

FOLEY'S | LIST

PARTICIPATORY BUDGETING

Author: Julie R Davis

Date: 23 May, 2014

© Copyright 2014

This work is copyright. Apart from any permitted use under the *Copyright Act 1968*, no part may be reproduced or copied in any form without the permission of the Author.

Requests and inquiries concerning reproduction and rights should be addressed to the author c/- annabolger@foleys.com.au or T 613-9225 6387.

PARTICIPATORY BUDGETING.

Darebin City Council has claimed to be the first Council in Victoria to go down the path of participatory budgeting. The introduction of a 5 per cent rate rise and spending on \$32.6m of new infrastructure involves a new way of determining how some of the money will be spent. According to the Mayor, one per cent of rate revenue will provide a \$1m infrastructure fund. A panel of 43 residents will then decide which projects should be short-listed to receive the funding. The make-up of the panel will be determined by consultants. (Leader Community Newspaper, 13 May 2014). Details of the budget process and participatory budgeting investigation can be found at page 24 and following of Council minutes.

http://darebin.vic.gov.au/Files/Council_Meeting_Agenda_-_7_October_2013.pdf

Will others follow this model? It is not new, and in fact was first developed in Brazil in 1989. It has the support of UN Habitat and the World Bank.



(UN-Habitat is the United Nations programme working towards a better urban future. Its mission is to promote socially and environmentally sustainable human settlements development and the achievement of adequate shelter for all).

What is it?

Participatory budgeting is a process of democratic deliberation and decision-making in which ordinary people decide how to allocate part of a municipal or public budget. It allows citizens to identify, discuss and prioritize public spending projects as well as giving them the power to make real decisions about how money is spent.

Participatory budgeting generally involves:

1. community members identifying spending priorities and selecting budget delegates
2. budget delegates developing specific spending proposals with help from experts
3. community members voting on which proposals to fund
4. the city or institution implementing the top proposals.

(see www.mav.asn.au)

It is said that PB can:

- Give community members a say
- Generates social capital
- Makes for better and more equitable decisions
- Develop active and democratic citizens
- Build communities and strengthens community organisations
- Connect organisations with their communities
- Make an organisation more transparent, more accountable and more efficient.

UN Habitat and the World Bank regard participatory budgeting as an innovative financial practice that helps to enhance participation and improve accountability and transparency in administration of financial matters. It is a mechanism to involve and empower people in decision-making and more equitable distribution of resources.

It is said that the mechanism of participatory budgeting provides an excellent entry point to promoting the application of principles of good urban governance, especially transparency, within the context of local government finance. The ultimate beneficiaries of participatory budgeting are urban residents, particularly the urban poor, who have a direct input in the allocation of municipal financial expenditure on urban infrastructure and basic services.

Purpose

The objectives of participatory budgeting are:

- To ensure that the finances of the local government are properly accounted for and thus decrease the potential for abuse by individuals both within and outside the system.
- To involve the community, including the lower-income neighbourhoods of the city, in the priority-setting and budgeting process.
- To enhance local democratic culture, nurture civic engagement, and stimulate the development of social capital.

(see unhabitat.org and worldbank.org)



Where and how did it start?

The first full participatory budgeting process was developed in the city of Porto Alegre, Brazil, starting in 1989. Participatory budgeting was part of a number of innovative reform programs started in 1989 to overcome severe inequality in living standards amongst city residents. One third of the city's residents lived in isolated slums at the city outskirts, lacking access to public amenities (water, sanitation, health care facilities, and schools).

Since its emergence in Porto Alegre, participatory budgeting has spread around the world. More than 1500 municipalities are estimated to have initiated participatory budgeting, including in the United Kingdom and the Dominican Republic where participatory budgeting has been implemented in all local governments. In some cities, participatory budgeting has been applied for school, university, and public housing budgets. These international approaches differ significantly, and they are shaped as much by their local contexts as by the Porto Alegre model.

In Canada, participatory budgeting has been implemented with public housing, neighbourhood groups, and public schools.

In India, a village called Hiware Bazar has served as an epitome of the process. The village being highly deplete with water, education and basic needs for life at one point, is now self-sufficient with a high per capita income.

In Australia, the City of Canada Bay in Sydney undertook a participatory budgeting process in 2012, possibly the first Council in Australia to do so.

Criticism

Criticism of the process in a [World Bank](#) paper points out that lack of representation of extremely poor people in participatory budgeting can be a shortcoming. Participation of the very poor and of the young is highlighted as a challenge. Participatory budgeting may also struggle to overcome existing [clientelism](#). Other observations include that particular groups are less likely to participate once their demands have been met and that slow progress of public works can frustrate participants.

(see Wikipedia.org. For other community engagement projects, see McKinlay Douglas Ltd, Community Engagement Project final report, February 2009)

Julie is a member of the Victorian Bar. She has for many years practised in land development, planning, local government and associated areas. Julie is an experienced VCAT advocate in its many jurisdictions. In addition to private practice, she has worked within local government and a metropolitan water company. She holds a Bachelor of Laws degree (Melbourne University), a Master of Business (Corporate Governance) (RMIT); and is a certified Mediator. Julie can be contacted through Foley's list on 9225 7777, 0412322111 or julie.r.davis@vicbar.com.au.