

THE PARTICIPATORY BUDGETING EXPERIENCE COTACACHI - ECUADOR

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1. GENERAL INFORMATION

Cotacachi, which is 100 Kilometers to the north of Quito, the capital of Ecuador, is the largest canton (1,800 Km²) in the province of Imbabura. Of a total population of 41,116 inhabitants, only 20 percent live in the urban area.

Cotacachi has three well defined zones, from an ethnic, ecological, and economic standpoint:

- The *Andean zone*, which is located on the eastern slopes of the Andes mountain range (between 2,500 and 5,000 meters), has a majority indigenous population distributed among 43 communities, whose economy is based primarily on agriculture (corn, beans, potatoes, peas, and barley) and crafts (ceramics, textiles, leather, etc.).
- The *urban zone* (2,500 meters), which is inhabited by several ethnic groups, primarily the mestizo population. The economy of this area is based on leather crafts, public services, tourism, and agriculture (flowers, vegetables, legumes, etc.).
- The *subtropical zone*, located in the western foothills of the Andes (between 200 and 1,800 meters), with an ethnically diverse population that produces coffee, sugar, wood, and fruit, and rears cattle.

In general, 80 percent of the population of Cotacachi lives in the rural area. Cotacachi has an ethnically diverse population: 55 percent indigenous, 40 percent mestizo, and 5 percent Afro-Ecuadoran.

Agricultural production is the canton's main economic sector. Cotacachi is rich in natural resources and a section of its territory forms part of one of Ecuador's largest ecological reserves (Cotacachi-Cayapas), which comprises mountains, moors, and Andean lagoons, primary wet tropical forests, and a large watershed area.

1.1 Legal and Institutional Framework

In accordance with the Constitution of Ecuador, the municipalities are autonomous public institutions, which are governed by a Municipal Council and a mayor, the

highest administrative authority. The Municipal Regime Law stipulates that the municipalities are autonomous political societies that are subordinate to the State, whose goal is to achieve the local common good and meet the needs of the urban and rural population.

The Municipal Council has legislative, planning, advisory, and supervisory powers, and is presided over by the mayor, who is the legal representative and head of the municipal government.

1.2 Responsibilities

The municipal responsibilities stipulated by law are as follows:

- Planning for cantonal development;
- Provision and management of urban drinking water and sewage services;
- Clean-up, collection, and final disposal of solid waste;
- Promotion and support of cultural, artistic, sports, and recreational development;
- Environmental management;
- Promotion of productive activities and the local economy, among others.

Moreover, the municipality of Cotacachi differs from the other municipalities in the country, because of the boost it has given to the human development of the canton. For example,

- Since 2003, Cotacachi has been the first and only municipality in the country that manages health services in its territory in a decentralized manner. Several indicators reveal that this institutional, administrative, and financial change has been very positive, and has significantly improved the quality of these services to the people.
- With assistance from the Government of Cuba which provided methodological support, Cotacachi developed the literacy campaign entitled "Yes, I can" [*Yo sí Puedo – ÑUCA USHANIMI*]." In April 2005, UNESCO declared the canton an "illiteracy-free territory."

1.3 Policies and Strategies

Since 1997, Cotacachi has had a Cantonal Development Plan until 2011. This plan, which was developed in a participatory manner with the people, outlines the development guidelines and policies designed to improve the people's quality of life in an equitable manner, respect the relationship between human beings and nature, as well as the existing ethnic diversity, with a view to achieving harmonious and sustainable development and strengthening the organized participation of all sectors of the population.

1.4 Human and Material Resources

The Municipality has 135 public officials and technical specialists, who are responsible for ensuring that the objectives of the Cantonal Development Plan are achieved, strengthening the organizational forums for the people, and implementing the local health, education, environmental, basic sanitation, and social and economic development policies.

It has developed an institutional modernization process that uses a computer, accounting, and tax collection system, which has reduced customer service time, improved internal control systems, and generates timely information for decision making. It currently has a voice and data computer network, with access to satellite internet services, which has improved the flow of internal and external information.

1.5 Financial Resources

The municipal budget for 2008 is US\$4,791,300

These funds come from several sources:

- Local revenue (taxes, charges, etc.)
- Allocations from the State
- Loans

Expenditure by the municipality is distributed under the following categories:

Current expenditure	22%
Capital expenditures and investment	77%
Debt servicing	1%

Owing to the transparency in handling public funds and to management capacity, several projects were executed with financing and technical assistance from national and international cooperation, thus doubling the municipal investment budget resources.

1.6 International Awards

As a result of the work conducted over a 12-year period, innovation in municipal public government, transparency in handling public resources, joint responsibility fostered among social actors, intercultural dialogue, and the creation of unity in diversity, Cotacachi has received several national and international distinctions and

awards, despite recent political, economic, and social instability in Ecuador. Prominent among them are:

- The Dubai International Award for Best Practices, granted by the municipality of Dubai, Arab Emirates; United Nations, and UN-HABITAT, 2000;
- The International Cities for Peace Prize, awarded by UNESCO, 2002;
- The International Award for Best Practice in Citizen Participation, granted by the International Observatory of Participatory Democracy, 2006; and
- The International Digital Cities Award, granted by the Hispanoamerican Association of Research Centers and Telecommunications Companies [*Asociación Hispanoamericana de Centros de Investigación y Empresas de Telecomunicaciones* AHCIET], 2007.

The Cotacachi authorities have been invited to participate in several international events, because of the good governance practices it has implemented. Similarly, Cotacachi has welcomed many national and foreign delegations that wish to learn about this municipal experience, which has been the subject of study in several Ecuadoran universities, and has been analyzed by many specialists for a host of national and international publications.

2. PARTICIPATORY DEMOCRACY IN COTACACHI

In 1996, Mr. Auki Tituaña Males, an economist, was democratically elected the first indigenous mayor (KICHWA) of Cotacachi. Reelected in 2000 and again in 2004, he promoted an innovative process for democratic and participatory municipal management, which is based on organization of the citizenry, comprehensive development planning, transparency, accountability, combating corruption, and community self-management, and which values, respects, and recognizes ethnic, gender, and generational diversity.

The municipality ceased to play its traditional role of service provider and assumed the responsibility of serving as a catalyst for economic, social, cultural, and comprehensive growth. The citizen participation approach seeks to correct the weaknesses of traditional municipal governments, which are generally exclusive, paternalistic, centralized, and lack planning. The governance model for participatory democracy is established from the bottom up by civil society, which draws on Andean ancestral tradition to create unity in ethic and cultural diversity.

In 1996, the mayor convened the first Assembly for Cantonal Unity [*Asamblea de Unidad Cantonal*], which was attended by organizations, private and public institutions, craft trade unions, and other social actors that presented their requests, and learned about the new municipal management model, which was fully endorsed, and entails a shift from traditional representative democracy to

Participatory Democracy, which considers the opinions, criteria, and decisions of the people, and seeks consensus in order to achieve the social, economic, and environmental development of the community.

The municipality of Cotacachi and organized civil society agreed that the Assembly for Cantonal Unity shall serve as the forum for collaborating, coordinating, and planning the canton's future in a participatory manner, and as the highest decision-making body. Since that time, the Assembly has been meeting once a year with all the organized sectors of the canton. At this forum, development policies are formulated and promoted, consensus is reached, and the canton's existing territorial, gender, generational, and thematic diversity is represented.

This Cotacachi initiative was the precursor to national laws that recognize the need for citizen participation in public management, and was approved in 1997 and incorporated into the Constitution in 1998.

In order to institutionalize the process, the municipal ordinance, which legally recognizes the by-laws of the Assembly for Cantonal Unity, was approved in 2000, although it is understood that it is the presence and participation of the involved, committed, and empowered citizenry as an active subject, which ensures its sustainability and strengthening. The participation approach in Cotacachi is therefore a dynamic process, which incorporates new actors that emerge in the society.

In Cotacachi, management tools that are not common in most of the country's municipalities were implemented. Consequently, participatory planning is important and formed the basis for the development of the Cantonal Development Plan which governs the future of the canton until 2011.

There are also regular accountability exercises by the mayor, who informs the citizens of the results of the administrative and financial management of the municipality. This report also entails the disclosure of his personal accounts to the public, adopting a policy of total transparency, which is uncommon among authorities elected by popular vote.

The municipality of Cotacachi has a web page (www.Cotacachi.gov.ec), which enhances the transparency of information on priority works and projects in the participatory budgeting cycle, as well as the remuneration of public officials, including the mayor. This exercise is conducted at the annual assemblies, at which representatives from the three zones of the canton are represented.

The evaluation forum for participatory budgeting is another forum for accountability exercises, at which citizens learn about and ensure completion of the works and projects approved in the budget.

3. PARTICIPATORY BUDGETING

Owing to the social awareness of the citizens of their rights and responsibilities and to the use of the new local development model since 1996, the process to prepare and develop the Municipal Investment Budget in a participatory manner was launched in 2001, based on the general principles of equity, administrative efficiency, solidarity, and reciprocity.

Participatory budgeting is the main strategic tool for realizing the vision and mission of the new municipality of Cotacachi, based on intercultural dialogue and the search for consensus between the people and municipal authorities, in order to implement the guidelines and policies of the Cantonal Development Plan.

This social and technical process of prioritization and public negotiation of works and projects is a genuine exercise of participatory democracy, which requires political will, social and technical management capacity, organization, integrity, and transparency among all the actors.

Cotacachi was the first municipality in Ecuador to adopt this process, through the political will and decision of the mayor, because, at least to date, participatory budgeting has not been incorporated into the national legal framework.

4. PARTICIPATORY BUDGETING METHODOLOGY

4.1 Basic Principles

- Socio-organizational, ethnic, and territorial participation;
- Transparency in the management of the municipal budget (revenues and expenditures);
- Flexibility of the participatory budgeting structure;
- Objectivity in the allocation of resources and in the prioritization of development works and projects;
- Social and moral commitment to create "Unity in Diversity" [*Unidad en la Diversidad*];
- Reciprocity and self-management, which values the economic contributions of the community;
- Solidarity among districts, communities, organizations, trade unions, and public and private institutions for the identification of works and/or projects.

4.2 Methodological Criteria

- Base participatory budgeting on the Cantonal Development Plan, and the development plans for rural parishes, according priority to the guidelines, policies, thematic areas, programs, and projects;
- Take into account the demographic and territorial indicators, as well as those related to unmet basic needs, and include gender equity;
- Include 100 percent of available investment resources in participatory budgeting;
- Allocate a percentage of the budget to projects and specific activities for the forums for citizen participation: Assembly for Cantonal Unity, intersectoral committees, and other social actors;
- Allocate resources to complete works being carried out in stages;
- Avoid duplication of efforts and investments in urban districts or rural communities that benefited from works and projects in previous years;
- Establish levels of joint responsibility; and
- Support the comprehensive development of all social and ethnic sectors.

4.3 Participatory Budgeting Aspects

The participatory budgeting process in Cotacachi has territorial, thematic, and social aspects or bases:

Territorial

From a methodological standpoint, the canton is divided into three zones with different cultural and socioeconomic contexts: the Andean zone, the urban zone, and the Intag zone.

Participatory budgeting workshops are held in these zones, to identify the specific priorities and establish levels of dialogue and consensus in each one.

Urban Zone: Participants included delegates from the Federation of Districts [*Federación de Barrios*], which brings together 15 organized districts in the city; craft associations, women's groups, youth groups, and educational institutions, among others.

Andean Zone: Includes delegates from local community governments, which are known in Ecuador as parish councils [*Juntas Parroquiales*], water councils, youth groups, women's groups, and campesino and indigenous community organizations, grouped under UNORCAC (second-tier organization).

Subtropical Zone: Participants also include representatives from the parish councils, communities in the subtropical zone, women's groups, and youth groups.

Thematic

The thematic basis is determined by the priorities outlined in the Cantonal Development Plan, the development plans of the rural parishes, and in the sector plans.

For example, the priority areas in the Cantonal Development Plan are health, education, the environment, production, and tourism.

Social

The social basis of the process is the inclusion and participation of all citizens, regardless of age, gender, ethnic background, or economic, political, or cultural circumstances. It recognizes traditional methods of organization and promotes new types of organization to incorporate less participatory groups.

4.4 Levels

Consequently, participatory budgeting in Cotacachi establishes three levels:

- The community or district level for works and projects for communes and districts;
- The zonal level, which includes works and projects for zones; and
- The cantonal level for works and projects for the cantons.

Based on these components, the most recent participatory budgeting process is structured in the following manner:

STRUCTURE - PARTICIPATORY BUDGETING (2007)		
Description	Budget (USD)	Percentage
A) Projects and works for cantons and the citizen participation process	651,376	33%
B) Projects and works for zones and local areas	1,296,976	66%

DISTRIBUTION - PARTICIPATORY BUDGETING (2007)		
Description	Budget (USD)	Percentage
Urban zone	459,539	35%
Andean zone	473,997	37%
Intag zone	363,440	28%

Before 1996, resources were allocated without any planning and were distributed in an inequitable manner. The urban zone, whose population accounts for only 20 percent of the total population, was the prime beneficiary.

This negative trend of providing benefits to those who already have, to the detriment of the most vulnerable population segment, has been reversed, and there was a radical shift with the introduction of participatory budgeting, which allocates approximately 70 percent of the resources to the rural area, providing benefits in particular to ethnic indigenous and Afro-Ecuadoran groups, which for years had been excluded from local development opportunities.

4.5 The Participatory Budgeting Process Cycle

The Cotacachi participatory budgeting cycle is as follows:

- ***Information and Coordination***

Coordination with the people is promoted from the outset. The social actors from the three zones receive information on the participatory budgeting process, training in participatory processes, and prioritization tools. The prioritization document [*acta de priorización*] is then submitted.

A workshop is held in each of the three zones. Participants include the municipal technical team and social actors.

- ***Identification of Works and Projects***

Work is done in each locality (communities, districts). The participants at these initial workshops report the results to their respective groups. Specific tools are used to identify priority works and projects for the locality and prepare the prioritization document, to which is added the list and signature of the participants as well as the counterpart contributions proposed by the people.

Workshops are held in each community or district, and are attended by all residents, in addition to municipal promoters of participatory budgeting in some communities in the Andean zone.

- ***Prioritization of Works and Projects***

Representatives from communities and districts submit the prioritization document for works in communes. In each one of the zones, delegates work with innovative methodologies to establish the priorities for zones and cantons. At the start of the workshop, men and women adapt their proposals to the parish plans and the Cantonal Development Plan, separately and using a personalized voting system. The plenary session is then held to identify priorities for zones and cantons.

A workshop is held in each zone, and attended by the social actors and the municipal technical team. On these occasions, participatory and prioritization strategies that have been tailored to the social situation in each of the three zones have been incorporated.

- ***Presentation of the Proposal***

The technical team adapts the distribution of available resources for the three zones based on criteria that are previously established and are known by the citizens. The municipal proposal takes into account economic viability, relevance of the work or project, the unmet demand in previous years (principles of solidarity and reciprocity), and commitments made.

- ***Coordination***

This is a joint forum (municipality – social actors – technical team) where the local government presents the previously reviewed proposal. Consensus is reached for works pertaining to areas and cantons, and the principles of solidarity and reciprocity among zones, districts, and communities prevail for consensus decisions.

- ***Presentation to the Municipal Council***

The final document is submitted to the Municipal Council for its approval in two meetings. If the proposal is rejected by the Municipal Council, the mayor exercises his veto power, paving the way for this approval to take effect by operation of law.

This proposal is submitted in accordance with the rules governing the country's public sector.

- ***Execution of Works and Projects***

Once the budget has been approved, the required activities are conducted and the works that were planned in a participatory manner are executed, thus meeting the existing legal requirements. Its duration depends on the characteristics of each of the approved projects and includes monitoring of these projects by the relevant population group, which organizes itself into monitoring committees.

- ***Evaluation***

Lastly, the investment plan statement, its progress status, and the monitoring reports for the works and projects for the fiscal year are presented, and the process is evaluated.

A workshop is held in each of the three zones to conduct the evaluation, and is attended by the social actors and the municipal technical team.

5. RESULTS OBTAINED

Owing to the participatory democratic process and participatory budgeting, there has been a notable improvement in the people's quality of life. Some of the most outstanding results are as follows:

Health

Identified in the participatory budgeting process by the people as being the first priority, the municipality undertook to strengthen Cotacachi's decentralized cantonal health system, the first decentralization effort in the area of health in Ecuador, which, since 2003, has been benefiting the most vulnerable population segment, and involves curative, preventive, and rehabilitative medicine.

One of the most important indicators of the success of this process is that the maternal-infant mortality rate in Cotacachi, once one of the highest in the country, was reduced to zero two years ago.

The system combines Western and traditional medicine and values the ancestral knowledge of the indigenous communities on health.

The system currently includes a health center providing hospital care, several clinics and health posts, and a rehabilitation center for disabled persons and the elderly.

Education

UNESCO declared Cotacachi the first illiteracy-free territory in Ecuador, as a result of its literacy program entitled "Yes I Can" [*Yo sí Puedo*] which employed a Cuban methodology and was executed during the 2004–2005 period, and is still being offered. Sixty percent of the beneficiaries have been women, particularly indigenous women and residents from the rural area.

Cotacachi currently has a 20 point post-literacy program – "Yes I Can Continue" [*Yo sí Puedo Seguir*], which allows persons who participated in the literacy program as well as others to complete their primary studies over a 20-month period.

Electrification

One of the priorities identified by participatory budgeting was the expansion of the electrification network in the rural area, with a view to improving the quality of life of that neglected population group. Today, the Andean zone has 99 percent coverage, while the Intag zone has 95 percent coverage.

Basic Sanitation

Provision of drinking water services and environmental sanitation in the rural area was another priority identified by the people. Owing to distance, executed projects currently concern 50 percent of the rural population.

Promotion of Equity

At the request of the people, the municipality established a Women and Family Center, which serves women in the canton's three zones, and provides advice pertaining to the defense of their rights and prevention of domestic and gender violence.

The Wampra Wasi – La Casa del Joven project was also developed in the rural sector to ensure the reintegration of young gang members, who, as a result of lack of opportunities, joined violent groups. It seeks to build their capacities through games and music in order to boost their self-esteem, and provides training in various trades.

Monitoring, Evaluation and Control

The social actors conduct ongoing monitoring of the participatory budgeting cycle, from the planning stage until execution of the works and projects, exercising joint responsibility for the canton's comprehensive development.

5.1 General Achievements of Participatory Budgeting

- The Cotacachi citizen participation process has facilitated the true exercise of the rights and responsibilities of the citizens, and has strengthened the capacity of individuals, groups, and organizations to face their problems, defend their interests, and act as resolute, responsible, and active agents in the canton's democratic life.
- It has overcome the tendency to unduly separate participatory budgeting. Investment is currently geared toward strategic projects for the entire canton, such as projects related to health, education, and the development of alternative production projects to strengthen the local economy.
- Another achievement of participatory budgeting is equity in the distribution of municipal investments, which currently are primarily allocated to the rural area, where the majority of the population resides and where unmet needs are more common.
- Collective awareness of the role of social actors was developed; these social actors move from being mere observers to being active promoters of the

canton's development, through the monitoring and control of participatory budgeting planning and execution.

- The process has generated positive changes and greater cohesion in municipal government. The participatory budgeting methodology requires ongoing reviews of the Annual Operating Plans, strengthening of planning instruments, and a monitoring and evaluation system for the municipal units and agencies.
- The benefits of the process have two aspects: (i) the citizens, as the protagonists of public management, incorporate greater efficiency, equity, and solidarity in the execution of municipal programs and projects; and (ii) the municipality, which ensures increased efficiency and optimizes its human and economic resources.
- The citizen participation and participatory budgeting experience in Cotacachi has been innovative and pioneering at the national level, a challenge requiring political will, commitment, and decision making, because there was no model to follow.

5.2 Achievements of the Cotacachi Municipality – Local Government

Participatory budgeting has allowed the municipality to:

- Deepen its relationships with the social organizations;
- Increase efficiency and optimize the use of human and economic resources;
- Halt corruption, clientelism, and paternalism;
- Enhance transparency in the handling of public funds;
- Achieve equitable distribution of investments;
- Develop a policy of social, ethnic, gender, and generational inclusion; and
- Share power.

5.3 Achievements of the Community

Participatory budgeting has helped the people to:

- Identify, prioritize, and coordinate executed works and projects;
- Assume and exercise their rights and responsibilities;
- Gain access to forums for empowerment and decision making;
- Monitor the schedule for works and projects and activities executed by municipal officials;
- Learn about the handling and distribution of the municipality's economic resources; and
- Hold discussions with local government and other social sectors.

6. LESSONS LEARNED

- The execution of coordinated planning generates mutual confidence between social actors and the authorities and officials, as this is the key for increasing participation and joint responsibility of all the actors involved.
- The process enhances the transparency of the administrative and financial management of local government, prevents corruption, and improves the efficiency and effectiveness of public management.
- This process facilitates identification of institutional, trade union, and economic interrelations, and uses discussion and coordination as instruments for sustainable development.
- Participatory budgeting allows participants to identify and prioritize crosscutting strategic development areas such as the environment or social and gender equity.
- The process generates a feeling of ongoing solidarity and reciprocity among the social actors, and contributes to training of the citizens.
- Participatory budgeting increases the visibility of the role, knowledge, and contributions of long neglected and excluded actors.

7. RECOMMENDATIONS

- Local planning instruments should be related to the priorities identified in participatory budgeting, in order to achieve the short-, medium-, and long-term objectives.
- Methodologies that take into account the ethnic, cultural, gender and age differences of the current actors in a territory must be developed.
- Local authorities and municipal technical specialists must instill confidence in the citizens, adhering to the programming and timetable for execution of the works and projects.
- The participatory democratic and participatory budgeting process must serve as a permanent technical and political education program for municipal officials and social organizations in order to ensure the sustainability of the process and institutional strengthening.

- It is essential to enhance the transparency of information on public finances, presenting the revenues and expenditures of the municipal budget to the people in simple and straightforward language. The people must have a genuine understanding of a budget and its limitations in meeting their needs.

Cotacachi, February 2008