



Participatory Budgeting

Implementation and Impact of Participatory Budgeting



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Implementation and Impact of PB



- What are the preconditions for PB?
- What are the building blocks for PB?
- What is the step-by-step process of the PB cycle?
- What are the major impacts of PB?



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In the first presentation, we covered a lot of theory: We found out what PB is and what its key purposes are. Now we will take a look at the practical side of PB: How and where is it implemented, what conditions might be helpful, and what impact does PB have on a community? We will start to answer these questions by describing a model PB cycle. Then, we will look at a couple of case studies to find out how different cities and communities around the world implemented PB and what concrete results they were able to achieve.

Preconditions for Implementing PB

- **Political: Will and support**
 - Political support of local government
- **Fiscal: Discretion over capital investment decisions**
 - Ability to raise taxes and exercise good budget planning
 - Authority to command own financial resources
- **Legal: Clear set of rules**
 - Top-down or bottom-up process possible
 - National or local legal framework not necessarily required
- **Administrative: Minimum administrative and technical capacity**
 - Administrative capacity
 - Technical skills and communication strategy
- **Social: Civic engagement and participation**
 - Citizens willing to actively engage in public debate
 - Well-developed civil society

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Of course, there are some conditions that are conducive to establish a functioning PB process: these can be quickly summarized as political, administrative, fiscal, legal and social conditions.

The first category of conditions is **political will and support**. Political will is absolutely crucial to initiate and sustain any PB initiative. The local government might initiate or at least facilitate the process and legitimize it politically, or it might perceive PB as interfering with its own competence and strive to undermine it. This depends very much on whether a clear definition of roles has been introduced to all stakeholders at the outset of the process, demonstrating that the purpose of PB is not to make the local government obsolete, but instead strengthen the relationship of trust and cooperation between all stakeholders. Without the political will of the governing party, a PB initiative will hardly be sustainable.

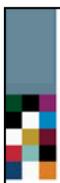
Moreover, strong support for PB from government officials is usually present when these officials believe that PB will improve their administrative capacity and widen their support among the population. Strong support for PB from citizens and civil society organizations is usually present when they believe that they can achieve a combination of short-term and long-term goals. Short-term goals are specific social services and public works. Long-term goals include broadening access to rights and expanding voice.

A second set of preconditions have to do with **fiscal conditions, or discretion over capital investment decisions**. One of the primary preconditions for the implementation of PB is that a municipality should possess a certain degree of discretion over its capital investment decisions. This is related to the question of how decentralized government functions are in a given state, and how much of the resources received by the national government have already been earmarked for certain investment purposes. Most often, PB delegates or PB Councilors make few decisions in this area. Local governments dedicate between 0-100% of capital investment decisions to PB.

Next, it is important to analyze the **legal conditions** in a given context before implementing a PB initiative. The degree of formalization of the PB process in national legislation varies widely, from PB processes that are regulated by a national law such as in Peru and the Dominican Republic, to informal processes that rest exclusively on the will of the mayor and the mobilization of civil society. PB can be very successful in both cases. Most municipalities with PB have not established any kind of legal framework, since they want to maintain it as a flexible bottom-up process. If the political will exists and information about the government budget is made available to citizens, PB does not need to be institutionalized in order to be implemented. In any case, however, it is important that the rules for the PB process are established in a participatory process and revised and adapted to changes or lessons learned within the community context. Revision of rules generally occurs at the end of the yearly cycle. Government officials and elected PB participants agree to the change in rules.

It is also critical to look at **administrative conditions, specifically the presence of a minimum level of administrative and technical capacity**. A municipality needs a minimum of technical and administrative capacity to conduct a PB process. This involves providing budgetary information to the citizens, organizing preparatory workshops to inform all the stakeholders involved about the PB rules, holding community meetings, gathering and processing the citizen's proposals and evaluating budget execution. Government officials also need to be trained in skills and knowledge on how to operate the technology, initiate a process of communication with the citizens, and foster civic engagement. In some cases, municipalities are being supported in these efforts by partner organizations such as international CSOs and donor organizations.

Finally, the **social conditions, namely the degree of civic engagement and participation**, factor into the success of a given PB program. PB relies on citizens' willingness to engage in a public debate over government spending, as well as a strong civil society to assure the sustainability of the process. If the citizens show no interest in getting involved in budget planning, or if the socio-cultural context does not allow for open discussions or questioning of the government, the PB process cannot function properly. Citizens and the civil society also need a minimum amount of time and financial resources to build their own capacity to actively engage in the process. It is often crucial to further decentralize the city/municipality and hold meetings within communities. The public, ideally, should be able to easily get to community meetings and have a short bus ride to regional meetings.



Building Blocks of PB

- **Budget transparency and demystification**
- **Citizen participation in management decisions**
- **Independent oversight of budget execution**



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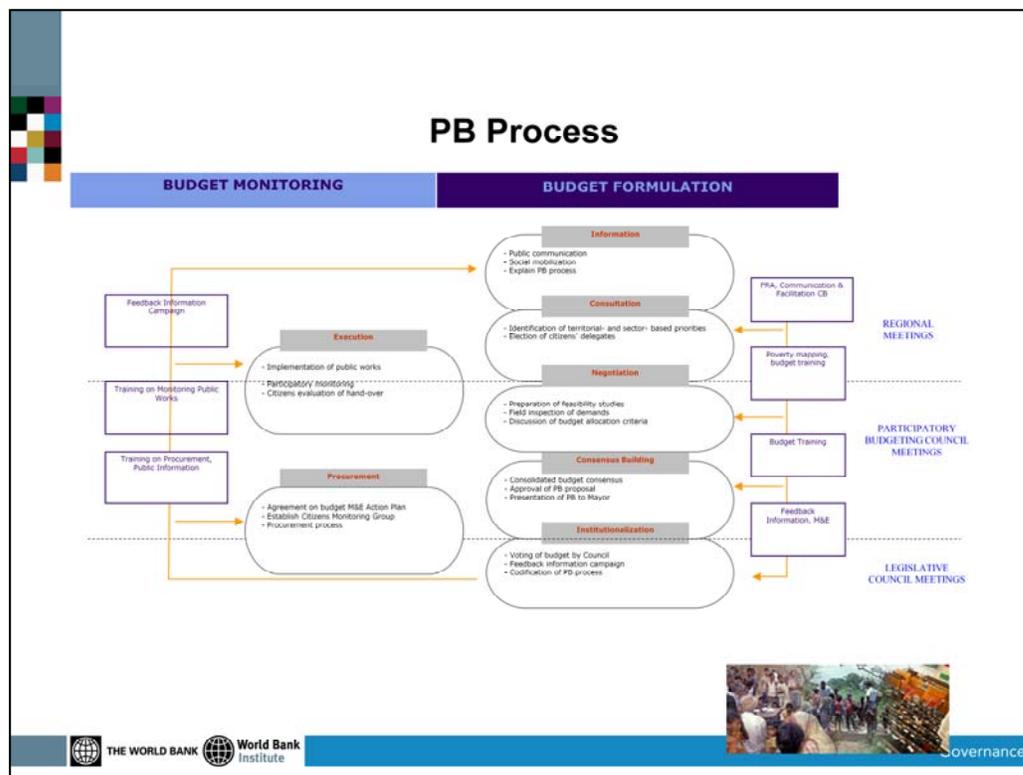
There are three building blocks of PB. The first is **budget transparency and demystification**. This refers to the ability and willingness of the local government (or could be national or subnational government) to make the budget transparent and demystify the process of resource allocation. Citizens have a civic right to obtain and access this information to make adequate and informed decisions. Furthermore, the government should not only provide budget information, but also present and communicate it in such a way that it is easy to understand for the citizens and the greater public. This would help to improve budget literacy, civic education, and budget demystification among all vested stakeholders. This in turn would lead to a more sustainable and efficient PB process.

Citizen participation in management decisions is a second building block of PB. It can be either direct or representative. Direct participation involves voluntary citizen engagement and does not require membership to an organization. Many examples of this form of participation can be found in Latin America, Africa and in Europe. Representative participation involves indirect participation through elected delegates of existing representative organizations.

The level of inclusive participation within the PB process may also vary across the board. There is always a risk of 'elite capture' in any open participatory process that favors members of the community that have the power and the resources to raise their voice and influence public policy. To overcome this challenge, many of the municipalities put a special emphasis on encouraging the involvement of otherwise marginalized members of the community, such as women, ethnic minorities and indigenous population, youth and gays and lesbians, among others. For instance, a possible way to promote inclusion of marginalized groups is through Affirmative Action Programs that require a certain quota of participants from each of these vulnerable groups. Another possibility is to categorize PB spending by sectoral themes, with special portions of the budget being set aside for projects that benefit marginalized groups

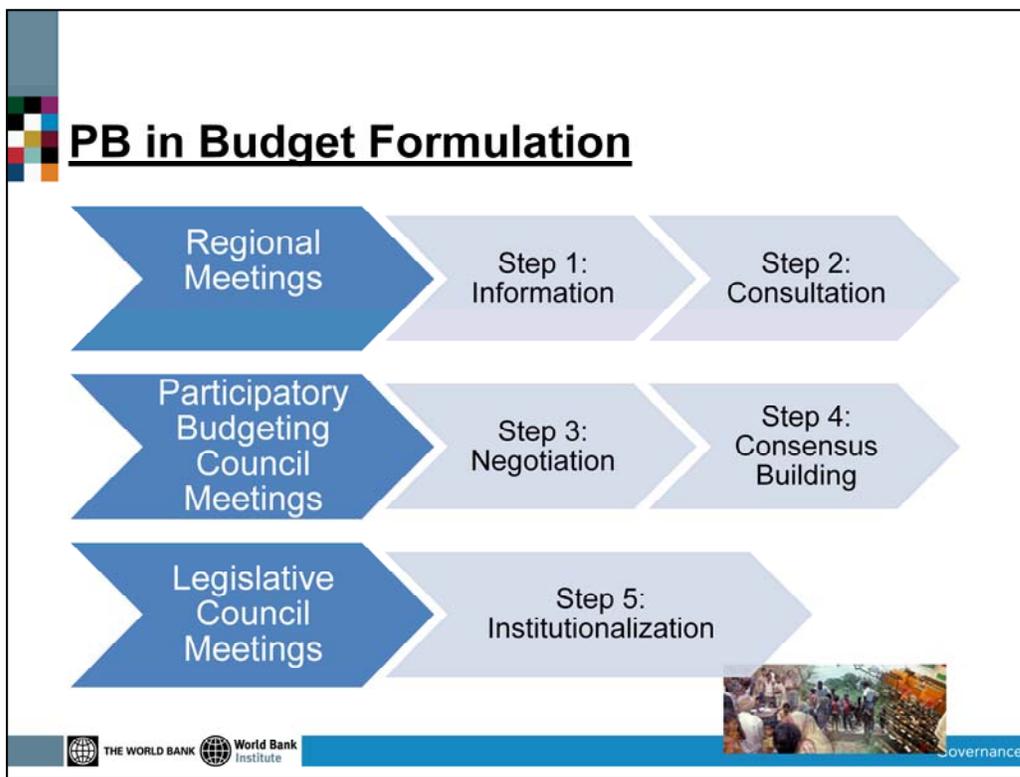
The third and final building block of PB is **independent oversight of budget execution**. Citizens and the civil society should have the capacity to carry out independent and participatory oversight functions of the budget execution process. This could happen through monitoring and evaluation committees that keep track of the project execution and report back to the community or citizen scorecards that evaluate the completed projects or through other context specific monitoring and oversight mechanisms. If the budget execution process is not monitored by vested stakeholders, there is a probability that the projects might end up being postponed or canceled, which could put the legitimacy of the PB process at risk. Moreover, governments on their part should publish a document that clearly states what was selected as well as a general ordering of when the projects will be completed.

All in all, it can be seen that PB goes from being a simple participatory exercise to being an integrated process for promoting more an efficient public management and effective public expenditure, but more importantly, it creates a space for citizens' rights, voice and accountability. Where it has been implemented, PB has encouraged incremental public policy changes.



The diversity of PB methodologies in local, regional, and also national government levels demonstrates its wide applicability. Nevertheless, it is possible to identify some common principles of PB without prescribing a single model. A participatory budgeting cycle in general is built around the normal budgetary cycle of the local authority with the normal cycle extended to cater for wider input by citizens. It has more activities added to it with specific timelines and outputs. Country contexts and cultures will influence variances in the mechanisms for participation, sophistication of institutional arrangements, legal framework, and degree of fiscal policy discretion.

As we have mentioned before, it is important to note that this PB cycle only represents a *model*, and that many different types of PB mechanisms exist based upon different legal and institutional frameworks.



Generally speaking, participatory budgeting can be broken down into seven steps. The first five steps are part of budget formulation, and the latter two steps have to do with budget monitoring.

The PB cycle usually starts with **regional meetings**, which are public hearings organized in the administrative territorial units. This is the preparatory and design stage of the budget. It involves mainly the distribution of information, the initial discussion of policies and priorities by citizens in their localities, estimation of revenue, establishment of the general resource allocation or budgeting criteria and methodology, putting in place the relevant participatory structures and the election and establishment of the number of elected representatives. The specific steps involved in this phase primarily promote civic education and social mobilization of the public. These include:

Step 1: Information. In this stage, government representatives use public meetings to inform citizens about PB rules and procedures provide an update of current budget execution, and share government priorities and revenue forecasts. One of the main purposes of these meetings is to explain the process to local communities, civil society groups, and key participatory budgeting stakeholders.

Step 2: Consultation. A second round of meetings is then organized to enable citizens to identify their needs and priorities and elect delegates. These will represent their concerns in the Participatory Budgeting Council. Community organizations meet independently to inform citizens about the PB activities, raise awareness, and mobilize participation around specific priorities. They also will be responsible for preparing the budget and annual plan of investments. The municipal staff, civil society representatives and community leaders identify the problems and needs in their specific areas of concern and assess the technical and financial feasibility of possible solutions. The municipal staffs also assist local citizens in defining their demands and priorities. This means that at this stage the citizens will be required to deliberate and list those activities needed to achieve the stated goals and ultimately to provide the solutions to the identified problems and needs. It is also at this stage that the rules of participatory budgeting are established and responsibilities are allocated.

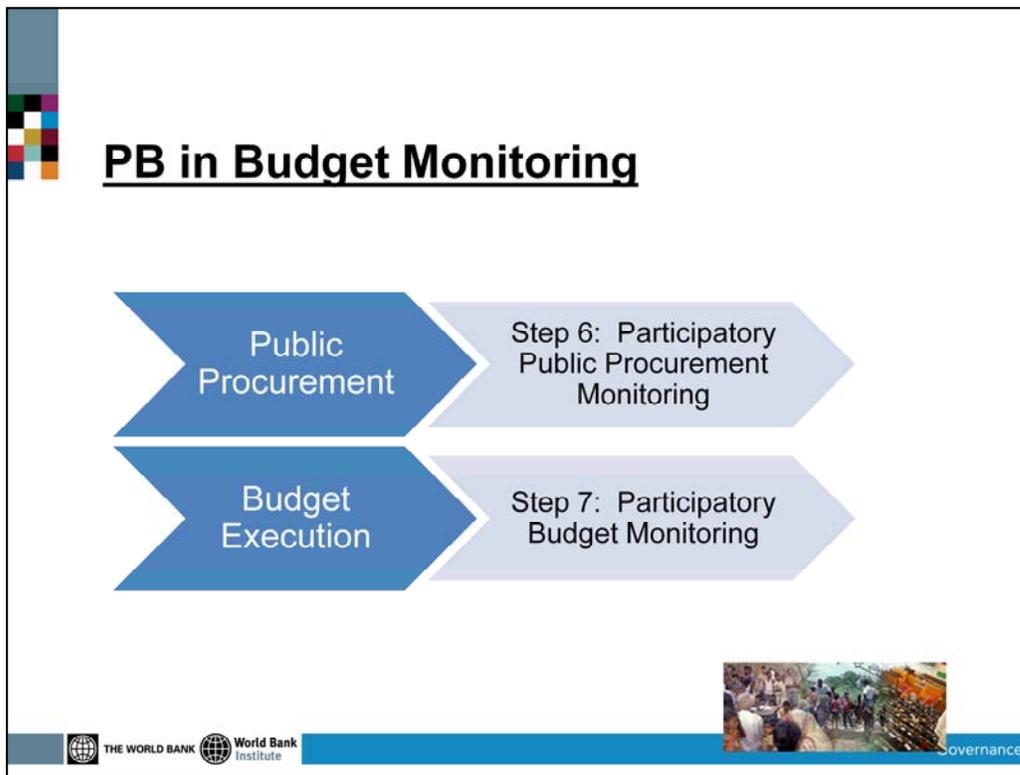
The elected delegates and government representatives then form the **Participatory Budgeting Council (PBC)**. The PBC has the mandate to discuss the priorities voted upon during the regional meetings, and create the final participatory budgeting proposal. The steps under this phase promote social and technical capacity building of the public and the municipality. The steps are as follows:

Step 3: Negotiation. This is the budget analysis stage. Based on a needs assessment, stakeholders should receive adequate training, which is in the technical terms and procedures of budgeting and accounting. Citizens involved will be empowered to obtain a genuine understanding of how decisions have been made throughout the complete participatory budgeting cycle, the true costs of those decisions, and the real economic, political and social situation of the municipality. The delegates also carry out field visits (*PB caravans*) to inspect the priorities indicated by the citizens. This helps to sensitive the participatory budgeting councilors about everyone's problems, and also to build a broader understanding and holistic view of the city and its problems. This stage also involves the discussion and debating of budget allocation.

Step 4: Consensus Building. At this stage, policies and projects that will be implemented by the municipality in the coming fiscal year (or even two years) are discussed. The council submits its deliberations as a type of investment plan as part of the municipal budget. It also discusses the budget proposal, revenue and expenditure items and the criteria for resource. In dialogue with the Participatory Budget Council, municipal staffs from various administrative agencies prepare technical plans and contracts. Participatory budgeting councilors and citizens monitor the budget implementations, on-site monitoring and evaluation of project implementation.

Next, after a series of debates in the **legislative council**, a final PB proposal is presented to the Mayor and to the Municipal Council, who usually holds the legal mandate to approve the government budget. The legislative process is accompanied by strong social mobilization and active engagement by PB delegates to ensure that the final budget text approved by the legislature fully reflects their deliberations. These important activities lead to the institutionalization of the participatory budget. The steps involved in this phase lead to formal decision-making. These include:

Step 5: Institutionalization. This is the stage where the policies and projects that will be implemented by the municipality in the coming fiscal year (or even two years) are discussed. This is the actual problem solving stage; all that was planned and agreed on in the participatory planning meetings are being worked on. Usually the budget implementation process will continue throughout the fiscal year. The mayor then submits to the full Legislative Council the complete budget, in which the Council's deliberations are included. Participatory budgeting councilors and citizens may attend the sessions of the legislative chamber and follow the debates. After the deliberations councilors vote on the budget proposal by simple majority and submit to council. Legislative Council holds the final decision. After approval the budget becomes mandated for the subsequent fiscal year. However, approval can be accompanied by few modifications because prior to full council vote, participatory budgeting councilors actively lobby the councilors and department heads to support their investment plan.



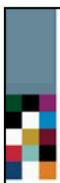
The final two steps in PB relate to budget monitoring.

Step 6: Procurement. In monitoring the procurement process, an agreement on Budget Monitoring & Evaluation Action Plan is developed and upon approval of the budget. A PB *monitoring committee* is also established to ensure oversight of the procurement and budget execution processes.

Step 7: Execution. In monitoring execution, community supervision and auditing of public works and services is set up. Local authorities must give periodic budget performance reports to citizens. These reports will state project implementation status and problems encountered. Periodic participatory site visits to inspect projects can also be organized as a way of project implementation.

Some of the tools that can be used for monitoring and evaluation of project implementation at the municipal level include, Training on monitoring public works, Training on procurement works, Citizens monitoring committees, Participatory site inspection and supervision, Use of community score cards, Techniques of social audit, Use of Citizen Report Cards involving the use of questionnaires, Service delivery surveys, and Feedback information campaigns.

The most important aspect of this stage is that the municipality supplies detailed information on a regular basis about the way the budget is being implemented. The mayor and others responsible for budget management and implementation prepare clear reports citizens and the committee can understand. Stakeholders can also ask about specific issues and demand supplementary information in order to achieve the necessary transparency during this phase.



Impact of PB

- **Reduction of corruption**
 - Citizen-based oversight mechanisms for the execution of the budget
- **Poverty Reduction**
 - Improving pro-poor capital investments
 - Incorporate voice and needs marginalized groups
- **Tax Compliance**
 - Willingness of taxpayers to pay taxes
 - Reliable source of local government revenue
- **Empowerment**
 - For civic engagement, civil society mobilization, and social learning
 - Enable collective action and strengthen social capital




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Evidence of the direct impact of PB across the world is limited. However, it is critical to monitor and study the impact of PB initiatives and all PB experiences aim to have a direct or indirect impact on governance reaching far beyond a simple increase in efficiency and the satisfaction of basic needs of the population. The following are some important long-term impacts that PB can potentially have in different localities. All of the impacts mentioned below are primarily based on the experiences of Brazil since it is the only country so far where PB processes have been implemented for a long period of time:

Poverty reduction: Recent studies have revealed that PB could contribute to poverty reduction as a mechanism for improving pro-poor capital investments. PB has the potential to incorporate voice and needs of the traditionally excluded and marginalized populations and promote the redirection of public resources towards pro-poor expenditures, increasing access to public services and goods

Reduction of corruption: Experiences have shown that PB processes could lead to reduction of corruption, especially with citizen-based oversight mechanisms for the execution of the budget and of the respective work. The presence of committees of the PB Council at the time of inviting bids for given projects can also reduce the chance for bribery by businesses and/or public officials. Accountability on part of the government and the publication of accounts void non-transparent use of resources. Therefore, PB processes can reinforce transparency by sharing budgetary information and requiring accountability to the public on the part of government officials or PB delegates. These mechanisms generate trust and improve the quality of governance in the city.

Tax Compliance: PB process aims to strengthen budget transparency, civic awareness and democratic participation. These characteristics can have a positive impact on the increased willingness of taxpayers to pay taxes. As such PB is expected to come up with increased local tax compliance. Effective tax compliance ensures that the government authorities will have a reliable source of revenue and hence increase its revenue and capacity to deliver services prioritizing public needs and to plan future spending.

Empowerment: PB can facilitate the active participation of citizens in democratic decision-making processes, By providing incentives for civic engagement, civil society mobilization, and social learning PB can improve the conditions, norms, and networks that enable collective action and strengthen social capital, especially of the poor and marginalized groups This can be observed in Porto Alegre, where women and low-income groups show high percentages of representation among PB participants, as well as ethnic minorities and disabled people. Moreover, it seems that, through time, the sustainability of PB proceeds alongside the empowerment of the population and its understanding of the importance of the process and the benefits it can bring.

Review



- **Conditions conducive to implementing PB**
- **Building blocks of PB**
- **Step-by-step process of PB Cycle**
- **Impact of PB**



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In this presentation, we covered the main political, fiscal, legal, administrative, and social preconditions that are conducive to the implementation of participatory budgeting. We then covered three major building blocks of this social accountability tool. Next, we walked through a model of PB's step-by-step process, keeping in mind that PB approaches and methodologies are, in practice, highly diverse. Lastly, we looked at some of the major areas of impact of PB in terms of reducing corruption, reducing poverty, improving tax compliance, and in facilitating empowerment.