

**Mark Drakeford AM/AC**

**Ysgrifennydd y Cabinet dros Gyllid a Llywodraeth Leol  
Cabinet Secretary for Finance and Local Government**



Llywodraeth Cymru  
Welsh Government

Simon Thomas AM  
Chair  
Finance Committee  
National Assembly for Wales  
Cardiff Bay  
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23 August 2017

Dear Simon

When I gave evidence to the Finance Committee last year about the 2017-18 draft Budget, we discussed participatory budgeting and the respective steps the Welsh Government and the committee are taking to engage people and communities in the difficult financial choices and decisions Wales faces.

I confirmed that the Welsh Government had agreed to undertake a participatory budget pilot as part of this year's Budget.

To help inform our thinking, the Public Policy Institute for Wales (PPIW) undertook a rapid review of UK and international approaches to participatory budgeting. PPIW will publish its report, *Participatory Budgeting: A Rapid Evidence Review* later today. I am pleased to enclose a copy in advance of publication. It will be available from the following link from 10am today:

<http://ppiwi.org.uk/publications/>

During your Plenary statement, Fiscal Reform: Lessons from Scotland, you referred to the Scottish Government's approach to participatory budgeting. My officials have engaged with What Works Scotland and the Scottish Government to learn from this approach. The PPIW report and our understanding of what has worked in Scotland is helping to inform our approach to a participatory budgeting pilot for Wales.

As part of the steps we are taking to embed the Wellbeing of Future Generations Act into this year's Budget process, I have discussed participatory budgeting with the Future Generations Commissioner. She has welcomed the pilot.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

I am keen to work with the Finance Committee to learn from your experiences of participatory budgeting – during your Plenary statement, you referred to the Finance Committee's recent stakeholder event in Beaumaris and a participatory budgeting event in Bassaleg School.

I would appreciate the opportunity to discuss this in more detail with you. I will ask my office to contact yours to arrange a meeting in September.

Yours sincerely

A handwritten signature in black ink that reads "Mark Drakeford". The signature is written in a cursive, slightly slanted style.

**Mark Drakeford AM/AC**

Ysgrifennydd y Cabinet dros Gyllid a Llywodraeth Leol  
Cabinet Secretary for Finance and Local Government



Public Policy Institute for Wales  
Sefydliad Polisi Cyhoeddus i Gymru

# Participatory Budgeting: A Rapid Evidence Review

August 2017

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Public Policy Institute for Wales

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## Summary

- The term Participatory Budgeting (PB) has been used to describe a broad range of activities that have been designed to achieve different aims, and implemented in very different contexts. Common to these is the involvement of a local population in decision making regarding the distribution of public funds; although the level and method of involvement runs from full delegation of decision making, to light touch consultation.
- The range of potential benefits depends, for the most part, on the scale and nature of the participation and, by extension, the aim of the process. In Porto Alegre, the birthplace of PB, the process has fundamentally changed the relationship between citizen and state, improved the functioning of government and led to improved public services and infrastructure.
- To date, the use of PB in Wales and the rest of the UK has been more modest and the impact has, as a result, been smaller. Although the available evidence suggests that well implemented PB can lead to improvements in citizen engagement, intergenerational understanding, levels of self-confidence among participants, and in perceptions of public service providers.
- In developing a PB process, the key question is: what are the public being asked to do and why? Clearly articulating the aim of PB, and deciding on the level of desired participation helps to inform subsequent decisions on the scale and scope of the exercise; who should be involved; and the process and methods to be pursued.
- Careful consideration also needs to be given both to the resourcing (i.e. who plays what role and what does this mean for the resourcing of the process), and to the connections with the wider landscape (i.e. how might PB interact with other processes of engagement or participation?).
- The literature emphasises the need to invest time and resources in developing PB processes; particularly for those forms of PB which are based on greater levels of public participation. Depending on the aspirations for the use of PB techniques in the national budget process in Wales, this suggests that the focus in the short term might usefully be on laying the foundations for future budgets (addressing questions of aim, scope, scale etc.). This could be pursued alongside the use of other forms of engagement or consultation that signal an intended direction of travel.

## Introduction

In times of austerity, reduced public sector budgets and mounting demand for public services, budget decisions by public bodies are becoming increasingly difficult and have significant implications for the public. At the same time public trust in politics is seen to be decreasing (Park et al 2013) and public engagement in the political process is limited. Advocates of participatory budgeting argue that it has the potential to address a number of these issues, at least in part.

The Welsh Government is interested in potential benefits of participatory budgeting techniques, and their applicability to the national budgeting process. The Cabinet Secretary for Finance and Local Government asked the PPIW to provide a framework to consider how participatory budgeting techniques might be used for the national budget in Wales. This paper summarises the existing evidence in relation to participatory budgeting and outlines the main issues that need to be considered when looking to implement participatory budgeting techniques.

## Defining Participatory Budgeting

Participatory budgeting (PB) has been used to describe a diverse range of activities, but there is a general consensus that it broadly refers to the process of involving citizens in decision making regarding the distribution of public funds (Herzberg et al 2008; Harkins and Escobar 2016). Using this most basic interpretation of PB, it has been described as a process which:

“directly involves local people in making decisions on the spending priorities for a defined public budget. This means engaging residents and community groups representative of all parts of the community to discuss spending priorities, make spending proposals and vote on them, as well as giving local people a role in the scrutiny and monitoring of the process<sup>1</sup>.” (Department for Communities and Local Government (DCLG), 2011 p.5)

The definition makes explicit reference to ‘local’ people being involved in PB. This is because almost every PB process has involved people at a local or municipal level with the

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<sup>1</sup> The way that PB is scrutinised and monitored varies, but in general there is some form of feedback mechanism to those who made the original decisions, providing information on how the projects are progressing; whether that be through project websites, newsletters, a PB forum or community representatives.

aim of increasing local engagement in the political process. There is currently no evidence of PB being undertaken at national government level. Portugal has just begun to undertake a national PB process but there is currently no evidence as to how successful this process has been.

## The different levels of participation

This definition is helpful in identifying PB as one form of public participation. Public participation, broadly speaking, refers to any forms of “involvement of the public in the affairs and decisions of policy-setting bodies” (Rowe and Frewer 2005 p. 251). Citizen participation is widely considered to take place along a spectrum or continuum. There are a range of conceptual models to illustrate this; one is presented in figure 1 and lends itself well to the purpose of this rapid review.

**Figure 1 – IAP2’s Public Participation Spectrum**

		INCREASING IMPACT ON THE DECISION 				
		INFORM	CONSULT	INVOLVE	COLLABORATE	EMPOWER
PUBLIC PARTICIPATION GOAL		To provide the public with balanced and objective information to assist them in understanding the problem, alternatives, opportunities and/or solutions.	To obtain public feedback on analysis, alternatives and/or decisions.	To work directly with the public throughout the process to ensure that public concerns and aspirations are consistently understood and considered.	To partner with the public in each aspect of the decision including the development of alternatives and the identification of the preferred solution.	To place final decision making in the hands of the public.
PROMISE TO THE PUBLIC		We will keep you informed.	We will keep you informed, listen to and acknowledge concerns and aspirations, and provide feedback on how public input influenced the decision.	We will work with you to ensure that your concerns and aspirations are directly reflected in the alternatives developed and provide feedback on how public input influenced the decision.	We will look to you for advice and innovation in formulating solutions and incorporate your advice and recommendations into the decisions to the maximum extent possible.	We will implement what you decide.

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International Association of Public Participation – Public Participation Spectrum - Retrieved from - <http://www.iap2.org/?page=A5>

One end of the spectrum features passive participation based on punctual information sharing. Here organisations simply seek to raise the public's awareness of an issue. The exchange of information is top-down and transactional, with organisations communicating information and the public passively receiving it (Rowe and Frewer 2005 p.255). By contrast, at the other end of the spectrum, public engagement is ongoing, community-led, and involves some degree of community ownership or control of the process and outcomes. This type of engagement is often empowering and, therefore, characterised as 'transformational' within the literature. In these cases, information is not merely exchanged between stakeholders and representatives of organisations, but opinion and views can be transformed as a result of dialogue and negotiation (Rowe and Frewer 2005 p.256).

Public consultation exists somewhere between these two extremes. Consultation is intended to elicit information from stakeholders representing their current views and opinions on an issue in question. It can therefore happen more or less regularly, place more or less weight on citizen's inputs, and delegate more or less power to communities in controlling the process (Head 2007 p.442). Here, the process is neither fully determined by the sponsor organisation from the top-down, nor is it fully community owned from the bottom-up. This type of public participation is therefore transitional, theoretically allowing both the sponsor organisation and the public to share in the process and any resulting benefits (Bowen et al, 2010). Information is divulged by stakeholders after a process of consultation is initiated by a sponsor organisation (Rowe and Frewer 2005 p.255). Control over how the public's input is used nevertheless tends to remain with the sponsor organisation.

## **Participatory budgeting and other forms of participation**

The participation spectrum outlined above can be a helpful way to think about the desired level of participation sought through the PB process. However it is important to note that literature surrounding PB stresses that purely informing the public cannot qualify as a PB process as the public do not have a say in how resources are allocated. Of course, this is not to say that providing information on the budget-setting process and spending priorities has no intrinsic value; but rather that it is not generally considered to be PB.

To qualify as PB, a process must include (at its most basic) a pot of funds to be distributed; citizen or representative participation in deciding how those funds are spent; and project implementation based on the views of the voting public. It is for this reason that budget calculators hardly figure in any of the literature on PB as they do not meet

these three criteria. There are some examples of budget calculators that have been designed to enable effective feedback and monitoring, making them more consultative, but there has been no evaluation of these as a PB process and they are otherwise not widely discussed in the literature on PB. (Sintomer et al 2013).

More fundamentally, PB is only one form of participation, and as such, PB techniques, and research on the same, are part of a wider agenda related to deliberative democracy and democratic innovations more broadly. This field encompasses a variety of participatory devices such as consensus conferences, deliberative polls and citizen juries (Herzberg et al 2008). Whilst these deliberative methods can be adapted for use in various PB processes<sup>2</sup>, they are not directly discussed in the literature and evidence around PB specifically. For this reason, they have not been included in this study. However, Escobar and Elstub (2016) have written a paper which provides a breakdown of the different ways that 'mini publics' (for example citizens juries and consensus conferences) can be used to help improve participation and deliberation.

## **The different types of participatory budgeting**

As the discussion above suggests, PB can take many different forms, and be used to achieve different aims, depending on the degree of involvement of, and power delegated to, participants. However, this is not the only way in which approaches can vary and, despite sharing a common name, numerous different types of PB can be identified. Consequently, a number of typologies have been developed to try and classify different practices (see for example, Goldfrank, 2007, DLGG, 2011, Harkins & Escobar, 2015, and Allegretti et al, 2013); across these some common dimensions of variability emerge:

- Level of participation: what involvement means in terms of degree of control (e.g. inputting views versus making the decisions) and whether PB is used as a tool for empowering participants or as a consultation mechanism with little change in power dynamics and influence.
- Who is involved: whether those who participate are, for example, citizens, representative groups, NGOs, or private companies.
- At what stage are participants involved: broadly, there are four stages, all of which could involve participants: identifying needs, developing project proposals, selecting projects to be funded, monitoring effects.

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<sup>2</sup> Such as the use of citizens juries to allocate a PB in Darebin <https://newdemocracy.com.au/ndf-work/182-darebin-participatory-budgeting-citizens-jury>

- What is the method of involvement: there are a wide range of possible approaches, but there are two broad categories – ‘deliberative’, which involves some form of debate among participants; or ‘aggregative’, where participants vote for their preferred outcome. Often PB can involve both deliberative and aggregative approaches.
- Scale of approach: PB has been done at different geographical scales (e.g. national, local, neighborhood); with different types and scale of budget (e.g. small scale grant allocation, or setting priorities for, in some cases multi-million pound, mainstream budgets) and with different foci (e.g. making choices within a policy or thematic area, such as health, or across themes but within a geographical area).
- Whether and to what extent PB is redistributive: PB has been used to redistribute wealth by allocating more resources to the poorest areas.

Of course, these interact and overlap with each other. For example, the scale of the approach taken has implications for the method of involvement and who is involved, and visa versa. The key lesson to be drawn from this plurality of ways of defining and classifying PB is that, while the concept may initially appear clear and easy to grasp, there exist multiple, and at times competing, visions of what PB means and how and why it ought to be implemented. It is therefore very important to clarify what is trying to be achieved through the process before implementing PB at any level.

## The Potential Benefits of Different Approaches

The diversity of approaches to PB means that the potential benefits are equally wide ranging. Fundamentally, it is the level of participation that determines the potential impact of well implemented PB approaches. Where PB uses less involved forms of participation, it can help to inform and educate participants, increase confidence in the public sector and increase local engagement.

Where PB is used as a means of empowering citizens in making decisions, advocates point to a range of potential benefits. Indeed, the World Bank emphasises the democratic and transformational nature of PB highlighting that 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". (World Bank 2007 p.1)

As this suggests, PB can be used to achieve a much wider set of aims than simply involving the public in financial decision making. Such an approach usually stems from the desire to achieve wider social goals, and often involves new ways of working for all aspects of government. Moreover it is argued that, in so doing, PB has the potential to drive people-powered public services and support innovation and transformation in all areas, but especially those with the most limited resources (Bowers and Blunt 2016).

The evidence supporting these claims, however, is under-developed. While there have been a number of evaluations of individual PB projects, particularly in South America, there is a lack of evidence relating to the impact of PB in general. This is, at least in part, a consequence of the different ways it is implemented, and to the variety of aims it is intended to achieve. This means that PB can be very difficult to evaluate, particularly if there was no original baseline data. That said, evaluations of PB conducted in a number of locations demonstrate the positive impact on citizens' perception of the accountability of the public administration as well as the improvement of good administrative behaviour (Sgueo 2016). There is less evidence to support claims that PB leads to improvements in services, or that engagement and involvement in PB processes can have positive outcomes on overall well-being<sup>3</sup> (Boudling and Wampler 2009).

Finally, PB is an area where it is unlikely that the benefits of an approach in a particular context will be readily transferred to another context. The level of participation and engagement that the public are used to will mean different places begin from different starting points which will lead to different outcomes. Furthermore, the way in which PB is implemented can also have a dramatic impact on its outcomes.

This section presents notable examples of different approaches to PB that have been trialled across the world, which can be seen as representing the two ends of the scale of potential benefits. It starts with a discussion of the original model transformative processes of PB in Porte Alegre which was intended to redistribute wealth. This is followed by a description of the experience in the UK, where approaches have tended to be less redistributive programmes intended to engage citizens in a public consultation over where and how sums of money ought to be spent.

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<sup>3</sup> There is evidence to show that wellbeing is linked to civic engagement, and feelings of influence over decisions that affect one's life. Why this is not replicated across evaluations of PB is unclear.

## **Redistributive Participatory Budgeting: The Example of Porto Alegre (Brazil)**

The original PB experiment took place in Porto Alegre at the end of the 1980s (DCLG 2011, Sintomer et al 2013, Herzberg et al 2011, Sgueo 2016), and it is here that the most transformative impact was made as a result of PB. In the 1980's, the City of Porto Alegre had a significant gap between the rich and poor and suffered from corruption at all levels of decision making. However, the election of the Labour Party (Partido dos Trabalhadores) in 1988 brought with it significant change in the way the area was governed. Citizen participation and decision making were seen as key in changing the fortunes of the city by placing social justice at its heart. Over subsequent years PB was introduced to allocate funds throughout the city, with a particular view to redistributing wealth and improving transparency of decision making to help avoid corruption. The most deprived areas were given more resources, and decisions over the allocation of new capital investments such as schools, roads, sanitation and healthcare were all made through PB.

The Porto Alegre PB process had three primary aims: to achieve social change with redistribution of wealth; to increase social justice in an area that had significant wealth gap; and to reinstate confidence in the political process. A number of robust qualitative and quantitative studies have shown that the process yielded positive results, with greater equality and increased trust in the political process. Specifically, between 1989 and 2001, the new system achieved (Sintomer et al 2013):

- redistribution of public investment to poorer areas;
- improving services and infrastructure based on the citizens' proposals;
- improving governance cooperation between individual administrative departments;
- a speed-up of internal administrative operations and greater responsiveness on the part of public administration; and
- improved citizen participation.

It is for these reasons that Porto Alegre is cited as an example of best practice regarding urban policy making by both the World Bank and UN-Habitat (UNDP, 2001).

In keeping with the broader literature on PB (e.g. Abers, 2000; Baiocchi, 2005; Gret and Sintomer, 2005), Herzberg et al (2008 p.167) highlight three principles which enabled Porto Alegre to succeed:

1. Grassroots democracy - Citizen assemblies were set up in 16 districts of the city to determine priorities for those areas and elect delegates whose role was to ensure



these priorities were delivered. These priorities were decided on the basis of one vote per person so that each participant could participate equally in the decision making.

2. Social Justice – An allocation formula for funding was created which considered the number of residents, the infrastructure available and the citizens' priorities. This meant that those areas which were less well-off received more than areas with a better quality of life. This helped to guarantee redistributive outcomes.
3. Citizen-led – Boards such as the Council of the Participatory Budget were set up with representatives from each of the district assemblies. These boards ensure that as many of the districts' priorities as possible are accommodated within the budget.

Using these principles to structure and deliver the PB process allowed citizens to have a real impact on decision making and there were significant societal changes in the city, as well as redistribution of resources focused on the poorest areas. However, experts stress that these achievements were down, on the one hand, to a strong political will and, on the other, to the bottom-up mobilization of the people of Porto Alegre. Studies of other attempts at PB which were introduced as a top-down initiative have been found to have less pronounced positive impacts as the participation infrastructure was not as developed and political will not as strong as in Porto Alegre (Herzberg et al 2008).

## **Consultative Participatory Budgeting: Experiences in the UK**

PB in Europe has always differed from that of Latin America. Because water, sanitation and public services were further developed and corruption less widespread, regions tended to focus on PB as a means of public engagement and project implementation rather than resource redistribution and mainstream budget allocation. As a result of this, the benefits of the different systems that have been implemented in Europe are much more varied and less redistributory in nature.

In the UK, PB has been primarily based on smaller grant allocation schemes, in contrast to the mainstream budgets used in many Brazilian models. When Rocke undertook an evaluation of the interventions in the UK to date the key finding was “concrete results, but limited impact” (in Harkins and Escobar, 2015 p.7), with a small positive impact on a range of outcomes for participants, including:

- Improved self-confidence of individuals and organisations;
- Improved intergenerational understanding;

- Greater local involvement with increased volunteering and the formation of new groups;
- Improved citizen awareness of councillors in their wards;
- Increased confidence of citizens in local service providers; and
- Increased resident control over the allocation of some resources.

PB in England was also found to be able to attract additional funds to deprived areas by providing an effective methodology for distributing money that funders could be confident in. Furthermore, the process of PB improved the transparency of decision making and the quality of information that was provided publicly (DCLG 2011<sup>4</sup>).

In comparison to countries such as France and Portugal, the use and scale of PB in the UK has been modest and tends to have involved the allocation of small grants. Under this model, residents are given a say in the kind of projects that will be run in their communities. Nevertheless, some projects in the UK have been of a larger scale. For example the London borough of Tower Hamlets, allocated over £5 million and Newcastle set aside £2.25 million for PB projects. However, PB in the UK is not generally seen as a means of producing social change. Rather, it has tended to be used as a means of increasing community engagement, empowerment, cohesion and pride (Sguelo 2016).

## **PB in Wales**

Much like the rest of the UK, PB in Wales has been delivered via smaller grants by voluntary organisations and public bodies. The sums involved have not been particularly large but many of the processes have mirrored those used by larger PB funds, adapting them to a smaller scale. The Police and Crime Commissioner in North Wales, for example, used PB to allow community groups in Wrexham and Flintshire to bid for a share of £42,000 made up of money seized from criminals. At the smaller end of the scale, the housing association Cartrefi Conway used PB to distribute small community grants of up to £2,500. Residents were encouraged to submit ideas which then shortlisted before moving on to a community voting process.

Local councils have also used PB to distribute funds in various ways across Wales. Colwyn Bay Town Council allocated £50,000 to PB to prioritise projects for young people whilst Denbighshire County Council ran a PB project for local residents to spend £25,000 in Ruthin

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<sup>4</sup> The study by the DCLG provides a comprehensive review of PB in England analysing factors for success as well as the variety of costs for PB exercises at a local authority level.

park. Coedpoeth Community Council used PB to help allocate their Community Council funds. The Community Safety partnership in Blaenau Gwent asked residents to submit project proposals of up to £3,000 which were then allocated via a PB process.

Gwynydd Council have also used a budget calculator mechanism (the Gwynydd Challenge) to allow residents to feed in their views on the Council budget. Like many of the better calculators, this process outlines the different elements of the budget spend and the potential outcome of cutting funds in particular services. However, many would not see this as true PB as no pot of money is allocated for distribution, and the final decisions are made by the councillors and not through public voting.

The Welsh Government have also produced a toolkit for using PB with young people<sup>5</sup> but we were unable to find any evaluation of its impact in Wales.

Whilst there are a number of examples of PB in Wales, it is fair to say that the practice is not widespread amongst any area or organisations. However, the examples above show that there is potential for PB to be used in a number of different areas of Wales and across a number of organisations.

## **PB in Scotland**

PB in Scotland has been increasing over the last few years with the Scottish Government driving to improve engagement and participation of citizens in decision making. This ambition was developed into policy through the Community Empowerment (Scotland) act of 2015 which aimed (amongst other things) to strengthen citizens voices in the decisions and services that matter to them. In order to achieve, this the Scottish Government have created the Community Choices fund (£1.5 million) specifically to fund and support PB in Scotland. This is a national budget but delivered locally and has a redistributive element with the funding targeted particularly in deprived areas. The fund aims to build on the support provided by the Scottish Government for PB since 2014 as part of a broader agenda around democratic innovation and engaged citizenship. The fund has been used for numerous local projects across Scotland. Glasgow University has been commissioned to review the impact of this work but the evaluation report is not due until

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<sup>5</sup> <https://pbnetwork.org.uk/wp-content/uploads/2015/04/Welsh-Govt-PB-toolkit.pdf>

August 2017<sup>6</sup>. Interestingly, although the process of participation is locally led, the Scottish Government sees it as a national PB programme prioritised to those areas which are most deprived.

## A Framework for Developing Participatory Budgeting

As set out above, whilst there are numerous differing typologies of PB and disagreement over its intended aims and purposes, it is nevertheless possible to distill some dimensions of variability that can structure the development of a PB process. Below we frame these as questions that need to be addressed in determining the approach to be pursued. But it is worth noting that the answer to each of these interacts with the answer to the others and, fundamentally, to the question of what the overall aim is (the first question).

Alongside these questions, there is a separate issue about whether and to what extent the PB process should seek to redistribute wealth, as well as important questions about resources (who plays what role and what this means for the resourcing of the process), and about the interaction between any new PB process and the existing legislative and institutional landscape (e.g. The Well-Being of Future Generations Act, Public Service Boards, Town and Community Councils, third sector organisations etc.).

### ***What is the aim?***

This is the first and most fundamental question, and should shape the development of the whole process. As the previous section shows, there are different possible outcomes from engaging people in budgetary decisions, which are linked to the level of participation but go more broadly than this. For example, one might seek to use PB:

- as a way of changing the relationship between citizen and state, and developing new forms of governing; or
- to engage people who feel disempowered and disconnected from governmental decision making; or
- to improve 'buy-in' for budgetary decisions; or

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<sup>6</sup> More information about the projects funded can be found at <https://pbscotland.scot/>. *What Works Scotland*, have also produced a number of reviews and guides relating to PB (all of which can be found here <http://whatworksscotland.ac.uk/>) and PB Scotland also acts as a hub for sharing and learning about the work being done by PB initiatives around Scotland. The PB Network [<https://pbnetwork.org.uk/category/resources/case-studies/>] plays a similar role across the UK

- to work with a specific population to improve the allocation of resources in a particular area (either geographical, or area of spend).

This list is purely illustrative, but each would have different implications for the subsequent questions – about the level of participation, who would participate, when and how. They would also have different implications for the amount of time and resources that would need to be invested to develop and manage the required structures and process, and to address any associated capacity issues.

### ***What should the degree of participation be?***

As discussed above (see figure 1), different types of PB can be categorised according to the level of participation that might be used in the process, from consultation, through involvement and collaboration, to empowerment<sup>7</sup>. As one moves across the spectrum from consultation through to empowerment, decision making responsibility shifts from elected representatives to citizens.

Control and decision making are areas of significant debate in the context of PB. Many commentators argue that, to qualify as PB, the process must allow the participants to have control of decision making, but there are variations of PB where the eventual decision still rests with elected representatives, or statutory bodies.

Ultimately the level of participation has to reflect the intended aim. It will also determine which types of participatory method would be appropriate to pursue.

### ***What is the scale of the PB process?***

There are different elements to the question of scale:

#### Geographical scale (e.g. national, regional or local)

Almost all of the examples of PB to date have been at a local / municipality level. However, larger PB experiments have taken place in Paris and New York, and Portugal is now attempting a national PB exercise (although this builds on ten years of experience of running local PB projects). Smaller geographical areas make the process easier and less resource intensive to manage. Larger scale PB exercises also need to mitigate against the risk that the projects funded are concentrated in certain areas and are not 'visible' to the wider population.

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<sup>7</sup> As discussed above, the lowest level of participation – 'inform' – is not considered sufficient to be a form of PB.

Budget type and scale (e.g. small grant allocation, or setting priorities for mainstream budgets)

In the UK, community grant allocation has been the main form of PB funding, but using mainstream budgets can lead to more significant changes to traditional service delivery mechanisms, and is more likely to be sustainable (Harkins and Escobar, 2015).

The focus (whether a budget is linked to a specific theme, such as local regeneration, or linked to a geographical area)

The current national PB process in Portugal, for example, is focused around five themes: culture, agriculture, science, education and training of adults. But it also has a geographical dimension, with 8 groups of proposals, targeting different territories: 1 is nationwide; 1 for each of the 5 regions of mainland Portugal; and 1 for each of the 2 Autonomous Regions (Azores and Madeira). These groups do not compete with each other, since each one has its own equal financial allocation (more information on the Portuguese national model can be found in Appendix A).

***Who will be involved in the process?***

In some examples, PB has involved whole populations within a specific area (such as in Paris). Others have targeted specific groups. For example, Boston allocated \$1m of capital funds for young people to spend through PB. The project, *Youth Lead the Change: Participatory Budgeting Boston*, has engaged thousands of young people in the democratic process (Idox 2016). Other examples include a combination of representative groups, NGOs, or private companies. Identifying who will be involved in the process can have a dramatic effect on both the resources involved and the eventual outcome.

The participants identified to be involved should be led by both the initial aim of the process and the scale at which it is being operated. Toronto Community Housing (TCH) for example wanted to give TCH residents the opportunity to decide how to spend capital funds to improve their communities. They therefore used tenants' councils to receive project suggestions from residents and then agree the priority projects for their district. Representatives from these councils also met to decide on two projects to be implemented for TCH as a whole (Sintomer et al 2013).

***What stage will people be involved?***

It is possible to identify five stages to a PB process (adapted from Leighninger and Rinehart 2016):

1. Allocation of a portion of a public body's budget to PB
2. Articulating what the 'need' is that will be addressed through the PB process
3. Development of project proposals
4. Selection of projects to be funded
5. Authorities then commit to implementing the winning projects which are subsequently monitored and reported on

Depending on the approach taken, participants might be involved from stage two onwards. Again, the overall aim should help to determine which stage(s) participants are involved in and in what way. If the intention is to empower participants, for example, this might suggest involving them at every stage of the process – simply allowing people to vote on a set of proposals that have already been decided risks being viewed as tokenistic.

The approach taken in Paris is interesting in this regard. Starting in 2014, the newly elected Mayor was determined to implement PB as soon as possible, accepting that their first iteration would not be perfect and that it would be a learning process. Initially the Mayor's office selected 15 projects and asked Parisians to prioritise them. The second round was much more comprehensive, with the Mayor and her team implementing both digital and offline systems by which citizens could suggest project ideas with appropriate support. These ideas were then vetted against a number of criteria, of which feasibility was vital. Once shortlisted, a funded public campaign was organised to raise awareness and allow people to be informed and debate the projects' merits. Finally, a vote took place in order to prioritise differing projects, and the successful projects were implemented. Each of the successful projects was monitored to ensure they were being implemented effectively (Napolitano 2015).

### ***What is the method of involvement?***

There are many different methods or approaches to involving and engaging participants. Broadly, it is helpful to distinguish between two categories: deliberative and aggregative (Harkins and Escobar, 2015). The former encourages discussion and debate among participants. Aggregative approaches are based on participants voting.

Many advocates of PB argue that a deliberative process whereby participants can discuss and debate the merits of differing proposals before voting is an intrinsic part of PB. However, there are examples of PB which do not involve any deliberation, or where only representatives or delegates are involved in deliberation. Moreover, different methods might be used at different stages of the process; for example, projects could be developed through deliberation among delegates, but then a wider group vote on which of these projects are funded.

The development of digital technologies has enabled people to be involved in PB in differing ways. There are examples (such as Cologne) where PB processes are conducted purely online with project suggestions submitted electronically, debate conducted via blogs and forums before a final vote is made through electronic means (Sintomer et al 2013). Other PB experiments have used a combination of digital and face-to-face mechanisms to improve participation and deliberation. More information on the use of digital in PB can be found in Appendix B, but the important lesson from the evidence is that digital PB should be used alongside traditional forms of engagement to complement the mechanisms, rather than in isolation.

## The Challenges for Effective Implementation

The available evidence points to a number of challenges relating to the implementation of PB which are important to consider.

### **Engagement and representation**

Ensuring that any PB process genuinely reflects the views of the whole of society rather than a small and elite minority of participants is a considerable challenge. For example, a common criticism of attempts at PB in Germany is that participants are typically middle aged, highly qualified, employed men (Masser 2016). In other words, those most likely to participate in PB processes in Germany are those already best represented in most other political processes. Tackling this means not only widening participation, but targeting those who are ‘hardest to reach’.

Evidence suggests that the representative and participatory potential of PB hinges on four factors. Firstly, in order to ensure sustained engagement with PB processes and limit attrition over time, it is paramount that the process result in tangible outcomes to prove that people’s engagement has had an impact. Secondly, the process also needs to be ongoing, in order to build support and increase engagement over a long period (Sintomer et al 2103). Thirdly, there also needs to be effective marketing of the PB process to ensure everyone is aware of what is happening, how they can be involved and the impact that can be made. Finally, additional resources are often required to target those who are hardest to reach to ensure broad participation.

There is the potential to use digital technologies to reach a much broader range of participants. One particularly interesting example is in Portugal where there are plans to trial the use of ATMs to offer people the opportunity to vote on PB projects. However,

using digital technology does not guarantee wider participation, and the evidence recommends that digital mechanisms should always be used alongside traditional face-to-face engagement to maximise participation and ensure everyone has the opportunity to contribute (Democratic Society 2016).

## **Sustaining the process**

One of the recurrent problems encountered with PB, including in those areas with considerable experience of deploying PB processes (such as in Brazil or Spanish cities like Cordoba), concerns the discontinuation of the process due to changes of administration and lack of cross-party support. One of the fundamentals of PB is that it needs to be a continuous process to succeed. Even in Portugal where there has been localised PB for over ten years, officials believe it will take over five years for their national PB process to bed in. However, party politics can easily override the community politics on which PB often depends, leaving participatory institutions typically at the mercy of representative institutions (Harkins and Escobar 2015).

This is a difficult issue to avoid, as politicians and political parties often differ on their views of, and support for, PB. The most obvious solution is to get cross-party consensus and potentially to make some statutory commitment. An alternative is to develop the process in a way that encourages it to become socially and institutionally embedded (e.g. through encouraging its use at multiple levels, with a range of institutions and with a wide range of people).

## **Tangible outcomes and a transparent process**

To be successful, participants must be able to see the impact of their contribution<sup>8</sup>. Any PB process must have a tangible result that citizens feel they have participated in achieving. In the absence of actions resulting from a PB process, individuals will quickly become disillusioned and disengaged from the process, since their efforts are not linked to concrete impact.

Where people are voting on projects, it is important that all projects be assessed as feasible before the voting process gets underway. Assessing the feasibility of a project is normally a

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<sup>8</sup> This is one of the reasons why budget calculators are typically not classified as type of PB, since it is very difficult for participants to see how their involvement influenced decision making or what outcomes stemmed from their engagement. There are some examples where there has been effective feedback from budget calculators which are briefly mentioned in the literature, but they are not generally referred to as a PB mechanism.

task undertaken by the organisation overseeing the PB process. Feasibility should be tested against pre-written criteria in order to ensure a transparent account of why a project was accepted or rejected. Depending on the scale of the PB process, this may place a considerable duty on responsible organisations. For example, in the second year of its implementation, the Paris PB process received 5,000 project ideas. Using clear feasibility criteria, these were subsequently sifted down to 77 Paris-wide, and 500 district-specific, projects (De Bulb 2016).

However, whilst feasibility is a necessary condition for successful projects, it is not sufficient to guarantee favourable outcomes. Support for selected projects must also continue throughout implementation, and progress must be continually fed back to demonstrate impact.

## **Measurement and evidence for PB**

Given the diversity of possible aims and approaches, it is important to think about what impact PB is intended to have, and how this will be measured. Effective baseline data need to be collected to allow the measurement of improvements in the stated aims and objectives. Without these elements, it may always be possible to give an intuitively plausible account of the positive impacts of PB, but it will not be possible to empirically prove it or explain what causal mechanisms are at the heart of the process. This points to the need for a robust evaluation framework surrounding PB approaches, making clear the aims and objectives, the causal mechanisms which will deliver them and the evidence which could be used to assess their effectiveness.

## **Governance and capacity**

Effective PB processes are driven by strong effective leadership and ownership of the process. Areas also need to have both the technical competence and resources to conduct selected projects, alongside robust accountability mechanisms that ensure projects are undertaken and that people's views are represented. Finally, meaningful participation in a PB process will require citizens to be able to access the necessary information and skills to make informed decisions about how funding should be allocated.

# Implications for the Welsh Government Budget Process

The first step in designing a PB process for the national budget in Wales will be determining what it is that the process is seeking to achieve. What is clear from the evidence reviewed is



that more ambitious aims require time and resources to become established. As experience from elsewhere shows, this can usefully start with more modest approaches that evolve over time; for example scaling up the participation across the different stages (as with the example in Paris), so that in year one participants vote on possible projects, but in subsequent years, they are also asked to put forward ideas for projects to be voted on.

It will also be important to consider the scale, both in terms of the geographical footprint and the type of budget that would be subject to PB. Launching a national process which does not build on local or regional processes would be unprecedented, and careful consideration would need to be given to how to ensure equitable distribution both in terms of participation and in terms of the beneficiaries of any funding. In a time of budget pressures, identifying new funding to distribute through PB will be challenging, and recommending that areas of mainstream funding be allocated by or diverted to PB may encounter opposition.

Depending on the level of ambition, it will be important to appropriately resource any PB process. Genuine, meaningful engagement is resource intensive, and inadequate resourcing of any process risks not only failing to realise potential benefits, but also generating negative outcomes in terms of public disengagement and disillusionment.

Finally, while the legislative, policy and institutional landscape in Wales arguably lends itself to the development of PB, it will be important to map existing engagement activities by public bodies in Wales to ensure that any new process is, at the very least, not duplicative.

Depending on the aspirations for the use of PB techniques in the national budget process in Wales, this suggests that the focus in the short term might usefully be on laying the foundations for future budgets through, for example:

- Deciding what the Welsh Government wants to achieve through PB (e.g. redistribution, increased political engagement, more transparency etc.) and what level of participation there will be from the public;
- Establishing a baseline measurement for the areas WG would like to improve (e.g. understanding of budgets / awareness of budget pressures / engagement / trust in politics);
- Testing which tools might be most suitable for engagement;
- Identifying different stakeholders who could be involved in engagement events;
- Planning how the digital and face-to-face data will be analysed; and
- Exploring how differing levels of Government can be involved in PB so that it becomes recognised as part of the governing process rather than a one-off exercise.

This could be pursued alongside the use of other forms of engagement or consultation that signal an intended direction of travel. It could be possible, for example, for the Welsh

Government to engage with certain groups on their budget proposals at an early stage in order to get feedback. It may also be possible to set up an online budget calculator tool using a number of off-the-shelf systems available (e.g You Choose<sup>9</sup>). This would allow citizens to input how they would allocate public finances and would provide valuable information with which to complement existing stakeholder group feedback. If this approach were pursued, it would be important to be clear about whether and how it fitted in to broader engagement and future aspirations for PB in Wales. Without this, it might risk people feeling further removed from the decision making process.

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<sup>9</sup> You Choose is an online budget simulator which has been used by a number of local authorities across the UK to involve the public in seeing how they would address budget pressures. More information about You Choose can be found <https://www.local.gov.uk/our-support/research/software-and-tools/youchoose-budget-tool>

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## Appendix A: Examples of the use of Participatory Budgeting

Since the original experiment in Porto Alegre in 1989, there are now estimated to be over 1000 examples of PB in Latin America, representing over a third of the instances of PB worldwide (Sgueo 2016). In Europe there are also more than 1000 examples of PB in practice across more than 100 European cities, including in large cities like Paris, Seville, Spain, Rome, Lisbon and Berlin (Herzberg et al 2008). The PB processes implemented across these areas demonstrate the significant diversity PB can take, not only in terms of scale and scope of participation, but in terms of funds allocated, political principles espoused, and capacity for the process to be sustained over time.

For instance, while PB has been routinely used by certain Latin American countries as a means of redistributing wealth since the late 1980s, North America is only beginning to embrace it. Thus, for example, New York spent over \$24 million through PB in 2014, using money that was previously under the sole control of elected politicians and public officials. Further, in 2015, for the second year in a row, the city of Boston allocated \$1,000,000 of capital funds for young people to spend through PB. The project, *Youth Lead the Change: Participatory Budgeting Boston*, has engaged thousands of young people in the democratic process (Idox 2016).

In contrast to the primarily deliberative PB processes of large American cities, Iceland has based its PB experiment on a hybrid model, coupling deliberative and redistributive goals to help prioritise its spending since the introduction of austerity in the wake of the 2008 economic crisis. Participatory democracy is at the centre of its strategy to re-engage people and rebuild democratic systems. Through its PB project, *Better Neighbourhoods*, 300 million Icelandic Krona (ISK) (about £1.4m) is allocated each year based on citizens' ideas of how to improve 10 different neighbourhoods in Reykjavik, the capital city. Citizens submit their ideas for projects they think will improve their neighbourhoods, and the City of Reykjavik evaluates the costs and feasibility of each project. In this way, Iceland has seen tens of thousands of people participate in the PB process, with over 1000 ideas submitted and 420 approved (Idox 2016).

To date, the largest sum of public money ever to be allocated for a PB process in Europe was \$426 million between 2015 and 2020, by the newly elected mayor in Paris. More details on PB in Paris are in the section below.

## Paris

Paris has the biggest PB in Europe but is still relatively new to implementing this sort of process. Starting in 2014, the newly elected mayor was determined to implement PB as soon as possible, accepting that their first iteration would not be perfect and that it would be a learning process. Initially the mayor's office selected 15 projects for Parisians to prioritise as the PB exercise. However, the second round was much more comprehensive, with the Mayor and her team implementing both digital and offline systems by which citizens can suggest project ideas with appropriate support. These ideas are then vetted against a number of criteria, of which feasibility is vital. Once shortlisted, a funded public campaign is organised to raise awareness and allow people to be informed and debate the projects' merits. Finally, a vote takes place in order to prioritise differing projects, and the successful projects are implemented. Each of the successful projects are then monitored to ensure they are being implemented effectively (Napolitano 2015). One particularity of the Paris model concerns its 'nested' structure, whereby, in addition to there being a Paris-wide PB process, each of the 20 districts in Paris also have their own PB fund. In order to ensure the effectiveness of the process at both the district and city level, resources have been granted to both involve people and develop appropriate technologies to help people in the design and implementation of their ideas.

## Portugal

Portugal recently became the first country in the world to introduce a participatory budget at the national level, building on many years' experience of implementing PB at the local level. Nevertheless, Portugal's national PB process remains less well-known and recognised than its regional and local programmes, which have been running for a number of years. As a result, Portuguese authorities believe it will take at least five more years for the nationwide program to become known and recognised.

The national Participatory Budget integrates groups of proposals with different territorial scope – from the regional to the national. This is intended to allow for complete coverage of the country, as well as broader engagement between local communities and citizens. The Participatory Budget Project (PBP) has 8 groups of proposals according to territory scope: 1 nationwide; 1 for each of the 5 regions of mainland Portugal; 1 for each of the 2 Autonomous Regions (Azores and Madeira). These groups do not compete with each other, since each one has its own equal financial allocation.

The total budget will be EUR 3 million, to be included in the 2017 state budget. The money will be invested in the areas of culture, agriculture, science, education and training of adults.

The process has two main phases: the phase for presenting proposals and a phase for voting on the projects. The phase for presenting proposals takes place between January and April. All proposals for the PBP must be presented in person at Participative Meetings, held in several places throughout the country. Proposals should provide details of project implementation and identify the territories covered in order to provide a concrete analysis and rigorous costing.

The voting phase takes place between June and September. Each citizen will have the right to two votes – one for regional projects and another for national projects – and may choose to vote through the online portal or by SMS. Voting via ATM is being considered for a possible 2018 implementation.

**Timetable (2017)** - Information taken from Portugal PB website <https://opp.gov.pt/>

#### **1st stage - 9 January to 21 April 2017**

Discussion and elaboration of proposals to the OPP (Participatory Budget Portugal [translation]), in Participative Meetings, in the 7 OPP regions. Envisaged the completion of at least two participatory meetings for each NUT II and autonomous regions to cover the largest possible number of people.

#### **2nd phase - 24 April to 12 May 2017**

Technical analysis of the proposals and transformation into projects for each of the ministries and Regional Secretariats and the respective services, with skills in the areas of the proposals.

#### **3rd Phase - 15 May to 31 May 2017**

Publication of the provisional list of projects to put it to a vote and period for challenge by proponents.

#### **4th Phase - 1 June to 15 September 2017**

Vote by citizens in OPP projects of your choice.

#### **5th Stage - September 2017**

Public presentation of the winning projects.

## Online-based participatory budget of the city of Cologne

Participatory budgeting has been growing quite significantly over the past 20 years but the German model is very different from the original Porte Alegre PB as it did not have redistribution and anti-corruption as its main aim. Instead much of the PB exercises in Germany are firstly trying to modernise local government structures through citizen participation and secondly moving towards more responsive government by giving citizens a greater say in decision making (Ruesch and Wagner 2012). Cologne is just one example of PB in Germany but is interesting because it was conducted completely online. There are mixed views as to whether this is a positive or negative methodology and this is discussed more in Appendix B but the information below provides an insight as to how the PB exercise was conducted.

“ Every year, over a four-week period citizens are able to submit their proposals on the city’s expenditure, cost-saving measures and revenues using the <http://buengerhaushalt.stadt-koeln.de/> platform, where they can also comment on and rate proposals made by other citizens and the local authority. The ten most highly rated proposals are then reviewed by the administration, and forwarded to the Cologne city council along with a statement. The individual proposals and the decisions taken by the council are explained in the accountability report and on the online platform. The threshold for participating online is low, requiring only a user name and password. Citizens who do not have access to the Internet can submit proposals through a call centre or in writing. Thanks also to its intensive public relations work, Cologne achieved very high participation rates of 11,000 and 14,000 active participants in its first and second participatory budgets.” Ruesch and Wagner (2012) Pg 11

## Appendix B: The Role of Digital Technology

Improvements in digital technology give PB practitioners the opportunity to reach significantly more people than traditional engagement methods, which are usually predicated on physical presence at meetings. Technology also simplifies the decision making process by providing simple voting mechanisms via a computer, tablet or smart phone. A number of local authorities have begun to use technology to provide interactive budget calculators. These allow local citizens to see where money is being spent and make suggestions as to how priorities / spending could be changed in an area. Importantly, many of the programs flag up the implications these changes could have on service delivery to allow citizens to make more informed decisions. Examples of these budget calculators include:

- <https://www.letstalkbudget.org.uk/>
- <http://youchoose.esd.org.uk/Lewisham/home/index/2014>
- [http://www.highland.gov.uk/news/article/9957/see\\_the\\_challenges\\_of\\_setting\\_the\\_council\\_budget\\_with\\_our\\_budget\\_simulator](http://www.highland.gov.uk/news/article/9957/see_the_challenges_of_setting_the_council_budget_with_our_budget_simulator)
- <https://youchoose.esd.org.uk/liverpool>
- <http://budgetcalculator.shapeauckland.co.nz/>

However, many PB advocates would not see these budget calculators as a true PB process. Indeed, whilst budget calculators engage the public in the budget process, there is no actual pot of funds to be allocated, no deliberation mechanism for debate and no meaningful final vote as to what the outcome will be. Some can be more consultative than others, when they inform participants about how their views influenced eventual budget decisions. Nevertheless, these tools are generally used as a means of informing citizens on budgetary pressures rather than properly engaging them in a process.

*What Works Scotland* has done its own investigation into the use of digital technologies for PB (Democratic Society 2016) and found that there are some very promising digital tools that can help with all aspects of the PB process. This includes tools for making project suggestions, for hosting deliberation fora and multiple tools for voting. However, some of these instruments are more specialised than others, and may be more appropriate, suitable, or effective at different stages of the process. The digital tools that they recommend include (see Democratic Society 2016):

- Dialogue' by Delib – Demo available at: <https://pb.dialogue-app.com/>

- Your Priorities’ & ‘Open Active Voting’ by Citizens Foundation – Demos available at <https://scotland-pb-demo.yrpri.org/> and <https://tiny.cc/pbscot>
- Participare’ by Change Tomorrow – Demo available from <https://myalba.participare.io/#/>
- Democracy 2.1 – Demo available from <http://tiny.cc/pbd21>
- Zilino by Intellitics – Demo available from <http://scotland-pb-demo.zilino.com/>

However, whilst their review does identify the positive elements of using digital in PB, there are also some very strong warnings about an over-reliance on technology. The report stresses that, whilst digital tools can increase participation in PB, they need to be complimentary to existing engagement mechanisms and not replace them. Furthermore, the authors also caution against an over-reliance on technology as it is the quality of the PB process itself, as well as the manner in which digital tools are employed, rather than simply their use, that will determine the success of a PB process. Indeed, the study also found that digital tools can have their own issues for engagement by leading to the formation of a ‘digital divide’ between those who can, or have the skills to, access the digital sphere, and to those who cannot, or do not wish to participate using digital means (Democratic society 2016). They therefore warn against institutions taking a ‘digital only’ approach and advocate using both online and offline tools for all aspects of the process, while ensuring that these are effectively integrated and not seen as separate from each other.

# The Public Policy Institute for Wales

The Public Policy Institute for Wales improves policy making and delivery by commissioning and promoting the use of independent expert analysis and advice. The Institute is independent of government but works closely with policy makers to help develop fresh thinking about how to address strategic challenges and complex policy issues. It:

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