Participatory Budgeting: The Practice and the Potential

Abigail Friendly
About IMFG

The Institute on Municipal Finance and Governance (IMFG) is an academic research hub and non-partisan think tank based in the Munk School of Global Affairs at the University of Toronto.

IMFG focuses on the fiscal health and governance challenges facing large cities and city-regions. Its objective is to spark and inform public debate, and to engage the academic and policy communities around important issues of municipal finance and governance. The Institute conducts original research on issues facing cities in Canada and around the world; promotes high-level discussion among Canada’s government, academic, corporate, and community leaders through conferences and roundtables; and supports graduate and post-graduate students to build Canada’s cadre of municipal finance and governance experts. It is the only institute in Canada that focuses solely on municipal finance issues in large cities and city-regions.

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Overview

Participatory budgeting is a democratic process in which community members directly decide how to spend part of a public budget. The practice, which first emerged in Brazil, includes four steps:

1) Residents brainstorm ideas about how the money should be spent;

2) Budget delegates develop proposals based on the community’s initial ideas;

3) The community is invited to vote on their top projects;

4) The government implements the winning projects.

Since the height of participatory budgeting in Brazil in the late 1980s, the practice has expanded around the world and has been documented in about 1,500 cities. Several Canadian cities are experimenting with participatory budgeting. Two examples of participatory budgeting are explored here:

- Toronto Community Housing’s use of participatory budgeting since 2001, which allows residents to play a role in decision-making;

- The City of Toronto’s participatory budgeting pilot program in three areas of Toronto (Ward 33, and two Neighbourhood Improvement Areas: Oakridge in Ward 35 and Rustic in Ward 12).

Participatory budgeting: (1) broadens political participation; (2) strengthens relationships between government and the community; (3) functions as a school of democracy and citizenship; and (4) may improve budget literacy among city residents. At the same time, the process involves challenges, including the time required to participate and inequities in the process.

This Forum paper describes participatory budgeting efforts in Toronto and elsewhere and notes:

- the importance of equity in participatory budgeting that engages marginalized communities and brings diverse interests to the table;

- that participatory budgeting is evolutionary and builds progressively over time;

- the issue of scale in building a solid foundation for participatory budgeting in Canadian cities;

- the role of city councillors in supporting the participatory budgeting process;

- possibilities for improving the practice of participatory budgeting in Canadian cities, including opportunities for partnering with community organizations and the importance of a long-term vision.
Participatory Budgeting: The Practice and the Potential

Introduction

Participatory budgeting is “a different way of talking about issues; it’s a different conversation.”
– Enid Slack

One key challenge facing today’s cities is how to involve the public in the machinery of government and its fiscal decisions in a meaningful way. Participatory budgeting, a model derived from a Brazilian practice, gives the public the right to propose, deliberate on, and vote on a part of a city budget. In May 2015, the City of Toronto launched a participatory budgeting pilot in three wards. Toronto Community Housing has also been using participatory budgeting since 2001.

Does participatory budgeting actually improve democracy, transparency, and accountability, or is it simply another consultation tool in disguise? In recognition of the growing interest in the topic, the Institute on Municipal Finance and Governance convened a panel of experts on May 5, 2016, to discuss this question and the state of participatory budgeting in Canadian cities.¹ The experts were:

- Shelley Carroll, city councillor for Ward 33, Don Valley East, Toronto
- Josh Lerner, Participatory Budgeting Project²
- Alex Mazer, Better Budget TO³
- Peter MacLeod, MASS LBP⁴

What is participatory budgeting?

The idea of citizen participation is a little like eating spinach: no one is against it in principle because it is good for you. Participation of the governed in their government is, in theory, the cornerstone of democracy – a revered idea that is vigorously applauded by virtually everyone. – Sherry Arnstein⁵

Participatory budgeting is situated within a broader agenda to strengthen democracy and make government
more effective. The Participatory Budgeting Project (a non-profit organization that helps communities across North America with this process) defines participatory budgeting as “a different way to manage public money” by engaging people in government. It is a democratic process in which community members decide how to spend part of a public budget, working with government to make the budget decisions that affect their lives.6

Participatory budgeting transmits popular inputs to local government in four ways:

1. giving citizens a direct role in urban governance through public forums in which citizens publicly voice their demands;
2. connecting participatory inputs to the budgeting process through procedures and rules;
3. improving transparency within the budget process by including a range of actors and publicizing the progress;
4. providing incentives for tangible returns such as projects chosen by the participants.7

Participatory budgeting emerged in Latin America in countries coming out of years of dictatorship, as a way to bring real democracy to the people. In Brazil, it began in the 1970s and 1980s, when a number of cities started holding neighbourhood public hearings during the preparation of their municipal budgets.8 The idea spread to English-speaking cities around the world following Porto Alegre’s participatory budget process, which started in 1989.9

In Brazil, local activists wanted to empower residents and guarantee a more equitable distribution of scarce resources, particularly among the very poor. The policy specifically directed attention and funding to the favelas (slums). In Brazil, participatory budgeting was used to tackle issues common to developing countries such as poverty, poor housing, inadequate health care, rampant crime, deficient schools, poorly planned infrastructure, and inequitable access to services by changing the policy-making process, who was at the table, and therefore who gets to decide.

The participatory budgeting process

The participatory budgeting process includes four steps (shown in Figure 1):

1. Brainstorm ideas

Governments set aside a portion of the budget and invite residents to brainstorm ideas about how the money should be spent.10 These discussions are usually carried out in public meetings, but can also take place online. City staff may ask for volunteers to serve as budget delegates.

2. Develop proposals

The budget delegates turn the community’s initial ideas into concrete program or policy proposals. They meet over several months, consult with experts, conduct research, and narrow down the list of ideas. The delegates submit the top priorities to city staff for technical vetting and cost estimates.

3. Vote

These projects go on a ballot, and the entire community is invited to vote on their top projects. The projects with the most votes are funded; the number of projects funded depends on the funds available.

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*Figure 1: Stages of the participatory budgeting process: (1) brainstorm ideas; (2) develop proposals; (3) vote; and (4) implement winning projects*

Image provided by the Participatory Budgeting Project, www.participatorybudgeting.org
4. Implement winning projects

The government implements the winning projects.

The global diffusion of participatory budgeting

Since participatory budgeting started in Brazil, it has spread to more than 1,500 cities around the world.11 This diversity of experiences shows that there are many contexts in which participatory budgeting is possible, as well as many ways to organize the process.

In North America, participatory budgeting has quickly expanded, as Figure 2 shows. Table 1 provides several examples. While the model developed in Brazil was about equity and social inclusion, this focus has translated in different ways around the world. The challenge for many cities now is scaling up their participatory budgeting experiments.

Participatory budgeting in Canadian cities

In Canada, participatory budgeting projects have funded playground improvements; neighbourhood beautification (flowerbeds, irrigation, planters); pedestrian safety initiatives and traffic calming; lighting and murals in public spaces; wayfinding projects; recreation facility improvements (bleachers, sportsfield upgrades); and improvements to common areas in publicly owned buildings. While these processes have most often been initiated by a municipal government, in other cases they have originated in the housing sector or in youth organizations. Indeed, “there is no one-size-fits-all model for participatory budgeting.”12

One challenge for participatory budgeting in Canadian cities is the high level of cultural and linguistic diversity. As Pinnington, Lerner, and Schugurensky note, “How can different residents decide on common priorities when they do not even speak the same language, share similar cultural habits or hold common belief systems?”13 Unlike cases of participatory budgeting in Brazil, Canadian cities have relatively developed infrastructure and relative affluence, suggesting that the types of projects that are relevant in Brazilian cities may not be needed in Canada. Finally, the limited autonomy of local government as well as the small scale of the efforts thus far may also be challenges for the Canadian context.14

Participatory budgeting in Toronto

In Toronto, the largest social housing provider in Canada, Toronto Community Housing (TCH), has used participatory budgeting to allow tenants to decide how to spend a portion of TCH’s capital budget.15 The process started in 2001 through two precursor social housing companies, Metro Toronto Housing Company and Toronto Housing Company. With the emergence of TCH in 2002 following amalgamation, members of the board, management, and staff sought to develop a formal participation system for residents to play an ongoing role in decision-making.16

In the first participatory budgeting cycle, more than 6,000 residents allocated $18 million in funds over two years to 237 TCH capital projects. Between 2004 and 2008, TCH set aside $9 million in capital funds for participatory budgeting. Each year, 60 percent was distributed to TCH’s 27 Community Housing Units based on their size, 20 percent was split equally among the Community Housing Units, and the remaining 20 percent ($1.8 million) was distributed on the basis of decisions made by the residents.17 An evaluation of the program in 2010 found three main shortcomings of the TCH process: outreach, organization of meetings, and consistency.18 In 2015, TCH allocated $8 million

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Figure 2: The growth of participatory budgeting in North America

The Growth of Participatory Budgeting

Each dot represents one district, city, or institution in the US & Canada that the Participatory Budgeting Project has assisted in implementing participatory budgeting.


Image provided by the Participatory Budgeting Project, www.participatorybudgeting.org
Table 1: Participatory Budgeting in North America

<table>
<thead>
<tr>
<th>Location</th>
<th>Institution</th>
<th>Years Active</th>
<th>Annual Amount Collected</th>
<th>Annual Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>New York City Council Districts (24 of 51)</td>
<td>2011–</td>
<td>$25 million ($1–2 million each)</td>
<td>18,576</td>
</tr>
<tr>
<td></td>
<td>Brooklyn College</td>
<td>2012–2013</td>
<td>$20,000</td>
<td>600</td>
</tr>
<tr>
<td></td>
<td>City of Chicago Wards (3 of 50)</td>
<td>2009–</td>
<td>$3 million ($1 million each)</td>
<td>4,154</td>
</tr>
<tr>
<td></td>
<td>City of Vallejo</td>
<td>2012–</td>
<td>$2.4 million</td>
<td>4,431</td>
</tr>
<tr>
<td></td>
<td>San Francisco Board of Supervisors Districts (3 of 11)</td>
<td>2013–</td>
<td>$460,000 ($100–$260,000 each)</td>
<td>2,261</td>
</tr>
<tr>
<td></td>
<td>City of Boston</td>
<td>2014–</td>
<td>$1 million</td>
<td>2,000</td>
</tr>
<tr>
<td></td>
<td>City of St Louis Wards (1 of 28)</td>
<td>2013–</td>
<td>$100,000</td>
<td>736</td>
</tr>
<tr>
<td>Canada</td>
<td>Toronto Community Housing</td>
<td>2001–</td>
<td>$5 million</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Plateau-Mont-Royal Borough</td>
<td>2006–2008</td>
<td>$1.5 million</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Neighbourhood Support Coalition</td>
<td>1999–</td>
<td>$250,000</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Ridgeview Elementary School</td>
<td>2005</td>
<td>$2,000</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Participatory Budgeting Project, www.participatorybudgeting.org

for tenants to decide on improvements to public safety, laundry facilities, and playgrounds.¹⁹

In 2014, the City of Toronto instituted a participatory budgeting pilot project in Ward 33 (Don Valley East). The process was influenced by the ongoing process at TCH and a model used in New York and Chicago. In 2014, $500,000 of Section 37 funds (often called “density bonusing” revenues) were allocated to community projects.²⁰ One of the challenges of using Section 37 funds is that the City does not control when the funds are received, making it difficult to schedule and implement projects.

The following year, the City of Toronto extended the pilot for three more years in Ward 33, and added two Neighbourhood Improvement Areas: Oakridge in Ward 35 and Rustic in Ward 12. At this point, the funding source changed from Section 37 funds to city reserve funds, to ensure greater predictability in the process.

Currently, the process is centralized through the City Manager’s Office, which piloted the approach using staff resources. As Alex Mazer noted, having dedicated resources to coordinate the process and locating the resources within the City Manager’s Office added to the consistency of the City’s approach across Toronto.

The 2015 pilot selected seven community improvement projects at a total cost of $435,000.²¹ Each of the three wards involved in the participatory budgeting pilot received $150,000 in capital funding towards the process.²² According to Shelley Carroll, City Councillor for Ward 33, across all three pilot areas, 531 people voted.

As in the TCH process, participatory budgeting in the City of Toronto’s pilot project has been used only for capital projects.²³ The pilot followed a similar process to that in other North American cities, which included public information sessions, communications and outreach, community project development and
assessment, shortlisting community ideas for a ballot, and a public vote.

An evaluation of the process by Environics Research, an outside polling firm, found that the pilot’s benefits included learning, community engagement, and local investment. As Carroll noted, “The way the city works begins to unfold, not in a ‘no’ moment, but in a ‘getting-to-yes’ moment… There’s only a choice as to which one [project] you say yes to. That rarely happens in the City of Toronto.” The pilot is building both dialogue and capacity between the community and the government. This point illustrates the role of participatory budgeting as a school of democracy, or as a space for democratic citizen learning.

Noting the “democracy cluster” taking shape in Toronto, Peter MacLeod mentioned a number of distinctive characteristics: (1) an emphasis on learning and inclusiveness; (2) a common ethos that views government as needing a helping hand; and (3) that democracy is a way to work together through disagreement. Participatory budgeting works well with this sensibility by helping residents learn about the constraints and abilities of government and grappling with the tradeoffs between the two.

Other cities in which participatory budgeting has been tried in Canada include Vancouver and Guelph.

**Benefits of participatory budgeting**

*Participatory budgeting broadens political participation*

Compared with elections, eligibility to participate in participatory budgeting processes is typically broader and more inclusive. As Josh Lerner noted, in many cities in North America, anyone who lives in the area and is at least 14 years old can vote in the participatory budgeting process, regardless of his or her citizenship status.

*Participatory budgeting strengthens relationships between government and the community*

Participatory budgeting can strengthen relationships between government officials, staff, organizations, and residents. Unlike other government programs, it is about involving the community in the budgetary process and about what participants want. Indeed, participatory budgeting has been linked to greater trust in government.

*Participatory budgeting functions as a school of democracy and citizenship*

Participatory budgeting institutions become a space for democratic citizenship learning where residents develop a broad understanding of politics, and both residents and government participants gain a new appreciation of the common good and the community they live in. Through participatory budgeting processes, participants improve a range of skills while organizations benefit from leadership development.

*Participatory budgeting may help to improve budget literacy*

Budgeting is an under-appreciated part of democracy, and participatory budgeting may help people to better understand budget processes.

*Some limitations of participatory budgeting*

One of the biggest challenges of participatory budgeting is the time required for ordinary citizens to play a meaningful role. At the same time, participatory processes can often be unequal, as some voices are heard more loudly and more often than others. Indeed, for very poor residents, participation is challenging given the time and resource commitment required.

A related challenge often levelled against participatory budgeting is the potential to lead to an unjust and illegitimate exercise of power by those in charge. Figure 3 shows a depiction of this challenge, namely, that those who participate may not profit from the process and decisions that are often ultimately made behind closed doors.

In addition, while participatory budgeting is highly inclusive in its ideal form, the process may be used by governments or elites to serve their own interests.

Another challenge is that the focus on public works may reduce the impact of public learning. Indeed, many participants are often interested less in learning about
Participatory Budgeting brings people to the table

According to Josh Lerner, “The biggest impacts occur when there is a very intentional approach to engage communities who are marginalized and [when there is] an inclusive process.” Shelley Carroll noted the need to create opportunities for bringing diverse people together and bridging economic interests: “When you do [participatory budgeting] in the ward and say it’s $250,000 and we’re all going to spend it, everyone comes to the table.”

Participatory budgeting helps make spending more equitable by directing resources to communities with the greatest needs. It also makes spending more effective because people look for ways to get more done with the resources available. According to Josh Lerner, for every $5 allocated through participatory budgeting processes, residents may bring in an additional $1 in matching funds for their community. Alex Mazer explained, “Elected people make decisions based on the best information. What is relevant is what the people actually want, and what they actually need.”

Participatory budgeting is evolutionary

As part of the evaluation process for the participatory budget pilot in Toronto, measures of success are based on building the number of participants each year with...
the expectation that the process should grow as capacity in the process improves. This approach to evaluation highlights the notion of participatory budgeting as a school of democracy and the ripple effects produced by such processes, as well as the transformative power of this work.

The issue of scale

While the participatory budgeting process in many Canadian cities has achieved a certain measure of success, there is a need to scale up the experience. As Alex Mazer concluded, “The City of Toronto has made a lot of progress, but [it] still has room to grow when it comes to being a world leader in open democratic and effective budgeting. The participatory budgeting pilot is an exciting first step, but we could be a little less Canadian in our approach and perhaps more ambitious in how we try to scale it up.” The question is whether Canadian cities like Toronto are willing to invest in participatory budgeting and take it to a wider scale.

The role of city councillors

Elected officials can play a pivotal role in supporting the participatory budgeting process. Josh Lerner noted that in his own work with the Participatory Budgeting Project, the most successful cases have been the ones in which city councillors have bridged the divide between government and community. Ultimately, this new task involves a deep theoretical shift in how the role of elected officials is viewed.

Possibilities for improvement

Alex Mazer noted opportunities for partnering with organizations that have community development objectives and are leaders in their communities. Aligning participatory budgeting with community organizations as an engagement and leadership-building tool is one way forward. Other areas for improvement include the amount of money allocated to the process and the level of participation.

Budget transparency could be tied to a long-term vision for the city, as Calgary did with its “Our City, Our Budget, Our Future” program. In 2011, Calgary Mayor Naheed Nenshi began a city-wide stakeholder engagement process to open up the budget planning process to the public. Elected in 2010, Nenshi told reporters at a October 2010 press conference that his win was about “revitalizing the level of conversation in the city.” Participants provided input through community meetings and an online budgeting tool, which allowed users to view not only how much each department was spending, but also the potential impacts of increasing or decreasing the budget in certain areas, such as safety or transportation.

During the process, the city heard from more than 23,000 people and the views expressed in the process were considered when drafting the budget, adopted in November 2011. The expectation was that the findings from the renewed process would enhance the implementation of ImagineCALGARY, a long-range community vision based on environmental sustainability, economic well-being, and social cohesion. By using different avenues for engagement, Council was able to use the findings of these discussion as a basis for future discussions related to the Fiscal Plan for Calgary and tax rate approvals.

Despite the challenges of participatory budgeting in Canada, the time could be ripe to expand the participatory budgeting programs already in use.

Endnotes

1. The event was part of the Big City, Big Ideas lecture series, presented in partnership with Innovation Policy Lab, Martin Prosperity Institute, Department of Geography and Planning, School of Public Policy and Governance, and Global Cities Institute at the University of Toronto, and Urban Strategies Inc.

2. See http://www.participatorybudgeting.org/

3. See http://www.betterbudget.ca/

4. See http://masslbp.com/


10. The size of the portion of the budget allocated to participatory budgeting varies considerably depending on the location. Most processes involve about 1 to 15 percent of the overall budget.


14. Ibid.


17. Ibid.


21. In 2014, the Ward 33 Pilot had a budget of $500,000 from Section 37 funds. In 2015, the first year of the City’s pilot, each of the three areas had $150,000 from reserve funds. In 2016, the second year of the City’s pilot, each of the three areas will have $250,000 from reserve funds.


