

**TO:** Interested Parties

**FROM:** Citizen Participation Working Group of the LADDER Project

**DATE:** May 22, 2017

**RE:** Policy proposals to support the expansion of participatory budgeting processes on a European scale

The practice of Participatory Budgeting (PB) offers citizens an opportunity to have a direct say in the decisions that affect their communities, and it has proven to be effective in terms of making government more efficient and cost-effective as well.<sup>1</sup> As the European Parliamentary Research Service recently pointed out, PB is growing: during the period between 2005 and 2012 European examples of PB increased from 55 to over 1300.<sup>2</sup>

Though a global phenomenon, the spread of PB in Europe has taken place in response to specific needs. Again, according to the EPRS “...**PB in Europe was born of the need to revive democratic participation, strengthen civil society, modernize public services and combat corruption.**”<sup>3</sup> While much of the growth of PB has been from the “bottom up” via locally led, relatively small projects, increasingly the process is being adopted and “mainstreamed.” Further, international governance programs such as the Open Government Partnership (OGP), adopted by many European countries, have identified the role of PB in improving transparency and accountability<sup>4</sup>. EU member states have included PB in their OGP commitments already—including programs at scale—such as those in Finland<sup>5</sup>.

This document is designed to highlight what is working in the world of PB, with a particular focus on the current practice of PB various parts of the

*Table 1: A snapshot of some early “bottom-up” PB dissemination efforts in Europe*

**Italy:** In 2003, the informal Network “Rete del Nuovo Municipio” began organizing annual meetings for PB practitioners to meet and exchange views on their processes.

**Portugal/Spain:** starting in 2006, the Center for Social Studies of Coimbra University and the NGO “In Loco” joined forces to diffuse and scale-up PB processes in Portugal. Their partnership established an annual meeting of Portuguese PB practitioners and in 2010 a collaboration with the Spanish Network of participatory Cities was established, which led to the creation of the “Iberian Network of Participatory Cities.”

**Sweden:** SALAR (the Swedish Association of Local Authorities and Regions) in 2006 established a program called “Citizen Dialogue” for supporting cities (through training and counseling) in developing participatory practices.

**Germany:** For a decade Germany has a network of almost 100 cities with Participatory Budgeting which meets annually for peer-to-peer exchanges.

*Source: Giovanni Allegretti, 2016*

European Union. In addition, in many cases we make specific policy recommendations that should be adopted at the EU level to expand PB in Europe. As such, this document presents policies, practices and tools already in place at either the regional, national, or even supranational level that could be adapted and applied more broadly within the EU.

Though there now exists a deep well of knowledge of methodological best practices, each PB process is going to be unique, and dictated by the needs of any given local authority. It is beyond the mandate of this policy paper to evaluate PB methodologies against one another, but rather it is our goal to present a series of “top-down” policy actions that can be taken by the EU to support the already well established “bottom-up” PB efforts taking place in various member states.

We will examine policies tools that fit into the following three categories:

1. **Acceptance:** policies aimed at encouraging broader acceptance of PB and initiating new PB projects in locations where they have not yet been tried.
2. **Addressing weaknesses and building on strengths:** policies to improve weaknesses in current European PB processes as well as best practices to disseminate to wider audiences.
3. **Mainstreaming:** policies designed to support the “mainstreaming” over time of PB processes into the work of local authorities.

As point number three indicates, we are guided by a belief—based in the experience of PB practitioners across Europe—that our eventual destination should be the “mainstreaming” of PB into core budget funds, in alignment with international standards.\* This means, eventually PB processes should move from the margins to play a role in allowing citizens to directly allocate funds that would have otherwise be allocated by more conventional means. There are already a number of good examples in Europe where this is happening. That being the case, often PB projects—especially within the UK—have started in the form of “participatory grant-making” in which participants choose to fund specific projects outside of the normal local authority budget process. Quite often NGO’s are the recipients of the funds and are tasked with implementation.

We recognize there is a continuum of PB processes, and these policy proposals aim to support PB processes regardless of where they are in terms of acceptance or maturity. So, the recommendations presented range from ideas designed to support taking the first step, all the way to proposals that create broad standards which apply to how EU money is spent at the local level to ensure citizen participation is “built into the DNA” of EU funding programs.

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\* The PB Network, which has been a leader in the Scottish adoption of PB, has done a good deal to define the “mainstreaming” of PB. For further reading, we recommend their report on the subject: [Mainstreaming Participatory Budgeting: Ideas for delivering Participatory Budgeting at Scale](#) (2016).

## **1. Acceptance**

*Policies aimed at encouraging broader acceptance of PB and initiating new PB projects in locations where they have not yet been tried.*

- **Create a fund specifically for use by local authorities in PB processes**
  - Tuscany Region (Italy) initiated an early example of institutionalized participatory processes with the passage of law 69/07 in 2007. While the law did not exclusively deal with participatory budgeting, PB is a large component of the program. The law was renewed in 2013 (through the passage of Law 46/2013) which established a fund of 700,000 Euros per year, around 20% of which was dedicated to technical and training support for local authorities, and at least 60% was made available for local projects. Notable about this early experiment were both the “meta-participatory” way in which the law was developed, and the fact that the law did not lock in any one way of facilitating participatory processes, opting instead to support the creation of customized approaches appropriate to the community and issue to be decided.<sup>6</sup>
  - Also in Italy, the Lazio Region, between 2005 and 2009, created an Office for the Support of Participation, which twice a year offered almost 16 million Euros to local administrations in the regional territories (15 million for public works and policies decided at local level through PB and almost 1 million for supporting local PB processes and organizing training)<sup>7</sup>. Such a structure aimed at creating a larger participatory culture in the regional territory, and also supported the change introduced in the Financial Law n. 4 of 28/April/2006, in which the regional annual Budget Plan was also submitted to a process of citizens’ participation.
  - In 2009, in recognition of the disparity in quality of life between rural and urban communities, the government of Poland created the Solecki Funds processes, with the passage of the Solecki Fund Act at the national level. The law allowed rural communities to be reimbursed for a portion of their financial outlays on community projects provided that the projects were decided in a process that directly involved the local community. While the law did not specifically mandate PB, and the nature of the participatory processes varied fairly widely, the Solecki Funds did create an opening for PB that did not exist before. Government estimates from 2014 (the latest year available) show that 54% of rural communities entitled to participate made use of the program.<sup>8</sup> The program involves four basic steps: 1) a community has to decide if they want to participate in the fund, 2) a formula is applied to each community to determine what level of funding they qualify for, 3) the local jurisdiction has to hold a community meeting to decide which projects to fund, 4) after the project

is complete the federal government reimburses the local community for between 10-30% of the cost of the project depending on the financial condition of the jurisdiction.<sup>9</sup>

- In 2016 Scotland created the [Community Choices Fund](#), as an extension of its support for PB which dates back to 2014. Specifically targeted to encourage PB in socially deprived areas, the Fund operates as a 1:1 match with participating municipalities.<sup>†</sup> Additionally, the Fund provides “support funding” to build up the internal capacity of local authorities to sustain PB over the long haul (i.e. funds for staff training, peer learning, and practical costs related to running a PB process.) In the application process, local authorities are asked to detail their proposals in terms of 1) how local residents will be meaningfully incorporated into decision making, 2) how their PB process will increase collaboration both between individuals, public agencies, and other organizations, 3) how their PB process will engage people in marginalized communities, and 4) what is the local authority’s three year plan to embed PB into their organizational culture and decision making structure.<sup>10</sup> Furthermore, within the recent Scottish Community Empowerment Act, powers have been given to ministers to require participation in the decision making on the resources of local authorities, including financial resources<sup>11</sup>.
- **Fund research, collection of best practices, and support structural support for local authorities engaged in PB processes.**
  - The government of Scotland has invested in research and training for local authorities which laid the groundwork for the establishment of the Community Choices Fund as well as provided ongoing analysis of the implementation of PB in the country.<sup>12</sup> They have begun collecting and disseminating best practices via a [dedicated government website](#). Additionally, analysts in Scotland are recommending the development of PB test sites, or places where the best practices of mainstreamed PB processes can be monitored and disseminated for wider learning.<sup>13</sup>
  - The Province of Malaga (Spain) from 2006 to 2010 maintained the “Oficina de Presupuesto Participativo”, a special office dedicated to support small municipalities (under 20,000 inhabitants) in organizing and conducting PB processes. It provided them training and skilled personnel, together with frequent meetings for mutual peer-to-peer learning among local authorities. Between 2009 and 2011, the institution coordinated an EU-funded project called “Parlocal” which shared experiences and provided stages for municipal personnel to learn from the PB experiences of Uruguay and the Dominican Republic, expanding benefits beyond

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<sup>†</sup> The Fund also has a separate category to which community organizations and community councils can apply, but we have chosen to focus on local authorities for now.

Malaga Province to other Spanish PB experiences.<sup>14</sup>

- In some countries EU funding has been used to fund PB pilot projects. For example in Portugal, in 2006, the Equile Initiative funded a PB project in the small rural city of S. Bras de Alportel (including a specific program for school children). The success of the pilot resulted in another action which lasted until 2009 and produced a large series of training and counseling actions, which were then supported by a large series of other programs (diversely funded between 2010 and 2015<sup>‡</sup>) and produced to date 118 examples of PB in the small country (out of 308 municipalities).
- **Increase funding for civil society organization providing technical support to LA's who want to implement PB.**
  - Currently, the EU does not appear to provide any funding for civil society organizations that provide technical support to local authorities looking to initiate a PB process. Therefore, we recommend the EU making more funds available via the Europe for Citizens funding mechanism to support CSO's in this work. CSO's have been the drivers of much of the spread of PB in Europe, and most local authorities do not have in-house expertise to support PB. For example, in the Polish city of Jarocin (Wielkopolskie voievodship) the [Shipyard Foundation](#) worked with city leadership to develop guidelines and an implementation plan for a local PB process. In the beginning the Shipyard Foundation familiarized local leadership with lessons learned from PB implementation in other communities and the possible results of introducing certain elements of the procedure. According to people involved in the process, it was the external consultancy that convinced local authorities to add into their process the deliberative element of open meetings and residents' discussions about project proposals at the local level. Now the city is self-sufficient in running this process. This anecdotal evidence from Poland is echoed by those who have analyzed the Scottish experience with PB: "PB funding organisations should be involved throughout the PB process. However, in the Scottish context, most funding bodies are unlikely to have PB experience, making it desirable to have independent facilitation, particularly for deliberative forums." Additionally, the study points out, the involvement of experienced civil society organizations brings a level of independence to the PB process which increases citizen trust in the process.<sup>15</sup>

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<sup>‡</sup> For example by the Foundation for Science and Technology of Portugal ("OPtar Project 2010-2013) and the Agha Khan foundation ("Portugal Participa" project, 2014-2015).

## **2. Addressing weaknesses and building on strengths**

*Policies to improve weaknesses in current European PB processes as well as best practices to disseminate to wider audiences.*

- **Develop a policy framework aimed at increasing the democratic potential of PB.**
  - Local authorities undertaking a PB processes do so for a variety of reasons, but generally speaking those reasons exist somewhere on a spectrum between maximizing government efficiency on the one end and deep democratic inclusion of citizens on the other, something that the PB practitioner Pedro Pontual has called a “school of citizenship.”<sup>16</sup> Of course, these are not mutually exclusive goals, but more often the approach to PB in Europe has tended toward the former rather than the latter. However, given the pressing need to rebuild faith in democratic processes and institutions in Europe, we recommend adopting or developing an EU policy matrix that allows policy makers to evaluate their current PB practices and to identify additional steps that can be taken to move PB in Europe towards greater inclusion and empowerment of citizens. A place to start would be to look at the [multi-variable analysis table](#) created for UN-Habitat which spells out a list of 18 variables and then gives policy approaches that range from minimal to maximum arrangements.<sup>17</sup>
  
- **Emphasize PB in marginalized communities.**
  - Currently, Paris is the largest city in Europe to conduct a participatory budget process. Their initial process in 2014 was criticized for not lifting up a key element of PB, namely that there should be a redistributive aspect to the way money is allocated. Instead, in 2014, citizens only got to vote on 15 pre-selected projects. In 2015 changes were made to the program. The money was split between "city projects" and the other half was distributed to the 20 city districts, with poorer, suburban districts getting more money than more-affluent, central districts.<sup>18</sup> If money is made available via EU funding mechanisms, program criteria should be considered that prioritize resourcing projects that will result in redistribution of resources to under-served communities.
  
  - In Latin American countries the use of a redistributive matrix, to ensure PB funds are targeted at communities experiencing deprivation, is well established<sup>19</sup>. To date this practice is less well articulated in EU countries. However theoretical models for a redistributive matrix exist, such as the work undertaken in the UK by the [PB Unit](#) (now known as the PB Network) on the potential for the use of a ‘budget matrix’, taking inspiration from the Brazilian experience<sup>20</sup>

Table 2: Multi-variable analysis table created for UN-Habitat to evaluate current PB practices:

DIMENSIONS	VARIABLES	MINIMAL ARRANGEMENT	INTERMEDIATE ARRANGEMENT	MAXIMUM ARRANGEMENT
I PARTICIPATORY (citizens)	1. Forms of participation	Community-based representative democracy	Community-based representative democracy open to different types of associations	Direct democracy, universal participation
	2. Instance of final budget approval	Executive (partial consultation)	Council (consultative)	The population (deliberation and legislative approval)
	3. What body makes budgetary priority decisions?	None	Existing social or political structure Government and citizens (mixed)	Specific commissions with elected council members and a citizen majority
	4. Community participation or citizen participation	Neighborhood level	City-wide level, through thematic contributions	Neighborhood, regional, and city-wide level
	5. Degree of participation of the excluded	Thematic and neighborhood plenaries	Neighborhoods, themes (including civic issues)	Neighborhood + Thematic + actor-based, preference for excluded groups (congress)
	6. Oversight and control of execution	Executive	Non-specific commissions (PB Councils, associations)	Specific commissions (Cofis, Comforça, etc.)
PARTICIPATORY (local government)	7. Degree of information sharing and dissemination	Secret, unpublished	Limited dissemination, web, official bulletin, informing delegates	Wide dissemination, including house-to-house distribution
	8. Degree of completion of approved projects (within two years)	Less than 20%	20% to 80%	Over 80%
	9. Role of legislative branch	Opposition	Passive, non-participation	Active involvement
II. FINANCIAL AND FISCAL	10. Amount of debated resources	Less than 2% of capital budget	From 2% to 100% of capital budget	100% of capital and operating budgets
	11. Municipal budget allocation for functioning of PB	Municipal department/team covers costs	Personnel and their activities (i.e. travel)	Personnel, activities, dissemination, training
	12. Discussion of taxation policies	None	Deliberation on tax policies	Deliberation on loans and subsidies
III. NORMATIVE / LEGAL	13. Degree of institutionalization	Informal process	Only institutionalized or only self-regulated annually	Formalized (some parts regulated) with annual self-regulation (evolutionary)
	14. Instrumental or participatory logic	Improvement in financial management	Ties with participatory practices (councils, roundtables)	Part of the culture of participation, participation as right (i.e. San Salvador)
	15. Relationship with planning instruments	Only PB (no long-term plan exists)	Coexistence of PB and City Plans, without direct relationship	Clear relationship and interaction between PB and Planning in one system (ex. a congress)
IV. PHYSICAL / TERRITORIAL	16. Degree of intra-municipal decentralization	Follows administrative regions	Goes beyond administrative regions	Decentralization to all communities and neighborhoods
	18. Degree of investment	Reinforces the formal city	Recognizes both formal and informal city, without preferences	Priority investment in most needy areas (peripheral, central, rural)

- **Disseminate best practices from local and national-level PB initiatives.**
  - Scotland has been a leader in developing a national-level framework to support best practices, and the organizations [What Works Scotland](#) and the [Glasgow Centre for Population Health](#) have detailed<sup>21</sup> a useful schema for policy makers outlining “strategic choices” and corresponding “principles of effective delivery” of PB. We include the basic schema here as an example of field-tested lessons that should be disseminated at the EU level.

*Table 3: Strategic choices and principles of effective delivery for PB created by What Works Scotland and the Glasgow Centre for Population Health.*

Ten strategic choices in the design of PB processes	Ten principles for effective delivery of PB within a Scottish context
Choice 1: Policy instrument or policy device?	Principle 1: PB is a long-term endeavour.
Choice 2: Organised thematically or geographically?	Principle 2: PB requires strong leadership, time and resource.
Choice 3: Neighbourhood or multilevel?	Principle 3: PB should be independently facilitated.
Choice 4: Community grants or mainstream funding?	Principle 4: PB enables an authentic representation of community interest.
Choice 5: Who facilitates the process?	Principle 5: PB should be a new and distinct approach.
Choice 6: Who makes the proposals?	Principle 6: PB must utilise existing community groups.
Choice 7: Who participates?	Principle 7: PB must be clear what form of democracy it will take.
Choice 8: What type of participation?	Principle 8: PB recognises the challenges in engaging socially excluded citizens.
Choice 9: Who makes the final decisions?	Principle 9: PB has realistic expectations of community representation.
Choice 10: Where does PB fit in the democratic system?	Principle 10: PB allocates reasonable funding to a limited number of projects.

- **Continue supporting the development of technologies designed to support PB**
  - Recently, as part of a grant awarded through the CAPS line of funding linked to technological innovations and collective awareness in [Horizon 2020 program](#), the European Commission supported the project [EMPATIA](#) (Enabling Multichannel PArTicipation Through ICT Adaptations). This international project provides a digital platform to assist dialogue and convergence between participatory local processes, and is piloting its tools on various participatory budgeting projects in large cities (Lisbon, Wuppertal and Milan) as well as in small cities which cannot afford commercial ICT product to facilitate and dynamize PB processes. This platform seeks to consolidate and disseminate the main values at the base of PB experiments,

connecting them to open software, open data, and other open government innovation. It especially seeks to foster transparency of public policies and accounting, which up to now has been rarely a central feature in world PB experiments. Support for such technological support and innovation should be continued.

### **3. Mainstreaming**

*Policies designed to support the “mainstreaming” over time of PB processes into the work of local authorities.*

- **Set a standard that a certain percentage of local authority budgets for cities of a certain size be spent via a PB process (i.e. “top-slicing”).**
  - According to the Glasgow Centre for Population Health (GCPH), top-slicing is defined as “an agreed proportion of the public service investment budget being set aside in order that its spend is decided entirely by local community members.”<sup>22</sup> GCPH has recommended the adoption of a 1% standard, which would create a substantial fund with which to begin PB, while at the same time not eating into statutory service provision. (By comparison, the city of Porto Alegre, Brazil—where PB was pioneered—sets aside 20%.)
  - In 2014, under Mayor Anne Hidalgo, the city of Paris made 20 Million Euros available for PB projects in its first ever experience with the process. The program was upped to 75 Million Euros in 2015. The mayor has committed to allocating 426 million euros from now until 2020, about 5% of the entire city budget.<sup>23</sup>
  - In Finland their Open Government Partnership commitment includes research into how to legislate toward establishing a 1% target for PB: “As part of the comprehensive reform of the Local Government Act the possibility of promoting participatory budgeting by legislative measures will be evaluated. In addition a pilot government agency, willing to put a part of the appropriation (e.g. 1 %) to be budgeted in a participatory process, will be studied.”<sup>24</sup> This should be looked at as an example of sample legislation for institutionalizing PB.
- **Attach provisions to EU pass-through funding to require a portion of it be spent on PB projects.**
  - The report “Participatory Budgeting in Europe” is one of the earlier surveys of PB in Europe. In it the authors Allegretti and Herzberg sum up the dilemma faced by local, bottom-up practitioners of PB quite well: “With the globalization of problems usually comes a correspondent ‘localization of solutions’. With the decentralization of responsibilities, however, there is rarely a parallel decentralization of resources and

decision-making powers to deal with them.”<sup>25</sup> More must be done to provide resources to local solutions that are working, therefore we propose that EU should set as a policy objective that pass-through funds to member states and municipalities be used to leverage greater support for the development of PB across Europe. This could be achieved by requiring some percentage of EU funds be distributed specifically via a PB process. Interestingly, the EU already applies this standard to at least some of its outlays; the [URB-AL program](#), which allocates foreign aid funds to Latin America, has provisions requiring PB built in.<sup>26</sup> We believe this is a principle that can and should be applied at home.

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## REFERENCES:

<sup>1</sup> See Y. Cabannes, [Contribution of Participatory Budgeting to provision and management of basic services: Municipal practices and evidence from the field](#), 2014

<sup>2</sup> See G. Sgueo, [Participatory Budgeting: an innovative approach, European Parliamentary Research Service](#), 2016

<sup>3</sup> *ibid.*

<sup>4</sup> See W. Krafchik and J. P. Guerrero, [Transparency is the Next Frontier for OGP](#), 2015

<sup>5</sup> See [Open Government Partnership, Finland](#)

<sup>6</sup> See R. Lewanski, "[Institutionalizing Deliberative Democracy: the 'Tuscany laboratory'](#)," *Journal of Public Deliberation*: Vol. 9: Iss. 1, Article 10., 2013

<sup>7</sup> See G. Allegretti (2011), « [Le processus « d'économie participative » de la région Lazio. Quand l'expérimentation devient le symbole d'une gestion politique](#) », in Sintomer Y. and Talpin, J. (eds), *LA DÉMOCRATIE PARTICIPATIVE AU-DELÀ DE LA PROXIMITÉ*, Ed. Presses Universitaires de Rennes, Rennes, pp. 145-159

<sup>8</sup> See Central Statistical Office of Poland, [New indicators of the realization of public services concerning civic participation](#) (research report in Polish), 2015.

<sup>9</sup> See [Solecki Fund Act](#), 2009

<sup>10</sup> See [Community Choices Fund: Guide for Public Authorities](#), 2016

<sup>11</sup> See, [Community Empowerment Act \(Scotland\) 2015](#), Part 10, Section 139

<sup>12</sup> See [Scottish Government funds GCU economic equalities and social justice research](#), 2015

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<sup>13</sup> See C. Harkins, K. Moore and O. Escobar, [Review of 1<sup>st</sup> Generation Participatory Budgeting in Scotland](#). Edinburgh: What Works Scotland

<sup>14</sup> See Allegretti, Giovanni; Vicente Barragan; Bou, Joan; Garcia Leiva, Patricia; Barbarrusa Gutierrez, Virginia; Chavez, Daniel; Navascues, Javier; Paño Yanez, Pablo (2012), [Estudio comparado de los presupuestos participativos en República Dominicana, España y Uruguay](#). Malaga: CEDMA. (Research report in Spanish)

<sup>15</sup> See C. Harkins, O. Escobar, [Participatory Budgeting in Scotland: An overview of strategic design choices and principles for effective delivery](#). Glasgow: GCPH, WWS; 2015.

<sup>16</sup> See P. Pontual, Building a Democratic Pedagogy: Participatory Budgeting as a School of Citizenship, [Hope for Democracy: 25 years of participatory budgeting worldwide](#), pg. 427 – 429, 2014. See also J. Talpin, Schools of Democracy, ECPR Press, London, 2011

<sup>17</sup> See Y. Cabannes, [Participatory Budgeting: Conceptual Framework and Analysis of its Contribution to Urban Governance and the Millennium Development Goals](#), pg. 20 – 21, 2014.

<sup>18</sup> See A. Napalitano, [Lessons from Paris, Home to Europe's Largest Participatory Budget](#), 2015.

<sup>19</sup> See B. de Sousa Santos, [Participatory Budgeting in Porto Alegre: Toward a redistributive democracy](#), 1998.

<sup>20</sup> See, [Bringing Budgets Alive 2005 by Community Pride](#), Community Pride Initiative/Oxfam UK Poverty Programme, 2005

<sup>21</sup> See C. Harkins, O. Escobar, [Participatory Budgeting in Scotland: An overview of strategic design choices and principles for effective delivery](#). Glasgow: GCPH, WWS; 2015.

<sup>22</sup> See C. Harkins, J. Egan, [The Role of Participatory Budgeting in Promoting Localism and Mobilising Community Assets](#), 2012

<sup>23</sup> See A. Napalitano, [Lessons from Paris, Home to Europe's Largest Participatory Budget](#), 2015

<sup>24</sup> See [Open Government Partnership, Finland](#)

<sup>25</sup> See G. Allegretti, C. Herzberg, [Participatory budgets in Europe between efficiency and growing local democracy](#), 2004

<sup>26</sup> See G. Sgueo, [Participatory Budgeting: an innovative approach, European Parliamentary Research Service](#), 2016