

## Participatory budgeting An innovative approach

### SUMMARY

Experts in the budgetary field see participatory budgeting as an innovative solution to promote inclusive democracy, and further modernisation and accountability in the public sector. Participatory budgeting is believed to allow civil society and public administrators to jointly determine spending priorities, through 'co-decision' measures. Cooperation is expected to reduce conflicts and to favour broader acceptance of budgetary decisions.

The first experiments with citizens' participation in budgetary matters were conducted in Latin America in the late 1980s. It is estimated that there are now between 618 and 1 130 examples of participatory budgeting in Latin America, representing almost a third of the instances of participatory budgeting worldwide. In Europe, between 2005 and 2012, experiments with participatory budgeting increased from 55 to over 1 300, involving more than 8 million EU citizens.

Not only national authorities, but also supranational administrations, including the European Union (EU), incentivise the use of participatory budgeting among governments and sub-national authorities. Since 2002, the World Bank has provided over US\$280 million in loans and grants in support of participatory budgeting-related projects in at least 15 countries. At EU level, participatory budgeting has been introduced through funding programmes such as URB-AL. Between 2003 and 2010, URB-AL managed €5 million and involved 450 local governments and civil society representatives in Latin America; its objectives include promoting participatory budgeting to strengthen budgetary transparency and accountability.



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### Glossary

**Participatory budgeting:** a process in which members of a community decide directly how to spend part of a public budget. 'It represents a direct-democracy approach to budgeting. It offers citizens at large an opportunity to learn about government operations and to deliberate, debate, and influence the allocation of public resources. It is a tool for educating, engaging and empowering citizens and strengthening demand for good governance. The enhanced transparency and accountability that participatory budgeting creates can help reduce government inefficiency and curb clientelism, patronage, and corruption' (source: [World Bank](#)).

**Budget support:** involves policy dialogue, financial transfers to the national treasury account of the partner country, performance assessment and capacity-building, based on partnership and mutual accountability. It should not be seen as an end in itself, but as a means of delivering better aid and achieving sustainable development objectives by fostering partner countries' ownership of development policies and reforms (source: [European Commission](#)).

## Why participatory budgeting?

In recent decades, political institutions have experienced a progressive decline in trust from their constituencies. The economic and financial crisis has further weakened the public's faith in its representatives. Turnout in elections across both Western and Eastern democracies has declined by an average **10 percentage points** over the past 20 years.<sup>1</sup> According to the [World Values Survey](#), those who reported having 'a great deal' or 'quite a lot' of confidence in political parties dropped by **22 percentage points** globally between 1990 and 2006. Between 2002 and 2010, the number of Europeans expressing dissatisfaction with politics rose from **31%** to **43%**.<sup>2</sup>

Supranational entities are not spared by this phenomenon. The World Bank, for instance, has been repeatedly accused of ignoring the environmental and social impact of its projects. The World Trade Organization (WTO) is criticised for undermining democracy in developing countries.<sup>3</sup> In the European Union (EU), which has also been criticised by citizens, non-governmental organisations (NGOs), and other organisations representing the interests of civil society, repeatedly underline the difficulty of becoming more involved in European policy-making.

Strategies used by public authorities to revive participation by civil society, and to regain public trust in politics, vary greatly in nature and scope. Examples include the funds provided to projects and programmes aimed at fostering democratic values in local communities,<sup>4</sup> the use of new technologies to facilitate public engagement in policy-making, and vocational education and training. Alongside these tools, public actors are in constant search of new ways to promote public involvement and trust in policy-making. Participatory budgeting (PB) may be considered one of the most innovative approaches to promoting participatory democracy. Public administrators use PB to offer the public and NGOs a measure of co-decision when determining the spending priorities for public administrations. In doing so, they expect to reduce conflict and ensure broad public acceptance of budgetary decisions.

## Experiences of participatory budgeting

PB is a relatively new feature of the political landscape and has only taken off globally in the past 15 years. Examples of PB can now be found all over the world.

### Participatory budgeting outside Europe

Trials of Participatory Budgeting practices have taken place in North America, Africa, Oceania, India, Korea, Japan and China.<sup>5</sup> However, it is in Latin America that the first experiments with public participation in budgetary matters were conducted, as early as the late 1980s. It is estimated that there are between **618** and **1 130** current examples of PB in Latin America, representing almost one third of PB cases worldwide (the total number of which is estimated at between 1 269 and 2 778). Almost all Latin American countries have implemented PB, including Argentina, Chile (with **4.7%** of the population involved in PB), Colombia, Mexico and Peru (under a 2003 law, PB is compulsory at regional and local level: 150 000 Peruvians take part in PB every year).<sup>6</sup>

Brazil, with around **300 such experiments**, has one of the highest densities of PB in the world. Between 2001 and 2004, nearly 60% of Brazilian cities with more than 1 million inhabitants – amounting to 58% of the population – were experimenting with PB.<sup>7</sup> The city of **Porto Alegre** is considered a pioneer in adopting PB. This was first introduced in 1989, as part of a reform aimed at tackling inequality in living standards amongst city residents. Since then PB has become common practice. The 1996 United Nations (UN) Habitat II meeting awarded Porto Alegre the distinction of international 'best practice' for its use of PB. Every year the municipality organises two rounds of assemblies in each city district. Participants in the assemblies discuss and prioritise specific policy areas, such as social welfare or taxation. The lists of priorities adopted by the assemblies are forwarded to the city's budget council, who may accept or reject them (in the case of the latter, it has to provide reasons publicly).

### Participatory budgeting in Europe

European governments' experiments with public participation in budgetary matters have been broader in scope than those in Latin America. Rather than increasing social justice, PB in Europe was born of the need to revive democratic participation, strengthen civil society, modernise public services and combat corruption. PB has grown considerably over the past 10-15 years. Between 2005 and 2012, European examples of PB increased from **55 to over 1 300**. A 2008 study estimated that 5.3% of the Spanish population, 1.4% of the German population and 1% of Portuguese and Italian citizens lived in cities that used PB.<sup>8</sup> Overall, over **8 million** European citizens are actively involved in PB.<sup>9</sup>

The cases of PB in France, Germany, Poland, Spain and Italy are exemplary. In **France**, following the entry into force of the 2002 *loi Vaillant*, which introduced local authorities known as *conseils de quartier* in all French municipalities with over 80 000 inhabitants, several local authorities launched experiments in PB (examples include the 'budget workshops' in Saint-Denis, the 'Let's talk frankly' initiative in Bobigny, and the 'district portfolios' in Morsang-sur-Orge). In **Germany**, PB has been used to reduce the public debt (especially in the state of North Rhine-Westphalia, as part of a strategy aimed at reducing existing debt and incentivising local communities to spend their resources efficiently).<sup>10</sup> **Poland** has the largest number of ongoing PB experiments in Europe, thanks to a law passed in 2009 that introduced the Solecki Funds. These are special resource packages provided to local

#### Participatory budget timeline in the EU

**2001** – France, Spanish and Italian municipalities introduce PB.

**2008** – Lisbon is the first European city to introduce online PB.

**2008** – The Association of Municipalities and Regions in Sweden promotes PB experiments across the country.

**2009** – Poland adopts a law establishing a fund to support the establishment of co-decision-based PB at local level.

**2014** – With the adoption of PB the city of Paris becomes home to the largest participatory budget in Europe.

authorities to boost direct democracy, including the implementation of co-decision in budgetary procedures. The first experiments with PB in **Spain** developed during the early 2000s, particularly in the regions of Andalusia and Catalonia. Seville and Córdoba are among the cities that have adopted PB. In **Italy**, interest in PB began to increase from 2001. Several cities committed to introducing participatory practices in the budgetary field, including Rome, Naples and Venice.

### **Recognition of participatory budgeting by supranational entities**

In addition to national governments, supranational entities have also helped to raise awareness of PB. Incentives to introduce PB are an integral part of the external aid and financial support that supranational regulators provide to governments in exchange for structural reforms. Examples include the World Bank and the United Nations. The World Bank is probably the supranational institution most involved in promoting PB. According to recent estimates, since 2002, the World Bank has provided more than **US\$280 million** in loans and grants in support of PB-related projects in at least **15 countries**.<sup>11</sup> The World Bank is also actively involved in sponsoring workshops and training public officials (and NGOs) who wish to introduce PB in their administrations.

The United Nations supports PB through the [UN-Habitat](#) programme, which aims to assist local authorities in the adoption of inclusive, transparent and participatory urban governance. Over the past 18 years, the Urban Management Programme in particular has helped 19 anchor institutions and 40 local and central institutions to develop participatory governance in **140 cities in 58 countries**. This programme has also developed a [Participatory Budgeting Toolkit](#), which is based on four types of resources: a digital library; a set of technical and legal instruments; a series of city fact sheets; and a resource directory of people, organisations, contacts and websites.

### **The European Union and participatory budgeting**

After the World Bank and UN-Habitat, the EU is the supranational regulator that has given the most support to implementing PB, especially in the field of budget support. The opportunity to foster public participation in decision-making on budgetary issues is frequently mentioned in official EU documents. As the European Commission explains in its 2011 [communication](#) on the future approach to EU budget support to third countries, PB, together with openness and transparency, is a tool for strengthening domestic and mutual accountability. This point is developed in the 2012 EuropeAid [Budget support guidelines](#) and in the 2013 Commission [communication](#) on the empowerment of local authorities in partner countries. Both documents consider PB helpful in guaranteeing oversight and scrutiny of the budget, as a tool for holding public decision-makers accountable.

As far as EU funding programmes are concerned, **URB-AL** is particularly noteworthy. [URB-AL](#) is a regional cooperation programme, promoted by the Commission's Directorate General for International Cooperation and Development (DG DEVCO), which ran from 1994 to 2013 and involved sub-national governments in the EU and Latin America. The third phase of URB-AL (2008-2013) covered more than 500 municipal administrations with a total population of 26 million people in 74 Latin American territories. Between 2003 and 2010, URBAL managed **€5 million** and involved **450 local governments and civil society representatives**, such as universities and NGOs.

Although PB has not been the subject of a specific resolution of the EP, it has from time to time been the subject of support from political groups, which have placed it in the context of supporting democratisation.<sup>12</sup>

### Participatory budgeting in practice

As noted previously, there is no standardised approach to PB, but rather a number of experiments tailored to the specific needs of the administration seeking to involve civil society representatives in budgetary procedures. Nevertheless, examples of PB typically divide the process into **three phases**:

- The first phase is devoted to **organisation**, and may include the division of the local authority into smaller clusters, as well as the planning of public meetings throughout the fiscal year;
- The second phase consists of **deliberation and negotiation** over the allocation of resources between civil society and government players (ideally this phase should conclude with the identification of a set of spending priorities);
- The third phase includes **implementation** of the decisions taken, and **oversight and reporting** activities.<sup>13</sup>

In the opinion of other scholars, there are **five founding criteria** (i.e. helpful to distinguish PB from ordinary public consultations) for PB:<sup>14</sup>

- **Discussion of financial/budgetary processes:** participatory processes should be focused on financial questions, and more precisely on how a limited budget should be spent.
- **Involvement of the whole population:** this is important to distinguish PB from cases in which the public is entitled to decide on the use of a specific amount of public money, but have no influence on broader budgetary issues. In PB, all citizens interested by specific budgetary measures are always involved.
- **Repetition of the process:** the public may occasionally be asked by the authorities to express their opinion on budgetary matters (in a referendum, for example). Rather than being a one-off exercise, PB is a process repeated over a number of years.
- **Public deliberation:** PB calls for both discussion of budgetary topics and deliberation. The former only implies debate on given topics, whereas the latter includes the duty to decide after deliberation has taken place. In many cases, public administrations allow citizens to discuss sensitive budgetary matters, but remain the only ones with the power to take decisions: this does not qualify as PB.
- **Accountability:** PB requires feedback to participants, through publications informing them of how proposed projects have been adopted, or explaining why they were not approved.

### Participation combined with other forms of innovation in budgeting

Experiments with PB are often combined with other forms of budgetary innovation. There are two noteworthy examples: the first concerns the use of PB in conjunction with **gender budgeting**.<sup>15</sup> A public administration may use PB to boost participation from specific social groups. The city of Rosario, in Argentina in 2003, for example, decided to develop a gender-responsive approach to budgeting (it has received financial support since 2006 from the [UN Development Fund for Women](#), UNIFEM). In this case gender budgeting was introduced as part of the PB already in place in the municipality, aimed at increasing female participation in the budgeting process itself and in city



governance more broadly. According to UNIFEM, by 2008 Rosario had implemented **20 PB and gender budgeting projects**, at a cost of around **US\$800 000**.

Another example of PB being combined with other forms of innovation in budgeting involves the use of digital technology applied to the budget (also known as '**e-budgeting**').<sup>16</sup> For example, between 2006 and 2011, the Brazilian city of Belo Horizonte experimented with digital PB. The use of ICT combined with PB had two objectives: first, to involve more members of the public in budgetary decisions; second, to draw the public's attention to major investments financed from the budget. Belo Horizonte's e-PB was based on an e-voting platform accessible to all residents over the age of 16 years old, who could vote and prioritise those investments that they considered most important. E-PB was a success: a total of 173 000 voters, 10% of the local electorate, participated and expressed their opinions.<sup>17</sup> In Europe, the first capital to introduce PB in combination with electronic voting was [Lisbon](#) in 2008.<sup>18</sup> The city of [Cologne](#) is another well-known example of PB online, which it has used since 2007 (with the debate carried out through blogs).

### Critical reviews of participatory budgeting

Despite its widespread use, PB remains controversial. On the one hand, the introduction of PB has helped municipalities to increase the transparency of their budgets and to be perceived as more accountable. Assessments of PB conducted by local administrations underline the positive impact on citizens' perception of the accountability of the public administration as well as the improvement of good administrative behaviour. This may also explain the growth in the number of public institutions that have introduced PB (researchers at the European University Institute have created an [interactive map](#) showing the number of PB experiments worldwide) as well as the support provided by supranational entities such as the World Bank, the United Nations and the EU.

On the other hand, PB is criticised in terms of its effectiveness and its risks. Critics argue that PB loses its transformative potential the moment it is endorsed by supranational regulators and promoted at national level. Critics maintain that PB has progressively lost its original objective of involving citizens, becoming a mere collection of proposals for expenditure.<sup>19</sup> In the case of the World Bank, for instance, some critics maintain that PB has only ever been introduced to advance a neoliberal agenda (focused on reducing the role of the state).<sup>20</sup>

Other scholars focus on the risks of PB, particularly **the risk of 'regulatory capture'**, where stronger interest groups capture participatory processes. This critique begins with the premise that members of the public involved in PB are often not representative of society as a whole. Typically, participants in PB are middle-aged, highly qualified, employed men.<sup>21</sup> This raises the question of whether the measures agreed through PB reinforce, rather than eliminate, existing injustices, or even facilitate the illegitimate exercise of power.

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## Endnotes

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