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Participatory governance in Peru: exercising citizenship

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1. Gaventa, J (2001), "Participatory local governance: six propositions for development", accessed at http://www.ids.ac.uk/logolink/resources/sixpropositions.htm, cited in Mitlin, D (2004), "Reshaping local democracy", Editorial, *Environment and Urbanization* Vol 16, No 1, April, page 3.

2. See reference 1, page 2.

3. See reference 1, pages 3–5.

SUMMARY: This paper discusses participatory budgeting as a learning process, with an analysis of two cases of participatory budgeting in Lima, Peru. Peru is the only country in the world where it is legally required that local and provincial authorities should formulate comprehensive development plans and budgets in a participatory manner. The first case discussed is Villa El Salvador, one of the cities that set the example for the framework law on participatory budgeting. The second is the district of San Juan de Miraflores, where municipal officials and inhabitants are currently struggling to implement the new law. This paper suggests that despite obvious shortcomings and a wide variety of implementation problems, the new legal framework offers interesting opportunities for participatory governance.

I. PARTICIPATORY GOVERNANCE AND EXERCISING CITIZENSHIP

SEVERAL PAPERS IN the April 2004 issue of *Environment and Urbanization* (which focused on participatory governance) highlighted the importance of "changes of attitude" in both citizens and officials, and the importance of a process of incremental learning for all parties involved. They were less explicit on what has to change in the attitudes of the participants, how these changes can be brought about, and what the different parties have to learn in the process. These issues are discussed here, in the context of two municipalities in Lima, Peru.

John Gaventa suggested in 2001 that a key challenge for the twenty-first century is the construction of new relationships between ordinary people and the institutions – especially those of government – that affect their lives.[1] He also suggested that rebuilding these relationships implies working on both sides of the equation: going beyond approaches that focus on either civil society or on the state, and instead focusing on their intersections.[2] This implies the need for a fundamental rethinking of the ways in which citizens' voices are represented in the political process, and a re-conceptualization of the meanings of participation and citizenship in relation to local governance. This, in turn, implies that we have to be willing "…*to learn about the outcomes as we go along.*"[3] Gaventa cites Heller, who found in a comparative study of participatory governance practices in Kerala (India), Porto Alegre (Brazil) and South Africa that synergistic relationships between the state and civil society in local governance can:
• create new associational incentives and spaces;

- allow for a continuous and dynamic process of learning; and
- bridge knowledge and authority gaps between technocratic expertise and local involvement.[4]

Thus, building new relationships between the governors and the governed is not only about rethinking the meaning of citizenship and creating new deliberative spaces, but also about a dynamic process of learning and about bridging the knowledge gap. As the UN Commission on Human Security recently argued: "*Without effective governance, people are not empowered. And unless people are empowered to let their voices be heard or to participate in decision-making, governance is not feasible*".[5]

a. Re-conceptualizing citizenship

Citizenship – a person's membership in a particular state – is at the centre of democratic governance.[6] The most straightforward understanding of citizenship is the opportunity of any citizen to take part in public affairs.[7] This "taking part" is frequently limited to the right to vote and to voice an opinion in the public arena. The first dimension of citizenship – citizenship as a political right – refers to the classical liberal meaning, that is, the formal status which entitles individuals to such rights as the right to vote, to protection of private property, to freedom of speech and freedom of association. In a more modern understanding of citizenship, it encompasses not only political rights but also social rights. These social rights enable self-development through entitling all citizens to the social and economic conditions necessary for the achievement of their personal goals; clear examples are the entitlement to education and health.[8]

A second dimension of citizenship takes citizenship as an act of agency and practice.

"*To act as a citizen requires first a sense of agency, the belief that one can act; acting as citizen, especially collectively, in turn fosters that sense of agency… a conscious capacity which is important to the individual's self-identity*."[9]

This citizenship as an act of agency pre-supposes that the necessary legal rights and obligations are in place, and builds further on this foundation. Citizenship is then something that develops while it is practised . "Practising citizenship" means that people are allowed to influence decisions – especially those decisions that directly affect their own lives – in a far more direct way than just through voting, as in a classical representative democracy. Enabling people to practise their citizenship can take many different forms, in consultation processes, city fora, community development initiatives, etc. This form of citizenship, however, is still limited to influencing decisions; it is not yet a process of "co-deciding". Giving people the chance to contribute their opinions does not necessarily address the underlying inequalities. It is only when, through participatory processes, inequalities are addressed and people start to see themselves as capable shapers of governing structures, that fundamental social changes can come about. This becomes even more the case if those who were previously excluded members of society start to see themselves as capable citizens who, through participation in governance, can challenge prevailing structures of inequity and exclusion.[10]

When citizens are not only heard and responded to but actually play a role in the decision-making itself, we reach a level of "co-governance" between authorities and citizens.[11] In this relationship, citizens can also monitor government's performance, demand transparency and hold their officials to account. Citizenship can thus be understood as consisting of at

4. Heller, P (2001), "Moving the state: the politics of democratic decentralization, South Africa and Porto Alegre", *Politics and Society* Vol 29, No 1, pages 131–163.

5. UN Commission on Human Security (2003), "Human security now", accessed at http://www. humansecurity-chs.org/ finalreport/FinalReport.pdf

6. See reference 5, page 133.

7. Jones, E and J Gaventa (2002), "Concepts of citizenship: a review", *IDS Development Bibliography* 19, Institute of Development Studies, Sussex.

8. See reference 7, page 9.

9. Lister, R (1997), *Citizenship in a Feminist Perspective*, MacMillan, Basingstoke, cited in Jones and Gaventa (2002), see reference 7.

10. See, for instance, ACHR (2004), "Negotiating the right to the city", *Environment and Urbanization* Vol 16, No 1, April, pages 9–26; also Cabannes, Yves (2004), "Participatory budgeting: a significant contribution to participatory democracy", *Environment and Urbanization* Vol 16, No 1, April, pages 27–46; and Dove, Lesley (2004), "Providing environmental urban services to the poor in Andhra Pradesh; developing strategic decision-making", *Environment and Urbanization* Vol 16, No 1, April, pages 95–106, which describes the empowerment of poor women.

11. The current governance discussions talk of the role of government, civil society and the private sector. The involvement of the private sector in the governance process is important but is beyond the scope of this paper, which focuses on citizenship.

least three levels:
• citizenship as a social–political right;
• citizenship as an act of agency and practice; and
• citizenship as a relationship of co-governance between citizens and authorities.

The act of citizen participation that achieves social change can, however, be effective only if it is also accompanied by institutional change from a responsive government, which creates new space for civic participation. Participatory governance and active, practising citizenship are thus intertwined.

Governance, understood as:

"…*the institutions and processes, both formal and informal, which provide for the interaction of the state with a range of other agents or stakeholders affected by the activities of government*"[12] can only then be called 'participatory governance' if it meets the following criteria:

• government engages with groups that share a certain interest that goes beyond the individual interest; some point sense of group identity and interest is important, and this forms a starting point for negotiation and collaboration; and
• the arena of action with regard to policy or practice has to go beyond a specific neighbourhood or single development, and not be too limited in scope, scale and place.

The analysis of 25 experiments in participatory budgeting by Yves Cabannes[13] already made clear that participatory budgeting does fit these criteria of participatory governance, and goes well beyond it.

This paper suggests that participatory budgeting fosters the second and third levels of citizenship – citizenship as agency and practice, and citizenship as a relationship of co-governance. It creates new associational incentives and spaces, it can foster a dynamic learning process and, to a certain extent, also bridges the knowledge gap between experts and local residents. Nevertheless, it also faces serious constraints, posed by the inertia of institutional change, the unwillingness of the elite (both within and outside the municipality) to dissolve power, and the limited capacity of civil society to make effective use of the opportunities participatory budgeting can offer. In this context, this paper analyzes two Peruvian experiences in participatory budgeting using the analytical dimensions proposed in the article by Cabannes, these being:

• budgetary (or financial);
• participatory;
• physical–territorial; and
• regulatory–legal.

To understand these dimensions in the macropolitical and social context of Peru, some details of recent changes in Peru at the national level are given below, subsequent to the return to democracy in 2000.

II. RETURN TO DEMOCRACY AND THE ORIGIN OF PARTICIPATORY BUDGETING IN PERU

IN SEPTEMBER 2000, Peruvian television broadcast for the first time a videotape that demonstrated the magnitude to which corruption had grown in Peru. This sparked weeks of popular protests and increasing international pressure, which forced President Fujimori to resign in December 2000. He left a legacy of a deeply corrupt and bankrupt political system.

12. See reference 1, Mitlin (2004), pages 3–5.

13. See reference 10, Cabannes (2004).

The years of strict neoliberal policies had brought about the privatization of state companies, a loss of 120,000 jobs in the public sector, a large increase in informal sector employment, an increase in poverty and a significant increase in inequality. With most national resources in foreign hands, it was, and is, difficult for his successors to come up with a sound economic development plan for the country.

Ten years of Fujimori's regime had resulted in a severely re-centralized governance system, which concentrated most power and government resources in the Ministry of the Presidency. Regional governments had been abolished and replaced with appointed regional administration transitory commissions. The resource base of local governments (municipalities) had been cut through, curtailing some of the municipal rights to collect taxes; also, several important responsibilities that made local government visible to its citizens (such as providing land titles, and responsibility for social programmes) had been brought under the umbrella of the Ministry of the Presidency. Zolezzi notes that:

"…*the main casualties of Fujimori's form of authoritarian and paternalistic populism were the local governments, whose autonomy, functions and resources were taken over by national government, the Executive, the Ministry of the Presidency and the President of the Republic himself.*"[14]

When Alejandro Toledo was elected president in 2000, the initial expectations (he received a 70 per cent approval rating shortly after his election) did not last. His presidency is characterized by scandals, allegations of incompetence, new cases of corruption and frequent changes in his cabinet. Approval rates dropped to below 25 per cent within nine months and to around 7 per cent by 2004. Despite the social and political turmoil, there is one element that most Peruvians tend to agree on, namely the importance of rebuilding democracy and the public institutions. In the midst of social unrest, the president signed a "national agreement" with a wide range of civil society and religious organizations. With this document, both sides expressed the view that, despite all disagreements, they would continue to engage in a dialogue to foster democracy and reach common objectives. One of the four priorities set for this dialogue was "efficient, transparent and decentralized government". It was one of the very few issues on which the current government managed to make headway.

In 2002, the Peruvian national government issued a series of laws relating to decentralization. This started with a constitutional reform to provide the basis for a law that set the foundations for decentralization. Then an organic law on regional governments (Ley Organica de Gobiernos Regionales) was formulated, followed by a new organic law on municipalities (Ley Organica de Municipalidades). In 2003, the Peruvians elected their regional governments, and all municipalities and regions were obliged to formulate comprehensive development plans and budgets for the year 2004 in a participatory manner. The laws on regional and municipal governments – in which the obligation to develop plans and budgets in a participatory manner are laid down – were supported by a framework law on participatory budgeting, and two additional legal documents that spelled out some details.

This new legal framework was the result of a dialogue with civil society. It incorporated proposals brought forward by civil society and local government, including proposals on participatory budgeting. These proposals were based on the experiences of some progressive local governments during the last years of the Fujimori regime.

Both the city of Ilo, in southern Peru, and Villa El Salvador, in Lima, had

14. Zolezzi, M (2003), "Participatory plan and budget in Villa El Salvador: the journey and endeavour of a democratic innovation", accessed at http://www.adb.org/Documents/Events/2002/Citizen_Participation/Villa_El_Salvador.pdf

15. Papers on the experience in Ilo can be found in *Environment and Urbanization* Vol 8, No 1 (April 1996), Vol 11, No 2 (October 1999) and Vol 13, No 2 (October 2001). The experience of Villa El Salvador has been documented heavily – see, for instance, Zapata Velasco, Antonio (1996), "Sociedad y poder local: la comunidad de Villa El Salvador", Desco, Lima, Peru. A recent contribution in English comes from Zolezzi (2002), see reference 14.

processes of participatory governance underway in 2000[15] that were well known throughout Peru. In 2001, the city of Villa El Salvador hosted an international conference on participatory budgeting – co-organized by the Urban Management Programme of Latin America and the Caribbean – where various cases from neighbouring countries were presented. Over 50 Peruvian mayors took part and learnt of the Villa El Salvador process and the international experiences. In 2002, 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, eight Peruvian cities presented their experiences in participatory governance.[16] Two ex-mayors, who had experimented with participatory governance in their cities, were elected to congress and actively promoted participatory budgeting by presenting proposals for a law on participatory budgeting. In 2002, the Peruvian Ministry of Finance initiated an official experiment in participatory budgeting for a number of regional governments, followed a year later by the legally binding obligation for both regional and local governments to embark on the process.

III. PARTICIPATORY PLANNING AND PARTICIPATORY GOVERNANCE IN VILLA EL SALVADOR[17]

a. The origin of Villa El Salvador: state-sponsored popular self-government

VILLA EL SALVADOR was the result of a massive invasion in 1971. The left-wing military government of the time relocated the squatters to an empty desert area, 32 kilometres from the city centre, and this became Villa El Salvador.[18] Far-sighted architects developed an urban development scheme with areas for industrial development, agriculture and livestock, and public space. In the government's eyes, Villa El Salvador became a role model for the country, demonstrating self-management by the population, and thus a system of popular participation was set up. Housing blocks elected representatives, which together formed territorial-based councils, the "self-managed communities of Villa El Salvador" (Comunidades Auto-gestionarios de Villa El Salvador, CUAVES). In the early years of Villa El Salvador, the CUAVES negotiated directly with central government, and together they developed the first urban development plan. In 1983, Villa El Salvador received the status of independent district. Its first elected mayor declared "popular law is municipal law", thereby institutionalizing the self-governing practice of the district. A second urban development plan was formulated, although not with the CUAVES, but mainly as the result of a participatory process with the many popular organizations that had developed in the district, such as women's organizations, the organizations of small entrepreneurs, the health committees and the associations of workers in the day-care centres. The CUAVES – which had become a highly politicized group dominated by the traditional male leaders – had lost legitimacy. Since the various associations of small-scale entrepreneurs were strongest in this process, they had the most significant influence on the outcome. The second development plan had as its main priority to strengthen both the industrial zone and the small-scale enterprises in this zone.

During the 1990s, Villa El Salvador experienced important changes. Years of terrorist violence had seriously affected its social structures and, in its

16. See Miranda Sara, Liliana (editor) (2003), *Presupuesto Participativo y Agenda 21: Construyendo Ciudades para la Vida*, Fondo Editorial del Congreso del Peru, Lima, Peru.

17. Unless stated otherwise, this section draws on a series of interviews with key stakeholders, and on Llona, Mariana, Laura Soria and Mario Zolezzi (2002), "Gestión democrática para el desarrollo local; sistematización de la experiencia de planificación y presupuesto participativo en Villa El Salvador, Lima, Perú", accessed at http://www.desarrollolocal.org/documentos/SistematizacionPIDVES.pdf

18. See Peattie, Lisa (1990), "Participation: a case study of how invaders organize, negotiate and interact with government in Lima, Peru, *Environment and Urbanization* Vol 2, No 1, April, pages 19–30.

final years of intense operations, the Shining Path specifically targeted successful community leaders. Many of these were in Villa El Salvador, including the most successful women's leader, Maria Elena Moyano, who was assassinated. Many others narrowly escaped death. Within this climate of fear, people no longer trusted their neighbours, and popular gatherings were dangerous. Although left-wing local governments continued to rule in Villa El Salvador, ten years of Fujimori rule weakened local processes. By creating parallel structures and curtailing municipal funds, Fujimori sought to undermine municipal governance. With populist and clientelistic practices, he gained some support from the inhabitants of Villa El Salvador. The influences of globalization also reached Villa El Salvador, and some of the small-scale enterprises in the industrial zone started to compete on the global market, thereby changing the nature of the zone.

All of these changes stimulated the formulation of a new development plan for the district. In 1999, the municipality of Villa El Salvador publicly launched a process of participatory planning for the new urban development plan, supported by three NGOs[19] with a long history of working in the district. They received additional support from the United Nations Urban Management Programme for Latin America and the Caribbean.

b. Participatory development of the urban development plan in 1999

The objective of the 1999 urban development plan was to develop with as many inhabitants as possible a "shared vision of the future of the city" and to select a certain number of strategic priorities. It began with a district-wide forum in which more than 550 people participated and where priority themes were set, namely employment and production, security, health and environment, youth, and education and culture. All these priorities are directly linked to the needs and problems of the city. The population in Villa El Salvador (some 350,000 inhabitants) is very young, with 75 per cent of the population under the age of 25. The focus on employment and production is strongly related to the lack of job opportunities for this young generation, and this lack of opportunities has also contributed to the rapidly increasing number of violent youth gangs. The lack of security was also a key issue, and several housing blocks within Villa El Salvador had contracted private guards to protect them from robbery and vandalism. Health and the environment have always been priority themes for the population of Villa El Salvador, which has to live under adverse environmental and health-threatening conditions. Despite the fact that many governments made it a priority, waste collection is still inadequate, and 40 per cent of the population is still not connected to drinking water and sewerage networks. The desert plains can become very hot in the summer and very cold and damp in the winter. These concerns are reflected in the priority given to "health and environment".

These strategic objectives were discussed intensively in a series of thematic workshops and in workshops held in each of the eight sections into which the city is divided. The process culminated in a *conclave distrital* (a city-wide caucus) and a public poll implemented by secondary school pupils. Over 2,000 volunteers went door to door and 48,000 people's opinions were canvassed. This showed the priority given by the population to a healthy, clean and green city. By the end of 1999, a second district caucus was held in order to set up the organizational structure for the implementation of the plan – but this was never developed. However, the initiative was important as it represented a genuine attempt to open up municipal deci-

19. The NGOs Desco (www.desco.org.pe), Calandria (www.caland.org.pe) and FOVIDA.

Box 1: **Participatory budgeting as a means of promoting participatory governance (the perspective of Martin Pumar, mayor of Villa El Salvador 1999–2002)**

"That we have entered a process of participatory budgeting has been a political decision. For me, as a mayor, it would have been much easier if we had not. Participatory budgeting is a learning process, with its strengths and weaknesses. We are still improving it.

"It is very important to understand participatory budgeting as a means, not an end in itself. With our urban development plan, we – Villa El Salvador – formulated our shared vision of the future. With participatory budgeting, we not only invite the inhabitants to take part in the decision-making process; most important is to invite them to take up their own responsibility, to become co-governors of our city.

"Inviting our inhabitants to become co-governors of the city implies a profound change in attitude, especially for our community leaders. Many of them have been community leaders for decades. Community leaders so far have been demand-making leaders. They are used to claiming, to protesting, to a culture of confrontation. So if there is no drinking water, they organize marches to demand drinking water; if there are no employment opportunities, they march to demand employment generation.

"But times have changed. What we do need now is no longer the constant confrontation between citizens and authorities. We need leaders willing to take responsibility for our city, leaders who come up with development proposals. Of course, leaders are there to demand, to ensure that the citizens' rights are respected. But the other side of the coin is that there are not only rights, but also obligations. We all – citizens, entrepreneurs, NGOs, authorities – have to consider ourselves protagonists of change, with a shared responsibility to develop our city."

sion-making to all those who wanted to take part in the process, a process to which Fujimori's regime was opposed. This opposition was made visible by the fact that the national government organized food distributions in the district on the day of the opinion poll, hoping to distract the inhabitants.

c. The next step: the first round of participatory budgeting – 2000

The next step was the launch of a process of participatory budgeting. Key stakeholders emphasized that this process was not an aim in itself but rather a means to develop participatory governance (Box 1).

The urban development plan was conceived as the framework to guide decisions on specific projects in each of the eight sections into which the city was divided based on administrative and physical criteria. The municipality assigned 35 per cent of its investment fund to participatory budgeting, equal to 2 million Peruvian soles (US$ 570,000). Each of the sections was assigned a certain proportion of the participatory budget fund based on the following criteria: number of inhabitants (30 per cent); inadequacies in provision of basic services (20 per cent); and tax contributions – the greater the number of inhabitants who paid their municipal taxes, the higher their share of the budget (50 per cent).

Workshops were held in each section, building on previous workshops where the urban development plan had been discussed. They discussed the problems and potential specific to their section and prioritized a number of projects that could address these problems. A team was identified at each workshop, to be responsible for the continuity of the process. Decentralized municipal offices offered technical assistance in the process, both in organizing the meetings and in developing project proposals. Both the commu-

nities and the municipality could count on the support of the three NGOs mentioned above. Three months later there was a city-wide meeting with representatives from each section and with many other community leaders, and the final allocation of the investment budget for the year 2000 was decided and formalized.

d. From experiment to structure: institutionalizing the process

2000 and 2001 were unsettled years for the municipality. During the implementation phase of the selected projects, many new barriers had to be overcome, in particular internal resistance within the municipality. Martin Pumar, the mayor who initiated the process, recalled:

"The municipal structure and bureaucracy were not yet capable of dealing with the changes. First of all, participatory budgeting of course implies relinquishing power, also the everyday power of councillors, municipal workers. Personal favours, clientelistic relations are part and parcel of our municipal culture. So there was quite some resistance in the municipal apparatus. Yet even for those who understand and support the change it was not easy. All of a sudden, urban development received tens of project proposals to be implemented, where the municipality had to develop all the technical plans to prepare the construction."

The first set of projects that were adopted consisted of many small projects, such as improving the roofs of kindergartens or improving playgrounds and parks. Only a few communities opted for more strategic projects, such as improving access roads or installing drinking water and sanitation.

The implementation of this first series of projects was delayed by internal struggles within the municipality, partly due to opposition. In addition, proponents of participatory budgeting questioned the way in which it had been organized. It was only in April 2001 that the municipality launched the second round of participatory budgeting. In a third district caucus, the municipality presented the year 2000 accounts for projects realized through participatory budgeting, and also the allocation of funds for the participatory budgeting process of 2001. An intensive discussion on the accomplishments and failures of this first experience formed the input for the next step, namely the institutionalization of the process.

In June 2001, the council adopted a municipal decree that institutionalized participatory budgeting as a management tool for the district.[20] This was rooted in the history of the district, as it made reference to the original setting up of the self-governed community, the first mayor who declared "communal law is municipal law", the flourishing of its communal organizations, and the district's tradition of popular participation. It also clarified the rules for the next round, fixing the share of the participatory budget at 35 per cent of municipal investment funds. For each project, the population had to contribute 20 per cent of the costs in labour, materials or other forms. The responsibilities of the different agencies, within the municipal government and for the district as a whole, were clarified, and the following phases of the process were defined:
- assignment of the available budget to the different sections by the municipal council;
- a public launch of the new round of participatory budgeting;
- thematic discussions and discussions in each section;
- defining and agreeing the priorities;
- elaborating and implementing the projects; and
- presenting the accounts.

20. The entire text in Spanish can be accessed at http://www.munives. gob.pe/municipalidad/ ORDPRESUPUESTOPARTI CIPATIVO.PDF

Box 2:	**The conflict between plans approved through participatory budgeting and the traditional leaders (interview with one of the women in the environmental network, February 2002)**

"We had been discussing the plans (for a series of small parks) with the community for some time. Everybody agreed on these small parks. We presented the plans in the first workshop, on priorities. The old male leaders were not interested, so they did not come. So our proposal was approved. But when they became aware of what was going on, they started to organize to obstruct. In the second meeting, they all of a sudden showed up and claimed that they were the real representatives of the community, and that we were not entitled to present proposals on behalf of the community. It was not only our own neighbourhood leaders, they brought many of their allies from other neighbourhoods, all from the same political party. They had always had power, they did not want to lose that. They were against the participatory budget, just because they were from another party. They distorted the meeting. We shouted, we quarrelled. We all ended up at the police station, some of us beaten up."

Thus, the municipality of Villa El Salvador was the first municipality in Peru to incorporate participatory budgeting into municipal law.

The second round of participatory budgeting was even more intense than the first. Participation in the neighbourhood assemblies increased. In the most active neighbourhood, an estimated 30 per cent of households participated; in others the corresponding figure was around 15 per cent. This is a significant proportion, particularly if the serious weakening of the communal organizations (neighbourhood organizations, women's organizations and the like) in the previous decade is taken into account. In addition, a number of traditional leaders who had mistrusted the initial process now started to take part. They had seen participatory budgeting as a direct threat to their interests, since more actors and organizations were involved. Also, participatory budgeting is an attempt to liberate investment decisions from political and clientelist strangleholds, and this led to serious clashes between old and new community leaders. One example of this is the opposition to a plan by a women's environmental network for a series of small parks in their neighbourhood (Box 2).

The projects in this second round were also small – for instance, concentrating on improving the roofs of kindergartens and constructing sidewalks. However, the municipality ran out of funds in 2001 – although whether this was through incompetence or corruption is unclear. This delayed the implementation of projects selected for the 2001 round until early 2002, a new fiscal year. The final budget that was spent was less than half that originally promised. This affected the credibility of the mayor and his team and was a serious setback in view of the municipal elections scheduled for November 2002. In February 2002, the mayor reflected:

"We still face many problems in the execution of this new policy. Nevertheless, I am confident in the process. It is legally laid down in a municipal law. It is internalized by many people. It will not be that easy for a new municipal government to set the clock back. In the first round, there were many neighbourhood leaders who did not bother to participate. They did not believe that we would really do it. But in the second round, they were almost all there, and now at least most of the leaders consider it as their right. That cannot be reversed that easily."

However, the inhabitants of Villa El Salvador opted for change, and elected a new mayor from a different party in the local elections of 2003. The new mayor sought several changes in municipal policies. First, he sought to streamline and professionalize the municipal apparatus, which brought a more technical management with fewer instances of participation and less sharing with the NGOs active in the district. Second, he

concentrated on addressing one of the main problems in the district, namely inefficient waste collection; as a result, collection improved significantly in his first year in office. Nevertheless, he respected participatory budgeting. In 2003, a third round was launched and finalized, and there are plans for 2005 that will strengthen the link between the municipality's comprehensive development plan and participatory budgeting. New criteria that will influence the allocation of funding include the level of co-financing for projects by other institutions, whether or not this results in poverty alleviation and/or in improving environmental conditions (either physical or in terms of security), and the number of beneficiaries.

e. Strengths and weaknesses of the process in Villa El Salvador

The most remarkable achievement has been the revitalization and renewal of popular participation in municipal governance. It is interesting to see the changes over time. The first urban development plan, formulated by elected community leaders within Villa El Salvador's self-governed community (CUAVES), was undertaken in direct coordination with the national government. It focused on urban layout and zoning. The second plan, formulated after Villa El Salvador became an independent district, was developed by the municipality in coordination with the different social organizations (women's organizations and associations of small-scale enterprises) that had developed in the first decade after the invasion. This focused on strengthening the district's productive capacity. The third plan aimed to recover popular participation, which had been the district's major strength for many years, and to broaden participation and involve as many ordinary citizens as possible.

The participatory process of formulating the comprehensive development plan was important, but it got stuck after the vision and strategic objectives were developed. The different proposals developed in the thematic and neighbourhood workshops were never merged into a coherent document. The ex-mayor indicated one of the major obstacles to a coherent plan:

"We have the participatory budgeting functioning in the different neighbourhoods. We have the thematic roundtables functioning: the roundtable on youth, one on health, one on gender. But the two do not mingle. We are still searching; we did not yet find the adequate way to relate the two. To give an example: in the last district caucus, there was a very tough confrontation between the neighbourhood and the sectoral/thematic planning. In the neighbourhood assemblies, we do discuss immediate issues, issues of urban development of the different sectors. In the thematic roundtables, we discuss sectoral policies at the district level. The neighbourhood leaders are not that interested in sectoral policies. They say: 'I am here in representation of the neighbourhood assembly; I am here to defend my interests.' None of the two wants to understand the perspective of the other. We should find a way in which the thematic roundtables and the neighbourhood assemblies can meet in a fruitful way."

This highlights the inherent tension in planning and governance: how adequately to combine spatial (neighbourhood) and sectoral planning. Participatory planning and budgeting is no panacea for this more general tension in planning.

A second problem was that the neighbourhood committees, when developing their project proposals, did not relate them to the comprehensive development plan. The process in Villa El Salvador did develop a plan first and then began participatory budgeting, but there was no relation between the plan and the projects developed under participatory budgeting.

Box 3:	The seven plagues of participatory budgeting (assessment by Councillor Failoc, February 2002)

"1. The first thing we have to overcome is the confrontational attitude in our culture of popular participation. For decades, neighbourhood leaders have been used to addressing the authorities in a confrontational manner; that is the old way of trying to get things done. Both the neighbourhood leaders as well as the municipal officers have to learn to work together.

"2. It is even more difficult to learn to govern in a less politicized way. We are so used to disqualifying a certain proposal just because it comes from a different political party to our own. That is a real plague in our political tradition.

"3. Furthermore, we have to learn to move away from a culture of leader and follower. We are so used to taking the mayor as the Messiah who has to know everything and has to solve everything on his own. And there is a population that does not take responsibility but just wants to see the mayor as their saviour. Modern mayors have to learn to delegate decision-making and responsibilities; neighbourhood leaders and the population have to learn to understand themselves as co-governors, who are entitled to come up with their own proposals and solutions, instead of expecting the authorities to solve everything for them, just because they have elected them to power.

"4. A fourth plague is that both the municipal authorities and the neighbourhood leaders only work with a short-term vision. The municipal authorities need direct concrete results to ensure re-election, the neighbourhood leaders are aiming at direct concrete results for their settlement. It is very hard to get them to think in a more long-term way.

"5. A fifth plague is that the investment budget is scattered, atomized. If there is a total of, for instance, S./ 300,000 for Sector 3, and Sector 3 counts 30 neighbourhoods, there is a tendency to assign an equal share of S./ 10,000 to each neighbourhood. It is an inheritance from the egalitarian philosophy of the 1960s driven to the absurd. We have a few examples where leaders from various communities pooled their budgets and realized substantial investments benefiting various neighbourhoods, for example levelling a major road, or a pre-study for the construction of water and sanitation systems, etc. But these examples are rare. The vast majority of the projects approved have to do with small-scale constructions, in one neighbourhood, for example kindergartens or improvements to their roofs, playgrounds, community halls, etc. A long learning process will be necessary to change their mindset in such a way that we can really speak of co-governance: long-term planning and taking a larger area into account than just your own neighbourhood. A neighbourhood leader is not trained to consider long-term and larger scales.

"6. A sixth plague is our common understanding of 'neighbourhood improvement'. People associate modernity with concrete. So if they plan a park, you hardly see green areas. It is at least 60 per cent concrete, sidewalks, a central circle and the like. They are not capable of thinking differently, there is nothing creative being developed with the participatory budget.

"7. A seventh plague is that we do not reach all of the population. We do reach the leaders. The way we have organized our participatory budgeting system, with the leaders representing the population in the assemblies at the district level, reinforces existing leaders in their roles. We have far too little participation by ordinary citizens. This leadership of Villa El Salvador – so often praised – has not renovated itself. They have not renovated their vision, have not changed their understanding of 'governance', so we work with 'old' people in a 'new' process, and these two do not fit. We have to rebuild citizen participation in a new, meaningful way."

There was not only disarticulation between the spatial and the sectoral processes, or the plan and the projects. As the mayor indicated, the municipal apparatus was not able to support the process. There was insufficient coordination between the different departments within the municipality and insufficient coordination between the political promoters of the process and the municipal technicians. Some of the heads of departments, especially those who belonged to the mayor's political movement, fully supported the process and did what they could. Others were either insufficiently informed or deliberately obstructed the process. Some might have

been unwilling to relinquish powers, others may have been too accustomed to the old forms of clientelism and were unwilling to take popular proposals seriously and support community-generated proposals with their professional skills. In the worst case, some people were simply unwilling to lose the lucrative extra income from bribes.

The municipality also failed to respond adequately in technical terms because of the shortage of technical capacities to facilitate the participatory processes as well as support the outcomes. The urban development division suddenly had to respond to many small community projects, all of which needed proper project documentation and budgets. Similarly, the municipality was not prepared to provide construction materials for so many different community projects simultaneously. Unfortunately, no specific municipal body or committee was created that was responsible for the process.

One of the proponents of the process – a councillor who was actively involved in different territorial projects – even highlighted self-critically what he called the "seven plagues" of Villa's participatory budgeting (Box 3).

IV. PARTICIPATORY BUDGETING IN SAN JUAN DE MIRAFLORES

SAN JUAN DE Miraflores is next to Villa El Salvador, and the two districts share some basic characteristics. They have a similar number of inhabitants (a little under 400,000) and comparable levels of poverty (75 per cent of Villa El Salvador's population and 55 per cent of San Juan de Milaflores' population are in the lowest income groups). In both, more than half of the population is under the age of 25 and in both, youth unemployment, youth gangs and the violence resulting from gangs and drug abuse are major problems. Both districts combine well-consolidated neighbourhoods with recent invasions, and have a number of settlements that still lack basic urban services. A significant difference between the two districts is their political history and the related formation of social identity. Whereas Villa El Salvador is known for its history of popular participation in different experiments of local self-management, San Juan de Miraflores's history is one of political turmoil, corruption and deception. Relations between neighbourhood leaders are equally troubled and, among NGO workers, the district's reputation is one of being difficult to work in and conflictive.

Several of San Juan's mayors ended up in jail for illegally selling off plots, for corruption and for abuse of power, including Adolfo Ocampo, who was first elected mayor in 1984. He won this election as a member of the Izquierda Unida (United Left), the same left-wing party that has almost continually ruled in Villa El Salvador. His first period in office was during the term in office in Lima of Mayor Barrantes, who was also from Izquierda Unida, and this brought many improvements to the district. In his second term, much effort was made to develop a district development plan, and meetings, fora and discussions were held with the population. However, the technical team responsible for developing the plan left the municipality out of frustration, accusing the mayor of corruption. Political manipulations destroyed the possibility of developing an integrated land-use plan in part of the district, so the urban layout of San Juan de Miraflores is more chaotic and uncontrolled than that of Villa El Salvador. Although Ocampo lost the 1992 election, his successors performed even worse, and he was re-elected in 1995. Opportunistically, he changed party and joined Fujimori's

Cambio '90, under whose protection he could continue in office despite mounting evidence of corruption. It was only after the fall of Fujimori that he was impeached and imprisoned. An official municipal document notes that, although the district has been ruled by four different political movements over the last two decades, the basic characteristics of local government have remained the same: inefficiency and corruption, which have split social organization and paralyzed the district's development.[21]

The 2002 local government election was won by a well-known footballer, Paulo Hinostroza, known as *El Churre* (the "beautiful boy"), who was the candidate for Somos Peru. He had been born in one of the district's poorest areas but had escaped poverty by becoming a centre-forward for the football team Allianza Lima.

On assuming office in January 2003, the new mayor inherited a town hall with demoralized staff who had not received their salaries for months. In February 2003, the new municipal council decided to initiate a participatory planning process for the district's development plan, and also a participatory budget. The municipality installed a technical team responsible for developing the plan and the budget in consultation with the population. NGOs were invited to support the process. In the first phase, the technical team consisted of three professionals, supported by five community leaders, all paid by the municipality. In June 2003, a support committee was formed, in which seven NGOs committed themselves to supporting the process in technical terms. The municipality assigned 30 per cent of its investment budget to the participatory budgeting process, equal to almost US$ 500,000. An additional US$ 1.1 million was reserved for improvement projects with a district-wide impact, to be decided on by the district council. There was also a favourable institutional framework at the national level. The first general assembly in March 2003 discussed the proposed shared vision of the future for the district, and brought together 270 participants representing a mix of residents, neighbourhood leaders, leaders of sectoral organizations such as the market organizations, women's organizations such as the "glass of milk" committees and the communal kitchens, schools, parents' organizations and the police. In December 2003, the team presented the Plan de Desarrollo Integral to the council.

The process of developing the plan went well beyond the identification of strategic objectives. Here, the investment in a professional municipal technical team to support and facilitate the process was important. Instead of being restricted only to defining the objectives, as had happened in Villa El Salvador, the plan defined five development dimensions (economic (production, commerce and services), human, urban, ecological, and political/institutional), which are reflected in the shared vision. These are further elaborated in strategic objectives, sub-divided into specific objectives, and translated into concrete projects. Some are district-wide and approved in the general assembly, others are developed in the participatory budgeting process at sub-sector level. Following the model in Villa El Salvador and elsewhere, the district was divided into six sections and the budget allocated according to the number of inhabitants, the extent to which basic needs are met and the level of compliance in paying local taxes.

Within the projects with a district-wide impact, there is significant investment in improving road infrastructure. In the projects selected in the participatory budgeting process, various neighbourhoods opted for workshops and training to improve entrepreneurial skills. Perhaps the most remarkable outcome of this exercise is how the available budget is divided between the different dimensions. In all but one of the six sections, the popular vote

decided to designate most of the budget for human development. Environment comes second, as all projects to construct parks fall under this heading, and urban development is third. Economic development scores only 2 per cent, and this was mainly for training to improve entrepreneurial skills, so this could equally be regarded as an investment in human development.

a. From idealism to harsh reality

Unfortunately, this vision and plan did not succeed. After two decades of political deceit, much of the population did not believe that this was a worthwhile change. Some people were prepared to give the process (and the new mayor) a chance, but once the technical team started the consultation with the population, it encountered deep-seated distrust and hostility against the municipality from many people. A more serious problem was the lack of awareness and capacities, among both the local population and the municipal staff. A workshop held with neighbourhood leaders highlighted the capacities that had to improve to be able to perform their role adequately in the new framework. But none of the NGOs that committed to the process was able to provide the necessary training, and the technical team had neither the time nor the money to provide it. The lack of funds also meant inadequate dissemination of the plan and the procedures for participatory budgeting.

Despite the good intentions, the political will of the mayor and the commitment of the team, the implementation of the participatory budgeting process revealed many flaws. Over 40 workshops were held in the different sections to develop and decide on the budget, but the leaders were not able to overcome the limitations that were also present in the Villa El Salvador experience. The process was hindered by the confrontational attitude of the population and by the classic political divisions. Criticisms of the young, idealistic mayor soon appeared: "*Churre, go back to school and learn something*", referring to his lack of professional preparation for the job (in 2004, his popularity rose again). The neighbourhood leaders were not able to move beyond a standard division of the budget according to the number of people who were present, which meant that many project proposals had completely unrealistic budgets assigned to them. Thus, a project that was approved did not receive the funding needed to implement it but, rather, the funding based on the number of people voting for it. Many proposals had no budgets, and those with budgets often forgot to include the costs of technical design. Few of the projects accepted had well-developed proposals.

The process also encountered opposition from within the municipal apparatus, including the unwillingness of municipal staff to work on these new tasks. For instance, several staff members in the urban development department were unwilling to develop technical project proposals if they didn't receive additional payments. Many of the staff are underpaid, and had probably not received a salary for months under the previous administration. The process of project development became even more complicated when the national government introduced the requirement that all projects had to be developed according to the newly introduced accountancy system, SNIP (National System for Public Investment). Although this was a good initiative in terms of increasing transparency and accountability, it presented a new hurdle for municipalities that lacked the capacity to develop proposals according to the new norms.

21. PDI (2004), "Plan de desarrollo integral de San Juan de Miraflores 2003–2012", document by the technical team responsible for the development of the comprehensive development plan and participatory budgeting, unpublished, page 9.

As in Villa El Salvador, the process met with opposition from councillors and senior staff who were unwilling to relinquish power or who wanted to see the mayor fail in his ambitious project. Also, many other public institutions were unwilling to support the process. In one of the sub-districts, a number of neighbourhood leaders opted to allocate money to develop a preliminary project for the provision of drinking water and sewerage. Normally, it costs a minimum of US$ 100 per household to develop such a project but, as these settlements were all small, the costs per household would probably be even higher. By joining efforts and asking for an integral plan for all seven small settlements, the leaders hoped to reduce costs. There was an NGO willing to support them, so they would be able to develop the proposal with a clear budget. But the water company turned the proposal down. Despite all the efficiency advantages that an integrated plan would offer – both in the preparatory phase of the project and during actual construction – they were unwilling to break the rule that settlements present their proposals on an individual settlement basis.

The mayor also failed to support the projects decided upon in the participatory budgeting process, and gave in to other pressures, allocating expenditure based on classic clientelistic practices. And, as in Villa El Salvador, most money had been spent elsewhere by the time the participatory budgeting project was ready to start. By the end of 2004, few of the approved projects had been implemented, and the technical team had been reduced to one staff member. This can be partly justified because the development plan for the coming years had been completed, but this made it very difficult to organize the next round of participatory budgeting. Nevertheless, all workshops were held and the leaders prioritized a series of projects for their different sections. The technicalities of the process were better developed and each project passed a feasibility check by municipal officers, who also indicated what funds would be necessary to implement the projects. Whether the 2005 projects will be implemented remains to be seen.

V. PROSPECTS FOR PARTICIPATORY BUDGETING IN PERU

FOR ALL OF 2003, legal enactment lagged behind practical implementation. It was only in November 2003 that the Ministry of Finance adopted the Implementation Decree of the Framework Act on Participatory Budgeting. This defines the process of participatory budgeting, why it is undertaken, who participates and what steps should be followed in the process.

The implementation decree clearly draws on the experiments with participatory budgeting undertaken in the years 2000–2003, including the experiment in Villa El Salvador. The decree still leaves much to be decided at the local level, and whether or not the process is genuinely participatory will be determined by local political will.[22] First, it is up to local or regional government to decide what percentage of their budget to assign to the participatory process; they can reduce this to virtually nothing. Second, the previously issued laws (on regional, municipal government and the framework act on participatory budgeting) required the installation of a "coordinating council". The new implementation decree does not clarify the role of this body nor what differentiates it from the "participating actors". It does not clarify the mechanisms which ensure that "organized and unorganized civil society", which is supposed to participate, is representative. However, Peruvian civil society is continuously giving feedback on the steps taken by national government.[23]

22. The decree stipulates that "…*regional or local governments circulate through the adequate media the beginning of the process*", but it does not specify how this should be done. From the 2003 process, it is known that local governments published announcements on a Monday morning, in newspapers that nobody reads, to call for a meeting on the following Wednesday. The entire text of the framework law can be accessed at http://www.mef.gob.pe/propuesta/DNPP/DS171_2003EF_ReglamentoLeyMarcoPptoParticipativo.pdf

23. Many documents for the decentralization and participatory budgeting process, including comments from the Group Citizens Proposal (Grupo Propuesta Ciudadana), can be accessed at www.participaperu.org.pe

VI. CONCLUSIONS

IF WE ANALYZE the experiences in Villa El Salvador and San Juan de Miraflores using the dimensions indicated in the paper by Yves Cabannes, we get the following picture.

Financial dimension: in both districts, the share of the budget allocated to participatory budgeting is substantial (35 per cent and 29 per cent[24] of the investment budget, respectively). Even if we take into account that the budgetary allocation is partly theoretical – it is not unusual that once the projects are ready to start, there are no resources available – many projects have been implemented through the participatory budgeting scheme in Villa El Salvador. Whether this will also happen in San Juan de Miraflores remains to be seen.

Participatory dimension: Cabannes distinguishes between those participatory budgeting experiences where all inhabitants are invited to the deliberation and those that work with existing community representatives. He already signals that Villa El Salvador works with a mixed system: neighbours participate in many meetings and CBO representatives are delegated to take decisions in the final meetings. The same happens in San Juan de Miraflores, although more by accident than by purposeful planning. Building on existing structures of community participation has advantages and disadvantages. Although insufficiently prepared, the leaders will certainly be better prepared than the population at large. They have some knowledge of municipal structures, decision-making and project finance; and they are also more used to thinking in terms of the needs of their settlements rather than individual needs. The experiences in both districts also show the limitations. There is the risk that existing power relations within the settlements will be reinforced, and it is not easy for newcomers (youth leaders, new women's leaders, new neighbourhood leaders) to claim their space and position. Initiatives may fail because of conflicts over who has power locally, as in the case of the local parks described in Box 2.

A second aspect of the participatory dimension is the question of who takes the final decision on the budget. In both districts, the official formula is that the council of local development (an organ that each district should establish according to the new framework law) prepares the budget based on consultative meetings with the population, and ratifies its decisions. The budget is then presented to the municipal council, which is supposed to endorse it. Yet both experiences show that even if this happens, there is no guarantee that the budget will be implemented accordingly. In both districts, "business continued as usual" to a certain extent, with the mayors deciding where the money would be spent, making use of the powers attributed to them according to Peruvian law. These decisions are not necessarily fraudulent. The mayors are under great pressure and they both gave in to forces other than the interests expressed through participatory budgeting.

Yves Cabannes also discusses the question of where participatory budgeting is rooted within the administration, and discusses the merits of the different institutional mechanisms. The case of Villa El Salvador shows that it is not only about where to anchor participatory budgeting but also about how to win support for the experiment within the municipal apparatus and how to build professional capacities to support it. Both experiments in Lima show that the municipal apparatus was not capable of enabling the process and of adequately performing the new roles. When participatory budgeting is taken seriously, it means a profound change in the organization of local governance, and it takes time for municipal staff to adapt to these changes.

24. Cabannes mentions figures of between 2 and 10 per cent because he considers the entire municipal budget, including recurrent expenditures. See reference 10, Cabannes (2004).

The claim that is sometimes made that participatory budgeting implies a redistribution of investments from higher-income to lower-income areas could not be judged, since the two districts are relatively homogeneous in terms of poverty. There is an aspect of the **territorial–spatial dimension** that Cabannes does not mention, and that is the tension between territorial (e.g. neighbourhood) and sectoral (e.g. health) planning. In Villa El Salvador, thematic roundtables of consultation on issues such as health, gender and youth were held to overcome the focus on each neighbourhood, but this did not work because these roundtables had no budget of their own. In San Juan de Miraflores, the work of the technical teams was meant to resolve this tension. All chosen projects were classified according to "dimension of development" and sector. But the fact that the roof of a neighbourhood clinic is improved is not necessarily a strategic investment in the health sector.

Cabannes also discusses the **legal and regulatory dimension**. Peru is particular in this respect in that the obligation to develop a participatory budget is now required by national law. In both municipalities, participatory budgeting is institutionalized through municipal decrees. Among Peruvian professionals, there are discussions as to whether the legal framework helps or hinders the process. Some argue that the legislation is a hindrance; as the law is vague, it is difficult to prove that a municipality is not following the law. More progressive governments, such as that of Villa El Salvador and the attempts in San Juan de Miraflores, do much more than the letter of the law requires. Municipalities can meet their official participatory obligations with some window-dressing and some superficial popular consultation.

A second aspect of the legal and regulatory framework that Cabannes touches upon is the relationship between participatory budgeting and other planning mechanisms, for instance urban and/or comprehensive development plans. In Peru, the situation is clear: these plans and participatory budgeting go hand in hand, and municipalities are required to develop the two in a dialectic manner. This can ease some of the tension between the short term (participatory budgeting) and the long term (the comprehensive development plan), but does not resolve the tension between spatial and sectoral planning. More importantly, it is no answer to the general tendency for ambitious plans to be formulated but never implemented.

Cabannes identifies a number of points for further debate, including two that relate directly to the theme of this paper, namely education and capacity-building.[25] He notes the challenge for local governments to train their personnel to face the demands and challenges presented by the implementation of participatory budgeting. He also mentions that the continued commitment to participatory budgeting goes hand in hand with the empowerment of the population and its understanding of the significance of the process and the benefits it entails. Reaching this level of empowerment implies a clear prioritization of civic and popular awareness and education. In the light of Paulo Freire's teachings, this would require changing the scale of the educational component of participatory budgets.[26]

Referring back to the three levels of citizenship mentioned in Section I above, participatory budgeting can be seen as a process that prepares for the third level, a relationship of co-governance between citizens and authorities. This is an historical breakthrough. The three levels of citizenship also reflect the historical process of citizenship development, from social and political rights, to a kind of citizenship with some agency (the first consultative mechanisms applied by governments included only the elite and/or professionals), to the development of interest and lobby groups and a wide

25. See reference 10, Cabannes (2004), page 43.

26. See reference 10, Cabannes (2004), page 45.

range of consultative mechanisms directed at ordinary inhabitants, which have been flourishing in both the North and the South over the last two decades. When analyzed from the perspective of citizenship, participatory budgeting is not only aiming at the highest level of citizenship, it is also fostering something new.

Participatory budgeting is opening up spaces for practising citizenship as a learning exercise. The experiences from Brazil demonstrate how citizens can grow in their role as co-governors, when both governors and governed dare to engage and are willing to accept it as a learning process.[27] Engaging in a process of participatory governance requires much more than the basic skills of citizenship at the level of a "right" or as "agency". If citizens are to act as "co-governors" in a city – as the ex-mayor of Villa El Salvador expressed – they have to develop the necessary skills to be able to govern. Urban "governance" means a capacity to plan and manage the common affairs of the city in a continuous process through which conflicting or diverse interests may be accommodated and cooperative action can be taken.[28] Planning and managing the common affairs of the city implies that citizens have to overcome their self-interested short-term vision. Both politicians and neighbourhood leaders are trapped in a political cycle that looks for short-term solutions that rapidly show results. The habit of politicizing every decision – and especially investment decisions – is difficult to overcome, and cannot be expected to change rapidly. It is only through a process in which citizens increasingly engage – counterbalancing the vested interests of the old politicized leaders – that such changes can occur. It is a structural weakness that the "mixed form" of representative and direct democracy in participatory budgeting in Villa El Salvador and San Juan de Miraflores still has to be overcome.

Governance also requires that citizens expand their understanding beyond the boundaries of their own neighbourhood or community. Currently, leaders focus too much on the specific needs of their particular neighbourhoods. That has always been their function and that is what they are elected to do, so it requires a profound change to arrive at a different understanding of the role of a leader. This is also a change that can only be achieved over time, when people are taking part over and over again in a process at a scale beyond their neighbourhood.[29] Once people have achieved certain improvements in their own neighbourhood, they are more willing to look at the needs of others. Villa El Salvador is showing the first signs that this is beginning to happen. In some neighbourhoods, the population opted for a project at the district level, and this sets an example from which others can learn.

Participatory budgeting should be understood in its revolutionary dimensions. "Development watchers" tend to look for instant successes. Participatory budgeting will not deliver these; it will not solve problems overnight; and it is not a panacea for all local governance problems. Instead, it should be understood as an historic step in developing citizenship, with all the trials and errors this brings. If we take it as a continuous and dynamic process of learning that creates new associational incentives and spaces, and bridges the knowledge and authority gap between experts and inhabitants as stated above, then it becomes clear that the experiment deserves our support. In the long run, it brings the possibility of a new form of citizenship, and thus achieves much wider importance than simply being a local experiment in exercising citizenship.

27. See Baiocchi, G (2001), "Participation, activism and politics: the Porto Alegre experiment and deliberative democratic theory", *Politics and Society* Vol 29, No 1, pages 43–72; also Souza, Celina (2001), "Participatory budgeting in Brazilian cities: limits and possibilities in building democratic institutions, *Environment and Urbanization* Vol 13, No 1, April, pages 159–184; and Abers, R (1998), "From clientelism to cooperation: local government participatory budget policy and civic organizing in Porto Alegre, Brazil", *Politics and Society* Vol 26, No 4, pages 511–523.

28. UN–Habitat defines urban governance as "…*the sum of the many ways individuals and institutions, public and private, plan and manage the common affairs of the city. It is a continuing process through which conflicting or diverse interests may be accommodated and cooperative action can be taken. It includes formal institutions as well as informal arrangements and the social capital of citizens.*" See UN–Habitat "Principles of good governance", which can be accessed at http://www.unhabitat.org/campaigns/governance/Principles.asp

29. Several participatory budgeting processes in Brazil are accompanied by a capacity-building process in which participants receive training in understanding municipal budgets, monitoring project implementation, etc. Some Brazilian cities offer delegates in the participatory budgeting rounds excursions to other parts of the city, to allow them to understand the needs of other sectors. For an overview of the learning process in participatory budgeting in Porto Alegre, see reference 27, Baiocchi (2001); also Menegat, R (2002), "Participatory democracy and sustainable development: integrated urban environmental management in Porto Alegre, Brazil", *Environment and Urbanization* Vol 14, No 2, October, pages 181–206.