WATER | 20m ³ SAWAGE |
|----|-----------------|------------------------|----------------------------------|---------------------------|----------------------------|
| 1 | CORSAN | Rio Grande do Sul | 65,45 | 41,79 | 23,66 |
| 2 | CASAL | Maceió/AL | 56,92 | 31,62 | 25,30 |
| 3 | CASAN | Florianópolis/SC | 56,16 | 31,20 | 24,96 |
| 4 | SANEPAR | Curitiba/PR | 55,35 | 30,75 | 24,60 |
| 5 | COMPESA | Recife/PE | 50,86 | 25,43 | 25,43 |
| 6 | DESO | Aracaju/SE | 47,97 | 26,65 | 21,32 |
| 7 | CESAN | Vitória/ES | 45,25 | 25,15 | 20,10 |
| 8 | CAESB | Brasília/DF | 40,30 | 20,15 | 20,15 |
| 9 | DMAE | Porto Alegre/RS | 38,36 | 21,31 | 17,05 |
| 10 | SABESP | São Paulo/SP | 38,16 | 19,08 | 19,08 |
| 11 | CAERN | Natal/RN | 37,90 | 18,95 | 18,95 |
| 12 | COPASA | Belo Horizonte/MG | 37,61 | 18,80 | 18,80 |
| 13 | SANEAGO | Goiânia/GO | 37,15 | 20,65 | 16,50 |
| 14 | SANASA | Campinas/SP | 31,90 | 15,95 | 15,95 |
| 15 | CAGECE | Fortaleza/CE | 27,86 | 13,93 | 13,93 |

Notes on Consumption

In Porto Alegre, 81.8% of the households consume up to 20 cubic meters per month. The overall average household monthly consumption is 16 cu. meters.

Notes on the Tariff

The tariff is charged monthly according to the consumption if the household is not under the social tariff, using the following formula (where PB = basic price for a cubic meter; C = consumption; and E = household)

1 – If consumption is up to 20 cubic meters per month : (PB x C/E) x E

2 – If consumption is between 20 to 1000 cubic meters:

$$\{(PB \times 0.2711 \times [(C/E) 1.43577]\} \times E$$

3 – If consumption more than 1000 m³: (PB x C/E x 5.5) x E

The tariff for sewer removal is computed as (PB x C/E x 0.8) x E

The Social Tariff

The social tariff is applied for consumers with less resources, such as households where the family lives on space of not more than 40 square meters, houses where there is collective habitation, and houses built with the help of the government that are usually for those that are extremely poor. The poor are also entitled to certain social benefits. Social tariff is also applied for schools and educational institutions and other entities such as charitable organisations that provide a service to the public. These institutions are up to 10 cubic meters of water charged for the price of only 4 cubic meters, with consumption above 10 cubic meters charged using the base price.

It should be noted that it is difficult to compare tariff rates and subsidies in Porto Alegre with those of other Brazilian cities because most other cities rely on regional water supplies that are subsidised by state governments or national budgets.

Financial Analysis

Total collection of tariff increased by 9.26% from 2000 to 2001. Expenditures accounted for 95.08% of these collections, generating a budget surplus of R\$ 7,884,014.17 (US\$ 2.964 million). DMAE has a current liquidity quotient of 1.66 which shows good financial health with a capacity to pay for debts or solve expenditure problems at a short time. DMAE is currently looking for a loan to finance the expansion of its sewage treatment facilities, but has difficulty getting a good deal from banks.

The Sanitation Situation

Only 84% of Porto Alegre's population are connected to the sewage network. This may be poor by international standards, but is nearly the highest in Brazil. However, it is estimated that only 27% of the population today are actually connected to the sewage treatment plants. This constitutes an improvement from the 2% figure in 1990 connected to sewage treatment. Much of the improvement has been delivered via the construction of new treatment plants. The lack of sewage treatment facilities poses as one of the biggest problems for DMAE. Untreated raw sewage flows into Lake Guaíba, posing huge health and environmental problems. A new São João-Navegantes Treatment Plant is under construction, which will improve treatment coverage to 30% when it becomes operational.

Table 6: Coverage of Sewage Treatment Plants

| Treatment Plants | Total population in area covered by plant | Estimated population connected to treatment plants |
|------------------|---|--|
| Lami | 11.000 | 4.195 |
| Ipanema | 142.000 | 93.000 |
| Restinga | 90.000 | 3.236 |

| | | |
|------------|---------|-------|
| Cavanhada | 110.000 | 3.027 |
| RubemBerta | 270.000 | 8.908 |
| IAPI | 280.000 | 9.162 |

The government of Brazil does not have a master plan for sewage for the whole country. In general, the national government provides some support to the cities by facilitating financing for the construction of sewage facilities. This includes the programs as PROSEGE (National Program for Generating Employment) that Porto Alegre had availed of to finance the extension of the 'separate system'. The 'separate system' is a sewage-only set of pipes about 1200 kilometres long. DMAE is responsible for building connections to this separate system, as well as for its maintenance and operation. There is another sewage network called the 'combined system' (for sewage and rain drainage), but this is managed by another County department – the Municipal Pluvial Sewage Department or DEP. DEP is largely in charge of the urban drainage system, which has about 1400 kilometers of pipes. The combined system almost has no previous treatment before dumping sewage into the river.

The city of Porto Alegre had its first Master Plan for sewage works in November 1966. This was developed by the Planning Commission (SURSAN) from Rio de Janeiro City in co-operation with DMAE. The plan adjusted the large diameter sewers of the city to the sewage flows foreseen. The plan also recommended the complete reformulation of the sewerage system in the downtown area, indicating that this was the only way the discharge of raw sewage to the navigation channel of the Guaiba river can be mitigated. In 1973, a second plan was developed, "Integrated Plan for the Sewer System in the City of Porto Alegre". This plan incorporated to other nearby sewage basins, and presented a preliminary plan to construct new sewer systems in areas that are likely to absorb Porto Alegre's growing population. The area was divided into four sewage zones: the Gravatai system; Navegantes system; Ponta de Cadeia system; and the Zona Sul system, which includes the Cavanhada system. A temporary process of diluting the sewage using the subfluvial emissary was implemented while an alternative treatment on an island near the city was studied.

In 1980 came the third plan that updated the former plan. The city of Porto Alegre and the government of the state of Rio Grande do Sul agreed to implement jointly the sewer system designed in the 1973 plan. But this plan failed to push through, until the agreement expired in 1990. In 1990, a new law instructed cities to develop a master plan for basic and environmental protection. In 1996, DMAE started to develop its new Sewerage Master Plan. It is still a work in progress involving many institutions including the Federal University of Rio Grande do Sul and the community of Porto Alegre.

There is another city authority that takes charge of environmental inspection and enforcement. It ensures that industries have their own treatment of wastewater and industrial effluents. This is the Municipal Authority of Environment or SMAM. They regulate the limits of the wastewater condition that can be discharged into the bodies or sewer systems. The most polluting industries of Porto Alegre are petrochemical and metallurgical plants.

DMAE this faces serious problems in the sewage treatment and environmental protection. In wastewater treatment, it admits to a lack of solutions in the handling, disposal and reuse of the sludge produced in the treatment plants. Another problem is how to treat wastewater in densely populated areas that are low-lying (below river level). Still, there are problems

on wastewater treatment in rural areas where costs are crucial. DMAE is looking at various technology options, like substituting with clay pipes that are much cheaper. But it still has to know whether clay pipes offer the same efficiency. Another problem is dealing with the stench from the pumping stations and treatment plants.

Participatory Budget: The Experience in Porto Alegre

“Actually, is not enough to be a ‘promoter’ government, because investments can still divide society and increase social differences. The correct action is to ask: promoter of what? Of who? Of which social project? Which experimentation can be accomplished in the city besides to consider a new kind of State?”

(Tarso Genro in “Orçamento Participativo – “A experiência em Porto Alegre”)

This text does not intend to detail the *Orçamento Participativo* (Participatory Budgeting Process) thoroughly. The objective is to facilitate an understanding of the theme of actors and Instruments of performance. This would include understanding how efficiencies are gained and how paradoxes emerge in partnerships, social participation, and in the use of technical and financial resources.

The Popular Administration arrived at City Hall in 1989, with Olívio Dutra’s election as Mayor. The City, until that moment, had successive administrations that built bad relationships with the population, without any kind of transparency. Decisions on investments, for instance, did not champion the real needs of most of the society. At least a third of the city’s population were living in areas with little or no infrastructure. Some 98% of the city’s revenue was used to pay employee salaries. Income disparities were large, and while the city created wealth, little of this wealth was actually enjoyed by majority of the population. There was an immense social debt – the obligation imposed by the Constitution on the government to provide the essential services to the population – and few resources to address the problems and needs of the community.

To respond to these problems, the new administration adopted a first step that initially appeared controversial and contradictory of the Workers’ Party’s principles – the implementing of bold and sweeping tax reforms. The idea was to increase the resources available for investment, and use these investments as an ‘equaliser’ for more balanced growth and income redistribution. The tax reforms were also meant to address the social debt amongst the poorest and marginalized populations. The stated goal of the tax reforms was to improve the quality of life in the city. But their introduction needed public acceptance and approval, especially among the middle and upper classes who would bear the brunt of tax increases. Transparency on the investment decisions to be made was also crucial. It had to be shown that the taxes to be collected would be used wisely, and would be for the benefit of the people at large. Managing this problem of introducing the tax reforms led to the emergence of a process of citizen consultation on taxes and participation on investment decisions. Over time, this process consolidated into a more formal *Orçamento Participativo* or OP (Participatory Budgeting). What came out was that the tax reforms implemented as well as the investment decisions that followed were primarily forms of citizen participation rather government action.

Initially, participation was low until the tax reform began to produce results. With the recovery of the investment capacity, participation began to grow. The number of people that participate in the OP is growing year after year. The number of Associative and Resident Entities registered in the OP process today number about a thousand.

Decisions made within OP produced significant effects in increasing municipal revenue. Unlike most municipalities in Brazil today who are dependent on national government

resource allotments, municipal revenue in Porto Alegre constitute more than 50% of the total. This has come mostly from easier identification of where the taxes would specifically come from, and how they are spent. Because the application of these resources is defined by the population, it has become easier to rely on the well-defined tax base of Porto Alegre. The OP allowed people to identify which demands or projects should be attended first. Priorities became more reflective of the needs of the communities, which is a direct opposite of priorities established by previous governments. A key evidence is how 99.5% of Porto Alegre's population now enjoy treated water, while 27% has treated sewer. Also since 1989, over 200 kms of paved with asphalt and sewerage and drainage systems have been built.

The OP is today a practice that is being adopted in several Brazilian cities and is globally recognized by the United Nations as an exemplary method of public administration.

Concepts and characteristics.

Orçamento Participativo (OP) is a form of direct democracy. In the organizational structure of OP, citizens participate in a given region or within a particular thematic area that allow for some form of (interest) group representation to be built within the process. The participants choose which of their priorities the Executive branch should implement. OP promotes direct and continual contact between the representatives and their communities. OP values and vitalizes representative democracy and encourages direct accountability between the representative and the represented.

Participation in the OP is voluntary and universal. Any citizen -- associated or not to organizations such as parties, religious, neighbourhood associations – can participate in the process. All the citizens have equal rights within the process. Every citizen that participates is entitled to vote in the selection of the priorities and the selection of representatives.

OP is a deliberative and transparent process, decisions made are documented, published and strictly implemented. The documentation of the decisions is presented in the “year end” report, which allows the public to monitor the implementation of the decisions made within OP. Billboards are placed in the city centre showing how the budget was spent, and how projects appropriated for were implemented. The information is now made available on the Porto Alegre City website as well. This allows for social control of the population over the government.

Finally, the internal rules of the OP are established by participating citizens, making the process self-regulating. The participating members may change the rules in order to improve its performance and to ensure that it remains relevant. The purpose is to guarantee the independence of civil society in its relationship with the State. This gives the participating citizens power and liberty to control the actions of the government.

These features of the OP had fostered the emergence of a non-state public sphere. As in many poor countries, state institutions in Brazil including banks and state corporations, have historically attended mostly to private and particularistic interests, and not to the general public welfare. There never has been a real public sphere in the sense of a space where society can see and evaluate itself. As a result of participatory budgeting there is *co-administration* of the city by city government structures and the council of the OP. Extra-state institutions emerge, allowing for social control over government actions.

The dynamics of OP: participation structures and its operation

Local people participate in the discussion of the Public Budget of Porto Alegre within the region where they live or within a particular thematic area. The city is divided into 16 regions based on the political and cultural likeness among the population. There are 5 thematic areas: Transportation and Traffic; Health and Social Services; Education, Culture and Leisure; Economic Development and Taxation; Organization of the City and Urban Development.

In regional meetings, the population selects their priorities. In the thematic meetings, priorities of more 'cross-cutting' character are identified. There is a broader discussion of the needs of the city as a whole. In these meetings, representatives are elected to the Forum of Representatives and the Orçamento Participativo's Council.

In addition to the public meetings, OP has created several permanent structures for discussion and deliberation: The Council of the Orçamento Participativo (COP), the Forum of Representatives, Forum of Services, or the Commission of Works. These bodies work the entire year, discussing, suggesting and deciding solutions to improve Porto Alegre.

Finally, the government also participates in this discussion process. In the regional and thematic areas, the government presents proposals and provides basic and vital information to improve the quality of the discussion.

There are three rounds of participatory budgeting. In the first round, the government presents a detailed "year end" report of the previous year's activities. A critical discussion follows this presentation. Regional and thematic area representatives are then elected and the Internal Regulation and the Plan of Investments are discussed. This first round occurs in March and April. In each meeting, there is a coordinating committee that leads the meetings. The coordinating committee consists of the Mayor, the head of the Planning Department, the head of the Community Relations, the Regional Co-ordinator of OP and the Counselors of each region or thematic area.

The election of representatives is based on the following proportion, in relation to the number of participants:

| <i>Participants Per Meeting</i> | <i>Proportion of Representatives per Participants</i> | <i>Elected Representatives</i> |
|--|--|---|
| Less than 100 | 01 per 10 | 10 |
| 101 to 250 | 01 per 20 | 08 |
| 251 to 400 | 01 per 30 | 05 |
| 401 to 550 | 01 per 40 | 04 |
| 551 to 700 | 01 per 50 | 03 |
| 701 to 850 | 01 per 60 | 03 |
| 851 to 1000 | 01 per 70 | 02 |
| up to 1000 | 01 per 80 | proportional |

The elected representatives constitute the Forums of Regional or Thematic Area Representatives. The principal function of the Forum is the organization, along with the Counselors, of the discussion and deliberation process during the Intermediate rounds.

At the end of the first round and before the second round begins, communities conduct several meetings, independent of government, in neighbourhoods, streets, regions or by theme area. Each community in agreement with its political characteristics defines the number and the form of the meetings. The purpose of the meeting is to select their priorities in the implementation of works and delivery of services. In the five thematic areas, the works and structural services of the city are discussed. Besides the selection of priorities, additional representatives can be elected in meetings with high participation.

The government, through its departments, provides technical information to enrich the discussion. They provide the technical criteria for the implementation of works and services. They also present works and services that government would like to be included in the Plan of Investments. These plans are for discussion and may be vetoed by the communities themselves.

These meetings are documented in minutes and formulas that identify the thematic priorities and demands. The formulas list the hierarchy of demands according to theme. These demands are then given to the government for discussion in the 2nd Round.

In second round, which occurs in June and July, the government presents in public forums the “fixed” expenditures (personnel, debt, payment, materials) as well as the estimated revenues for the following year. The population then chooses its representatives for the Council of OP. There are two councillors and two substitutes for each on of the 16 regions and 5 thematic areas. These councillors’ mandate is for one year, with only one re-election, based on the Internal Regulations of the OP. The Forum of Representatives can revoke this mandate at any moment.

The election of the councillors is organised in groups. When there is more than one group, the following criteria is used, also established in Internal Regulations of OP:

| Votes per group | Elected Councillors | Substitute Councillors |
|------------------------|----------------------------|-------------------------------|
| Less than 24.9% | None | None |
| 25 % to 37.5% | None | 1 |
| 37.6% to 44.9% | None | 2 |
| 45% to 55% | 1 | 1 |
| 55.1% to 62.5% | 2 | None |
| 62.6% to 75% | 2 | 1 |
| Over 75.1% | 2 | 2 |

[\[Please explain this table some more – how does a group get more than 75.1% of votes that entitle them to 2 elected councillors? You get 2 elected and two substitutes because the other group didn’t get more than 24.9%. It’s a way of having some representativity if you have more than ¼ of the votes even if you ahvent mayority.\]](#)

The councillors of the OP are chosen only after the priorities for the region have been determined by the people. The role of the councillors is to co-ordinate the elaboration, together with the government, of a Public Budget and a Plan of Investments that respects the priorities chosen directly by the population. The co-ordinators of the Planning Cabinet and the government body in charge of co-ordinating community relationships also participate in the Council of OP, with the right to speak but without the right to vote.

The Elaboration of the Budget and the Plan of Investments

At the end of the 2nd round, the Planning Cabinet elaborates the Budget and the Plan of Investments. In the elaboration of these documents three planning indicators are considered:

- the priorities of the regions;
- the guidelines of works and services of the thematic areas and projects and structural works in progress;
- government needs to maintain certain levels of necessary services for the population and, including emergency cases.

A point system is used to establish overall priorities. The priorities of the regions are chosen from 12 themes. From these 12 themes, the community chooses 5 priorities (these priorities were chosen in the intermediate rounds and given to the Planning Cabinet in the 2nd round). Each priority receives a value to aid in the order of prioritization:

| | |
|-----------------------|----------|
| First priority | 5 points |
| Second priority | 4 points |
| Third priority | 3 points |
| Fourth priority | 2 points |
| Fifth priority | 1 point |

By adding the points of each region, the priorities are established for the Plan of Investments for the City. A whole new system emerges. For instance, two communities may agree between themselves to jointly prioritise a project common to both of them, so that it will get better chances of obtaining budgetary support. The guidelines for the Plan of Investments are established through the selection of priority by each region or area.

Government needs to maintain a certain level of basic services refer to the portion of the revenue that is committed to education, health, treated water, or garbage collection – expenses that are fixed and could only be reduced over the medium and long term.

Aided by the three planning indicators, the Planning Cabinet elaborates on a proposed Budget, within the limits of a revenue estimate elaborated by the Finance Department. The Planning Cabinet prepares the budget by department and by expense type (Personal, Material of Consumption, Services, Debt, Investment). This proposal is discussed in the Government's Financial Committee and the corresponding departments.

Each department discusses and elaborates the budget during the months of July and August. In the month of August, the Planning Cabinet receives the "fixed" expenses from the other departments and unites these spending needs with the priorities that were established by the Forums of regional and thematic areas.

After the final approval by the government, the budget is then discussed, in the month of September, in the Council of OP. In this discussion, the programs and services, and the proposed investments are discussed in detail. The Council of OP has the authority and power to alter the destination of resources, if they believe that the resources could be better used in other areas.

After the Council of OP approves the budget, the Planning Cabinet presents the final version that will be given to the City Council for its approval. The City Council debates beginning on October 1st and must vote on the budget by November 30th.

The budget proposal focuses on expenditures for programs and services. The Plan of Investments on the other hand, are most often, new projects identified by the community or the different government departments. After the budget proposal is submitted to the City Council, the Council of the OP begins to deliberate on the Plan of Investments.

The Plan of Investments is elaborated based on: 1) the proposed Budget Proposal given to the City Council; 2) the technical, legal, financial analysis of the demands of the population; 3) the criteria for distribution of resources between regions.

The criteria for distribution of resources between regions is based on the quantity of resources available for investments taking into consideration the first three priorities selected in each region.

GENERAL CRITERIA

NEEDS FOR SERVICES OR INFRASTRUCTURE

VALUE 4

| | |
|-----------------------|----------|
| 0,01% to 20,99% | 1 point |
| 21% to 40,99% | 2 points |
| 41% to 60,99% | 3 points |
| 61% to 79,99% | 4 points |
| up to 80% | 5 points |

POPULATION

VALUE 2

| | |
|------------------------------------|----------|
| until 30.999 inhabitants | 1 point |
| 31.000 à 60.999 inhabitants | 2 points |
| 61.000 à 119.999 inhabitants | 3 points |
| up to de 120.000 inhabitants | 4 points |

THEMATIC PRIORITIES

VALUE 4

| | |
|-----------------------|----------|
| fifth priority | 1 point |
| fourth priority | 2 points |
| third priority..... | 3 points |
| second priority..... | 4 points |
| first priority..... | 5 points |

As can be observed, the combination of values and points establishes the progressive distribution of resources. Those regions that have greater needs and higher populations will receive a larger volume of resources for the priorities that they have selected.

The Plan of Investments presents the detailed list of the works and services that will be executed by the government. The definition of which works will be implemented is based on the availability of resources for each region. The availability of resources is based on 1) the hierarchy of priorities as defined by the community; 2) the cost of the work or service; 3) a technical analysis of the project's viability.

With the final elaboration and approval for the Council of OP of the Plan of Investments, the discussion and participation of the community turns toward the monitoring of the government's implementation of the selected projects and priorities.

After the end of the elaboration of the Budget, in January of the following year, the implementation of the projects begins. The process of OP begins again. The first stage is a discussion on the Internal Rules, the general and technical criteria that will structure OP during the coming year.

Conclusions

The key question we have asked is whether the Porto Alegre experience may be replicable elsewhere. We believe that social processes are too complex to be 'planted' and grown elsewhere. But there are certain objective conditions – like a minimum of organized civil society and politically conscious citizenry aware of the larger public interest and not their particular private interest – that may determine replicability elsewhere.

The Porto Alegre experience portrayed in this paper has been generally positive. And yet they still are not sufficient. DMAE points to a number of key challenges particularly on the situation that ought to be dealt with. These are the improvement of sewage treatment; reduction of wastage; improvement of water supply quality, and investing in capacity building.

Porto Alegre may have dramatically reduced infant mortality, provides 99.5% of its population with safe water, executed more than 200 kilometers of paved roads, is improving sewage treatment. Or the PT may claim that is succeeding because it is already in its third mandate. But these gains are all reversible. What is clearly less reversible are the institutions of democratic participation that have been built and the good level of education achieved -- guarantees for development and successful management even without the PT.

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