

## **Module 2: Introduction to Participatory Budgeting**

### **Slide 1: Introduction**

In this presentation, we will introduce participatory budgeting, or PB, a well-known and widely practiced social accountability tool. We will define PB, describe its origins, and go over where it has been put into practice around the world. Finally, we'll identify the various dimensions of PB and the reasons for which it is such an important and effective tool for citizens seeking to more effectively and meaningfully participate in governance at the local and national levels.

### **Slide 2: Definition**

When seeking to define PB, it is important to recognize that it can vary greatly from one context to the next. As such, there is no single definition of PB. Nevertheless, PB can be broadly defined as a mechanism or process through which the population decides on or contributes to decisions made on the allocation of public resources. Citizens participate directly or through organized groups in the different stages of the budget cycle, namely budget formulation, decision making, and monitoring of budget execution.

### **Slide 3: Technical Aspects**

Generally speaking, there are two main aspects of PB. The first is the technical aspect. PB strives to improve local government accountability by linking participatory policy-making to revenue and expenditure management. Because PB can increase public participation, it can be instrumental in promoting public expenditure transparency and in improving budget targeting. Both of these changes can increase the effectiveness of public expenditures. But these technical improvements are not the only benefit of PB...

### **Slide 4: Social Aspects**

There is also a second social aspect to PB. It can be considered a useful vehicle to promote civic engagement and social learning, and has therefore been referred to as a "School of Citizenship". Citizens have the opportunity to gain firsthand knowledge of government budget and operations, and can also influence government policies and hold the government accountable. We will come back to the technical and social aspects of PB in more detail later during the presentation. First, we will take a look at where and how PB was created.

### **Slide 5: Where and How was PB Created?**

The first known PB project was initiated in 1989 in the Brazilian municipality of Porto Alegre, in an effort to fight clientelism and social exclusion and to ultimately strengthen Brazil's young democracy. Porto Alegre is a large city with over 1 million inhabitants and is quite wealthy for Brazilian standards. PB was introduced by the Worker's Party, which promised that the tool would "inverse spending priorities" – that is, to help poorer citizens and neighborhoods receive larger shares of public spending. During the

first two years of its existence, fewer than 1000 citizens participated in the PB process. However, by 1992, PB had become more popular and participation increased to more than 20,000 people per year.

#### **Slide 6: Where has PB Been Implemented?**

Around the world PB has been implemented in the developed as well as the developing world, in the North and South, and in both the Eastern and Western hemispheres. PB is helping citizens worldwide to have their say in the allocation of public resources through top-down processes and national legislation as well as through bottom-up approaches run by citizens themselves. Approximately 80% of PB activity occurs in Brazil, with the countries of Peru, Ecuador, Bolivia and Colombia having the second-largest stock of PB activity. Nonetheless, PB experiences do exist, to different degrees and with varying levels of formalization, in many other countries in Latin America and the Caribbean. Some European cities have initiated Participatory Budgeting processes and a number of cities in Africa and Asia are also initiating their own processes. PB takes place at all levels of government – from the national to subnational to local levels. However, it is primarily implemented at the city or municipal level. To date, only one country, Peru, has a National Participatory Budgeting Law applicable to all municipalities and provinces of the country.

#### **Slide 7: PB Around the World**

As this map shows, PB practices quickly spread from Southern Brazil to the North of the country, and then advanced throughout Latin America in the late 1990s. After 2000, we can see a further expansion and diversification of PB models in different places in Latin America, Africa, Europe and Asia. PB now functions in many different regional and cultural contexts, in small villages as well as in large cities, in wealthy as well as in poor municipalities.

#### **Slide 8: The 6 Dimensions of PB**

Now we'll move on to discuss the six dimensions of PB and the variations possible within each dimension. First and foremost, it is important to note that there is no single model for PB -- nor would it be desirable to have one. PB experiences are the products of the reality of each region, of its local history, civic culture, and the organization of its civil society. Other factors such as the available resources and the administrative culture of government may come into play. We can best describe and differentiate between different types of PB by characterizing the six dimensions of PB. These dimensions are: participation, inclusion, and the financial, legal, territorial and cultural dimensions. We'll now go on to discuss each of these dimensions in detail.

#### **Slide 9: Participation**

*Participation* in the PB process can be either direct or representative. Direct participation involves voluntary citizen engagement and does not require organizational membership. Direct participation is most feasible at the lowest level of local government, for example the ward, neighborhood or village. Representative participation involves indirect participation through elected delegates and representatives of existing organizations. In addition to the form of participation, the number of

participants differs greatly from one example of PB to the next. In cities with direct participation, levels of involvement usually fall between 1 and 15% of voters. Also, the manner in which the local government participates in the process can vary greatly. The government might facilitate the process and legitimize it politically, or it might perceive PB as a threat or interference, and may strive to undermine the process.

#### **Slide 10: Inclusion**

The degree of *inclusion* of different groups of participants in a PB process may also vary. In any open participatory process, there is a risk of favoring those members of the community that have the power and the resources to make themselves heard. However, many of the municipalities involved in PB have put a special emphasis on including discriminated and marginalized members of the community. One way to promote inclusion is through requiring a certain quota of participants from particular vulnerable groups to participate in the discussions. Another way to make a PB process more inclusive is to categorize PB spending by sectoral themes, with special portions of the budget being set aside for projects that benefit these groups.

#### **Slide 11: Financial**

The third dimension to consider when characterizing PB processes is the *financial* dimension. First, the amount of government funds available varies greatly and will have a direct impact on the scope of activities conducted throughout the process. Second, the level of budget transparency is determined by the information given out to citizens about the budget. Third, the portion of the overall budget that is allocated based on the results of the PB process also varies, usually lying between 10 and 30 percent. There are a few cases in Latin America, however, where 100 percent of the budget is allocated via participatory budgeting processes.

#### **Slide 12: Legal**

A fourth varying dimension of PB is the *legal* dimension. This refers to the way in which PB is institutionalized and to the level of autonomy given to local governments for dealing with their budgets. The degree of formalization of the PB process in legislation varies widely, from processes that are regulated by a national law, to informal processes that rely exclusively on the will of the mayor and the effectiveness of citizens to demand PB. Both of these variations have positive and negative aspects. While in a top-down approach to PB the legal framework empowers stakeholders, the same framework can prove to be too rigid and the process can lack civil society involvement. The bottom-up approach, on the other hand, implies more ownership by the citizens, but without a legal framework it is more precarious and is dependent on political will for its continued existence.

#### **Slide 13: Territorial**

The *territorial* dimension of PB refers to the degree of intra-municipal decentralization as well as the level of investment in physical priorities in PB planning. In countries with a relatively higher degree of decentralization at the local level, the management of a PB process can follow existing decentralized

administrative divisions, or even go beyond these divisions and subdivide further. In countries where decentralization has not yet taken place, the territorial division of a municipality that is necessary for any PB process can be a challenge. Often, PB can initiate a decentralization process in this way.

#### **Slide 14: Cultural**

The final dimension of PB is the *cultural* dimension that influences the level of participation in the process. In some cultures, for example, individuals typically do not express dissent or criticize higher authorities in public meetings. In other cases, it would be culturally inappropriate for young citizens to oppose the view of the elders. In multi-ethnic countries, meetings will have to be held in indigenous languages. However, these constraints can be dealt with through clear national policy frameworks that promote inclusiveness and cultural understanding.

#### **Slide 15: Why is PB Important?**

Now that we understand the six sources of variation in PB initiatives around the world, we'll look at why PB is important. We will briefly review the five key purposes of PB and its role in: increasing efficiency in budget allocation, improving accountability and management, reducing social exclusion and poverty, increasing trust between government and citizens, and strengthening democratic practices.

#### **Slide 16: Increasing Efficiency in Budget Allocation**

Far too often, government budgets do not accurately reflect citizen priorities. PB has the potential to bring ordinary citizens, or the demand side of governance, much closer to budget planning. It offers mechanisms for citizens to define and incorporate their priorities into the public budget. In this way, PB can help to allocate scarce resources to those citizens who need them most, and to push forward the decentralization agenda. However, it is fundamental that the citizens also keep in mind the outcomes and results of PB. Linking the short-term budget planning process to a long-term community development plan can help to increase the efficiency in budget allocation.

#### **Slide 17: Improving Accountability & Management**

Citizens often complain that government is not solving their problems and that they lack access to fiscal and budgetary information. Uninformed perceptions about government capacity and how public resources are managed lead to public discontent. PB creates mechanisms for citizens, civil society, and government to jointly discuss budget constraints, make trade-offs and compromises, and to optimize the use of scarce public resources. This can lead to improved accountability mechanisms. For example, budget decisions become more acceptable and will be more easily approved by decision-makers due to the more open dialogue between citizens and government.

#### **Slide 18: Increasing Trust between Government & Citizens**

PB can also serve the valuable purpose of increasing trust between government and citizens. Government budgets are too complex and technical for citizens to understand, leaving citizens with a lesser ability to hold governments to account regarding the use of public funds. A poor understanding of

how and why taxes are collected can undermine compliance. By involving citizens in the budgeting process, PB can help to increase people's understanding of and control over how taxes are collected and how public budgets are formulated and executed. This in turn helps to increase the trust citizens have in government and its overall legitimacy.

#### **Slide 19: Reducing Social Exclusion & Poverty**

Next, PB can help reduce social exclusion and poverty. The traditional budgeting process can, at times, be susceptible to elite capture and result in limited resources available for services for the poor. The PB process can be an effective instrument to increase excluded or poor citizens' understandings of their rights and duties. It can also help them to better understand government functions and responsibilities, potentially breaking traditional systems of patronage.

#### **Slide 20: Strengthening Democratic Processes**

Last but not least, PB is important because it can help strengthen democratic processes. PB is sometimes referred to as a "School of Citizenship". The PB process educates citizens about their right to information, to voice their opinions, to vote for public policy priorities, and to hold decision makers accountable for their use of the public budget. At the same time, it promotes democratic practices through public meetings that involve open deliberation, collaboration, and compromising. PB can also help to promote gender equality by introducing mechanisms for equal participation of both men and women. Finally, the process helps to promote social cohesion and harmonization within society, as participants in PB processes learn that they can achieve much more if the community works together to achieve development goals.

#### **Slide 21: Review**

This presentation began with a definition of participatory budgeting, exploring its technical and social aspects. We found out where and when PB began and how it continues to spread around the world. Furthermore, we learned that there is no single model of PB and that there can be variations due to regional, political, economic and social factors in six different dimensions. These dimensions are: participation, inclusion, financial, legal, territorial and cultural. Finally, we went over five key purposes of PB, or the reasons for which this tool can be so important in improving governance and achieving development outcomes.