

# **MULTILEVEL GOVERNANCE PROCESSES – CITIZENS & LOCAL BUDGETING: COMPARING BRAZIL, CHINA, & THE UNITED STATES**

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**Modifications to policymaking processes and actors are crucial when transitioning to multilevel governance. Civic engagement in budgeting processes, where crucial policy decisions are determined, is an important component of shared governance. Understanding the new roles for citizens in the budget process, then, can extend our knowledge of multilevel governance. This research explores the ways in which the budget process incorporates citizen participation to foster an ideal of civil society in the United States, Brazil, and China. The comparative case analysis probes the extent to which institutional changes have occurred, why they have occurred, and the degree to which municipal budget processes are characterized by multilevel governance.**

**Key Words: Citizen Participation, Governance, Local Budget Process.**

## INTRODUCTION

Contemporary transitions in governance manifest themselves in “interconnected arenas” featuring diverse actors collaborating on policymaking to leverage interdependent resources. These transitions represent “reconfiguration of state, market, and civil society around certain values, processes, and institutions” (Clarke 2007, 58). Collective academic realization of shifts in governance activities was evident as early as thirty years ago when Musolf and Seidman (1980) documented the “blurred boundaries” of public administration. The boundaries of government decision making increasingly feature third-party (Salamon 1981) and private actors (Kooiman 1993). Scholars around the world have identified similar causes for these blurring boundaries, including increased complexity and turbulence in how societal decisions are made, fragmentation of activities and authority, higher levels of uncertainty and risk, declining capacity of political and administrative systems, fiscal crisis of the welfare state, market failure, challenges to the hierarchical model of public management, growing demands for more accountability and transparency in policymaking, and the impact of globalization (see e.g., Salamon and Lund 1989; Mayntz 1991; Kjaer 2004; Abramson, Breul, and Kamensky 2006; Clarke 2007).

The growing interpenetration of what were viewed previously as distinct realms of action created increased levels of interconnectedness, and shared power arrangements supplemented, and increasingly supplanted, decision making and administration solely by public officials (Bryson and Einsweiler 1991, 3–10). The interpenetration of sectors necessitates conceptual clarity. *Governing* is now defined as “all those activities of social, political, and administrative actors that can be seen as purposeful efforts to guide, steer, control or manage (sectors or facets of) societies” (Kooiman 1993, 2). *Governance*, according to Bellamy and Palumbo (2010) is

a move away from traditional hierarchical forms of organization and the adoption of network forms. It also entails a revision of the relationship between the state and civil society in a more participatory direction.[...] The state is thus claimed to be superseded by a “networked polity” where authority is devolved to task-specific institutions with unlimited jurisdictions and intersecting memberships operating at sub- and supra-national levels. (As quoted in Pollitt and Bouckaert 2011, 21–22.)

One of the most powerful institutional transformations in government that have led to new patterns of governance has been the concomitant movement of political authority upward from central governments to international entities and downward to subnational ones (Fosler 1999). *Multilevel governance* (MLG) “describes the simultaneous activation of governmental and nongovernmental actors at various jurisdictional levels” (Piattoni 2010, 159), which is distinctly different from the Westminster model of a centralized,

unitary state (Cairney 2012, 161). MLG occurs within existing legal frameworks and institutional arrangements; however instead of state actor dominance, MLG often features negotiated and interactive decision processes. MLG, as one form of governance, differs from other forms such as collaborative governance because MLG does not imply collaboration exists, nor is MLG the same as networked governance, because MLG emphasizes institutions, whereas network governance refers to the use of an organizational form different from hierarchies and markets to achieve public purposes (Politt and Bouckaert 2011, 20).

While the study of the structure of intergovernmental policymaking is a well-developed stream of MLG research, a second and equally important stream of research is necessary to fully understand MLG as represented by evolving relationships between the state and civil society in a more participatory direction. Thus, our focus is on the nuances of the relationship between community social capital building and governance.

To understand this emerging form of governance, research needs to consider how MLG processes provide the capacity necessary to address the complexity of modern societal problems, while at the same time incorporating market and civil society organizations into public decision making. Budgeting is the linchpin between popular sovereignty and public action. As such, budgeting is the fundamental decision-making process where citizen preferences are translated into governing choices. This research examines the ways in which the budget process incorporates citizen participation to foster an ideal of civil society in the United States, Brazil, and China. A meta-analysis of public documents, scholarly studies, and accounts of the process by participants such as civil society associations, political parties, and the popular press are utilized as essential source materials. The analysis probes the extent to which institutional changes have occurred, why they have occurred, and the degree to which municipal budgets are characterized by MLG.

### **Participatory Budgeting: A Framework for Comparative Analysis**

Scholars have argued for increased citizen participation in governance over the past several decades. Participation has been portrayed as a way for individuals to perform their duties to their community (e.g., Box 1998; King, Stivers et al., 1998) and to strengthen democracy (Barber 1986). The United Nations Development Programme encourages governance in which “citizens and groups articulate their interests, exercise their rights, meet their obligations, and mediate their conflicts” Boyte (2005, 536). Bingham, Nabatchi, and O’Leary (2005, 548) argue that participation enables citizens to share power. In developing countries, corruption, elitism, and poor service delivery are frequent, and power may be highly concentrated in the executive branch with little oversight. “Participation is particularly important because it fosters good governance, promotes transparency, increases social justice by involving the poor and excluded, and

helps individuals become better citizens” (Moynihan 2007, 58). It can also curb clientelism, patronage, and corruption (Shah 2007). The most globally dispersed form of participatory democracy is participatory budgeting (PB) (Pateman 2012).

Forms of budget participation are extremely diverse. Many municipalities endorse the principle of representative democracy, where citizens grant their proxy for resource allocation decisions to elected officials. This transfer of control from the citizens to public decision makers, however, raises concerns that outcomes overrepresent the preferences of elected officials and interest groups. Contrasted with this approach to decision making are municipalities with a budgeting philosophy more supportive of direct democracy, based on the supposition that citizens ought to participate since they alone are their own best “representatives.” As Berman (2012) documents, citizens look at conditions in their community very differently from the way government officials do. Participatory budgeting can be an opportunity for “educating, engaging, and empowering citizens and strengthening demand for good governance” (Shah 2007, 1).

Challenges have been noted regarding participatory budgeting efforts. One set of challenges relates to the areas in which citizens will have input, and who participates. While in some cases citizen participation may affect the entire operating budget, in other cases it may relate to capital improvements only or to specific funding allocations that may be relatively minor (Ebdon 2002). Selecting participants who represent a wide range of perspectives can avoid selection perceived as cronyism supporting a particular political agenda (Ebdon and Franklin 2006), but this is not easy. Participation typically requires time and effort—citizen participants must learn government lingo and rules; government officials must educate participants, transmit transparent information, educate participants, and monitor the results.

Other challenges relate to the amount that citizen input can affect budget outcomes (Franklin and Ebdon 2004), and judging the success of participation (Ebdon and Franklin 2006). The attitude of government officials is crucial (Moynihan 2007). “[I]nformation sharing and consultation occur more frequently than participation in decision-making or implementation” (Pateman 2012, 14). Professional administrators may resist citizen participation in technical and complex areas such as the budget (Thomas 1995), and officials may believe that more input increases the difficulty of securing their recommendations (Bland and Rubin 1997). Citizen input in budgeting can create or exacerbate tensions about resource allocation that may exist between citizens and elected officials, citizens and fiscal/technical experts, and citizens and interest groups/political parties. As stated by Arnstein (1969, 216), “There is a critical difference between going through the empty ritual of participation and having the real power needed to affect the outcome of the process.” Many methods exist for citizens to participate in budgetary decision making, yet no one method is ideal and few are institutionalized. Across these methods, purposes are seldom articulated, expectations vary, and measuring the cost of participation and the suitability of outcomes is difficult (Ebdon and Franklin 2006).

Theory building is limited in the area of participatory budgeting, so it is important to add to our understanding of what facilitates or hampers citizen participation and its effectiveness. The research that has been done has suggested that there are a number of variables that are common elements critical in the structure and success of participation efforts. Based on previous studies, Ebdon and Franklin (2006) identify four key groups of variables that have been found to make a difference in the effects of participation: environment, process design, mechanisms used, and goals and outcomes. Environmental variables include legal structures, social and demographic factors, and political culture. *Design of participatory processes* includes areas such as the type of budget allocation, who participates and how they are selected, and when in the budget process the participation occurs. *Mechanisms* may take the form of intensive deliberative methods, advisory committees, public meetings, and so forth. *Goals and outcomes* may include one or more of the following: reduce cynicism, educate participants, gain support for proposals, gather input for decisions, change resource allocation, enhance trust, and create a sense of community.

This paper uses the four sets of variables in the Ebdon and Franklin framework to conduct a comparative case analysis. A meta-analytical approach is the basis for the multi-country comparison. First-hand accounts of citizen participation in budgeting are reported from the in-country experiences of the authors. Normative statements and empirical results that appear in the extant literature provide another source of scholarly/academic findings from which to triangulate meta-analytic conclusions. Secondary data is used to embed the native perspective into the analysis. Materials drawn from publications produced by official government organizations, monographs from professional associations, statements from civil society organizations, and popular press reports of participatory processes provide insight into the participants' experiences. The evidence from these kinds of "on-the-ground" actors and organizations that have and regularly do host participatory processes is an essential source of contextual evidence for the analysis.

The United States, Brazil, and China provide distinctive settings for determining whether many of the key elements associated with MLG have emerged in each of the three nations, while also examining whether and how the larger legal, political, and cultural contexts of each nation have shaped the changes in budget institutions and processes. The United States is a long-established democracy with broad civil and political rights as well as an extensive collection of mechanisms, procedures, and requirements for the inclusion of citizens in the municipal budget process, alongside its long history of municipal governance reforms. Brazil, of course, is the globally acknowledged pioneer in PB. Its adoption of PB reflects the nation's efforts to construct and operate a fully democratic government after a quarter century of military rule. China is an authoritarian regime that has liberalized its economy, and more recently is experimenting with several administrative reforms in an effort to sustain support for the

current governance pattern. Next, we provide further detail about participatory budgeting in these environmental contexts.

### ***Participatory Budgeting in U.S. Municipalities***

The United States is the world's third-largest country in landmass and population. At the federal and state government levels, most elections are partisan, typically featuring candidates from only two parties—Democratic and Republican. At local levels of government, many elections are nonpartisan. There are different forms of government at the local level, with the Mayor-Council (executive), Council-Manager, and Commission (legislative) forms dominating.

Budgeting systems in the United States are highly decentralized. Roughly 90,000 local governments adopt their own budget. Using 2008 data, the Tax Policy Center reports that 38 percent of local government revenue comes from inter-governmental transfers, 28 percent from property taxes, 23 percent from charges and receipts, and the remainder from sales, income, and other taxes. In general, budget deliberations primarily focus on general revenue or capital budgets. Some budgeting processes begin with a planning session of the elected officials. Government staff members use these plans to prepare and present the budget proposal. In 40 out of 50 states, there are mandates to make the proposed budget publicly available and/or to hold at least one public hearing (Berner and Smith 2004, 144–146). States can also require voter referenda to increase local taxes or issue debt (Ebdon 2000).

Ebdon and Franklin (2006) find that significant factors in the environment in which local government officials operate to enact the budget include state requirements, form of government, and political culture. Each of these influences the degree to which citizen participation activities exist. In addition, characteristics of the residents may predict participation levels; jurisdictions with larger, heterogeneous, and more highly educated citizens show a slight increase in participation activities.

The design of participation activities ranges from comprehensive processes like those in Eugene, Oregon (Simonsen and Robbins 1999), and Midwestern cities (Franklin and Ebdon 2004), to allocation of a specific fund, such as the Community Development Block Grant in Vancouver, Washington, or a geographical or capital/infrastructure set-aside within the budget in cities like Chicago and New York City.

Many local governments rely on self-selection as the basis for participation rather than attempting to systematically engage a large number of representative participants. Self-selection often results in participants who are more self-interested and seldom provide sincere preferences that weigh competing resource demands, or confirm a willingness to pay for their preferences.

The choice of participation mechanisms has a significant effect on who participates (Leighninger 2002; McCoy and Scully 2002; Lukensmeyer and Brigham 2002).

Mechanisms such as surveys, focus groups, special budget meetings, forums, and simulations that require allocation tradeoffs and decisions about taxes and spending can mitigate this (Simonsen and Robbins 2000). Normally only one or two mechanisms are used and few are institutionalized, with the exception being the public hearing.

The goals and outcomes of participation are wide-ranging; however, there is little evidence that citizen input changes resource allocation in demonstrable ways in the United States. Instead, many of the outcomes attributed to citizen participation are more closely aligned with education, communication, and civic engagement. However, support for the goals and outcomes associated with participatory budgeting may be gaining momentum. Three examples support this claim: the Kirkland, Washington, 2012 budget recommendation included \$25,000 to develop a citizen-based budget process; in 2012, Vallejo, California, leaders gave residents spending authority for \$3M in new sales tax revenue; and Brooklyn College is setting aside 10 percent of the Student Government Budget (more than \$20,000) for students to allocate. The Participatory Budgeting Project website also reports pilot PB projects in Los Angeles, New Orleans, Baltimore, and New Haven. Tangible outcomes from these civic engagement activities remain to be seen, but there is at least the symbolic attempt at public accountability.

The limitations of citizen participation in the United States are well documented (Ebdon and Franklin 2006). Typically, a few nonrepresentative participants consider only a small portion of the budget, and few participation mechanisms are institutionalized. Instead, there is a patchwork of mechanisms used to gather information and little, if any, accountability for incorporating this input into resource allocation decisions.

### ***Participatory Budgeting in Brazilian Municipios***

Brazil, the world's fifth-largest country in territory (8,514,877 sq km) and in population (205.72 million), is so vast all of Europe fits inside. Once primitive, the economy is now the world's seventh largest (GDP 2.52 trillion, 2011 est.) (CIA World Factbook). Brazil functions with a federally organized government, and its municipalities exercise substantial legal autonomy (Motia de Andrade 2004). Although democratic elections select public officeholders, Brazil remains one of the world's most socioeconomically unequal societies, and its political culture is characterized by a mixture of patron-client networks, mass politics/populist appeals, and growing numbers of civil society organizations (Roett 2011).

The surprising birth of PB in Brazil has been extensively analyzed, and scholars have produced a lengthy list of factors associated with PB's development. Among these causal factors are municipal experiments with participatory practices during the 1964–1985 military regime era, the growth of voluntary and association activity during the military regime, a “right to rights” movement against the military regime, declarations in the 1988 Constitution favoring municipal autonomy and increased city revenues, the success of

leftist parties in local elections, the spread of liberation theology supporting the participation of the poor in society, and separate national campaigns for improved public health and for more competent and professional urban government (Souza 2001; Fernandes 2007; Avritzer 2009; Soares, Krenzinger, and Guindani 2010; Wampler 2011).

PB first emerged in Porto Alegre, the southernmost state government capital. In addition to the factors listed previously, PB also required human agency in the form of political leadership, which was provided by the Workers Party (PT), Brazil's first effective mass political party. Its 1989 municipal election victory gave PT the chance to demonstrate its "popular administration" model could work. The local conditions supporting PB's genesis were a combination of a favorable political culture in the city, the establishment of a significantly more democratic legal order in the nation, and the development of a successful political party committed to radical change in public administration.

Porto Alegre's PB has been described in numerous publications, so a concise review of its essential features will suffice. (For more details, see Abers 2000; Avritzer 2002; Nylén 2003; Biaocchi 2005; Sintomer and Gret 2005.) PB is a dual-track, multi-tiered set of citizen assemblies representing regional groupings of neighborhoods that not only provides opportunities for interest articulation and decision making, but also provides arenas for the selection of delegates to the next higher level in the process. A region's local budget assembly is open to all residents and is the initial location where citizens may debate and vote on budget priorities, as well as to select two representatives (and two alternates) to the next level. City officials present attendees with general information about city finances to assist the deliberations and allocate to each forum a budget quota proportionate to its population size. The second-tier assemblies are open to all citizens as observers, but only the elected delegates debate and decide which of the first-level proposals will become the priority list submitted to the citywide Participatory Budget Council (COP). The COP combines the preferences of the different regions into a citywide priority list, negotiates the distribution of funds and projects with the mayor's office, and aligns these priorities with the city's administrative budget format. The COP also monitors implementation of final budget decisions. Specialists from city departments may veto specific projects on technical grounds, typically environmental, financial, legal, or property ones. The council's expenditure plan goes to the mayor and municipal council for approval. Thematic assemblies were added to the original budget process in 1994 to allow citizens to shape policy in five specific areas: urban planning and development (divided into environment and sanitation, and city planning and housing); traffic management and public transport; health and social welfare; education, culture and recreation; and economic development and taxation (Menegat 2002, 187). Efforts are made to mobilize residents to attend the assemblies and meetings throughout the yearlong process. The process begins anew when city officials present the previous year's accounts and the officials' investment plans for the upcoming fiscal year to the



first-level assemblies. Those interested in more details can visit the website of the Brazilian Network of Participatory Budgeting (Rede Brasileira de Orçamento Participativo) at [www.redeopbrasil.com.br](http://www.redeopbrasil.com.br).

Similar to the United States, in Brazil there are many revenue sources that can be considered during the PB process. It is important to note that PB does not apply to the whole of a city's budget; rather PB affects a proportion of the budget that has been allocated to the PB process. PB funds are typically directed to infrastructure investments, such as water and sewer lines, street paving, lighting, drainage, health clinics, housing, and schools. Criteria guide the choice of priorities at each level. For example, final distribution of funds to districts is a function of the extent of deficiencies in infrastructure or services, population size, and community priority. More than 200 Brazilian cities now use PB, and variations in design and process abound. Especially crucial factors affecting how PB functions are the support of the mayor and the role of civil society organizations (Wampler 2008).

Just as design and process variations exist, so also does variation in effect. Where PB is introduced, citizen participation grows over time, and, importantly, participation by individuals in lower socioeconomic strata increases significantly. Surveys suggest a large number of participants are members of civil society organizations and unions, and half are women. Citizens who participated in previous-year assemblies or in thematic councils are often return participants (Wampler 2012). Many residents of regions receiving new projects are satisfied with the work and services provided via PB. Analyses of investment distribution through PB find the poorest regions of cities receive the highest average investment and/or greatest number of public works projects (Pires 2001; Marquetti 2003). The heightened participation of nonaffluent citizens has led to a redistribution of public resources to historically neglected neighborhoods. These studies confirm PB is a governance design that extends participation and influence in city decision making to formerly excluded groups. Souza (2001, 183) summarizes PB Brazil by observing "there is no single 'model' of PB, but rather a collection of experiences that have acquired different features.[...] [T]he main strength of the PB [...] seems to be the insertion of marginalized people and communities, albeit a minority of them, into the political process for the first time." She also notes that "allowing these citizens the right to decide (and not only to be heard) may well have a long-term impact on Brazil's unequal balance of power."

### ***The Chinese Approach to Budgeting Participation***

China has the world's largest population and fourth-largest landmass (CIA World Factbook). About 50,000 subnational governments include provinces, prefectures, counties, cities, townships, and towns (Rao 2003). A one-party structure parallels government, with key decisions essentially made by the party. In 1978, China began to

move from a planned to a market economy. Other reforms have included the beginning of some electoral competition at the lowest levels, increasing allowance of nongovernmental organizations, and increased transparency and accountability (Florini et al. 2012).

Budgeting systems have also changed. The central government determined budget targets and redistributed revenues for all levels, until the 1978 reforms increased local autonomy. However, finances were highly fragmented, with little financial management control until further reform in 1999. Line-item departmental budgets are now required. The finance bureau is now more central to budgeting, with less fragmentation and increased legislative review (Ma and Niu 2006). However, implementation has been uneven: legislatures do not see all departmental budgets (Ma 2009), they may not have line-item veto authority (Wu and Wang 2011), and they may have only a few days to review the budget (Lu and Xue 2011).

A 1994 tax-sharing reform created three levels of taxes: central, local, and shared. Local governments are highly dependent on the shared taxes, primarily the business, value-added, and enterprise income taxes, over which they have little autonomy (Shen, Jin, and Zou 2006). Revenues are insufficient for expenditure demands, creating incentives to use fees and charges that are outside the budget (Ahmad, Singh, and Fortuna 2004). Land sales have become a significant source of income, estimated at as much as 40 percent of 2010 local revenues (Soh and Wang 2011).

A 2007 freedom-of-information rule has led to increasing public knowledge of budgets. Budgets are being disclosed publicly “where such information had earlier been deemed to be a state secret” (Florini et al. 2012, 140). Citizen-participation experiments are a recent step in budget reform. He (2011) views these efforts as attempts to reduce corruption and improve administrative efficiency, and notes that moving to an economy based on taxation has also increased the impetus for citizen participation, as taxpayers demand budget transparency. Individual governmental and party leaders, as well as academics and research organizations, have also been influential in initiating these experiments (Gao and Guo 2012).

Participatory budgeting was initially piloted in 2005 in several localities, only one of which has used participation continuously since then (Wu and Wang 2011). There are few examples at higher levels, but participation has become more frequent in villages (He 2011). Variation exists in the types of participatory decision, the timing, and how citizens are selected. In rare cases, citizens may discuss the entire government budget during the legislative review process. Participation more commonly occurs during budget preparation, and focuses on prioritizing specific capital projects. These projects are typically then included in the budget (Niu 2011). The town of Zeguo has experimented with deliberative polling, sometimes related to infrastructure choices, but other times regarding the total budget (He 2011). Government officials usually choose several dozen participants, either through methods such as random sampling, or through selection.

Participation may take one or more days of meetings and deliberation, and financial grants may be used as incentive (He 2011).

In a case study of participatory budgeting in the city of Wuxi, Wu and Wang (2011) found that motivating factors included party leadership support, research foundation assistance, a culture of participation with numerous civil society organizations, and fiscal strength. Mass media help to encourage and educate participants, and surveys and neighborhood recommendations are collected prior to voting. Citizens monitor construction in their neighborhoods and participate in project evaluation. There was some dissatisfaction, though, because the government determines the participants, the funding level, and the projects that will be considered.

Other scholars have noted these limitations (He 2011; Niu 2011; Ma 2009). In addition, participation typically involves only a small portion of the budget. Also, budget transparency is still new, and even legislators have limited knowledge and voice. And China remains a one-party system with largely uncompetitive elections (He 2011). Finally, diffusion of participatory budgeting has been slow, and has depended on “political entrepreneurs” in the places it has been used (Ma 2009). Local officials are also rotated frequently (Chou), which reduces the potential for institutionalizing participation. Yuan (2012) concludes that the desire to maintain party and government control will prevent expansion of participation beyond the township or lower levels.

However, some remain hopeful. Niu (2011, 47) concludes, “[P]articipatory budgeting has become a promising approach to create a deliberative dialogue between the government and citizens.” And He notes that while power structures have not changed, “In China, PB experiments have promoted a degree of transparency and fairness, provided opportunities for deputies and citizens to examine, discuss and monitor budgets and improved the communication between government and citizens” (He 2011, 131).

### **Comparison of Participatory Budgeting Across the Three Countries**

The cases of the United States, Brazil, and China provide a rich source of material for analyzing the status of citizen participation in budgeting in a variety of institutional governance contexts. In this section, we comparatively analyze evidence from the three cases to discern the degree to which the role of the state is evolving as patterns of interaction between the state and society shift within the realm of resource allocation. Table 1 displays key characteristics of each of the three cases on the four-dimension analytical framework of Ebdon and Franklin (2006).

**Table 1.** Evidence from the Three Cases

	USA	Brazil	China
<b>Environment:</b>			
Legal	Cities are state political subdivisions with taxing limits and often mandated disclosure and public hearings. Some states allow home-rule charters	Constitutional changes, legal autonomy for municipalities, re-instatement of local elections	Budgets were secret until recently, little legal role for citizens
Social	Large numbers of neighborhood groups, unions and nonprofit organizations	Large socioeconomic disparity, active (and growing) number of civil society organizations, call for right to rights.”	Recent growth in civic associations
Political	Two major parties, competitive elections, local often nonpartisan	Multiparty system, contested democratic elections, mix of patron-client networks, mass politics/populist appeals, and civil society organizations	One party, mostly non-competitive elections; mostly used in small communities
<b>Process:</b>			
Type of funds	Intergovernmental transfers, property tax, and charges constitute 89% of revenues; IGR and charges not usually focus of PB	Self-generated revenues 19%; state-local shared taxes 25%; federal-local shared taxes 19%, social policy net transfers 16%; PB funds drawn principally from city taxes and fees.	Shared taxes, local taxes, land sales, borrowing
Scope of decisions/input	Varies (operating, capital, specific funding allocations)	Prioritization of new public infrastructure investments, 5%–50% of the budget	Primarily prioritization of pre-selected capital projects
Participant selection	Varies widely, often self-selected	Multi-tiered plenary assemblies open to all residents; budget and policy theme tracks	Typically selected by government officials; some sampling
Kinds of participants	Typically self-selected, non-representative, and small % of population	2–3 per 1000 population; nearly half are female and working class or poor	Typically small

Timing	Varies (budget preparation, during legislative review)	Year-long, starting with budget deliberation, including implementation monitoring	Usually during budget preparation
Mechanisms:	Varies (workshops, focus groups, simulations, surveys, hearings)	Assemblies; councils; neighborhood meetings; polling; district tours	Varies (one- to two-day workshops; deliberative polling)
Goals (Motivation):	Education, gain support, build trust, community, input for difficult budget-balancing decisions	Re-democratization; attain group/ neighborhood interests; inclusiveness; political gain by officials and parties	Transition to market economy and taxes ; administrative reforms
Outcomes (Accountability, Transparency):	Effect often unclear; useful for education and possibly trust; lack of institutionalization	Participation and venues growing over time; increased investment in poorer neighborhoods and influence of marginalized citizens	Decisions limited but are used in budgets; little diffusion/ institutionalization yet

**Analyzing the Environmental Dimension**

It may seem obvious that changes in the legal framework are necessary, but without changes in constitutional provisions or statutory law, it is difficult for citizen participation to flourish. Further, guaranteed access to budget documents and transparent information needs to be provided. In addition, although not explicitly part of the Ebdon and Franklin framework, local government budget decisions need to be immune from override by higher levels of government. Just because the right to participate is created, does not mean that it will be utilized. While the right to participate is an important foundation of citizen participation, participation requires action and organization. Without the existence of large numbers of civil society organizations that actively mobilize their members to express their preferences in the policy process, government officials will dominate budgeting decisions. The United States is home to a large number of active civil society organizations, and is also characterized by legal provisions supportive of citizen participation and budget transparency. State governments, it must be noted, do impose varying levels of constraint on municipal budgeting in the form of tax and expenditure limitations and other revenue-base restrictions. Brazilian civil society organizations are primarily a post-WWII phenomenon, while the legal provisions and local fiscal autonomy date from 1988. China by contrast is in the initial stages of changing the

formal rules of budgeting, including public access to information and increased local autonomy, and is also in a period of gestation of civil society organizations.

If the individuals who hold formal elected positions are opposed or neutral to citizen participation, the likelihood is that it will be difficult for even active citizen groups to participate effectively in the budget process. In local political systems with partisan elections, the position of political parties for or against citizen participation will also influence the possibility of participation. Furthermore, the way in which nonpartisan or partisan officials view the budget process—as a fully participatory activity, a representative democratic activity, or primarily an executive-managerial activity—will also affect the chances for participation. The political system, and in particular the principles and ideological view of officials, can have an effect. In the United States, despite reforms such as the use of initiatives and referenda, budgeting has primarily been perceived as more of an executive, technical/managerial activity with many state-level legal restrictions on revenue generation, expenditure controls, and financial auditing and reporting, but few mandates for citizen engagement beyond an obligatory public hearing (Krane, Rigos, and Hill 2001). In Brazil, on the other hand, the PT held that citizens were not only capable, but ought to be involved in the budget process. In China, the recent movement has been from secretive, party-controlled budget decisions to a more rational technical process, as well as a process with modest citizen input; nevertheless, the absence of competitive elections means that the party remains the dominant actor.

### ***Analyzing the Process Dimension***

Within the process dimension, three factors are considered to be important to the success of participatory budgeting: what is being allocated, who participates, and the timing of participation in the budget cycle. Multilevel governance would be suggested when 1) input on allocation preferences is about resources that have tangible impacts on the participants' lives as members of the community, 2) participants represent the major interests in the community, and 3) the timing is early enough in the budget cycle to positively allocate resources toward attainment of shared community goals. Not surprisingly, on the process dimension, there is wide variation in the degree to which multilevel governance between actors is occurring.

Across the three cases, we see diversity in the funding sources available to government. Legal restrictions on the sources and uses of funds can come from many levels of government. The degree of autonomy held by local government officials can impact PB processes. One commonality across the three cases is that the resource-allocation decisions for which citizens are invited to provide input is usually limited to discretionary funds and infrastructure development (capital) projects. Admittedly, there is great diversity across and within the countries; however, another common element is that the citizens generally provide input on the allocation of a very small percentage of the

total budget. Further, selection is often constrained to a limited list of projects. One process feature that differentiates the cases is the point at which the list of projects is compiled. In the purest form of participatory budgeting, citizens can play a more direct role in identifying potential projects and then reducing the list based on jointly developed parameters. In the United States, there are more examples of the development of scenarios/simulations that solicit input on a more comprehensive portion of the budget. Overall, though, the efforts in all three countries are not ideal in terms of the amount or types of funds being allocated, but a commonality is to seek preferences for infrastructure projects that have tangible impacts on all local residents. Many items funded in the operating budget, by comparison, do not uniformly apply to residents of a city since they often feature exclusion criteria.

Who participates is the process dimension factor with the widest variation across cases—examples being self-selection, handpicked or random or purposive selection, and leverage representation. Each selection strategy can become problematic unless government can assure that those who provide input will faithfully represent the diversity of preferences in the community. Self-selected actors and handpicked actors can be expected to prefer allocations that benefit them directly or indirectly (by currying party favor). On the other hand, citizen-selected actors would not reasonably be expected to differ from elected officials in Brazil, since local government elections already feature a slate of candidates with a range of governance ideologies. Random selection of participants is an interesting approach since, from a mathematical theory perspective, it offers the highest probability of including a set of participants who are truly representative of the populace. However, this presumes the ability (interest) to conduct a selection process that is truly random. But, in the case of China, where elected officials are not competitively selected, we conclude that it offers the highest likelihood of selection of a diverse group of participants. Overcoming the tendency for self-interested action remains a challenge.

In terms of timing, there are also significant differences. The budget process includes four phases: preparation, adoption, execution, and evaluation. Local governments in all nations that seek input at the time of budget preparation seem to enhance the likelihood that preferences will result in community goal attainment. There are mixed efforts in the United States; historically, input has been primarily during the phase where the budget is reviewed and adopted by the legislature. This is changing in some local governments. In Brazil and China, participation is growing across all four phases of the budget process.

### ***Analyzing the Participatory Mechanism Dimension***

There is no preferred mechanism or group of mechanisms to assure that multilevel governance activities result in a networked polity. Wide variety exists in the methods of interaction between citizens and government officials. Some of these are traditional, face-

to-face interactions, while other methods are versions of applied social science technologies. Local governments in the United States offer the widest range of participation mechanisms and, typically, consistently offer at least one (public hearing) and often two mechanisms for citizens to offer input. Brazil and China utilize participatory mechanisms to elicit citizen preferences and make decisions about new public investments. However, fostering participation within the multilevel governance framework incurs more costs than traditional governing. These costs include time on the part of both citizens and government officials. For example, PB is a year-long process in Brazil involving multiple meetings. China has often included outside experts such as university faculty. Operational costs are also incurred. In Brazil and China, decisions made in the public assemblies are typically adopted as part of the budget. In the U.S., by contrast, expressed citizen preferences do not always result in budgetary changes.

### *Analyzing the Goal/Outcome Dimensions*

The International Association for Public Participation's Spectrum of Public Participation arranges five public participation goals on a continuum—Inform, Consult, Involve, Collaborate, Empower—suggesting increasing levels of public impact. Multilevel governance would seek to include all of these goals in budgeting processes. The case evidence suggests at least a symbolic desire to achieve all five of the participation goals in the three countries in this study, but with varying levels of attention. The articulated goals in Brazil seem to reach the highest level on the continuum—empowerment—and offer the best evidence of attaining this outcome, although at a minimal level, but with an improvement trajectory. In the United States, the majority of local governments strive for participation goals of inform and consult. A very small minority actively practice public involvement, but typically not in a representative or consistent fashion. Public officials in China have not publicly stated participation goals as such, referring instead to the desire to transition to a market economy with taxation. However, in practice their activities have achieved increased levels of informing/educating and collaborating, with low- to nonexistent levels of consulting, involving, and empowering.

From a normative perspective, the return on investment for participatory budgeting outcomes is problematic. Each of the three nations devotes significant public resources to its participatory activities, and the tangible outcomes in terms of citizen-driven resource allocation are nominal by any measure. However, the civil society outcomes, intangible though they are, seem to be demonstrable and on the rise—more citizens are participating, and diverse representation, as a result, is increasing. Intractable questions exist, though, when one considers the likelihood of PB institutionalization or maintenance of positive participation trajectories.

What can be learned from the experiences of these three countries to strengthen the



trajectory toward multilevel governance via enhanced civic engagement activities? The review of these three cases reveals, not surprisingly given the degree of contextual differences, a substantial amount of variation in process and outcome. A supportive environment is essential, and often institutionalization only occurs through legal/administrative reforms, many of which devolve control to local government to encourage the development of a networked polity. There is no “magic” process, as evidenced in the degree of variation concerning the type of funds and percentage of overall budget that are allocated through PB; however, those that engage larger numbers of participants who represent the geographic area where the public resources are being allocated are preferred. While all three countries exhibit some degree of commitment to the five goals of participation, there is divergence in the results achieved. Changes in technological capabilities and the diffusion of best practices have increased transparency and encouraged the use of forced-choice simulations and/or polling. Differences in environment, processes, goals, and outcomes provide empirical evidence upon which to build models of multilevel governance that recognize how interdependence can facilitate the building of social capital necessary for optimally functioning civil societies.

## CONCLUSION

This comparative analysis suggests three necessary contextual conditions for effective multilevel governance (MLG) via participatory budgeting (PB): (1) legal guarantees, including citizen participation, municipal autonomy, and access to budget documents; (2) active civil society organizations capable of mobilizing participation in budget processes; and (3) a commitment to shared decision making. Combined, these three factors enhance the development of MLG-style policymaking that incorporates citizens into decisions about the allocation and distribution of resources within communities. While this conclusion is limited to the three countries studied, nevertheless the findings are consistent with previous research in other nations (e.g., Shah 2007).

Ebdon and Franklin’s framework (2006) provides a useful analytical tool for comparative case analysis; however, the results from this analysis suggest that it should be extended to incorporate the additional factors uncovered by this analysis. Legal guarantees of municipal autonomy are important, but so also is fiscal autonomy. Historically, local governments have not possessed significant independent revenue bases; transfers from superior levels of government usually come with conditions that restrict the scope of local budgetary decisions. Simply put, fiscal dependence can trump legal independence. Additionally, policy decisions by superior levels of government can impose additional constraints on actors involved in local decision making. Finally, business cycles and community wealth influence PB. In at least the United States, budget participation appears to be more common in times of fiscal stress, when decisions are

more difficult. The citizen-participation framework, therefore, should be modified to include factors related to fiscal autonomy.

Analysis of these countries also suggests that attention to the mobilization process for “new” actors is another stream related to successful multilevel governance. To achieve a networked polity, the Bellamy and Palumbo (2010) question of “who governs” has a flip side—“who participates” when institutional multilevel governance is valued? Participatory budgeting processes wrestle with how to balance the control of government officials with citizen empowerment and civil society goals. Various techniques have been used to incorporate a diversity of actors while constraining personal and partisan interests to protect the public interest.

In a multilevel governance environment, the case for participatory budgeting rests on its reputed outcome: citizens gain real influence in the policy process. However, inclusion can create tensions between citizens and government officials—elected officials can view it as undercutting their role and responsibilities as representatives of the people. Tensions also are created between citizens and “technocrats” in the budget office. Likewise, PB can exacerbate the jockeying among executive, legislative, and administrative officials not only at the local level, but also between officials at different levels of government. Analytical frameworks need to consider the relationship between goals and outcomes in an environment of shared decision making by actors with differing motivations and incentives.

The transition to multilevel governance entails the development of new institutional designs. Fundamentally, the choice to initiate participatory budgeting is an effort to graft direct democracy onto the structures and procedures of representative democracy. While more costly and difficult to implement than conventional forms, participatory budgeting institutionalizes a form of governance that incorporates citizens from hard-to-mobilize social strata and creates a real opportunity for them to influence public action for their benefit (Smith 2009, 68–69). Doing so requires significant change in existing patterns of governance and necessitates finding acceptable balances among popular preferences, technical dimensions of budget choices, and requirements imposed by superior levels of government, including supranational ones. The cases suggest that these balances are pursued dramatically differently from jurisdiction to jurisdiction through permutations of a networked polity featuring engaged citizens. Analysis of the interactions among public and private participants in participatory budgeting is a necessary next step in understanding the transition to multilevel governance.

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