

**Designing Economic Democracy
Boston Ujima Project's Participatory Allocation Process**

By

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ABSTRACT

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*Submitted to the Department of Urban Studies and Planning on August, 10 2017
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This client-based thesis analyzes Participatory Budgeting processes in two cities to help guide the institutional design of Boston Ujima Project's participatory allocation process. Grassroots-led organization Boston Ujima Project is developing a democratically-governed Capital Fund by integrating community participation in deliberation and decision-making at various stages of the investment process. Broadly speaking, the three democratic dimensions of the Fund are those that ensure meaningful *participation* by low-income communities of color most impacted by the investments, safeguard *accountability* to those communities, and integrate relevant forms of *expertise*, including residents' expertise, throughout the decision-making process. Drawing from case studies of Participatory Budgeting in Porto Alegre and New York City, this paper provides conceptual frameworks and recommendations for the institutional design of Ujima's participatory allocation process.

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CHAPTER 1: Introduction

1.1 Background

Community engagement has been embraced as a strategy to improve urban planning outcomes, but for low-income communities of color in Boston, participation in city-run processes has rarely yielded satisfactory results. Local community organizers have turned instead to defensive strategies to fight municipal divestment, racially discriminatory policing, workforce exclusion, and pervasive displacement, among other struggles for justice.¹ But organizers are the first to recognize that contestation is not a long-term strategy for building the healthy, stable communities they seek. The desire to fortify ongoing defensive fights with a constructive vision for alternative systems has led a group of Boston-based community organizers to pilot a new approach to the basic democratic questions: how can we design processes for neighborhood economic development and urban planning that are accountable to the communities most impacted by them? And if amplifying community members' voices is not enough to have those voices valued, how, instead, can we vest residents with the decision-making power to develop their local economies and plan their own neighborhoods?

¹ For ACLU's reports on disparate policing in Massachusetts and Boston, see <https://aclum.org/resources/reports/>

Boston Ujima Project, or “Ujima” for short,² is a grassroots strategy aimed at answering these questions. Ujima is piloting an approach to neighborhood economic development and city planning that begins outside the auspices of city government and introduces direct democratic participation at multiple stages of the process.³ Beginning at the neighborhood-scale, Ujima is self-consciously both a research project on the possibility of economic democracy and a working model of what community control of planning and development could look like.

Central to Ujima’s strategy is the creation of a Community Capital Fund which pools money from foundations, impact investors, and community members to support local businesses and entrepreneurs. If the pilot is successful in attracting more investment capital, organizers hope to scale the Capital Fund up from small business financing to affordable housing projects and funding for local infrastructure. One of the key innovations of Ujima is how capital in the fund will be allocated. Rather than placing investment decisions in the hands of professional investors, money managers, or city officials, each local investor will have an equal vote in how the money is distributed, regardless of the size of their financial contribution. Deliberative forums, community research and expert consultation will precede and inform voting. The logic is simple: low-income communities of color should have a say in how their neighborhoods change and develop. In the face of entrenched structural barriers, the implementation of that logic is more complicated.

In conjunction with other elements of the Ujima ecosystem, described in Chapter 2 of the thesis, the Capital Fund and its democratic allocation process is intended to serve as a platform for sustainable community wealth building that is accountable to the community at multiple stages of the economic cycle. The design of the Fund’s participatory allocation process will have a significant

² *Ujima* is a Swahili word which means “collective work and responsibility.”

³ How democracy is defined in the Ujima context is explored in greater detail in Chapter 2 of this paper. For this context, democracy can be understood as community control via organized deliberation and collective decision-making.

impact on Ujima’s capacity to support meaningful democratic *processes* and produce more equitable *outcomes* than traditional approaches to neighborhood economic development and city planning. This thesis draws on internal documents and ongoing conversations amongst Ujima organizers to articulate and visualize a proposal for the design participatory process. It provides two case studies of participatory allocation processes—Participatory Budgeting in Porto Alegre and New York City—and, based on those analyses, suggests a framework to bolster three democratic dimensions of the process—those that 1. ensure *meaningful participation* by low-income communities of color most impacted by the investments, 2. *safeguard accountability* to those communities, and 3. integrate relevant forms of *expertise*, including residents’ expertise, throughout the process. Drawing from literature on participatory decision-making from the fields of planning and political science, the thesis identifies some of the central challenges involved in participatory process, recommends revisions to Ujima’s proposed design, and outlines an evaluative framework.

My research questions are as follows:

1. Participation

- a. Inclusion: How should Ujima determine who should participate in the decisions at each step of the allocation process?
- b. Deliberation: How should Ujima design and facilitate effective deliberative forums to inform decision-making?

2. Expertise

- a. Integration: How should Ujima integrate popular participation with financial and technical expertise?
- b. Mission alignment: How can Ujima ensure that traditional forms of expertise and technical knowledge are in service of the popular mandate?

3. Accountability

- a. Design: How should Ujima incorporate democratic input in the design process and empower participants to change the conditions of their participation?
- b. Process: How should Ujima structure accountability into all decisions in the process?

1.2 Boston Ujima Project's History & Partnerships

Boston Ujima Project grew out of conversations about how to address the root causes of economic inequity that drive displacement, lack of quality jobs, and environmental injustice in Boston's low-income communities of color. Leaders of several community organizations, together with small business owners, technical assistance providers and progressive funders first came together in the summer of 2014 to research and envision a solution that would cut across their various sectors and at the same time support ongoing political organizing and wealth building efforts. More specifically, the participants sought to design a vehicle that would address existing financial constraints of grassroots organizations and economic divestment from low-income communities of color and, at the same time, build new and democratic forms of economic infrastructure that could transform economic relationships—certainly an ambitious mandate. The Boston Community Finance Working Group, as the gathering was called, studied more than a dozen alternative financial models and established several key priorities for an alternative financial institution they would seek to build. These priorities have served informally as Ujima's mission statement during its planning phase:

1. Alternative Financial Institution as Movement Building

- a. An alternative financial institution should be co-productive with on-the-ground organizing—it should engage communities, base build and resource a community organizing strategy that is not duplicative of other coalitions
- b. Low-income and people-of-color should be involved in decision-making throughout the entire process

2. Provide high-quality financial products and services

An alternative financial institution should address the immediate need for non-predatory, high-quality financial products and services in low-income communities of

color, as well as capital that actively enables solidarity economic infrastructures, builds community wealth, and serves as a vehicle for movement building

3. Building ownership and equity in low-income and communities of color

An alternative financial institution should provide opportunities to mobilize savings, to invest and to own

4. Collective ownership, democratic governance and alternative economic strategies

An alternative financial institution should incorporate these practices to transform both our relationships to each other and our economy

5. Financial literacy and knowledge about economic systems

An alternative financial institution should have at the core of its operations political education on capitalism and economic alternatives, as well as financial literacy among grassroots orgs and low-income and communities of color

6. Fundamentally change the economic structure

An alternative financial institution should continually advocate for and strategize with long-term systemic change in mind

7. Democratic economic planning

An alternative financial institution should model democratically-planned coordination of core economic activities – to build community ownership of and participation in economic systems⁴

The findings and recommendations of the Working Group were taken up by the Center for Economic Democracy⁵—represented by executive director Aaron Tanaka—in coordination with Boston Impact

⁴ These seven priorities are summarized from *Democratizing Finance*. (2014) Report of the Boston Community Finance Working Group. Center for Economic Democracy with the Boston Impact Initiative and City Life/ Vida Urbana. Author’s copy.

⁵ The Center for Economic Democracy (CED) is a social movement building platform that is anchoring two Boston-based initiatives, the Boston Ujima Project and the Solidarity Economy Initiative (SEI).

Initiative⁶—represented by founding partner Deborah Frieze—and City Life/Vida Urbana⁷—represented by executive director Lisa Owens. A cadre of volunteers representing a similar cross-section of stakeholders to the Community Finance Working Group began to meet regularly in consensus-based working groups under a new name, the Boston Ujima Project. The form of the alternative financial institution, as understood in the working groups, was principally guided by a 25-page concept paper written by Aaron Tanaka describing a cooperative economic “ecosystem” which provided the infrastructure for a community-controlled economy.⁸

The planning or feasibility study phase of Ujima spanned in four directions: 1. Building partnerships with Boston’s base-building groups to facilitate inclusive participation in the Ujima project and expand grassroots leadership; 2. Engaging small businesses, technical assistance providers and business developers focused on supporting low-income entrepreneurs of color to

Co-developed and hosted by Access Strategies Fund, SEI is a grassroots funding and capacity building program that organizes resources, technical assistance, and infrastructure for frontline organizations to develop movement-building strategies. For more information on SEI, visit:

<http://www.accessstrategies.org/funding/solidary-economy-initiative> or

<https://www.solidaritymass.com/> For more information on CED, visit:

<https://www.newdemocracy.us/>

⁶ Boston Impact Initiative is a place-based impact investing fund founded in 2013 by a father-daughter team—Deborah and Michael Frieze. With Aaron Tanaka as the fund’s start-up manager, BII began piloting an integrated capital approach to investment in order to better serve low-income entrepreneurs of color, in service of the fund’s mission to support economic justice. This approach integrates loans, equity investments, grants, royalty financing, direct public offerings, and other alternative financing instruments to tailor capital to the needs of the business seeking funding. BII’s investments and ongoing market research with low-income entrepreneurs significantly informs Ujima’s strategy for wealth creation, as well as the design of Ujima’s capital fund. To learn more about BII, visit: <http://bostonimpact.com/> For another approach to integrated capital and examples of this strategy in action, see RSF Social Finance: <http://rsfsocialfinance.org/our-story/how-we-work/integrated-capital/>

⁷ City Life/Vida Urbana (CLVU) is a grassroots-led tenant-organizing group with the largest membership base of working class people in Boston. Using a strategic blend of legal aid and community organizing, the group has helped hundreds of residents stay in their homes, develop political leadership, and fight collectively against forces of displacement. In addition to providing meeting and event space for Ujima gatherings, CLVU is Boston Ujima Project’s financial sponsor. For more information, visit their website: <http://www.clvu.org/>

⁸ See Appendix A for a list of current Ujima volunteers and staff.

develop a support network and draft good business standards; 3. Meeting with local impact investors and wealth managers to determine interest, solicit feedback and raise core capital; and 4. Developing Ujima's organizational capacity and infrastructure, including legal research on incorporation, capital fund structures and democratic processes.

Through Deborah and Aaron's ongoing engagement with national progressive funders, impact investment networks, and just transition/solidarity economy spaces, Boston Ujima Project was connected to the Peer Network, a national group of local grassroots organizations engaged in forming loan funds to support cooperative business development in low-income communities. The Working World, a New York-based loan fund (with offices in Nicaragua and Argentina), anchors the Peer Network as well as the parallel Financial Cooperative, which will pool the capital of the eight member-loan funds to mitigate risk through portfolio diversification. The more than twenty community organizations that comprise the Peer Network share technical information, fundraising strategies, and lessons on the process of starting-up community-based financial infrastructure. Though Ujima is an active participant in the Peer Network, Ujima's vision is unique from the other Peers in two substantive ways: first, it is the only fund that will offer equity and grants in addition to debt financing to small businesses. Secondly, it is the only fund that seeks to allocate capital via a participatory democratic process.

The Working World (TWW) is best known for its *non-extractive community finance* model, which was forged in the mid-2000s when TWW lent capital to formerly abandoned factories in Argentina that were being recovered as worker-led cooperatives. TWW's approach to investing aligns investors as business partners with worker-owners, vested in the success of the cooperatives. To this end, TWW provides ongoing technical assistance and offers financing terms free of collateral requirements. TWW requires businesses to pay back debts only when the businesses are profitable, an approach sometimes called the "royalty model" of repayment. The design of the Ujima capital

fund incorporates TWW's *non-extractive* approach to democratizing finance. More tangibly, TWW will host Ujima's capital fund during its pilot phase, providing Ujima with back-end support through capital disbursement and repayment. The members of TWW's Peer Network represent one branch of a small but growing network of organizations that are reforming approaches to finance and investment to make them less extractive⁹ and more accountable to communities.

1.3 Participatory Action Research (PAR)

My engagement with Ujima began in mid-2015 as a volunteer with several working groups that were established following the Boston Community Finance Study Group. My three-year engagement with the Ujima Project has provided a rich practice-based complement to my urban planning education at DUSP, while informing my theory of change with new perspectives on advocacy, movement building and co-creation. The research for this thesis is a continuation of that engagement.

As part of the Media and Communications Working Group, I helped create infographics on Ujima's organizational structures and a video describing Ujima's mission. With the Business and Investment Working Group, I helped convene small business owners to discuss technical assistance needs and services as well as co-design the Business Alliance, which will be described in greater detail in Chapter 2. I interviewed three technical assistance providers and nine Boston-based wealth

⁹ In this context, the analogy of *extraction*, or a forceful removal of natural resources without provision for their renewal, is used to describe the non-accountable relationship between some traditional investors and low-income investees. This relationship is typified by predatory lending practices, labor exploitation, land grabs and enclosure, as well as investments in corporations with environmentally extractive practices. In contrast to the *extractive* economy, Ujima and other grassroots partners are working to build a resilience-based, sustainable economy, which is sustained via relationships of respect for land, labor and culture. Movement Generation, one of the members of TWW's Peer Network, has developed educational materials and curriculum to support a "just transition" from an extractive economy to a "local living economy." For more resources, visit: <http://movementgeneration.org/resources/mg-speaks/>

managers and impact investors about their interests and concerns about the Ujima model. From mid-2015 through today, I participated in lively discussion at weekly meetings, brain-storming sessions, and workshops with various Ujima organizers. Over the course of my volunteering, I contributed data and analysis to Ujima's feasibility studies and to the design of the pilot Capital Fund. Through this process, I learned about Boston's community organizing landscape, small business development networks, and impact investing practices.

Participatory Action Research (PAR) provides a framework for this type of collaborative knowledge creation. An antidote to research that originates and ends within the academy, PAR begins with the assumption that all people have valuable knowledge and unique perspectives to contribute. In particular, PAR elevates the knowledge and experiences of historically marginalized groups to bring them into conversation with academic knowledge, resources and approaches to critical inquiry. In the words of PAR practitioner and advocate Maria Elena Torre (2009), PAR posits that "those most impacted by research should take the lead in framing the questions, design, methods and analysis and determining what products and actions might be the most useful in affecting change." Based on this formulation of PAR—which asserts that those impacted should be empowered to control the impacts—there is a clear alignment between PAR and the economic democracy principles at the heart of Ujima. Indeed, many of the core Ujima organizers have practiced or taught PAR in previous roles, and apply PAR epistemology to their organizing work.

PAR principles are integrated into multiple aspects of the Ujima model. Most obviously, the General and Neighborhood Assemblies are designed to solicit a wide range of residents' ideas regarding the needs and opportunities within their neighborhoods, and to provide resources and technical assistance to support residents as they identify, research and develop proposals to address those needs. The ongoing development of Community Standards to guide capital allocation has involved discussions between small business owners, community leaders and investors, offering a

multi-faceted and multi-sectoral understanding of the challenges businesses face. The feasibility stage of Ujima's development has been an entirely community-led research project, drawing upon support from local academic programs and their students. With organizers' continued recognition of Ujima's experimental nature, their emphasis on collaborative inquiry, data collection and analysis to support Ujima's growth and to contribute to field-building will continue to grow.

An exhaustive exploration of the ways in which Ujima acts as a platform for PAR research is beyond the scope of this paper, but here I will outline how I have worked with the Ujima organizers to incorporate PAR principles in my research design. To do this, I borrow the framework employed by the New York City Participatory Budgeting Research Board, as detailed in Kasdan & Markman (2017), which lists its key principles as follows:

a. Broadly collaborative research planning and design using a community-driven process and explicitly tying research goals and questions to broader community goals

The scope of research for this paper, which has evolved significantly over the past half year, was decided, revised and refined through conversations with the Ujima Steering Committee and informed by ongoing engagement in working groups. The Steering Committee is comprised of leaders of local grassroots organizations, youth organizers, local entrepreneurs, impact investment professionals and planning students—a cross-section of many Ujima stakeholders. Ujima organizers discussed which of a longer list of more than a dozen possible projects bore the most relevance to Ujima's democratic allocation process. The final decision was made by the author and thesis client Aaron Tanaka.

b. Sharing findings on an ongoing basis with collaborative identification of themes and recommendations, to promote community review of data and community-driven analysis

I have presented preliminary findings at both Steering Committee and Evaluation Working Group meetings as well as one-on-one with my thesis client. In August, I will present the recommendations and findings to these Ujima groups and continue research based on organizers' questions, while

participating actively in the co-design process to draft proposals for consideration at the upcoming General Assemblies. A wider aspect of collaboration will happen as the design of the capital allocation process begins to be piloted—starting in September 2017—and becomes subject to large-scale participatory input and decision-making.

c. Returning research products to the community in accessible, utilitarian formats, and designing multiple products for different audiences as needed¹⁰

As part of the case studies in Chapter 3 and recommendations in Chapter 4, I present my findings on institutional design and decision-making processes in graphic forms, to support their use in group discussion and deliberations as well as Neighborhood Assembly deliberations regarding decision-making structure. I have discussed with Aaron Tanaka the possibility of translating my research findings into a range of other products, including a popularly-oriented journal article, a second Ujima video, and other infographics.

d. Thinking of research as action-oriented and not intended to sit on a shelf but rather to be used in advocacy and organizing

DUSP's "Client-Based Thesis" option allows students to focus their research "on addressing a professional planning problem with an outside client/sponsor organization." While this thesis seeks to situate the Ujima project in relation to discussions about beneficiary engagement within the field of impact investing and in relation to citizen participation within the field of urban planning, the primary goal is to provide models, metrics and recommendations for immediate implementation in Ujima's design process. The research design and presentation format aligns with this intention.

¹⁰ Representing finding will also encompass the fifth key principle of the PBNYC PAR process, which is to undertake "collaborative assessments at the conclusion of a research project, and planning and adapting for future research." (Kasdan & Markman, 2017)

1.4 The Case Studies

Following a description in Chapter 2 of the various relevant elements of the Ujima ecosystem, Chapter 3 begins with a set of frameworks drawing from democratic and planning theory to aid in the analysis of the case studies. The two case studies that follow examine Participatory Budgeting (PB) in which money from municipal budgets—either in their entirety or limited apportionments—is allocated through large-scale resident engagement and voting. The first case study focuses on Porto Alegre, Brazil, where PB originated and achieved significant redistributive outcomes. PB's success in Porto Alegre, in conjunction with trends in the international promotion of good governance practices, led to the proliferation of the PB model across thousands of cities across the world. The second case study examines PB's more recent implementation in New York City. This case offers a picture of how PB's form has been adapted to fit within the political and administrative context of a major US city. A comparison between these two case studies highlights how the redistributive outcomes of the original PB experiment in Porto Alegre did not translate in the New York context and offers a caution against cherry-picking elements of a complex process without implementing its key structural underpinnings.

Recognizing the importance of context for any innovation, the case studies begin with the history and political context from which each participatory process arose. An outline of the institutional design of each process follows, in the form of a diagram of the various assemblies and bodies that comprise the design. In the discussion that follows, I highlight key issues and innovations within each process that bear relevance to Ujima's research questions. The findings from the two case studies are drawn together in the final chapter, in which I offer recommendations for the three democratic dimensions of participation, expertise and accountability. Finally, I apply these recommendations to Ujima's proposed participatory allocation process and offer some additional recommendations and findings.

CHAPTER 2: Boston Ujima Project

2.1 The Ujima Ecosystem

The Ujima ecosystem is comprised of five major elements that, in coordination, are intended to multiply Ujima community members' influence on planning and economic development in their neighborhoods. In subsequent parts of the thesis, I describe two of the five bodies—the General Assembly and the Neighborhood Assemblies—as “participatory bodies,” because they are the sites within the Ujima ecosystem where the most popular participation, deliberation and decision-making occurs. The five elements of the ecosystem and their relationships to each other are described below.

1. **The General Assembly** is the central governing body within the Ujima ecosystem, open to all Ujima members. Membership is voluntary and individual qualification is determined by residence in a participating neighborhood of Greater Boston, good standing in relation to the Ujima Code of Ethics/membership agreement, and an annual membership fee ranging from \$15-\$25 depending on the stakeholder. Membership recruitment for Ujima's pilot phase has focused on grassroots partner organizations' existing members (see Neighborhood Assemblies for a complete list). The General Assembly, together with the elected Steering Committee, will be the two highest decision-making bodies for planning, governance and capital allocation decisions

across the Ujima ecosystem. It will also empower and provide oversight to the other four elements of the ecosystem, by initiating political campaigns directed at local anchor institutions (**Anchor Institution Strategy**); by developing Community Standards that serve as a foundation for the **Business Alliance**, as well as implementing Business Alliance proposals; by devolving authority and capital to **Neighborhood Assemblies** and providing frameworks and recommendations for neighborhood decision-making; and lastly, via the design and management of the **Capital Fund**. Within General Assembly meetings, time will be allocated for stakeholder identity caucusing and report-backs in order to promote voices from structurally disadvantaged groups. Between General Assembly meetings, working groups will manage the research, design and implementation of General Assembly mandates, and an elected Steering Committee with representatives from all stakeholder groups will govern the ecosystem.

2. **The Capital Fund** pools capital from all Ujima members (\$5 of the membership fee goes into the Fund) and also receives foundation grants and Program Related Investments (PRIs),¹¹ impact investment financing, and capital from local anchor institutions, contingent on the success of

¹¹ A note on Program Related Investments (PRIs) – In the world of philanthropy, foundations have been investigating how the companies in which their endowments are invested are contributing to the very problems they seek to solve through their grant-making initiatives. As a response, many Foundations have moved some of their endowment capital into Mission-Related (MRI) and Program-Related Investments (PRI). The difference between these two types of impact investments highlight an ongoing tension in the world of impact investing: MRIs align with the philanthropic mission of the foundation and can be expected to achieve market-rate financial returns comparable to non-mission aligned investments. PRI's, on the other hand, are an exception to the Internal Revenue Code which prohibits private foundations from making "jeopardizing investments." Because PRI's must be made for charitable purposes rather than financial gains, PRI's allow Foundations to invest in social enterprises and other mission-aligned entities that will likely offer financial returns at lower than market-rate. (For more information on the tax implications of PRIs, see: <https://www.forbes.com/sites/ashoka/2013/02/21/why-program-related-investments-are-not-risky-business/#366cd2c8526f>) These two approaches to investing endowments for social impact can be pictured on a spectrum of social impact and financial returns with philanthropic dollars on one end and traditional investment on the other. As foundations are increasingly weighing community participation as an important factor for both grant-making and investment decisions, PRI's constitute a potential source of funding for the Ujima Capital Fund.

popular campaigns described below. The collective capital will be allocated through a participatory democratic process facilitated across the General Assembly and Neighborhood Assemblies and guided by a set of Community Standards determined by the General Assembly in coordination with the Business Alliance. The current status of the fund and its structure will be explored in greater detail below.

3. **The Neighborhood Assemblies** are governing bodies empowered by the General Assembly to establish localized planning priorities and allocate capital within their respective neighborhoods. The Neighborhood Assemblies are hosted by Ujima's grassroots partners, and co-facilitated by staff from Ujima and its partner organizations. As of August 2017, the Ujima partner organizations are City Life/Vida Urbana in Jamaica Plain and East Boston, Black Economic Justice Institute in Dorchester, and Matahari Women Workers' Center. Ujima is also in conversation with local networks, the Immigrant Worker Center Collaborative (IWCC) and the Boston chapter of Right to the City, about the possibility of partnering with their respective member organizations.
4. **The Business Alliance** is comprised of local entrepreneurs and small business owners that participate in the Ujima ecosystem. An entrepreneur or small business owner must join the Alliance in order to apply for funding from the Ujima Capital Fund and to receive Ujima benefits and services. Membership is open to both aspiring entrepreneurs and established small businesses and social enterprises, as determined by the owners' residence in Greater Boston and the *community rootedness* of the business as defined by the founding members of the Alliance, among other qualifications. The Alliance is divided into three tiers, with varying benefits and responsibilities, based upon the degree to which the business upholds Community Standards. These Standards (on social impact, business governance and practices, and environmental impact) are being developed by the Business Alliance and subject to revision and

approval by the General Assembly. All Alliance members benefit from increased exposure and targeted consumer organizing with the Ujima membership. Members may also benefit from large contracts with local anchor institutions responding to community demands to invest more in local, women- or minority-owned enterprises.

5. **The Anchor Institution Strategy** is how Ujima’s organizing capacity will be mobilized in support of the other elements of the ecosystem. Anchor institutions are large place-based entities, such as universities (public or private), hospitals, faith groups and public institutions including libraries and government agencies. These institutions have many employees and constitute major players in the local economy, with the capacity to provide stable jobs and large-scale procurement contracts for local businesses. These institutions vary greatly in their degree of investment in local small businesses and community initiatives, even though their presence often has a major impact on the neighborhoods in which they are located.¹² Some of Ujima’s strategies to increase anchor institutions’ investment in and accountability to local communities includes organized demonstrations, direct actions, task forces for partnership development and coordinated participation in municipal processes. These strategies aim to enlist anchor institution to invest in and support Ujima small businesses and Ujima neighborhood plans.

¹² The impacts of anchor institutions on the neighborhoods range from rising property prices due to student demand, land grabs and redevelopment (for example, Tufts Medical School in Boston’s Chinatown), increased traffic and air pollution, spin-off industries that transform neighborhoods. See <http://community-wealth.org/strategies/panel/anchors/index.html> for more information on anchor strategies.

The image below illustrates the five elements of the ecosystem and the way that capital is expected to flow between the systems.

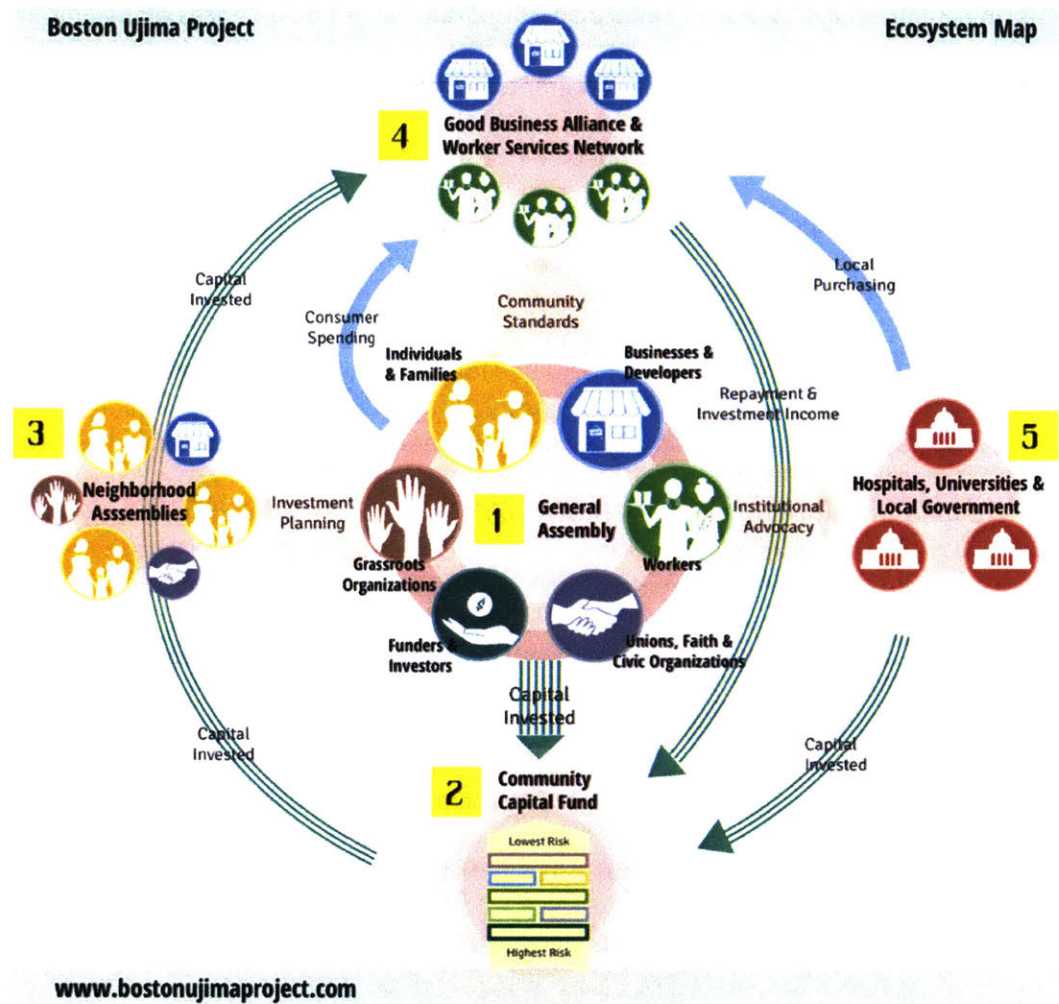


Fig. 1. Boston Ujima Project Ecosystem Map. Graphic by author and client.

2.2 The Capital Fund

The design of the Capital Fund—as distinct from the participatory allocation process—has drawn on three primary sets of information. The first set comprises of a focus group and nine interviews with local wealth managers and impact investors conducted between July and December 2016 as part of Ujima’s Feasibility Study. These discussions provided guidance on the appeal of a democratically governed investment fund to potential impact investors as well as the range of

potential investment amounts and acceptable terms. The second set of information comes via the Boston Impact Initiative (BII), which, similar to Ujima, serves low-income entrepreneurs of color with a focus on economic justice. Aaron Tanaka and Deborah Frieze's experiences managing BII and disbursing \$3.25 million in debt, equity and grants from 2013 to 2017 informs Ujima's understanding of the local market for BII financing products. BII closed 34 deals in this period, with loan sizes ranging from \$30,000 to \$250,000 and the majority of term lengths ranging from 3-5 years. Lastly, Ujima's fund structure draws from ongoing conversations with the staff of PVGrows Investment Fund, a regional loan fund offering up to \$250,000 loans to local food and agricultural businesses in the Pioneer Valley, MA. Drawing from their own experience designing and starting a community investment fund from the ground up, PVGrows staff has provided recommendations on the legal structure and administrative management of small investments (from registrations, bookkeeping, investor repayment, to reporting) via ongoing email correspondence and conversations.¹³ As of this writing, Ujima is considering three to four tranches, including a Community Pool with 1-3% returns for Ujima member investors, a Solidarity Pool for Ujima supporters outside of Greater Boston and a Loan Loss Reserve. Issues still being discussed include the initial size of the pilot fund and details regarding the range of terms and products to be offered. These will be finalized during early General Assemblies hosted at the end of 2017 and early 2018. As of August 2017.

¹³ Thanks is due to Jeff Rosen, previously founding member of PVGrows and Chief Financial Officer at Solidago Foundation, Rebecca Busansky, PVGrows Fund Manager, and John Waite, Executive Director of Franklin County CDC, which underwrites all PVGrows loans.

2.3 Community Engagement Precedents across Sectors

The Ujima ecosystem draws from the fields of community organizing, planning, economic development and impact investing. Within each of these fields, the practice of community engagement takes a wide range of forms. In the field of urban planning, there is a rich literature on what constitutes citizen participation and its relationship to democracy—debates which will be explored in Chapter 3, while in the world of impact investing, practitioners are only beginning to consider how community engagement might be integrated into a capital allocation process.

Impact investing is itself a relatively new practice, occupying the intersection of philanthropy and financial investing. The field of philanthropy, with its stated aim of applying capital for social good, and the world of financial investing, with its aim of producing financial return, have engaged “end-users” in different ways. In the for-profit world, consumer engagement has gained popularity as a way to improve product design and increase sales, among other outcomes. With profit as a motivation, companies have experimented with a range of engagement methods, from creating consultative roles via market research focus groups on end-user experience and preferences to facilitating participatory design processes in which end-users are enlisted to prototype products. In contrast, the field of philanthropy has fewer examples of community engagement. Rather than improving sales, community- or *beneficiary-engagement* in the philanthropic process can inform how grant money is delivered in order to better implement a social mission. Drawing from 40 interviews with “leaders from diverse institutions in the for-impact sector” (p. 98) scholar-practitioners Cea and Rimington (2017) identified a range of reasons for the lack of community engagement. One primary reason, the authors conclude, is the concentration of power in the hands of donors and philanthropists and the lack of structural incentives for foundation program managers and professional intermediaries to engage with those on the receiving end of the funds. Cea and Rimington go so far as to say that a combination of historic legacy and norms of

practice in the field “encourages for-impact practitioners to infantilize, dehumanize, ignore and even fear its end-users—although it may do so unconsciously.” (p. 104)

Within this dominant mode of practice, however, there are some examples of innovative community engagement.¹⁴ One such example is impact investing firm RSF Social Finance’s quarterly Pricing Meetings. Started in 2009, the meetings bring together investors and borrowers to discuss the fund’s interest rate for the following quarter and to make transparent all parties’ financial needs, priorities and plans. Borrowers are asked to describe how they have used their loan, and what the money has made possible for their business or organization. Lenders are asked to talk about what motivates them to invest. Staff of the loan fund describe their budget constraints and priorities. From the discussions are gathered recommendations for the Pricing Committee, which ultimately decides on how to adjust the interest rates considering input from the full range of participants.¹⁵ Another example of community engagement in the impact investing world is the Calvert Foundation’s new Community Investment Note, “Ours to Own.” With this Note, Calvert Foundation pools small investments of a minimum of \$20 to invest in small businesses and enterprises. Calvert engages non-profit partners and community development organizations to help identify investment opportunities. Although, as stated in their Prospectus (2017), ultimately the “investment opportunities are evaluated according to the criteria established by the investment committees,” (p. 10) community leaders are involved in a consultative role.

¹⁴ For an overview of “beneficiary engagement” in the world of impact investing, see Katherine Pease. (2016) “In Pursuit of Deeper Impact: Mobilizing Capital for Social Equity.” Accessed online: <http://www.katherinepease.com/deepimpact.pdf>

¹⁵ For more information on RSF Finance’s Community Pricing Gatherings, see: <http://rsfsocialfinance.org/our-story/how-we-work/community-pricing-gatherings/>

2.4 Ujima’s Proposed Participatory Allocation Process

Ujima internal documents describe in broad strokes a possible allocation process. The process was largely developed by Aaron Tanaka, drawing from his experience as a lead organizer with the Participatory Budgeting Project in Boston and conversations in the Ujima Project Modeling Working Group.¹⁶ The model is intended as a draft outline to spur further development and design in the working groups and deliberation and decision-making in early General Assemblies. I briefly outline the model below. In the Findings section of the thesis, I provide close analysis, compare the Ujima model with the case studies and recommend changes and additions.

An additional document relevant to this discussion is a process illustration titled the “Democratic Investment Lifecycle. This document highlights the multiple ways that Ujima’s democratic allocation process could improve—or, in other words “add value” to—the financial and social impact outcomes of a conventional investment process. Several concepts in this document, outlined below, also suggest elements of design for the allocation process.

The proposed process introduces a few other governance bodies not described above. One body is the Investment Committee (IC), which includes several investment professionals tasked with technical analysis who work closely with the Fund Manager. In particular, the IC would support due diligence and term negotiation with the businesses. Open questions about the IC include whether participants will be elected representatives, subject to popular vetting, or appointees approved by the Steering Committee. Relatedly, the function and structures of accountability for the Investment Committee remain undefined; for instance, whether the IC will decide which businesses to fund or only recommend or prioritize particular businesses to the General Assembly for final approval; and what extent they will work with entrepreneurs who are not yet ready to receive funding; —in other

¹⁶ The annual allocation cycles for both New York Participatory Budgeting and Porto Alegre Participatory Budgeting will be explored in greater detail in the Case Studies portion of the thesis.

words, whether the IC will play an advisory/consultative role or be granted greater discretion. Because the IC is tasked with developing, analyzing and representing the majority of information that flows between the larger participatory assemblies, the design decisions regarding participation and accountability on the IC will have a major influence on the effectiveness and accountability of the allocation process overall.

Two Ujima staff members are also mentioned in the proposed process. The Fund Manager serves as a liaison and facilitator for the Investment Committee, and is also tasked with managing fund administration. The Business Alliance Manager facilitates the Business Alliance and supports the ongoing process of developing and applying Ujima Community Standards.

Below, I list in parentheses the decision-making bodies proposed for each phase.

Phase 1: Set the Big Budget (General Assembly)

In the first phase of the allocation process, participants determine key criteria of how allocation decisions will be made in the cycle that follows. In particular, they weigh risks against returns and set the investment terms for the fund overall, including impact goals within the expected blended returns; they determine which neighborhoods should be included in the coming round of allocations; and they determine how much funding should be allocated at the city level via the General Assembly versus at the neighborhood level in the Neighborhood Assemblies. These decisions provide the parameters for investment allocation decisions in the upcoming cycle.

Phase 2: Neighborhood Plans & Idea Collection (Neighborhood Assemblies, Business Alliance)

In the second phase of the allocation process, participants identify community needs for goods and services, aspirations for improving quality of life in their neighborhood, and highlight existing investment opportunities. Discussion of community needs is hosted in Neighborhood

Assemblies, comprised of individuals, families, entrepreneurs and workers. Participants will also be asked to highlight specific businesses and infrastructure that they need, love or want to replace in their neighborhoods. Each Neighborhood Assembly creates a Neighborhood Investment Plan integrating the information gathered during the Assembly. The Business Alliance provides a second channel for investment ideas, with a particular emphasis on strategies to align and strengthen the existing supply chains of member businesses. Entrepreneurs in the Business Alliance can also submit applications for funding at this stage. Information gathered at this stage will inform proposals to incubate new businesses or finance business growth in promising sectors.

Phase 3: Prioritize Goals & Develop Ideas (Investment Committee, Fund Manager, General Assembly)

The next phase is driven by the Fund Manager and the Investment Committee (IC) and finalized in the General Assembly. The IC is responsible for integrating information from the Neighborhood Assemblies into a draft version of a city-wide plan and developing proposal options for discussion and approval in the General Assembly. In the case of specific capital requests from existing businesses, the IC and Fund Manager conduct due diligence to ensure that potential investments fall within the Fund's risk and return parameters and impact goals. In conversation with the entrepreneurs, the IC produces a risk rating, social impact assessment and investment narrative for each proposal, as well as conducting due diligence, in order to provide the General Assembly with the necessary information to make informed decisions in the next phase. Lastly, the IC translates the market and procurement opportunities identified through the Neighborhood Assemblies into viable investment proposals for consideration by the General Assembly, which may then be issued as RFPs with capital and technical assistance packages to incubate relevant businesses.

Phase 4: Voting (General Assembly & Neighborhood Assemblies)

All financing proposals that reach the third phase of this allocation process meet Ujima social impact standards and parameters for risk and return, so that Assembly members need not evaluate proposals for value-alignment or feasibility. Proposals are presented at either the General Assembly or at Neighborhood Assemblies, based on the type of proposal under consideration. These meetings are staggered so that IC members can present proposals and field questions. Larger fund requests, infrastructure projects, or non-retail/consumer-facing businesses are voted on by the General Assembly, while retail businesses and smaller-scale proposals are voted upon in the neighborhood most impacted by the project.

Phase 5: Funding & Monitoring (Fund Manager, Investment Committee)

Once investments are allocated, the IC monitors the performance of portfolio businesses and provides ongoing technical assistance and support. The IC also handles restructuring or loan “workouts,” while larger issues that require refinancing are subject to reconsideration by the relevant Assemblies. The IC reports financial and social impact metrics to the Ujima membership on a quarterly basis.

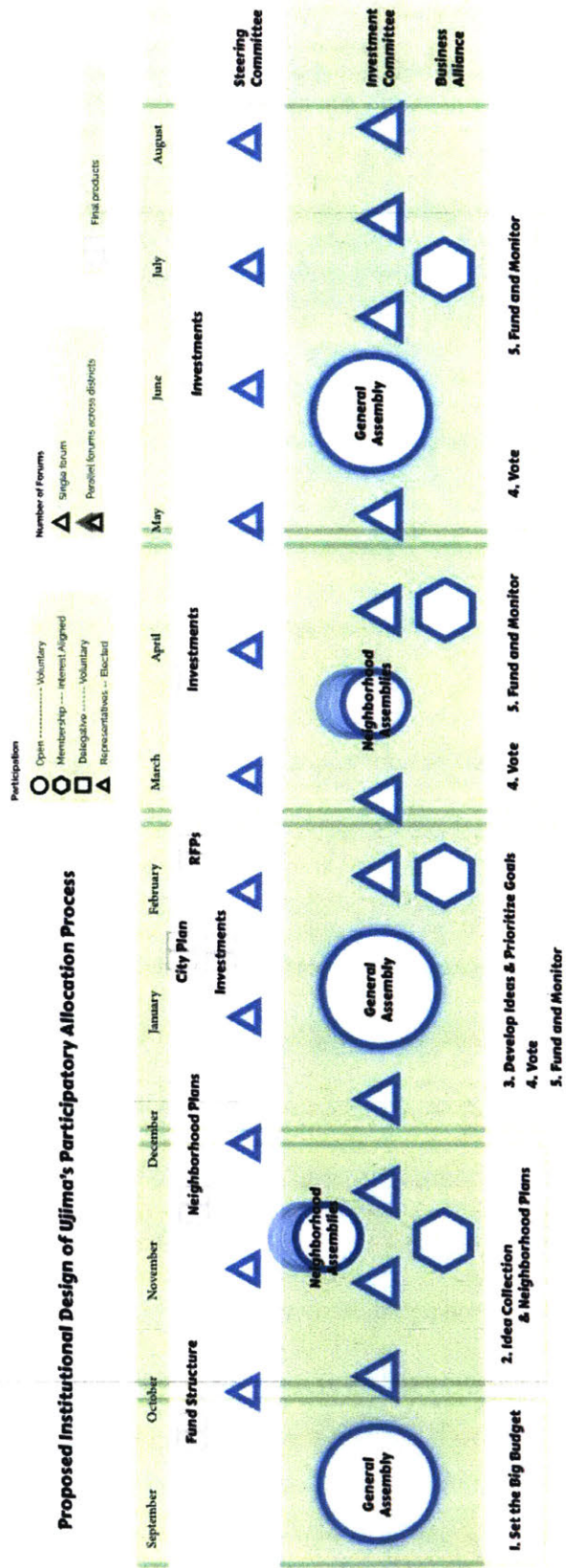


Fig. 2. Proposed Institutional Design of Ujima's Participatory Allocation Process

2.5 Community Investment Day Feedback

A one-day community investment pilot hosted in August 2016 has also informed internal discussions about the design. On August 13, 2016, Ujima hosted a “Solidarity Summit” during which crowd-sourced money and a matching grant, totaling \$20,000, was allocated to five local businesses, which were selected through existing relationships with Ujima organizers. The Summit was intended to raise awareness about Ujima and to give grassroots partners and local residents an opportunity to experience allocating capital democratically, and to receive feedback from participating businesses on their experience. The five business owners made 3-minute pitches for specific funding needs to an audience of about 200 community members, who were then given the opportunity to ask questions, in smaller groups of about 20 people, about each business owner’s mission, finances, and funding proposal. Following the small group discussions, the assembly reconvened to vote via live-projection text message voting for the two businesses each individual supported most. The specific terms of the no-interest loans allocated through the Summit were determined later by Ujima organizers in coordination with the business owners. The structure and facilitation of the one-day Solidarity Summit did not reflect the principles or research guiding the design of Ujima’s pilot democratic allocation process, but several relevant lessons were gleaned from conversations with participants after the event:

- 1.** Business owners and investors expressed concern about how the businesses were selected, criticizing the selection process for a lack of transparency or clear rationale
- 2.** Business owners cited discomfort during the small group discussions, when they were subject to questions and criticism from community members who lacked relevant business management and financial knowledge. The business owners highlighted the risk that their answers would be misunderstood or misconstrued, as well as a desire for guidelines that would protect their privacy.

3. Both business owners and investors expressed concerns about how the voting process resembled a “popularity contest” and may not have reflected wider community needs nor the business’s qualifications, but was driven by the business owner’s charisma or presentation skills
 - a. Relatedly, investors and business owners cited a lack of shared guidelines for evaluating the businesses as a source of confusion/arbitrariness when voting
4. Ujima organizers highlighted the need for a system of accountability to both the participants and business owners to insure that Ujima mobilized community support and technical assistance for the businesses, following the distribution of funds

CHAPTER 3: Frameworks

3.1 Frameworks and Definitions for Analysis

My analysis is based on a few key frameworks and definitions, introduced here. First, I outline four **modes of group decision-making**, highlighting their strengths and weaknesses. All of the processes integrate all four modes, but who is involved and how and when the processes employ these modes are key aspects of their design. The next set of concepts are the three **levels of power** at play within each process. Empowerment is a central goal of both the PB and Ujima processes, and this framework helps to clarify how power moves through them. Finally, I categorize different parts of a participatory allocation process into five **process functions**. All three of these frameworks inform the analysis of each institutional design as well as the findings and recommendations for Ujima's participatory process.

3.2 Modes of Group Decision-Making

The design of the investment allocation process will integrate different modes of collaborative decision-making or *social choice*. Below, I introduce four typical modes and describe some of their strengths and weaknesses, drawing from Fung and Wright's analysis (2003, p. 19). Although outlined here as ideal types, the modes are typically integrated and overlapping in real world group decision-making.

1. *Command and control* – decisions driven by experts, bureaucrats or other specialists presumed to be more informed and better equipped to govern. Though these groups often develop ideas and solutions through deliberation, the quality of deliberations can vary due to the limited perspectives informing the analysis and the possible solutions. Though *command and control* is considered the most efficient form of social choice, the lack of participation, transparency and accountability results in outcomes of varying quality.
2. *Aggregative voting* – individual preferences are combined to determine the choice of the majority. This approach assumes that individuals already have the necessary information and analysis of the issue at hand to decide what best furthers their self-interest.
 - a. Voting is often considered a symbol of accountability in democracy – when used to elect representatives, the vote translates the public’s approval or disapproval into an extension or revocation of a mandate to govern. While the incentive for public accountability is valuable, election cycles do not ensure that public interest is represented in all decisions made in the intervening time, nor does the vote register which areas of representation contribute to the approval or disapproval. When used as a way to poll the public on particular issues, voting can incur other problems.
 - b. The primary limitation of polling is the constrained nature of the public’s participation. In the curation of options on a ballot, the majority of decision-making has already been made. Problems have been defined and a limited set of solutions presented. Polling, thus, does not permit participants to contribute to or redefine the problem itself, suggest different solutions, or question the larger framing of the issue at hand. The voter’s participation is limited to a single expression of preference, which can be compared to a *consumer choice* model in which the consumer exerts their only power at the point-of-purchase.

- c. A second issue with polling is the conflicting principles upon which participants cast their votes—the problem of incoherence. For example, some people vote based on a calculation of self-interest while others vote based on ideas about reasonableness, justice or the common good. If everyone were to vote based on their self-interest—assuming that they fully understand their self-interest, agree with the problem-framing and the range of options provided—the vote would become a rough gauge of which policy would bring the greatest good to the greatest number. However, this ideal does not reflect reality, and, as democratic theorist Jane Mansbridge (2003) writes “No one has succeeded in making much normative sense of the mixed system that, as a consequence of these mixed norms, prevails in most Western democracies.” (p. 188)
3. *Strategic bargaining or negotiation* is a process by which different parties seek to maximize their self-interest in conflictual ways, sometimes resulting in zero-sum-game approaches to problem solving, rather than potentially more reasonable outcomes that seek to maximize the interests of all parties. In contrast to *aggregative voting*, which seeks to normalize power by allocating each individual with an equal vote, in *negotiation*, inequity and power or brought to bear and can strongly influence outcomes.
4. *Deliberation* is a process by which people can collectively define the source and scope of a problem and co-create solutions based on informed analysis. In the course of this process of articulation, reason-giving, and listening, participants clarify their self-interest, arrive at a deeper understanding of others’ interests, and define together what the *common good* could look like. In certain situations, typically with smaller groups, deliberation can also serve as the decision-making rule in the form of consensus. In other situations, deliberation can precede and inform the other modes of social choice, significantly improving outcomes by increasing clarity, accountability, and the range of perspectives informing the decision. Common critiques of

deliberation include that it is inefficient, difficult to coordinate beyond the local level, does nothing to balance existing power inequalities, and can result in bad decisions by treating informed and uninformed perspectives equally. Indeed, as with *negotiation*, the power participants bring to deliberative forums--or more precisely, the inequalities between participants—can heavily inform the outcomes of deliberation. This dynamic is examined in greater detail in the section on power below.

3.3 Levels of Power

Power is relevant at three different levels of my analysis. At the structural level, I identify the extent of power incorporated into the process as a whole, which I call *process empowerment*. Understanding this structural level of power is an important first step in the analysis of participatory processes because it conditions the degree to which participants in the process can themselves be empowered. Power at this first level can be broken down into two parts. The first is the process's *scope of influence*, which refers to the spatial and substantive extent of influence and implementation authority.¹⁷ The scope of influence is often defined and revised in an ongoing process of deliberation and contestation over process rules and guidelines and over what constitutes legitimate or relevant subjects for deliberation. The second aspect of process empowerment is the *capacity to implement*. While authority may be claimed or granted, the power to enact that rightful authority and to implement decisions made throughout a process can depend upon a variety of contextual factors. Over time, as the capacity to implement, or lack thereof, is demonstrated, it can in turn dampen or expand the process's scope of influence.

How power at the process level is translated into the empowerment of process participants depends on the *institutional design*. This second level of power analysis examines the differences in

¹⁷ This concept is referred to as *domain* by Bryson, J. M. & Crosby B. C. (1993), 186.

participation and quality across the wide range of decisions that are made throughout each process. The institutional design of the process determines what modes of decision-making are employed (four modes are examined in the next section) and the scope of influence allocated to each decision-making moment. For example, the translation of process empowerment to participant empowerment can depend on whether important decisions are made by aggregating votes cast by the widest possible range of participants, by volunteers engaged in informed and transparent deliberation, or by elected representatives with varying degrees of oversight. What constitutes a legitimate allocation of decision-making power at each moment is an important question throughout the design process.

Lastly, the third level of analysis on power is within the *deliberative sphere*. Participants arrive to a deliberative forum with a range of inequalities derived from their social standing and positions outside of the sphere. These include access to resources and forms of political authority or influence, as well as identity-based inflections of structural power, such as gender, race, class and sexuality. Furthermore, as democratic theorist Jane Mansbridge contends, these social inequalities are mediated through other kinds of power dynamics that are specific to the deliberative forums themselves, such as rhetorical abilities, fear of public speaking, conflict aversion, and positionality, or, as Mansbridge (2003) puts it, whether “one is on the intense or diffuse side of a conflict.” (p. 192) As we will see in the case studies, a range of factors in institutional design can address these inequalities in power to improve the process and outcomes of deliberation. The design elements are explored in greater detail in the Findings and Recommendations section of the thesis.

Levels of Power in the Participatory Allocation Processes

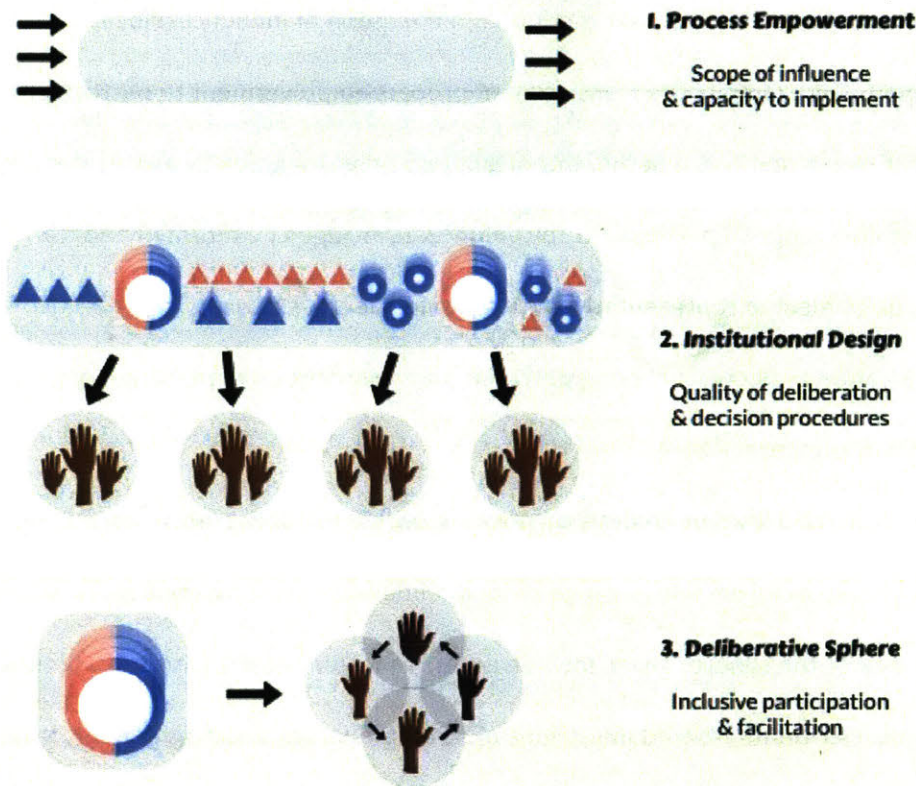


Fig. 3. Levels of power in the participatory allocation process. Graphic by author.

3.4 Process Functions

The participatory allocation processes include a range of functions that can be categorized in any number of ways. For the purpose of this thesis, I divide the functions of the PB and Ujima allocation processes into five categories. The first category, *idea collection*, is any stage at which new ideas and solutions are being sought. Typically, this stage highlights resident expertise and seeks to draw from as wide a set of participants as possible. The second category is *idea development*. In this stage, the details of an idea or proposal are fleshed out based on research and various forms of expertise. The idea development stage can involve new and creative ideas, but they build on existing ideas and proposals. The first two functions constitute the expansive part of the process, though

they can coincide with the third function, *idea selection and prioritization*. During this phase, proposals are compared against each other and decisions are made about their relative quality and desirability. Unlike the first two categories, the function of idea selection/prioritization is to narrow down the range of possibilities rather than to expand or improve on them. For this reason, participants empowered with this function have a strong impact on the process's *scope of influence* and final allocation decisions.

There are two subcategories of the idea selection/prioritization function worth highlighting, and they are the *vote*—to select or prioritize proposals—and the *election*—to select representatives. These functions are highlighted because they often constitute a distinct stage or moment in the processes, and because they employ aggregation as the mode of decision-making in addition to or in place of deliberation.

The last two categories occur after allocation decisions have been made. The fourth function, *evaluation and monitoring* is in fact two different functions that exert similar influence on the process. Evaluation involves examining the process retrospectively and identifying successes and areas in need of improvement. Monitoring involves overseeing the implementation of allocation decisions. Finally, *design* is the function of translating the lessons and insights from *evaluation* into revisions or additions to the institutional design of the process. Design also involves setting up the rules, criteria and frameworks that will guide the allocation process. Those empowered with this final function play a key role in determining the adaptability and evolution of the process in the long-term, and its ability to fulfill its mission over time.

3.5 Introducing Participatory Budgeting: Comparisons to Ujima

Participatory Budgeting (PB) began in the city of Porto Alegre in the late 1980's. Over the following two decades, the city established and evolved an inclusive process in which traditionally marginalized residents deliberated and decided on how to distribute city resources in an equitable way. Through PB's participatory allocation, hundreds of public projects were approved and implemented across Porto Alegre, including improvements to the city's education system that increased by threefold the number of students in public schools; provision of pavement, sewage and water service in areas of the city sorely lacking in infrastructure; and equitable improvements to affordable housing, health services and transportation, among other public goods and services. (Baiocchi, 2005, p. 14, in Smith, 2009, p. 35) Following upon PB's success in Porto Alegre, new forms of public participation proliferated across South America and spread to over 3,000 cities across the world. Recognized internationally as a technique for engaging the public, PB has been employed by housing authorities and schools, districts and states. (PB Scoping Toolkit, 2016)

Although the goals of PB and Ujima align in several key ways, the processes differ greatly in the degree and nature of their process empowerment. In this section, I will outline how the scope influence and capacity to implement differs across the three cases of PB in Porto Alegre, PBNYC and Ujima. I will suggest some ways in which these differences translate into distinct institutional designs. Following this introduction, I will focus case study analysis on the lessons from the PB processes that are relevant to the Ujima process, and in the Findings section, will recommend how these lessons could be applied.

PB in Porto Alegre (PBPA) and New York City (PBNYC) share with Ujima the mission of giving greater voice to marginalized groups who have historically had limited control over the economic conditions of their neighborhoods. The processes seek to empower residents and elevate their ideas and solutions for their neighborhoods' needs. This shared mission arises from the recognition that

meaningful resident participation is a fundamental element of good decision-making—both in terms of the knowledge that residents bring and in terms of the transparency and accountability that can arise from a well-designed participatory process. To that end, PB and Ujima both provide support to participants in the form of technical assistance and expert consultants to help develop and implement residents’ ideas. With differing degrees of success, the processes seek to integrate competing forms of knowledge to co-create better solutions. Despite these key similarities, the empowerment of these processes differ due to differences in the political contexts from which the projects arose. Below, I discuss the four substantive differences in process empowerment between PB and Ujima’s participatory allocation process.

The first difference lies in PB’s institutionalized link to city government. All of PB’s participatory assemblies are nested within larger state apparatuses that provide the funding and thus the capacity to implement the outcomes of the participatory process—in other words, the processes are *empowered* via state funding. In PB, the city government also provides, contracts and/or solicits the resources for staffing and administration of the process, in addition to dictating the timeline of the allocation process to align with municipal budgeting cycles. For elected city officials, one of many impetuses for adopting PB is to reclaim democratic legitimacy by demonstrating a commitment to responsive and inclusive citizen engagement. In contrast, Ujima arises as an autonomous strategy in response to the state’s economic divestment and the absence of effective strategies for wealth creation.¹⁸ Ujima’s relationship to the state currently aligns loosely with the position of the community organizations constituting it—recognizing the state’s potential

¹⁸ Since 2014, Boston has also implemented a participatory budgeting process called Youth Lead the Change, in which 12-25-year-old residents allocate \$1 million a year from the city budget. Aaron Tanaka advocated for this process and was one of its lead organizers, while other Ujima members participated in the process as youth coordinators. The youth-led PB process is seen as one of many citizen engagement efforts in Boston that relates to Ujima in so far as it empowers youth from Ujima’s communities, addresses public infrastructure needs, and helps to popularize the notion of democratic participation in financial allocation.

as a source of support and resources, but typically only in response to emphatic advocacy and strenuous contestation by outside organizations.¹⁹

The second and third substantive differences between Ujima and PB are in where and how the money is allocated—in other words, the types of financial products offered and the projects eligible to receive funding. Beginning from the process's inception in Porto Alegre, PB has primarily drawn from city capital budgets to fund public infrastructure improvements. The origin of this particular scope derived from Brazil's national division of budget expenditure into three primary areas: 1. personnel, 2. public services and 3. investment in works and equipment. In the third area of expenditures, *investments in works and equity*, municipalities—as opposed to the federal and state governments—were given the greatest autonomy. (Santos, 1998, p. 467) The Worker's Party in Porto Alegre thus designed its city allocation process to fund infrastructure works and services, though it later expanded the purview of PB to include sports, leisure areas, culture and other “thematic” issues. Most other cities and jurisdictions have replicated the original scope of Porto Alegre PB by limiting their allocation to grants for public infrastructure.

¹⁹ Participatory Budgeting is an example of Empowered Participatory Governance (EPG), a form of governance described and advocated by theorists Erik Olin Wright and Archon Fung in their book *Deepening Democracy: Institutional Innovations in Empowered Participatory Governance* (2003). As Wright and Fung describe it, EPG implements popular participation within forums created and empowered by the state. The authors are quick to distinguish EPG from the non-state alternative, “*autonomous decentralization*,” which “isolates citizens into small units, surely a foolhardy measure for those who do not know how to solve a problem but suspect that others, somewhere else, do.” (p. 22) Ujima's institutional design falls somewhere between the autonomous processes that Wright and Fung dismiss and the “*coordinated decentralization*” of EPG, in which the participatory bodies are “not autonomous, but rather recombinant and linked to each other and to supervening levels of the state in order to allocate resources, solve common and cross-border problems, and diffuse innovations and learning.” (p. 24) Though Ujima is not empowered or coordinated by the state, it participates in knowledge exchange and collaboration through the Peer Network, at the national scale, and through the multiple neighborhood assemblies, at the local scale. Regarding the other dimension of Wright and Fung's EPG model, it remains an open question whether Ujima will, down the road, “colonize and transform existing state institutions” (p. 24) in order to “institutionalize the ongoing participation of ordinary citizens, most often in their role as consumers of public goods, in the direct determination of what those goods are and how they should be best provided.” (p. 22)

In contrast, Ujima's process is focused on a neighborhood economic development strategy. Participants in Ujima's General Assembly and Neighborhood Assemblies identify the needs and priorities of their neighborhoods in order to help to source and develop eligible small businesses. Instead of funding infrastructure, Ujima will begin by allocating private grant and investment dollars to small business owners and entrepreneurs. This scope of influence is in line with Ujima's mission to build wealth in low-income communities of color through business ownership, good jobs and asset development, as well as to address existing needs within Boston's business development ecosystem. Though small business investment is where Ujima's allocation process will begin, if funding and participation support Ujima's growth, the scope of influence will expand to address neighborhood needs and priorities in other ways.

Ujima's initial focus on funding small businesses dictates multiple aspects of the institutional design of the process. For one, Ujima will allocate a range of financial products including grants, loans and equity investments. In contrast to PB's allocation timeline, which aligns with annual city budget-setting and culminates with one-time capital grants for infrastructure projects, Ujima's investment timeline will need to be responsive to small business needs. These needs can fluctuate with the businesses' pace of growth, expense payment deadlines, demands of other funders and a wide range of other market dynamics. Thus, in order to offer effective business funding, Ujima's process must allocate investments multiple times a year and with a more flexible timeline than the PB process.

The nature of expertise and technical assistance necessary to develop, select and monitor qualified investments also differs greatly between PB's capital grant-making and Ujima's small business investing. Proposal development in PB is largely informed by government qualifiers regarding project sectors and feasible project scopes. In the majority of PB projects, the expertise necessary to develop proposals is housed in government agencies who have implemented similar

projects before. While both PB and Ujima must appraise and compare the social and environmental impacts of each proposal, in Ujima's case, decision-makers must also examine a wide range of factors constituting due diligence. These factors include the project's management team and governance strategy; the business case, including the market demand, product or services, sales channels and competition; and the business's financial performance and projections, among other areas of research. The need to monitor businesses and loan repayment following investment allocation constitutes a final element of the Ujima process that differs from PB. Portfolio management, business support, technical assistance, and when necessary, restructuring investments in response to changing business conditions, will constitute important elements of the allocation process that serve to bolster the social and financial impacts of the fund and ensure the ecosystem's continued ability to implement its mission. How to integrate these research and expertise needs across the various phases of the Ujima process is a central institutional design question.

The fourth substantive distinction I draw between Ujima and PB relates to Ujima's mission as a whole. A primary objective of the Ujima ecosystem, of which the participatory allocation process is one part, is to organize its participants and grow the political power of low-income communities of color. While PB also seeks to empower its participants, the nature of this empowerment is focused on greater civic engagement and more meaningful participation within the PB process itself. In contrast, Ujima seeks to empower its participants in order to strengthen the work of its partner community organizations and the capacity of a larger social justice movement. Together with the nationwide network of grassroots-led loan funds, Ujima seeks to develop viable models of community control and local economic development that can co-exist with the city governments while also pushing to transform the state. This larger goal of political organizing and community empowerment cannot be implemented via any particular institutional design element

but rather through an attentiveness to empowerment throughout the process. Vehicles of empowerment include trainings, joint research and other opportunities to popularize investment knowledge and financial literacy, leadership development, strong and mission-aligned facilitation, opportunities to discuss values and reframe people's relationship to economics, and other creative forms of cultural and relational organizing. While the PB processes provide some lessons in empowerment, especially around balancing dominant forms of knowledge and expertise with the resident participants' own expertise, Ujima will need to draw from other sources for inspiration on the political organizing and cultural aspects of its mission.

CHAPTER 4

Participatory Budgeting in Porto Alegre

4.1 History and Context

Participatory Budgeting emerged as a redistributive strategy in Porto Alegre when the leftist Worker's Party candidate was elected the city's mayor in 1988. The capital city of Brazil's southernmost state, and one of the country's richer cities, Porto Alegre nevertheless suffered from severe social inequality and a system of public administration based heavily on patronage. The Worker's Party took power on a platform of breaking from this authoritarian and patrimonial political culture and empowering workers. Internal disagreements between party leaders in the early years of the administration revolved around the question of whether the Party should represent workers alone or be concerned with the governance of the entire city with a focus on improving the conditions of the working class. In the prior case, the Party's strategy would be to vest municipal power directly in the working class and bring about confrontation with the bourgeois state. (Santos, 1998, p. 476)

The structural changes instituted by the Worker's Party over the first two years reflected this internal debate. In the first year, the Party introduced popular participation in municipal policy-making, including the budget, by directly handing decision-making power to popular councils comprised of community organizations. It became clear within less than a year, however, that this strategy was ineffective. The dominant culture of protest and confrontation amongst Worker's Party leaders and community organizers, as well as existing relationships of patronage, did not translate into the types of negotiation, mediation and compromise necessary to harness institutional governance in the service of the working class. This first year demonstrated the failure of what Tarso Genro, then vice-mayor, described as the Worker's Party "romantic conception" of popular participation. (Santos, 1998, p. 476) The political and administrative strategy had addressed neither

local corruption nor the need for economic redistribution, and its failure initiated new debates within the party on the need for deep financial and administrative reforms.

A contributing factor in the previous year's failure was the state of the city's coffers; at the time the Worker's Party took office, the city was bankrupt. Thus, in its second year, the Worker's Party turned its attention to recuperating the city's finances through major tax reforms, new tariffs, securing federal and state transfers, and improving the tax collection process. In order to pass the tax reform through the city's center-right legislature, the Worker's Party organized a mass mobilization of its supporters. Their success at pressuring legislators to raise taxes on property and services helped the city budget nearly double over the first four years that the Worker's Party was in office. (Abers, 1998, p. 537) The revenue was critical to the Party re-launching a new set of administrative reforms.

On the administrative side, the Mayor transferred authority to coordinate the participatory decision-making processes away from the city's traditional technical planning body to structures that answered directly to the Mayor. Additionally, the Mayor's office created two new participatory bodies—the Forum of Delegates and the Participatory Budget Council (COP), which became the primary sites for budget allocation decisions and implementation. It was at this time that the staff of the Mayor and the city's community organizations began an ongoing collaboration which grew to constitute the highly successful joint administration of PB over the following decade. (Santos, 1998, p. 476-8) In the years immediately following the implementation of these financial and administrative reforms, participation in official PB meetings rose from under 1,000 people in 1990 to 3,700 in 1991 and 10,000 in 1993, a trend of growth that continued throughout the decade. (Santos, 1998, p. 479.)

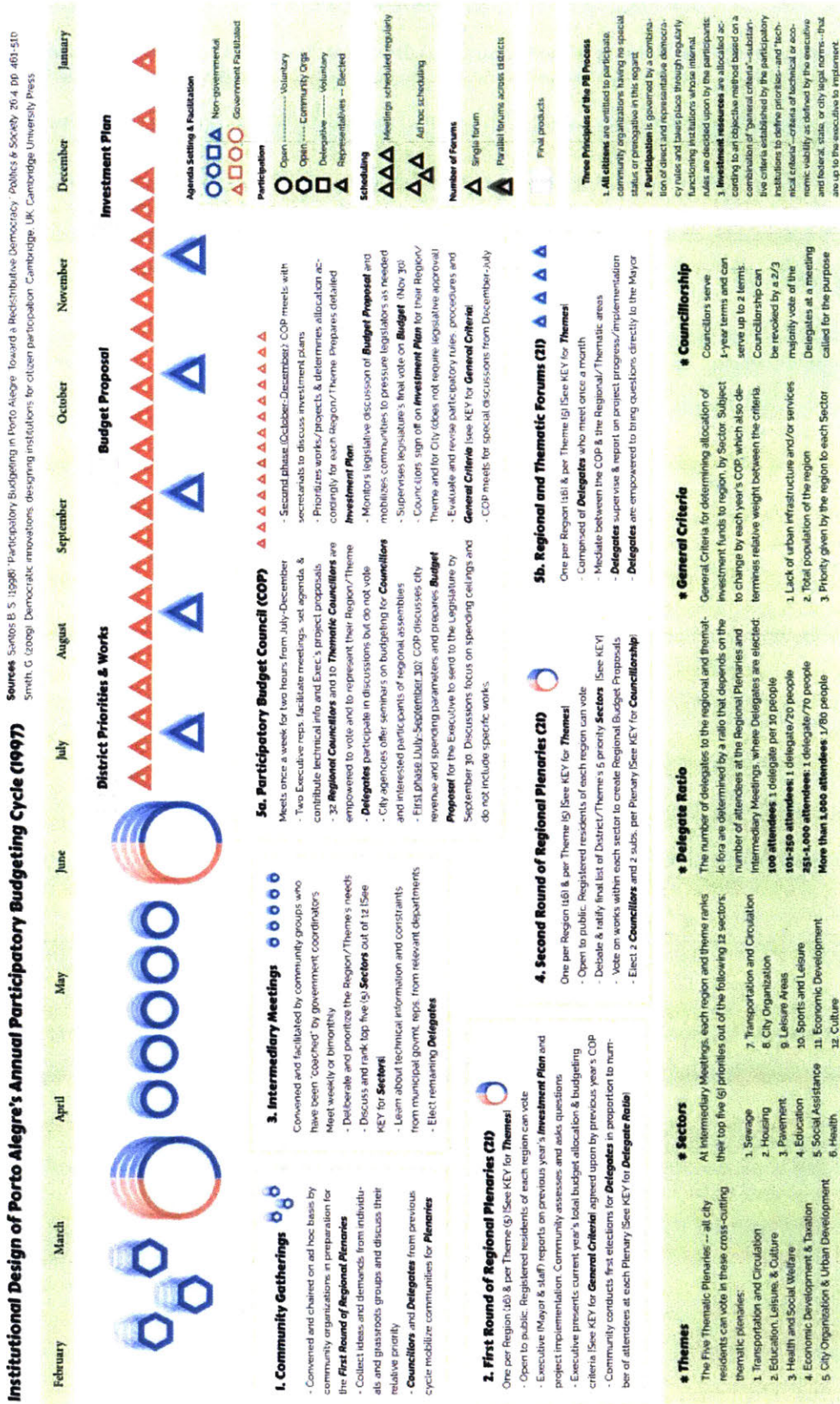
In designing the participatory process, organizers grappled with the central question of how to maintain a level of objectivity and transparency in the task of converting wide-ranging

participatory inputs on needs and priorities into concrete allocation amounts. Thus, a central and enduring element of PBPA's budget allocation process was devised. Organizers created a set of criteria and formulas to calculate the distribution of funds between the city's various regions and between the many sectors, including education, housing, pavement, sewage and water. The first formula, employed in 1991, weighed four criteria to determine allocation (Santos, 1998, p. 477-8):

1. *Popular mobilization in the region*
2. *Importance of the region for the organization of the city*
3. *Lack of public services and/or infrastructure in the region*
4. *Number of people living in conditions of extremely deficient public services or infrastructures in the region*

The revision of these criteria the following year illustrates the responsiveness of the process to participant influence and highlights some of the principles guiding its evolution. The first criteria, "Popular mobilization in the region," was removed because it was considered too easy to manipulate, based on short-term or artificial attempts to beef up participation. The second criteria, "Importance of the region for the organization of the city" was also removed. Because the designation of importance was at the discretion of the Mayor's technical staff, it was deemed too ambiguous and opaque, lacking the transparency necessary to keep the criteria accountable to popular priorities. In their place, two new criteria were added in the 1992 cycle: "Total population of the region" and "Priority of investment chosen by the region." The latter of these integrated the deliberative outcomes of the popular participatory process directly into the allocation of the budget. Though the criteria in the formula were subject to adjustment by participants each year, the major considerations reflected in the criteria have remained similar since 1992. This formula method of allocation is examined in greater detail in the discussion below.

4.2 Institutional Design of Porto Alegre's PB Process



Illustrated for Boston Ujima Project by Libbie Cairn: libbiecairn@gmail.com

4.3 Designing the Scope of Influence & Capacity to Implement

City governance in Porto Alegre is divided between the Executive and the Legislature. The Legislature retains the legal authority to approve the city budget by defining spending ceilings. Their mandate does not extend, however, to specific works or projects for implementation. Thus, the Executive branch under the Mayor retains significant autonomy in spending decisions. As the Worker's Party created new structures for participatory administration, it housed the PB forums and assemblies under the Executive branch and effectively devolved the Executive's rights and responsibilities to PB participants.

In the first three months of its meetings, the COP is responsible for taking the ideas and priorities from the two rounds of Plenaries and developing a Budget Proposal, which the Mayor submits to the Legislature for approval. With the growth of participation in the PB process, the Budget Proposal submitted by the Mayor arrives for consideration in the Legislature with a strong popular mandate, essentially sanctioned by all the participants in the PB process. This popular mandate has served to limit the Legislature's role in Budget decisions to minor adjustments and rubber-stamp approval, as larger changes would in effect pose a challenge to the participants' direct expression of needs and priorities. The subsequent three months of COP meetings are devoted to determining the specific works and services that will be funded. This period culminates in a final Investment Plan, which is published and distributed across the city, and which the Executive reports upon in the following year's First Regional Plenaries.

Due to the design of the PB process and its perceived legitimacy, derived in part from its transparent and inclusive participatory input, participants are essentially empowered with both the Legislature's traditional role to outline the Budget and the Executive's subsequent responsibility for developing a detailed Investment Plan. Within the context of infrastructure spending, then, the PB

processes' *scope of influence* and the *capacity to implement* align closely with that of the city's Legislature and Executive.

Despite this strong degree of empowerment within Porto Alegre's municipal government, PB has not been legally integrated into the Executive branch, a process which would require approval from the Legislature. Formal status has not been sought, in part because the informal arrangement permits the Executive and participants greater freedom to adapt and transform the process on an annual basis. (Santos, 1998, p. 467) The resulting reliance on a supportive Mayor, however, created an undercurrent of instability which came to the fore in 2004 when the first non-Worker's Party candidate since 1989 was elected Mayor. Though the candidate ran on a platform of improving the PB process—suggesting that the legitimizing elements of PB had transcended party lines—the autonomy and efficacy of the process was reduced during his tenure.

The PB process includes a designated period for reflexive deliberation and revision of the rules and procedures of the process itself. This design element helps insure that process's *scope of influence* remains relevant and responsive to participants. Specifically, several meetings of the COP are devoted to evaluating the Criteria used to allocate and distribute funds, to examining rules and procedures, and to ratifying the set of rules that guide the following year's PB process. This staggered implementation reduces the capacity of powerful players within the process (the Councillors) to rewrite the rules in their own favor, while also helping to orient deliberations towards the interest of the city as whole, rather than for Regional or other special interests.

The flow of funding for the PB process is another key source of legitimacy, defining the Executive's capacity to implement the participants' deliberations and decisions. At its height, the municipal budget could only fund about 30% of the ideas for works and services submitted throughout the two rounds of Regional and Thematic Plenaries. Yet the degree of participation and the transparency of the idea development pipeline, described above, from the Plenaries through the

COP meetings to the implementation of projects nonetheless helped maintain the legitimacy of the process. Porto Alegre Mayor Tarso Genro went so far as to suggest that the legitimacy conferred by the transparency of allocation decisions via the PB process led to an increase in the tax payment rate amongst city residents. (Santos, 1998)

Limits to Participant Empowerment

The PB process in Porto Alegre was an ongoing negotiation between three groups: the Executive branch of the municipal government, the community groups, and the resident participants. As the conveners and facilitators, the Executive and community organizations necessarily exerted influence in a range of ways on the PB deliberations and decisions. The ways in which they overstepped their roles and contravened the principles of the PB process were points of contention.

Although the Plenaries were intended to solicit the widest range of resident participation in determining both Delegates and the Sector priorities of each Region, typically the community organizations dominated these decisions. In the case of the selection of Delegates, candidates were often pre-selected by the leaders of community organizations, who could prepare and groom candidates and more easily rally electoral support than non-affiliated candidates. (Santos, 1998, p. 471) Deliberations on Sector and project priority, the majority of which occur in the Intermediary Meetings hosted by various community organizations, were also heavily influenced by the organizations' leaders.

4.4 Allocation Decision Rules

As introduced in the history section of the case study, the PBPA employed from its inception a formula method of fund allocation to translate—in a transparent and consistent fashion—the qualitative needs and priorities of each Region into quantitative investment amounts. Two key

formulas were used to determine, respectively, city-wide distribution by Sector and Sector-based distribution by Region.

The first of two formulas dictates the distribution of the total budget between the twelve different Sectors by tallying each region's priority Sectors. At the Regional Plenaries, participants rank their top five Sectors out of twelve. Those five are awarded points based on the order of their priority as follows: First priority receives 5 points; Fifth priority receives 1 point. These rankings are then forwarded to the Executive, who sums the points from each of the 21 Plenaries to determine the top three priorities of the city budget. In the 1997 budget, for instance, the top three priorities were housing (with 44 total points), pavement (42 points) and sewage (30 points). Plenary participants also ranked proposed works and projects by level of priority within each Sector. (Santos, 1998, p. 472)

The second formula is used to determine how funds within a Sector are distributed between Regions. The previous year's COP agrees on a formula for the following year's cycle, ensuring a greater degree of objectivity in the inclusion of various criteria and the relative weighting of the criteria. Together, the criteria and relative weights determine the distributional fraction of the Sector budget allocated for each Region. The Criteria determined by the 1997 COP for the 1998 cycle were:

1. Lack of urban infrastructure and/or services
2. Total population of the region
3. Priority given by the region to each Sector

Based on these criteria, determined for each Region, Santos (1998) describes the application of the formula as follows:

To each criterion is ascribed a weight in a scale from 1 to 3 in direct proportion to the importance attributed to it by the COP. In the 1998 budget, both the lack of services and the priority of the region carry the weight 3 while the size of the population carries the weight 2. On the other hand, in its application to a given region, each criterion is given a grade. For instance, concerning the lack of services or infrastructure, the greater the need, the higher

the grade. Let us take the example of pavement. A region with up to 20.99% need gets in the criterion grade 1, while a region with a need of 80% or more gets grade 5. The grade received by each region in each criterion is then multiplied by the general criterion's weight. The sum of the partial points (grades x weight) gives the total grade of the region in that specific sectorial demand. This total grade determines the percentage of the investment resources that will be allocated to the region in that sector.

An example may illustrate how the general criteria are translated into a quantified allocation of resources. In 1997, the relative priority given by the sixteen regions to the street pavement determined the inclusion in the Investment plan of a global expenditure item for street pavement corresponding to 20 kilometers (20,000 meters) of streets to be paved. The distribution of this amount by the different regions was the result of the application of the criteria, their weight, and the grade of the region in each one of them. Let us analyze the case of two contrasting regions: The Extremo Sul, a region with 80.21% need of pavement, and the Centro, with 0.14%. Concerning the need criterion, which carried a general weight of 3, the Extremo Sul had the highest grade (4) and accordingly got 12 points (3 x 4), while Centro, with the lowest grade (1), got 3 points (3 x 1). Concerning the criterion on total population, which carried the general weight of 2, the Extremo Sul, with a population of 20,647 inhabitants, had the lowest grade (1) and hence got 2 points (2 x 1), while the Centro, with a much bigger population (293,193 inhabitants), had the highest grade (4) and hence got 8 points (2 x 4). Finally concerning the criterion of the priority given by the region, which carried a general weight of 3, the Extremo Sul gave the highest priority to pavement and, accordingly, had the highest grade (4) and thus got 12 points (3 x 4), while the Centro gave a very low priority to pavement and thus had the lowest grade (0) and consequently no points (3 x 0). As a result, the total sum of points of the Extremo Sul in the item of street pavement was 26 points (12 + 2 + 12), while the Centro's total sum was 11 points (3 + 8 + 0). Since the global number of points for all regions was 262 points, the Extremo Sul received 9.9% of the investment, that is, 1,985 meters of street pavement, while the Centro received only 4.2% of the investment or 840 meters of pavement. (p. 474-5)

While many non-objective decisions must be made in the calculation of relative grades, points and weights, this formula method provides a consistent and transparent way of navigating the necessarily difficult task of translating qualitative judgments into a quantitative distribution. It manages to incorporate both third-party measures of need (*General Criteria 1: lack of urban infrastructure and/or services* and *General Criteria 2: Total population of the region*) and a self-reported measure of need (*General Criteria 3: Priority given by the region to each Sector*). Furthermore, it reduces perverse incentives for decision-makers by staggering formula design so that it happens at the end of the cycle prior to formula application. In this way, the formula is established before its exact implications for distribution can be determined. According to Boanvetura de Sousa Santos, leftist sociologist and long-time observer of PB in Porto Alegre, despite

the difficulty of determining the relative “lack of public services” in each region, the PB process can be seen as “the embryo of a redistributive democracy” thanks to its “increasingly complex and sophisticated methodology.” Santos (1998) writes that “the complexity of the point system resides in the fact that it seeks to articulate measures of participation, on one hand, with measures of priority and recognized necessity on the other. The participation measure guarantees the democratic legitimacy of political decisions, while the priority and necessity measure guarantees the fidelity, objectivity, and transparency of the conversion of political decisions into distributed resources.” (p. 484) Santos commends the complexity of the formula, and suggests that the closer the tie between democracy and distributive justice, the more complex the methodology must be to guarantee that distribution.

4.5 Transparency and the Role of Delegates

Beyond the clear articulation of criteria and formulas, a commitment to transparency is structured in several ways throughout Porto Alegre’s PB process. To begin, the annual cycle opens with a scheduled “accounting” of the previous year’s decisions by the Executive staff, who attend all of the First Regional Plenaries and review the commitments made in the publically available Investment Plan booklet, in which all of the COP’s allocation decisions for the different Regions, Sectors and Works/Services are published. The full body of participants are given an opportunity to assess and ask questions about the Investment Plan, to ask questions about project implementation and timelines, and to review the Criteria and formulas to be applied in the coming year. This act of yearly “accounting” at the start of the new cycle creates a foundation of accountability in the upcoming deliberations and decision-making process by setting up expectations, while also strengthening the incentives for follow-through on the previous year’s decisions.

The role of the Delegates and the conditions of their representation are another important source of procedural transparency. Delegate elections are spread across the First Round of Regional Plenaries and the subsequent Intermediary Meetings.²⁰ A notable design feature of the elections ties the number of Delegates elected to represent each neighborhood to the number of people present to elect them. While the exact ratio of representation has been a subject of contention and evolution over the years, the ratio structure of representation serves as an important incentive for participation in these first two phases of the PB process.²¹ An additional effect of tying representation to participation in the Plenaries is the dynamic of competition between neighborhoods, which can benefit from having more voices advocating for their interests in the COP. This dynamic contributed to a tendency of the COP to focus on neighborhood-specific rather than city-wide issues (one problem the creation of Thematic Plenaries was intended to address).

Once elected, Delegates play several important roles as intermediaries and overseers. Together with the Councillors, they are expected to attend all the COP meetings, where the Budget Proposal and Investment Plan are developed and finalized. Though Delegates cannot vote in the COP—as only the Councillors are empowered to do so—the Delegates represent their

²⁰ Prior to 1993, the election of Delegates happened at the same time as the election of Councillors, in the Second Round of Regional Plenaries.

²¹ Santos (1998) describes the ratio as follows: “The evolution of the criterion to determine the number of delegates to the regional and thematic for bears witness to the increasing involvement of the citizens in PB. Initially, the criterion was 1 delegate for every 5 people attending the assembly; in the early nineties, it changes to 1 delegate for every 10 people and later on to 1 delegate for 20 people in force until 1996. The most recent criterion, adopted in the COP meeting of April 4, 1997, which approved the new rules, is more complex comprising different ratios according to the size of attendance: up to 100 people attending—1 delegate for every 10 people, from 101 to 250—1 for every 20, from 251 to 1,000—1 for every 70, and more than 1,000—1 for every 80.” (p. 471) I can only understand the gap in the criterion between 250 people and 251 people as a typo on the part of the author, and would guess that the third bracket encompasses 251 to 1,000 people. Santos’ description is also unclear as to whether 120 people would have fewer representatives ($120/20 = 6$ reps.) than 100 people ($100/10 = 10$ reps), or if the smaller ratios are applied only to the bracket of people above the threshold, i.e. 120 people would have 11 reps, ($100/10 + 20/20$), which would make more sense, considering the role of representative ratios as an incentive for popular participation.

neighborhoods' interests in the deliberations and are expected to report on the activities of the COP to their respective regions. Collectively, the Delegates also hold accountable the Councillors from their respective Regions or Themes, as they have the power to recall Councillors in a 2/3 majority vote at a meeting called for the purpose.²² Delegates also serve as intermediaries in another capacity – they oversee the implementation of the previous year's Investment Plan and report to residents on the progress of various works and projects. In this capacity, the Delegates are granted direct access to the Mayor, who must explain delays or problems in implementation. The Executive also maintains an online system that provides progress reports on the implementation of all works and projects in the previous years' Investment Plans.

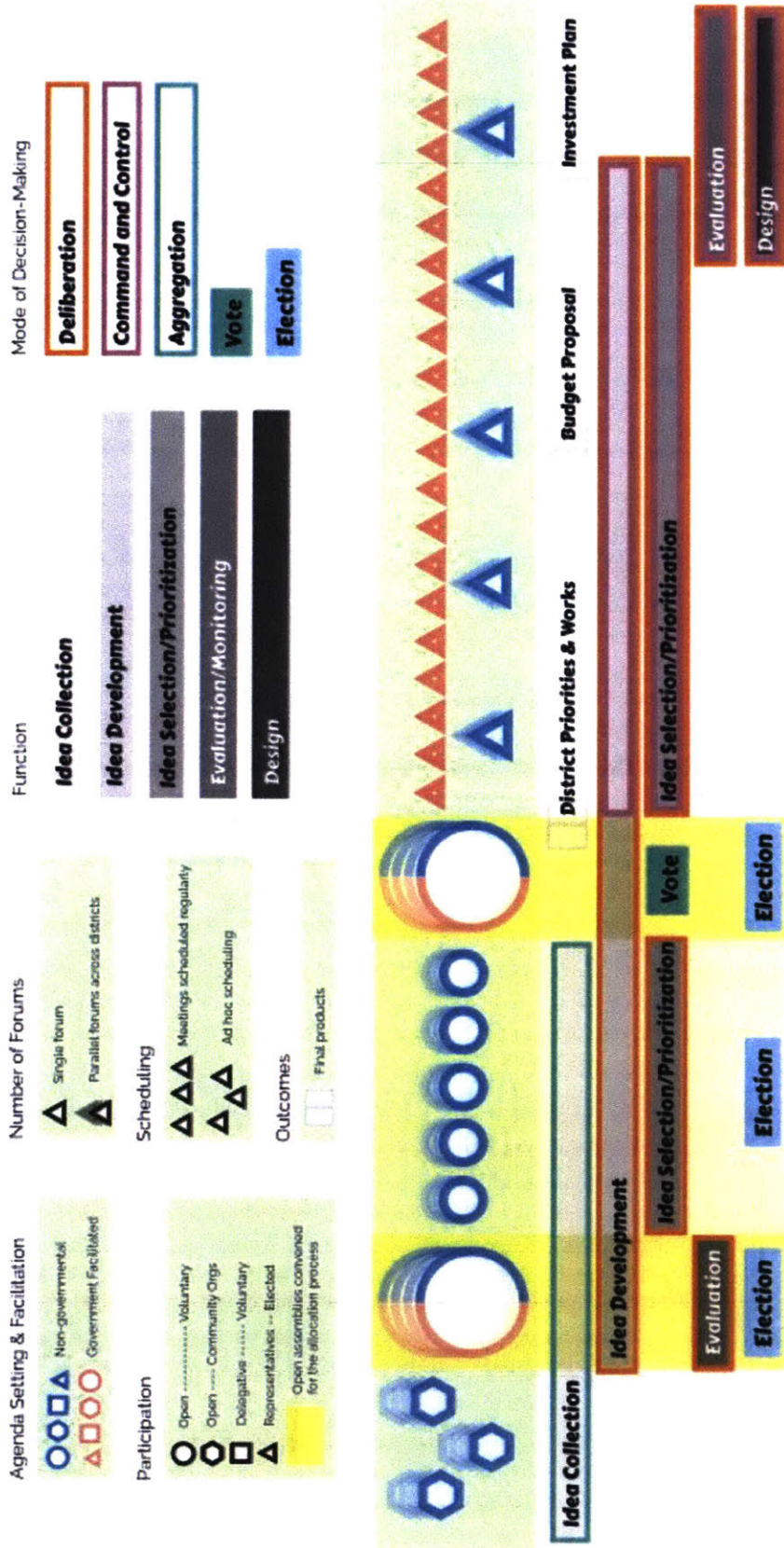
Although the right to vote and to participate in deliberations depends on the particular arena, all meetings throughout the PB process are open to public observation, bolstering transparency and opportunities for learning across the PB process.

- See also “**Allocation Decision Rules**” above for more on transparency in process design

²² To revoke the power of a Councillor, the Delegates of a Regional of Thematic Forum must announce a vote two weeks in advance and establish at the meeting a quorum of more than 50% of Delegates. (Santos, 1998, p. 472)

4.6 Process Functions Analysis of Porto Alegre's PB Cycle

Visual Process Analysis of Porto Alegre's Annual Participatory Budgeting Cycle (1997)



CHAPTER 5

Participatory Budgeting in New York City (PBNYC)

5.1 History and Context

PBNYC is the largest and second oldest city-scale experiment with Participatory Budgeting in the United States. It began in 2011 after community organizations found allies in four City Council members, who agreed to pilot PB processes in their respective districts.²³ Since the first year, PBNYC has grown to include 31 out of the city's 51 districts in the 2016-2017 cycle. In order to participate, a Council member agrees to allocate at least \$1 million dollars of their discretionary capital budget to a participatory process. The process design follows a set of guidelines created and revised annually by a central Steering Committee comprised of community, academic and government stakeholders. The number of participants in the process has grown steadily over PBNYC's six year run, and in the most recent cycle, 102,800 NYC residents helped allocate over \$40 million to capital projects in 31 districts, a 45% increase in the number of voters from the previous year.²⁴

²³ These organizations include the Participatory Budgeting Project (PBP), founded in 2009 by activists and researchers who had helped bring PB to the United States. Josh Lerner and Gianpaolo Baiocchi had worked with Chicago Alderman Joe Moore to run the first PB process that distributed about \$1 million in discretionary funding in the ward. PBP became a non-profit in New York in 2011, and connected with several local community organizations to promote the PB process in NYC. Two of the major local partners were Community Voices Heard (CVH), a member-led economic justice advocacy and organizing group centered around women of color and low-income families, and Community Development Project (CDP), a project of the Urban Justice Center, that conducts action research and advocacy by partnering with community organizations on participatory action research projects. More information on these three organizations can be found on their respective websites:

<https://www.participatorybudgeting.org>, <http://www.cvhaction.org>, <https://cdp.urbanjustice.org>

²⁴ In the 2015-2016 cycles, 67,691 residents allocated about \$38 million across 28 districts.

<https://council.nyc.gov/pb/cycle-5-results/>

The process empowerment of PBNYC's process differs significantly from that of Porto Alegre's PB process for multiple reasons. Two elements, in particular, define the differences: the amount of funding being allocated via PB and the scope of community participants' influence over that funding, as understood through the institutional design of the process. Though these two sources of power derive from different places, they interact and influence each other. For instance, the amount of funding available limits the types of works and projects that can be funded and influences the scale of change explored in discussions about how to allocate funds. On the other hand, these constraints can also motivate creative thinking and fresh solutions if participants bring care and creativity to the deliberations. The deliberation process, in turn, can build trust between elected officials and PB participants and can drive advocacy that expands the sources of funding made available. The difference between the types of project proposals implemented across districts in PBNYC's most recent cycle offers evidence of both creative problem-solving within constraints and advocacy leading to expanded budgets, dynamics explored further in the discussion below.

PBNYC's *scope of influence* is significantly determined by who holds the authority to design and administer the process itself. Seeking to create structures to ensure community leadership and local ownership over PB going forward, PBNYC's founding organizations established local *District Committees*, focused on implementation in their respective localities, and a city-wide *Steering Committee*, comprised of a mix of community leaders and Council members' staff. Through the Steering Committee, community leaders were the primary drivers of process coordination and oversight, guiding implementation and wider advocacy. The Steering Committee also wrote PBNYC's goals, designed its format and determined its rules of participation through a series of workshops. During the annual cycle, responsibilities were split between the various stakeholders, with community organizations leading outreach efforts, providing coordination and administration, and convening the Research Board to conduct evaluation of the process, while Council member's district

staff—those of Council members Brad Lander and Melissa Mark-Viverito in particular—provided logistical and communications support. (Jabola-Carolus ,2017, 114-5)

After three cycles with this structure, several key changes occurred in 2014. That year, East Harlem Council representative Melissa Mark-Viverito, who was one of PBNYC’s original sponsors, was elected Speaker of the Council, the second most powerful elected position in the city. Fourteen new districts joined the process, more than doubling the participation to 24 districts from the previous year’s 10. Responding to advocacy by community organizations, Mark-Viverito brought the PB process under the formal aegis of the City. The Steering Committee became an official Council body and its duties were largely transferred to six Council staff members—one full-time, five part-time—assigned to coordinate the process. Additionally, the Speaker’s office allocated City funds across participating districts to contract with community organizations for technical assistance and targeted outreach (about \$60,000 for training and outreach across the 24 participating districts that year), created new institutional spaces to regularly convene and guide district-level staff through the PB process (including meetings with the founding organizations), and partnered with a local university to provide paid interns for logistical support in many of the participating districts. (Jabola-Carolus, 2017, 110-115)

The institutionalization resulted in immediate changes the following cycle, including better data collection, greater administrative consistency across the districts and increased efficiency in coordination, outreach and training. (Jabola-Carolus ,2017, 117) In many ways, paid staff improved the administration of the PB process beyond the capacity of what under-resourced volunteers from community organizations could achieve. At the same time, however, the role of the Steering Committee was reduced to a mostly advisory role. As paid staff took on more of the administrative and decision-making responsibilities, the content of Steering Committee meetings and its members’ authority was reduced, leading to dissatisfaction and decreased participation by community

members. (Jabola-Carolus ,2017, 120) The following year, PB central staff team was reduced to four part-time positions and the PB schedule was compressed in a top-down intervention without Steering Committee feedback. Community members on the Steering Committee, frustrated after a year of increasing marginalization, pressed for reforms. Working with the central staff, with the approval of the Speaker, they reinstated committee co-chairs to manage agenda-setting, devised formal decision-making protocols, and recruited additional community participants for the Steering Committee.

In addition to opportunities for non-expert participation, the stream funding available for allocation is a second key aspect of PBNYC's *scope of influence* and *capacity to implement*. The total funding allocated through PBNYC in its first six years has grown consistently as the PB process has been adopted across an increasing number of districts, and positive feedback has provided some Council members with the incentive to allocate greater amounts of discretionary funding. Yet, this total amount is still a small fraction of the city's total Capital Budget, highlighting the major distinction in capacity to implement granted to PB in Porto Alegre versus PBNYC. To illustrate the scale of New York's PB budget, we can average the amounts allocated to PB in the first three cycles,²⁵ and compare this to the total Capital Discretionary Funds, which is the aggregate amount of money individual Council members can use to address district needs and gaps in City Agency projects.²⁶ During these first three years, participating Council members granted \$5.6 million of the \$489 million total Capital Discretionary Funds for FY2013; \$9.8 million of the \$547 million in Capital Discretionary Funds for FY2014; and \$14.5 million of the \$465 million in Capital Discretionary Funds for FY2015. These amounts accounted for slightly less than 2% of the Capital Discretionary Funds on average over the three years. We can further contextualize the amount allocated through PB within

²⁵ The first three cycles are Cycle 1 – 2011-2012, influencing the FY2013 budget; Cycle 2 – 2012-2013, FY2014 budget; Cycle 3 – 2013-2014, FY2015 budget

²⁶ <https://council.nyc.gov/budget/how-nycs-budget-works/#capital-budget>

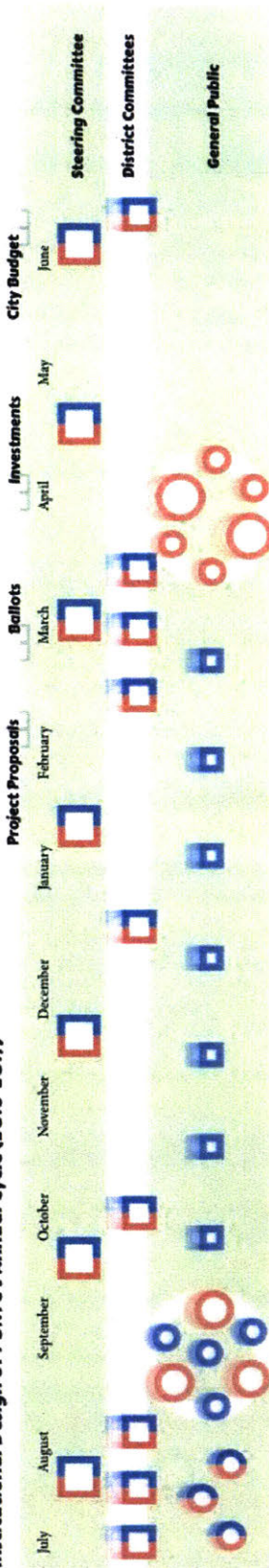
the city's annual Capital Budget, which is the portion of the city's total budget devoted to long-term investments in infrastructure and facilities.²⁷ On average over the first three years, the PB budget comprised less than 0.1% of the total Capital Budget. In contrast, 100% of Porto Alegre's capital budget was allocated through their PB process.

As illustrated in the first six years of PBNYC, the processes' capacity to achieve its goals of equity and inclusion are subject to ongoing negotiations between community advocates and the administrative state. In particular, constraints and threats arise in the form of bureaucratic resistance across the City Council to non-expert leadership and participation. "These tensions are perhaps particularly acute in PBNYC," writes Celina Su (2017b), PBNYC research board and Steering Committee member, "because the process did not come about in a moment of democratization and profound administrative changes, as in some of the earlier cases in Latin America." (p. 72-3) Su adds, "Without careful expansion, PBNYC can act as a release valve for frustrated residents and help some to address small-scale needs, but it will not necessarily help to address redistribution or equity." (p. 74) Though the initial \$5.6 million in PBNYC funding has grown to \$40 million over the course of the process's six-year history and will likely continue to grow, the PBNYC process cannot be expected to implement the type of transformational outcomes achieved in Porto Alegre, nor can equity in outcomes be measured using as direct a comparative lens. As will be discussed below, many of the issues and innovations within the design of the PBNYC process arise from these constraints.

²⁷ The other portion, the Expense Budget, is reserved for running the city, including salaries and operational funds in the areas of education and social services.

5.2 Institutional Design of PBNYC's Process

Institutional Design of PBNYC's Annual Cycle (2016-2017)



1. Info Sessions & District Committees

- Residents & district stakeholders learn about the PB process.
- The local District Committee comprised of community leaders, delegates from previous PB cycles, and Council members' district-level staff, meets to plan the upcoming phases. Their work includes developing outreach plans for each of the upcoming phases.

2. Neighborhood Assemblies & Community Meetings

- District Committees solicit project ideas online and at seven or more events, including at least three public assemblies and four special meetings for "underrepresented community members" such as youth, non-English speakers, seniors and public housing residents.
- District staff and volunteers provide info at events on the PB process, project eligibility, and implementation of past cycles.
- Budget delegates are recruited and attend orientation and trainings. Districts are encouraged to recruit at least 60 delegates who represent the geography and demography of the district.

3. Delegate Meetings

- Delegates join committees, focused on issue areas or specific demographics, which assess, research, and develop project proposals based on need, impact and feasibility (Since 2016-208 cycle) issue committees in each district can send five final project proposals to relevant city agencies for review before submitting them to the district's Council member at least one month before the public vote.

4. Project Expos & Vote Week

- Districts host science-fair-like Project Expos where delegates present and advocate for final project proposals.
- Voting typically begins with the Project Expos. Residents 14 years and older can vote regardless of immigration status.
- Each district must host at least six voting locations, including two large events.

5. Evaluation & Monitoring

- Winning projects are allocated funding following upon the City Council's budget adoption in June.
- District Committees and the Steering Committee meet to evaluate the annual cycle and oversee implementation of projects by city agencies.

Agency Setting & Facilitation

- Open Government Facilitated
- Non-governmental
- Voluntary

Participation

- Open
- Community Orgs
- Delegative
- Voluntary
- Representatives
- Elected

Scheduling

- Meetings scheduled regularly
- Ad hoc scheduling

Number of Forums

- Single forum
- Parallel forums across districts
- Final products

Project Proposal Eligibility Requirements

- The funding used in the PB process comes from Council members' discretionary funds. Although some Council members have opted to expand the process to include some of their discretionary Expense funds, the vast majority of PB money goes to fund capital projects that meet of the following conditions:
1. Cost at least \$35,000
 2. Have a "useful life" of at least five years
 3. Involve the construction, reconstruction, acquisition or installation of a physical public improvement

Potential Issue Committees

- Budget Delegates are assigned to issue committees, which work to develop and choose the project proposals, based on need, impact and feasibility.
1. Transportation
 2. Public Health
 3. Public Safety
 4. Education
 5. Parks, Recreation & Environment
 6. Arts & Culture
 7. Housing

Goals: Why PB?

1. **Open Up Government:** Allow residents a greater role in spending decisions, and inspire increase transparency in New York City Government.
2. **Expand Civic Engagement:** Engage more people in politics and the community, especially young people, people of color, immigrants, low-income people, the formerly incarcerated, and other marginalized groups.
3. **Develop New Community Leaders:** Build the skills, knowledge and capacity of community members.
4. **Build Community:** Inspire people to more deeply engage in their communities and to create new networks, organizations and community economic opportunity.
5. **Make Public Spending More Equitable:** Generate spending decisions that are fairer, so resources go where they are needed most.

Our Principles: How we Work

1. **Empowerment:** Enable local people to decide how PB works in their communities and across the city.
2. **Transparency:** Share information and make decisions as openly as possible.
3. **Inclusion:** Make special efforts to engage people who face obstacles to participating, are often excluded, or are disillusioned with politics.
4. **Equality:** Ensure that every person can have equal power over public spending.
5. **Community:** Bring people together across traditional lines of division, to work together for the good of the whole community.

Illustrated for Boston, Ujima Project by Libbie Cohn. Contact: libbiec@ujsm.com Sources: PBNYC Rulebook (2016-2017), Su, C. (2017). From Porto Alegre to New York City: Participatory Budgeting and Democracy. New Political Science, 39(1), 67-75.

5.3 Inclusion and Participation

Inclusion of traditionally marginalized groups was a clear priority of the Steering Committee from the start and continues to be an area of focused advocacy. This priority is reflected in the most recent PBNYC Rulebook that sets out guidelines for the public events hosted at the two moments in the annual cycle where participation by the general public is solicited. Of the required events for project and idea collection in the first phase of each PB cycle, four of seven must be “special meetings for under-represented community members (e.g. youth, non-English speakers, seniors, public housing residents, etc.)” according to the PBNYC Rulebook (p. 6). In order to increase immigrant participation during the second participatory moment—vote week—the PB guidelines stipulate that materials such as outreach flyers and ballots must be translated into the three languages most represented in each district. To collect votes, districts are required host at least “two large events” and four or more “mobile” voting events “in places with a high concentration of underrepresented community members, (e.g. at senior centers, during lunch at schools in the district, etc.)”(p. 8) Organizers in some districts set up tables on the sidewalks of residential neighborhoods to encourage voting. (Hayduk, Hackett & Folla, 2017, p. 89) An outcome of this focus on inclusion can be seen in the percentage of PB participants who would otherwise be excluded from elections: 5% of PB participants in Cycle 2, were otherwise excluded by their immigrant status. In Cycle 5, 25% of participants reported exclusion from other elections, though respondents in Cycle 5 included those who were excluded based on age and previous incarceration, in addition to immigration status. Considering the expansion across districts in the intervening time, 25% is significant. For many of these participants, who cannot vote in other US elections, the opportunity to direct spending and participate in political processes was an exciting learning experience. For some participants, it was the first time they had voted in their lives. (Kasdan, Markman & Convey, 2014, p. 37-38)

Nonetheless, inclusion has varied across districts based on multiple factors, including the amount of resources each Council member devotes to targeted outreach and assuring language access in their district; the reliable presence of interpretation at informational meetings and public events; and the time and logistical demands of participation.²⁸ This final factor has been particularly inhibitive in the delegate phase of the PB cycle, limiting the range of participants who end up volunteering for the more demanding and more empowered role of budget delegate.²⁹ Various aspects of the delegate role are explored in the following section.

5.4 Power Allocated to Budget Delegates

Within PBNYC's annual cycle of idea collection, idea development and decision-making, the volunteers who play the role of delegates exert an outsized influence over the outcomes of the allocation process. I say outsized for multiple reasons, including the scale of their evaluative task, the lack of guidance for what principles to follow while achieving that task; and the absence of transparency, oversight or adequate systems of accountability over their decisions. These critiques are aimed at the institutional design of the PBNYC process, not at the individuals who volunteer to carry out an integral aspect of the process. Within this institutional design, delegates commit varying amounts of time, thought, deliberation, and care to their responsibilities. Over the six-month project development phase of PBNYC, the delegates are tasked with selecting and developing five project ideas from out of, in some districts, upwards of 200 proposals within a particular issue area. Depending upon the interest and initiative of the delegates involved, this process can include researching neighborhoods to better understand needs, assessing projects' impacts and feasibility,

²⁸ For more on immigrant participation in PBNYC, see Hayduk, Hackett & Folla (2017)

²⁹ The Steering Committee has frequently discussed the need to provide compensation for budget delegates as a way to address the differential participation in this phase of the PB cycle. Interview with Celina Su, July 27, 2017.

conducting site visits and meeting with relevant city agencies to develop project ideas, prioritizing proposals based on potential equity outcomes, and finally, advocating for the five final proposals at the Project Expos.

Formally, the delegate role begins with signing an agreement and attending an orientation session, where each volunteer joins a specific “issue committee” devoted to selecting and evaluating project ideas within a particular sector. The two resources provided to help make these decisions are, one, district maps that highlight demographics across neighborhoods to encourage consideration of the disparate benefits of various projects, and two, an “equity matrix” that highlights district needs, impact and feasibility as key concerns in decision-making. Although delegates are also encouraged to seek support and guidance from agency representatives, in practice, interactions with government agencies during the six-month period have often been quite limited. (Kasdan, Markman & Convey, 2014) Despite the good intentions behind the provision of these guiding resources, they constitute too weak an incentive structure to hold delegates to a consistent standard of decision-making.

In practice, project development and selection occurs during deliberation between delegates and members of District Committees, including community leaders, delegates from previous cycles and Council members’ district-level staff. Given disparate membership in District Committees and delegate volunteers, the quantity and quality of deliberation and decision-making differs widely across districts. While the PBNYC Rulebook (2016) encourages districts to recruit at least 60 delegates who “represent the district’s demographics and geography,” (p. 6) participation and commitment varies across districts. On one hand, the lack of compensation and oversight reduces the institutional motivations to fulfill the role of delegate. Among reporting districts in the 2013-2014 PB cycle, fewer than half (44%) of individuals who signed up to serve as delegates at the start of the PB process ended up participating actively through the project development phase, as

measured by their attendance at more than half of the delegate meetings. (*People's Budget*, 2015, p.4) In some cases, the lack of institutional guidelines for transparency and consistency in decision-making is further aggravated by the role delegates play in the following phase of the PB process. During Project Expos, delegates are encouraged to advocate to the voting public for the project proposals they selected rather than acting as impartial or critical facilitators for projects with the most equitable impacts. The lack of institutionalized systems of accountability and the misalignment of incentives has led some delegates to select proposals based on personal preferences or judgments unrelated to process goals, and in some cases, to volunteer as delegates for the very purpose of ushering pet projects through the process. (Pape & Lerner, 2016, p. 8)

In other districts, members of District Committees have served as strong advocates for equity and thoughtful deliberation, providing a consistent and increasingly experienced anchor for careful deliberation and decision-making through the PB cycles. PBNYC Research Advisory Board member Celina Su cited Brad Landers District Committee as a site of meaningful deliberation focused on equity, which resulted in the selection of creative project proposals focused on serving marginalized communities. In the most recent PB cycle, the winning capital projects in Landers' District included a mobile shower station for homeless residents in addition to more conventional projects like an AC system for PS230's cafeteria. The District Committee in Landers' district also successfully advocated for Landers to allocate a portion of his discretionary Expense budget to the process, part of which, in the same cycle, went towards funding several "Upstander not Bystander" intervention trainings to teach community members how to respond to an increase in harassment and hate crimes in the current political climate.³⁰

³⁰ Interview with Celina Su, July 27, 2017. For more information on these projects, visit NYC Council member Brad Landers' website: <http://bradlander.nyc/2017-winning-pb>

It is debatable the degree to which these more creative project proposals represent more equitable outcomes. The key take-aways, however, arise from the fact that it is within this six-month period of the PBNYC process that participants deliberate and carry out the entirety of *idea development* and the majority of *idea selection* for the process. The final vote in the following phase, which again opens PBNYC to larger-scale participation, is separate from this deliberative process in which ideas can be developed or prioritized. In other words, the delegates essentially determine PBNYC's *scope of influence* through their selection of the final proposals put to vote. Lacking significant institutional incentives for consistency and transparency in this phase, the institutional design does not serve to ensure that the outcomes of the delegates' project development phase will align with the mission of the process as a whole. Addressing the lack of guidance and oversight in the delegates' decision-making process and its separation from the voting phase, Su (2017a, p. 136) writes,

[W]ithout strong critical pedagogy and strong facilitation, PB can sometimes decentralize decision-making without the changes in power dynamics necessary for critical race praxis. The process emphasizes "good projects" in ways that sideline alternative criteria, such as the bodily experience of marginalized constituents, especially people of color, as well as redistribution, equity, dignity, and shared power...Because the annual cycle ends with a voting process, some budget delegates and facilitators went as far as to suggest that PB can, in some cases, reify a market logic of choice and inequalities...

5.5 Research Advisory Board

Evaluation and research has played a central role in the development of PBNYC. The Community Development Project (CDP) at the Urban Justice Center, a group that partners with New York City grassroots organizations to provide legal support and conduct PAR research, was contracted as PBNYC's lead evaluator for the first four cycles. CDP convened a Research Advisory Board comprised of local academics, community organizations and citywide research organizations. They committed to participating in the Advisory Board for year-long stints, though three Board

members have volunteered for longer. CDP's three research staff members, together with the Research Board, have been integral players in both PBNYC's effective administration and its evolution.

The CDP team and the Research Advisory Board met regularly to conceive the research goals, questions and instruments, to allocate and prioritize research needs, and to perform analysis, share findings and conduct an annual in-depth debriefing reflecting on all stages of the research process. They invited stakeholders in the PBNYC process to participate in co-design workshops at each stage of the research process. With a focus on impact validity, which evaluates the extent to which research is useful as a tool for advocacy and can play a role in social and political change,³¹ the researchers developed research goals that aligned directly with the goals of the larger PBNYC process, ensuring that the research served to further and to amplify PBNYC's intended aims.³² During the co-design process to develop research questions and instruments, community members suggested, among other ideas, a greater focus on understanding the outreach phase of PBNYC, and changes in framing and phrasing of survey tool questions. As the research was conducted throughout the cycle, Budget Delegates, volunteers and other stakeholders contributed to ongoing refinement of the research plan. (Kasdan and Markman, 2017, p. 149)

The members of the Advisory Board devoted up to 10 hours a month throughout the year, and contributed other resources, including original work and assigning PB research in class assignments. Their methodologies included:

- Surveys administered at multiple stages of the PB cycle
- In-depth interviews with stakeholders
- Poll site observations and brief exit interviews after voting

³¹ See Massey. and Barreras (2013) for more on impact validity.

³² Kasdan and Markman write that the "explicit connection between the goals of the PB process and the goals of our research serves to ensure that the research is, from its inception, relevant to the PB process, to PB practitioners, and to the CBOs and community members invested in the process." 148. See Appendix B for an outline of how the research goals were matched with PBNYC's large goals in the 2014-2015 cycle.

- Meeting observations at the district and city level
- Background research on the city budget and demographics

The range of research products they created included:³³

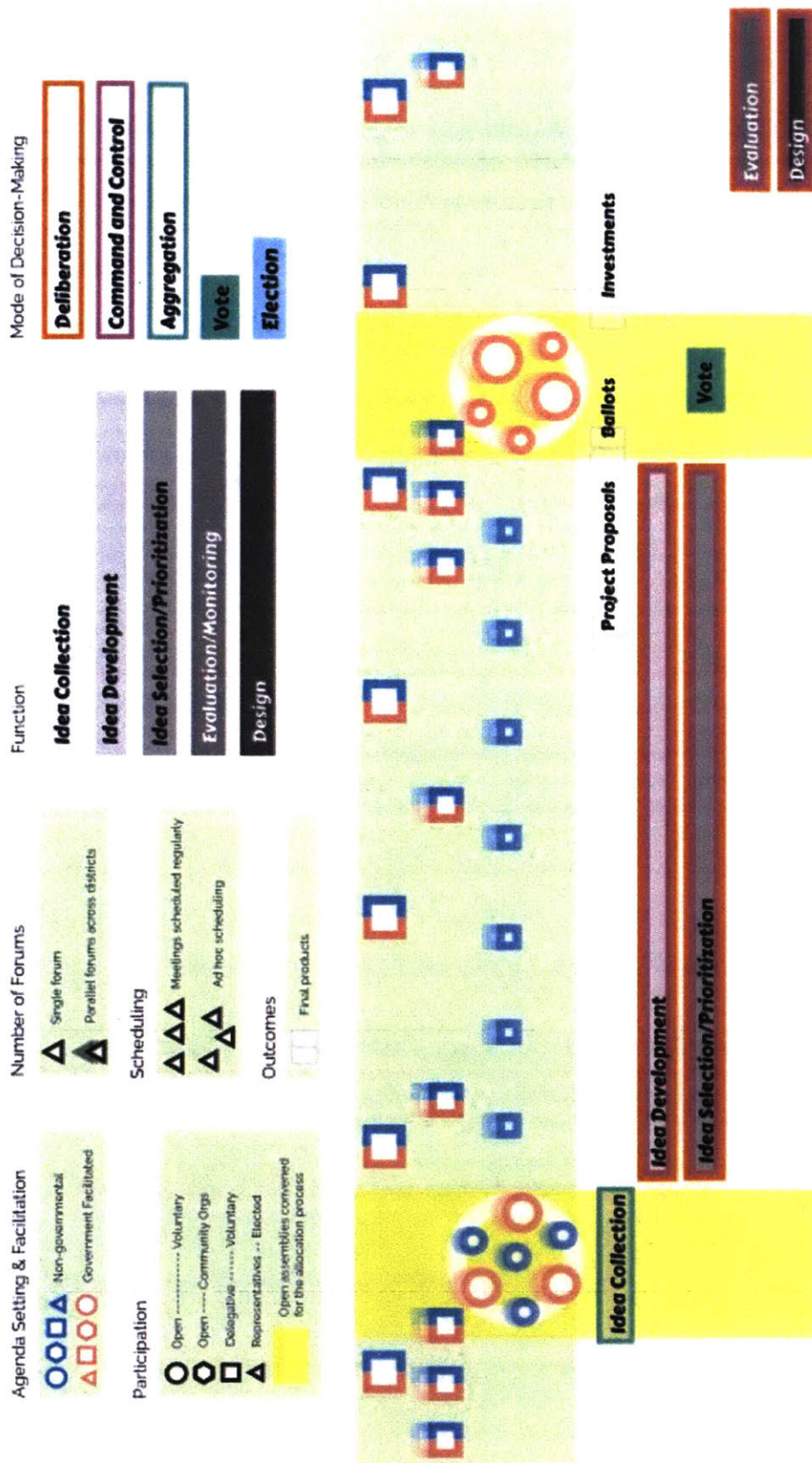
1. **Recommendations and findings** presented internally to the Steering Committee throughout the process and particularly for use during end-of-cycle rulebook revision
2. **Memos** targeted for various agencies and officials in city government, outlining best practices, tailored recommendations, and suggestions related to the expansion of PB
3. **Data reports** on participation and other district-specific findings for use by participating Council members
4. **Comprehensive public reports** at the end of each annual cycle, including interviews, analysis, and recommendations
5. **Academic articles** offering closer analysis of various aspects of the process (much of this Case Study is drawn from analysis published by current and past Research Advisory Board members)
6. **Multimedia Presentations** including publicizing findings and print materials on TV, radio and social media platforms

Recognizing how PB's current *scope of influence* constrains meaningful empowerment and equity outcomes, the members of the Research Board, together with the Steering Committee members, have been a consistent voice pushing elected officials to expand the PB process. Su cites an important example of the work in this area. Following upon an annual cycle in which certain Council members reduced spending on targeted outreach to traditionally marginalized communities in their districts, the Research Advisory Board compiled district-specific data on the downturn in participation in those districts, a key part of successful advocacy demanding that Council members uphold their commitments to inclusion in the process. Though the impact of the research on the PBNYC process is difficult to measure in quantitative terms, the researchers' persistent advocacy, ongoing documentation and analysis, and range of research products informing all key stakeholders, speaks to the valuable role they play in helping PBNYC achieve and improve its goals.

³³ These first four research products are listed in Kasdan and Markman (2017), p. 151.

5.6 Process Functions Analysis of PBNYC's Cycle

Visual Process Analysis of PBNYC's Annual Cycle



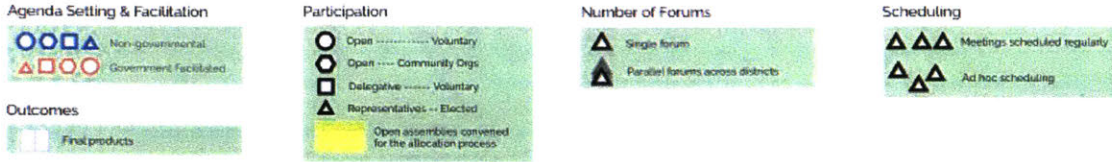
CHAPTER 6

Analysis and Recommendations

6.1 Introduction

This section begins with a comparative analysis of the processes, drawing on three sets of visualizations comparing the institutional designs and process functions. The first visualization focuses on the institutional designs, highlighting moments in each process when they open to large-scale inclusive participation. The second visualization compares the process functions of these three designs. The third visualization focuses on the process functions of Ujima's proposed design, highlighting the distribution of these functions to each of the three key participatory bodies in the Ujima design: the General Assembly, Neighborhood Assembly and Investment Committee. I draw from these three visual analyses to offer general recommendations on Ujima's proposed institutional design, especially regarding the democratic dimensions of *expertise* and *accountability*. Following this, I offer a full list of recommendations organized around all three of the *democratic* dimensions of my research questions: *participation*, *expertise* and *accountability*. These recommendations draw from the case studies and the application of the decision-making frameworks described in Chapter 3. Lastly, I apply the first set of recommendations regarding *participation* to Ujima's institutional design, yielding a few more suggestions on inclusive and appropriate *participation* in the process design.

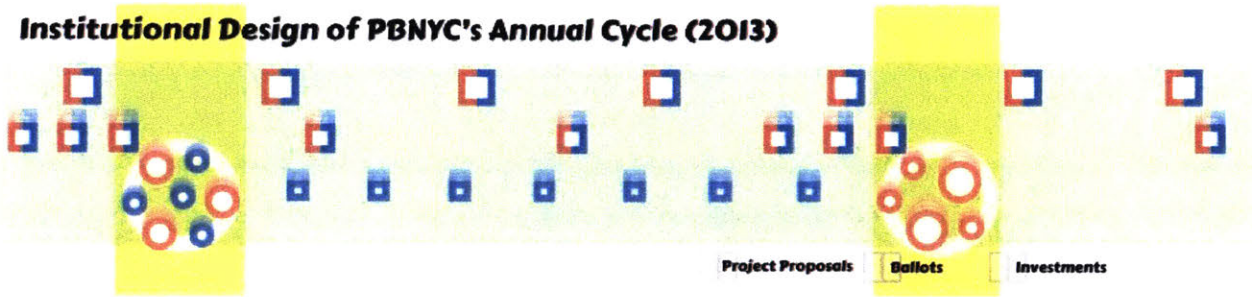
6.2 Institutional Designs in Comparison



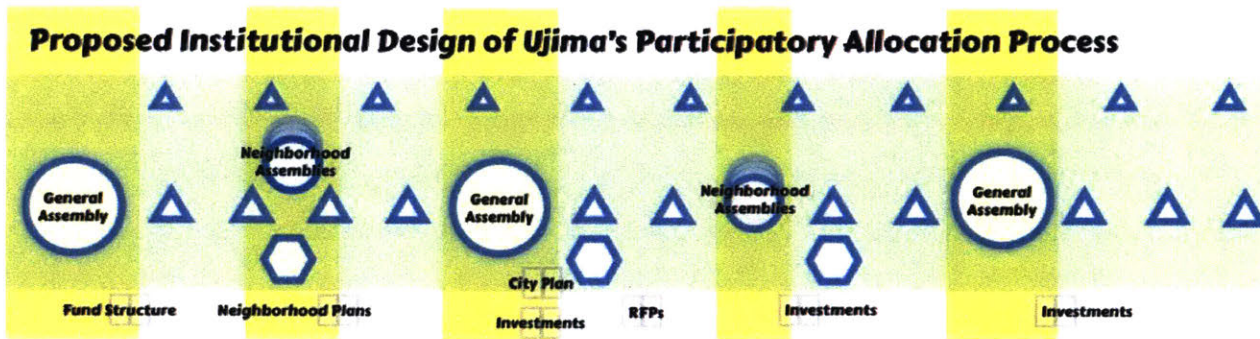
Institutional Design of Porto Alegre's Annual Participatory Budgeting Cycle (1997)



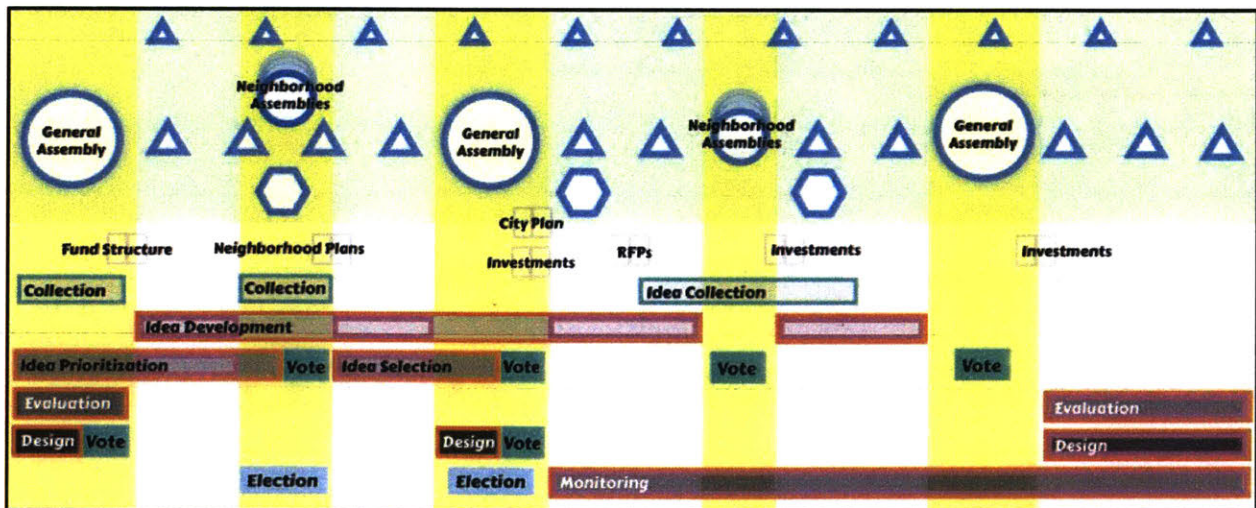
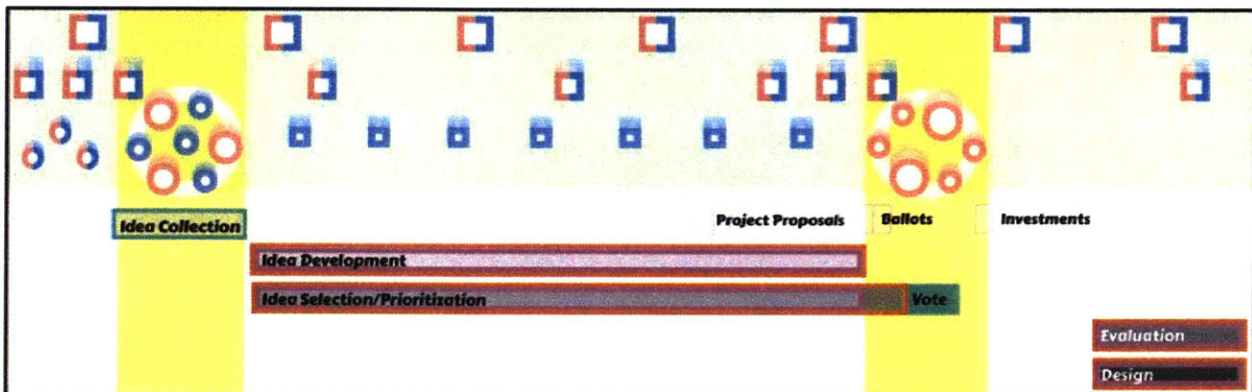
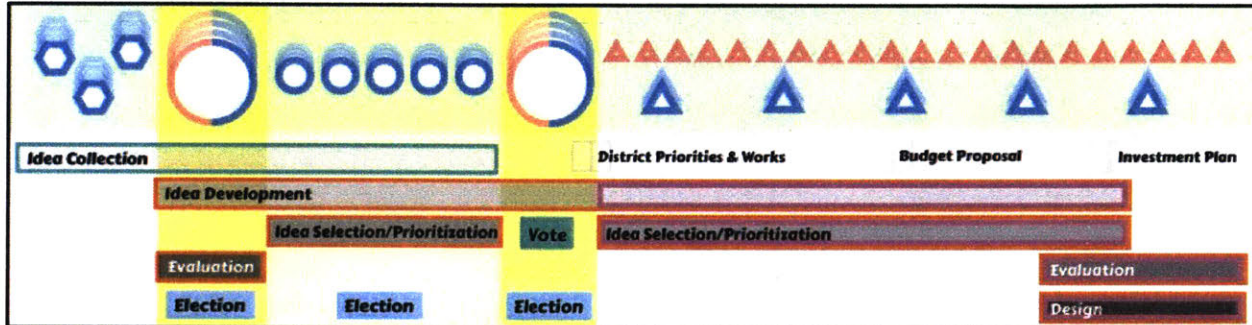
Institutional Design of PBNYC's Annual Cycle (2013)



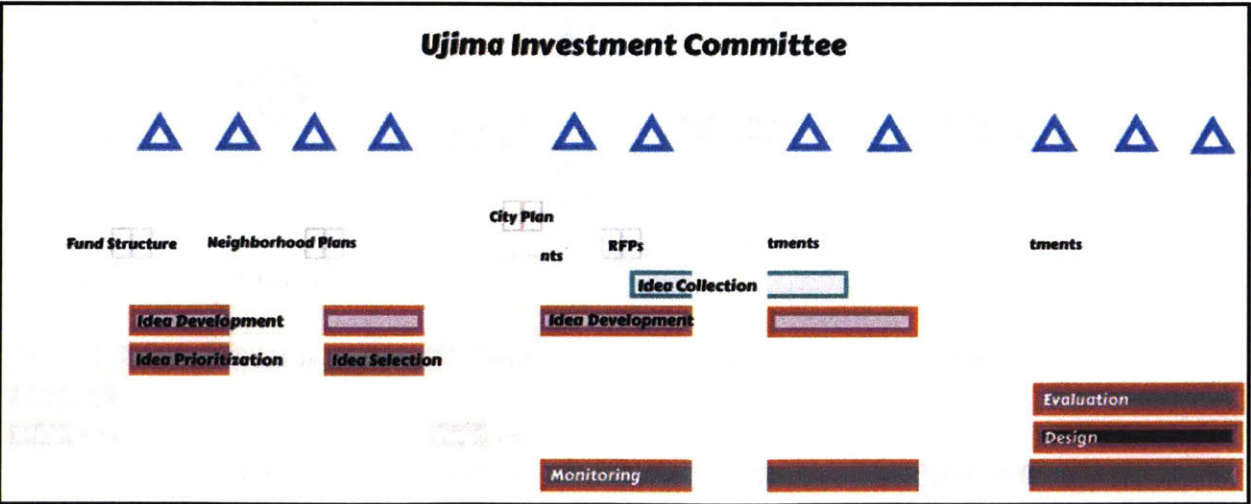
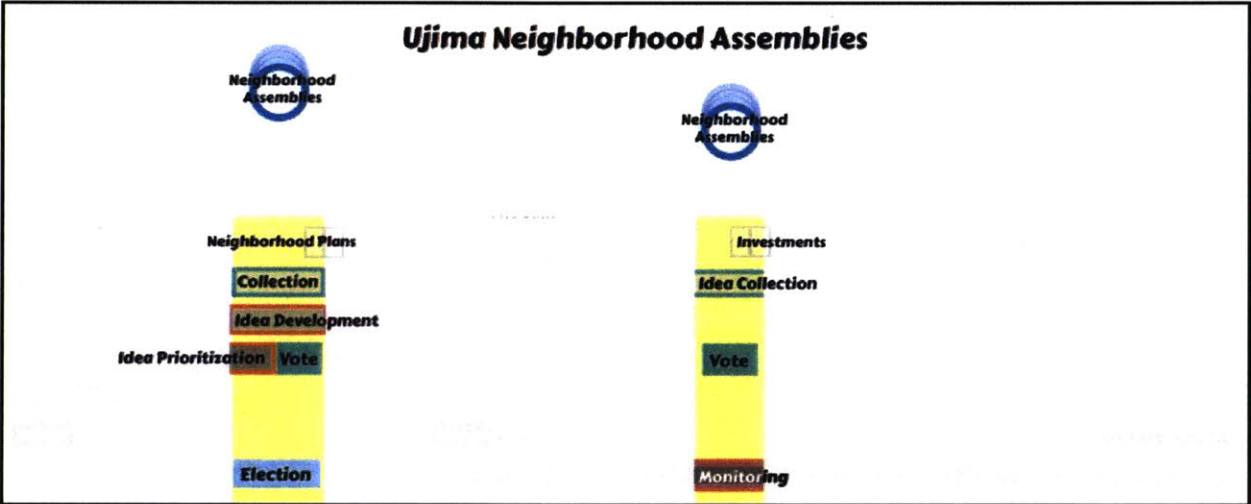
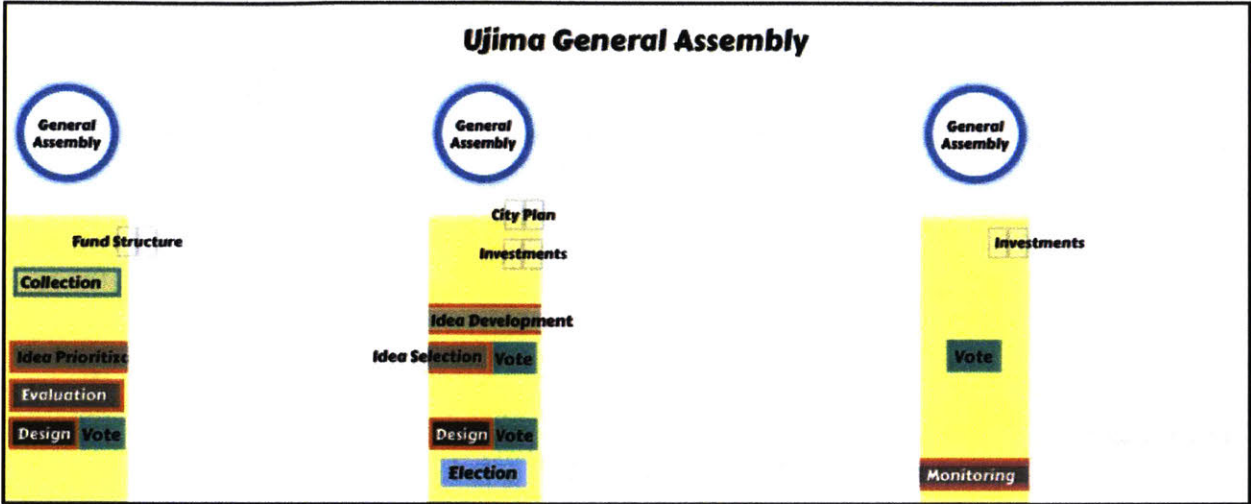
Proposed Institutional Design of Ujima's Participatory Allocation Process



6.3 Process Functions in Comparison



6.4 Allocation of Process Functions Across Participatory Bodies in the Proposed Ujima Design



6.5 Comparative Analysis

While both of the PB processes only yield final products in the second half of their annual cycles, devoting the first half of the cycles to idea collection, development and prioritization, the Ujima process schedules votes and decision-making on key questions throughout the course of the cycle. This design feature arises from Ujima's need to establish plans and guidelines that are accountable to the participants early on in the process in order to have more flexibility to allocate funding—in accordance with those plans and guidelines—on shorter notice and at multiple moments later in the cycle. This design responds to the ongoing financing needs of small businesses as opposed to the annual budgeting needs of a municipality.

Ujima can employ this decision-heavy front-end design to its benefit if the participation and input provided in these early assemblies is meaningful. For instance, structures of accountability in Porto Alegre's institutional design helped to ensure that the outcomes of the largest scale expression of popular will (in the First and Second Regional Plenaries) were carried through the remainder of the process to the point of implementation. Researchers Baiocchi & Ganuza (2014) described this quality of Porto Alegre's PB as a "Conveyer Belt" or "chain of popular sovereignty" by which the design of PB in Porto Alegre managed to maintain a "clear and transparent institutional link between popular will and government actions with a minimum of veto points or room for discretionary changes." (p. 36) Ujima's design should similarly seek to ensure that input gathered and decisions made in early participatory meetings bear on final allocation decisions. The "demonstration effect" arising from this accountability will incentivize participation in future cycles of the Ujima process.

As previously described, the PBNYC process allocates the entire task of idea development and idea selection to the delegates, in a separate phase sandwiched between two moments of open participation at the start and end of the cycle. In contrast, the first half of Porto Alegre's model

includes *continuous meetings* of open participatory bodies, hosted in both regional plenaries and community organizations. This element of Porto Alegre's institutional design increases the opportunities for inclusive participation and meaningful deliberation about collective needs and priorities. Through these continuous meetings, the Porto Alegre process allocates more power to a larger number of participants. The front-end-ing of the open participatory meetings is balanced, in the second half of the Porto Alegre cycle, by intensive idea development and idea selection within the much smaller representative body of the COP. While Ujima's comparatively limited overall process empowerment may not justify the degree of detailed deliberation and participant time involved in the first half of Porto Alegre's process, **Ujima should consider Porto Alegre's approach to convening consecutive open participatory bodies at the start of the cycle before transitioning to a specialized body in the second half of the cycle. This model seems particularly suited to Ujima considering Ujima's need for specialized financial expertise at multiple moments of the process and the desire to balance accountability with responsiveness to business needs.**

The visualization of how process functions are distributed between Ujima's three participatory bodies highlights outsized empowerment of the Investment Committee. The IC is allocated the majority of responsibility for idea development, idea selection and monitoring in the proposed model. Given this design, Ujima must consider carefully the participation and composition of the Investment Committee. Structures of accountability for this decision-making body will have a strong impact on the outcomes of the allocation process as a whole. In the Discussion section below, I apply my recommendations for *participation*, *expertise* and *accountability* to Ujima's proposed institutional design and outline additional recommendations and questions that arise.

6.6 Recommendations

I. PARTICIPATION

a. CONSIDERATIONS FOR **DETERMINING PARTICIPATION** DURING EACH PHASE

2. Determine **whom the decisions should be accountable to** and ensure that they or their representatives are participating
 - a. General assembly
 - i. In their capacity as residents
 - ii. In their capacity as investors
 - b. Neighborhood assembly
3. Determine **what types of expertise should inform the decisions** and ensure that those with the needed expertise are participating
 - a. Investment portfolio management
 - b. Due diligence and investment evaluation
 - c. Small business management/technical assistance
 - d. Planning knowledge: demographics, land use, housing, environmental issues, economic trends
 - e. Neighborhood economic development
 - f. Resident/Peer Expertise³⁴
 - i. Knowledge about **quality-of-life** in a neighborhood
 - ii. Knowledge of **neighborhood needs & market opportunities**
 - iii. Knowledge (as consumers) of **quality of goods and services & issues on consumer-facing side of existing businesses**
 - iv. Knowledge of **local entrepreneurs/business owners**
 - v. **Ideas for businesses** and **solutions to issues**
 - vi. Knowledge to **support due diligence** and **community research**
 - vii. **Technical support** and **creative design of financial instruments** from peer borrowers/investees and technical assistance providers
4. Decide how the expertise should be held
 - a. **Knowledge** held by the **decision-makers** AND/OR
 - b. **Consultant experts who provide recommendations**
5. Determine **how much time** a decision-maker should be involved in order to make a meaningful decision
6. Identify any **privacy concerns** regarding the information needed to make the decision

³⁴ These forms of resident expertise draw from Ujima's Democratic Investment Lifecycle, an illustrated chart of the ways Ujima envisions community participation and resident expertise to supplement and improve the traditional investment cycle. See Appendix C.

7. **For representative bodies:** in some cases, it may be appropriate to tie the number of representatives that can be elected to the number of people present to elect them, in order to incentivize participation and accountability
 - a. **Be careful** to incentivize cooperation rather than competition between neighborhoods

b. INCENTIVIZING **PARTICIPATION** IN THE PROCESS AS A WHOLE

1. **“Demonstration Effect”** – highlighting the process’s *capacity to implement* on issues that are relevant to people and in accordance with the decisions made in the process, i.e. building faith in the process
2. Should also provide **non-outcome-based incentives** for participation
 - a. Fun!
 - b. Opportunities for learning
 - c. Opportunities for empowerment/leadership/recognition
 - d. Value/mission alignment
3. **Outreach and Engagement**
 - a. Conduct targeted outreach, especially in schools, after-school programs, public housing, parks, transit, markets
 - b. Provide all materials translated into the most common non-English languages in each neighborhood, and offer live interpretation and/or non-English events

II. EXPERTISE

WAYS TO INCORPORATE **EXPERTISE** INTO THE DECISION-MAKING PROCESS

1. Design and **articulate decision rules** that have expert opinions embedded (See Porto Alegre distribution formula)
2. All representative meetings should be **co-chaired** by an elected representative and an expert on the subject at hand
3. **Solicit agenda items** from elected representatives, *resident experts* and traditional experts
4. Provide **trainings for representatives**
5. Schedule field trips to different neighborhoods and provide support for representatives to **co-create knowledge through joint-research**
6. **Mission alignment for traditional expertise**
 - o Traditional experts can play the **role of consultants** who inform the representatives **on an as needed basis**

III. ACCOUNTABILITY

a. WAYS TO STRUCTURE ACCOUNTABILITY INTO REPRESENTATIVE BODIES

1. **Before convening** a representative body, the General Assembly should:
 - b. Ratify priorities/criteria for the representatives to follow
 - c. Outline under what circumstances representatives must consult larger assemblies
 - d. Limit **term lengths** for elect representatives while also balancing continuity
 - i. Example: Elect representatives for two year terms, 1 year as representative, 1 year as substitute
 - ii. Create a **recall process for representatives** so that the length of the election cycle does not obstruct accountability
 - e. Elect *citizen experts*/researchers at neighborhood level – people who report back at assemblies and also do on the ground research (on community assets, due diligence, market research) to serve as observers/watchdogs
2. **During meetings** of a representative body:
 - a. Only representatives should vote (while the experts inform them)
 - b. Schedule meetings regularly, make meeting times public & open (transparency)
 - c. Ensure that facilitation consistently incorporates the priorities/criteria ratified by General Assembly
3. **After** a representative body completes its core tasks:
 - a. Schedule a regular (annual or bi-annual) time when representatives must **report decisions to the General Assembly and answer questions** about implementation

b. WAYS TO STRUCTURE ACCOUNTABILITY INTO DISTRIBUTIONAL DECISIONS

1. All decisions should have a clear set of collectively agreed-upon priorities/criteria to inform them:
 - a. **Criteria for calculating relative need** between neighborhoods (total population, GDP, unemployment rate, average family assets, lack of needed goods & services, etc.)
 - b. **Criteria for calculating relative priority** between different criteria
 - c. See Porto Alegre example, which suggests that the closer the tie between democracy and distributive justice, the more complex the methodology must be to guarantee that distribution
2. There should be equity in resource and facilitation support provided across neighborhoods

- a. Facilitators of neighborhood assemblies could participate in an **Ujima facilitator training** together

c. WAYS TO STRUCTURE **ACCOUNTABILITY** INTO THE **PROCESS**

1. Publish **regular (biannual or quarterly) reports** on decisions, funded projects, and activities of all governing bodies
2. Provide **frequent (monthly or weekly) live updates** and progress reports in an online database
3. **Enlist a third-party evaluation body/Research Advisory Board** to conduct ongoing evaluation and PAR research throughout process – and to help align the process with the mission. I include a possible framework for evaluating Ujima’s deliberation, decision procedures and outcomes in Appendix D.

6.7 Discussion

In this section, I examine the key decisions allocated to each of the five phases of Ujima’s proposed allocation process based on the recommendations regarding participation, expertise and accountability.

Phase 1: Set the Big Budget (General Assembly)

1. **Investment terms** –
 - a. What are the Capital Fund’s overall risk and return parameters?
 - b. What are the blended return goals (impact & financial)?
2. **Investment neighborhoods** –
 - a. Which neighborhoods should the Capital Fund invest in?
3. **Neighborhood vs. Citywide**
 - a. How much funding should be allocated at the city-level in the General Assembly, and how much should be budgeted at the neighborhood level in Neighborhood Assemblies?

The first two sets of decisions in Phase 1, “Investment Terms” and “Investment Neighborhoods,” require resident expertise and accountability to all investors in the Capital Fund. Thus, they are appropriately decided in a General Assembly. The third set of decisions regarding how much funding should be allocated at the neighborhood level versus the city level would benefit

from information about neighborhood needs and aspirations, as well as city-level priorities. This information will be gathered in the following two phases at Neighborhood Assemblies and the second General Assembly. For this reason, it would make sense to shift the third set of decisions “Neighborhood vs. Citywide” to the second General Assembly. Participants at the first GA could prepare for those decisions by establishing a set of criteria they would use to make distributional decisions. For instance, should the population of each neighborhood be taken into consideration? How should neighborhood-determined priorities factor in? Should metrics for “relative need” be included? **A formula similar to the one used in Porto Alegre could be devised and voted upon at the first General Assembly in order to guide allocation decisions at the second GA.**

Preparing for this first General Assembly—e.g. creating sets of proposals for possible investment terms and investment neighborhoods—has, in this initial cycle of the Ujima process, involved an immense amount of research and development by the Ujima volunteers and staff. From the perspective of expertise, the design of proposals relies on a range of financial evaluations including portfolio management, knowledge of investment products and knowledge of the investment capacities and interests of Ujima members. These preparatory decisions should be accountable to Ujima’s full membership, and proposals should be created so that the decisions between them have meaningful outcomes. For these reasons, **the preparation work of creating proposals for the first GA should be conferred to a body comprised of resident representatives and a range of traditional investment experts.** The preparatory decisions should also integrate information and lessons from the previous cycle, meaning that **it should come after an annual scheduled “accounting” by representative bodies.** See recommendations for Phase 5, below, for more on this evaluation and process design.

Phase 2: Neighborhood Plans & Idea Collection (Neighborhood Assemblies, Business Alliance)

1. Neighborhood Plans
 - a. What are the needs and aspirations of this neighborhood? Both from the consumer perspective and from the quality-of-life perspective
 - b. What are existing businesses that you love, businesses that you want to replace, and businesses that you need?
2. Business Alliance Funding Proposals

The decisions in Phase 2 are appropriately allocated to the Neighborhood Assemblies. In order to ensure consistency of information gathered across Neighborhood Assemblies, Ujima should provide facilitator trainings and a range of supporting materials, including workbooks that outline the types of information to be gathered at each Neighborhood Assembly. Because the framing and sequencing of the workbooks will dictate in part the richness and quality of information elicited, the materials should be developed by a representative body and draw upon a variety of forms of expertise. Resident expertise, planning and neighborhood economic development expertise should play a large role, while portfolio management experts should also be consulted.

1. Materials for use at the first round of Neighborhood Assemblies & second General Assembly
 - a. Background information: Ujima should provide relevant **Community Assets studies** and other **demographic & economic analysis** for use at these meetings
 - b. Guiding Principles: Ujima should provide **Community Standards** and **prioritized blended returns** (determined at the first GA) to help guide deliberation and decision-making about relative needs, priorities and business ideas
 - c. **Standard framework / workbook for Neighborhood Investment Plans** – so that the input received from each NA can be compared with others and analyzed consistently. This framework should include:
 - i. **Prioritization of consumer needs & quality-of-life aspirations** within the neighborhood
 - ii. A separate section for **idea submission** (see next section)
 - iii. A section for **feedback on the facilitation & format of the workbook**, which could be administered and/or supplemented by third-party researchers/evaluators
2. Materials for Idea submission/ Funding applications
 - a. **Funding application for Business Alliance members**

- b. Submission of general ideas:
 - i. **Description of the needed goods or services**
 - ii. **Evidence of a larger need or interest** beyond individual desire
 - iii. Optional:
 - 1. **Suggestions for where the project could be located**
 - 2. **Suggestions of entrepreneurs** who might be interested in starting the business or expanding their business
 - 3. **Suggested supporters** who would be interested in helping to research and/or develop the business idea

Phase 3: Prioritize Goals & Develop Ideas (Investment Committee, Fund Manager, General Assembly)

- 1. Analyze and Integrate Neighborhood Plans
 - a. Identify common threads and larger cross-neighborhood market and procurement opportunities for consideration by GA
 - b. Identify discussion areas for city-wide needs and aspirations not addressed at neighborhood level
 - c. Create draft city-wide plan and develop proposals for consideration at GA
- 2. Evaluate Business Proposals
 - a. Conduct due diligence on funding applications
 - b. Develop proposal package for consideration at GA

The first set of decisions in this phase, “Analyze and Integrate Neighborhood Plans” encompasses the majority of idea development and selection within the proposed Ujima process. The work of this phase will consist of many non-objective decisions about how to compile the information collected, identify patterns and shared priorities, and transform the information into proposals for consideration by the GA. These non-objective decisions will benefit from the full range of *resident expertise* as well as popular accountability, since the decisions will likely have a strong impact on the *scope of influence* of the process as a whole. This work will benefit from intensive and ongoing small group work rather than large-scale participatory deliberation. Other forms of expertise that will be important in this phase are neighborhood planning knowledge and, later in the process, due diligence and portfolio management, depending on the number and quality of proposals under consideration. It is thus critical, from the perspectives of expertise and accountability, that participation in this phase include representatives from each of the

neighborhoods as well as representatives for the city as a whole, even prior to wider participation at a General Assembly.

On the other hand, the second set of decisions in this phase, “Evaluate Business Proposals” requires conducting due diligence and developing proposal packages. This work will require specialized forms of financial expertise while remaining accountable to the neighborhood priorities, financial returns and social impact metrics voted on at the General Assembly and Neighborhood Assemblies of the previous two phases. Participants should thus include financial experts and representatives from the General Assembly. Transparency regarding decision procedures and deliberation should be prioritized in all decisions in this phase.

Phase 4: Voting (General Assembly & Neighborhood Assemblies)

According to the Ujima proposed institutional design, the final proposals up for vote would not need to be evaluated for value-alignment or financial feasibility because only qualified and fundable proposals would be submitted for consideration. This begs a few questions:

Will this circumstance arise? In order for votes of this nature to arise, Ujima’s pipeline will need to be robust enough that multiple final proposals for investment will fit the Ujima metrics for priority neighborhood needs as well as financial and social impact returns. Although Ujima will not have a sense of the community-supported investment pipeline until after the first few allocation cycles, Ujima should consider circumstances in which key decisions in the proposal pipeline occur at a point prior to the final vote in Phase 4—i.e. that allocation decisions will effectively be made during Phase 3 when some proposals are *disqualified* and others are *enabled* to meet Ujima metrics through decisions about the provision of technical assistance and other forms of business support. If decisions during Phase 3 determine the possibility of proposals to reach the next phase, it would be more appropriate to subject these earlier decisions to popular deliberation and input.

What is the nature of final funding decisions in the scenario described above? If the proposals that reach Phase 4 have already been approved for financial and social impact metrics as well as prioritization, the remaining decisions will likely be based on complex evaluations of trade-offs that are difficult to reconcile. For instance, one proposal might have a slightly higher financial return over a shorter period of time, a mix of several positive social impacts that are lower in neighborhood priority, a lower reported market opportunity in the neighborhood, but a highly experienced and well-regarded entrepreneur. Another funding proposal might have a lower return, directly address the highest social impact priority of a particular neighborhood, and involve an entrepreneur whose reliability has been questioned by some community members. A meaningful decision between these two proposals could either weigh the complex mix of considerations or be based on simple personal preference. In the first case, the decision would require the full range of expertise, from portfolio management, financial projections and other due diligence assessments to an understanding of the likely social impact and relevance to quality of life in a neighborhood. To address the nuanced differences between the final proposals would require careful deliberation based on clear priorities, guidelines and expertise, better facilitated in a smaller group than in a General Assembly. Alternatively, a meaningful decision between approved proposals could also be based off of an aggregation of the greatest number of personal needs and preferences. In this case, the vote would not require a General Assembly but could instead happen via cell phone polls or a process similar to PBNYC's vote, in which people can submit ballots at their choice of local sites.

Recommended changes: in both scenarios explored here, the General Assembly and Neighborhood Assemblies are not ideally suited for the voting stage.

- **Scenario 1:** the pipeline *does not* yield a significant number of proposals that can fulfill prioritized neighborhood needs and meet financial and social impact metrics. In this

scenario, the decisions that heavily impact the *scope of influence* will instead occur in the proposal development (Phase 3), and a General Assembly should be convened sooner to address these questions.

- **Scenario 2:** the pipeline *does* yield a significant number of proposals that all qualify for final consideration. In this scenario, deliberations should occur in a smaller representative body that is better suited—and able to commit the necessary time—to consider the full complexity of trade-offs and arrive at a reasoned decision. Alternatively, the decision can be subject to a simple popular vote in multiple locations, which does not require the time and organizational resources of organizing a full General Assembly.

Phase 5: Funding & Monitoring (Fund Manager, Investment Committee)

The final phase of the proposed Ujima process would be the ongoing responsibility of the Investment Committee. The expertise and accountability required at this stage would be well suited to an IC with financial and portfolio management expertise as well as popular oversight. Two possible compositions for the IC are recommended below.

Drawing from the Porto Alegre example, Ujima’s institutional design should include a scheduled time for reflection and evaluation, during which representative bodies report and account for decisions made throughout the year and participants can ask questions about decision-making and implementation. The research and/or evaluative body would also present findings at this meeting and collect additional data. If well facilitated, this annual meeting would serve to safeguard accountability throughout the process while setting higher expectations for each upcoming cycle. Input and deliberation at this meeting would be used to develop proposed revisions and changes to the institutional design, for consideration at the first General Assembly of the subsequent cycle.

Recommended Composition of the Investment Committee

The Investment Committee is allocated the largest role in idea development and selection in the proposed Ujima process, yet the IC's composition remains ambiguous. As indicated throughout the discussion of the five phases above, the questions of who will participate in this body and how accountability will be structured into it bear heavily on the accountability and expertise of the process as a whole. I suggest two possible arrangements for this Committee below.

The first proposed composition is of a fully representative body elected by the General Assembly to represent the interests of all Ujima members. These representatives would deliberate and vote on all decisions in preparation for and following upon the General and Neighborhood Assemblies. For decisions requiring various forms of expertise, the IC could invite expert consultants to facilitate discussions, provide trainings and presentations and participate in deliberations. The expert-consultants would speak to investment portfolio management or neighborhood needs and priorities. Resident experts would be elected during the Neighborhood Assemblies to provide perspectives from their respective neighborhoods, but only the representatives elected by the General Assembly to the IC would be empowered to vote on final decisions.

A second possible arrangement of the IC involves two bodies, the "People's Planning Committee" and the Investment Committee. The People's Planning Committee would be comprised of representatives from each of the Neighborhood Assemblies and the General Assembly as well as neighborhood economic development and planning experts. The second body, the Investment Committee, would be comprised of investment professionals and representatives elected from the General Assembly. Thus, both Committees would be comprised of people with both traditional forms of expertise and resident expertise in order to ensure accountability and facilitate informed decision-making. These two bodies would coordinate their respective roles and responsibilities in

joint meetings. For instance, following upon the first round of Neighborhood Assemblies, the People's Planning Committee and Investment Committee would convene a joint meeting to go over all the information and materials collected at the Neighborhood Assemblies and to delegate the analytical and evaluative tasks of Phase 3, "Prioritize Goals and Develop Ideas." The two Committees would then meet separately to complete their respective tasks. Prior to the next General Assembly, the Investment Committee and People's Planning Committee would reconvene for several joint meetings in order to co-develop, provide feedback and approve the final proposals for consideration at the GA.

A Note on Further Research

Each phase of Ujima's proposed process includes an array of decisions. In this discussion, I applied my recommendations in the three democratic dimensions of *participation*, *expertise* and *accountability* to those arrays of decisions. Aside from the single recommended change to Phase 1, the discussion generally adheres to the proposed distribution and sequencing of decisions between the different phases. In future discussions, however, as Ujima considers and weighs the various democratic dimensions, they should also continue to consider redistributing and adding or removing decisions as an approach to address institutional design problems and improve the participatory allocation process.

APPENDIX A

Ujima Staff and Volunteers, August 2017

Director

Nia Evans

Business Alliance

Bon Me; Alison Fong, co-owner

Bowdoin Bike School; Noah de Amor, Jovanny de Amor, co-owners

CERO Co-op; Lor Holmes, Maya Gaul, worker-owners

Democracy Brewing Co-op; James Razsa, worker-owner

Dorchester Food Co-op; Darnell Adams, startup manager

Fresh Food Generation; Cassandria Campbell, co-owner

Haley House; Jill Kimmel, Director of Finance

Norma Rosario Catering; Norma Rosario, owner

Restoring Roots Co-op; Noah McKenna, worker-owner

Sydney Janey Design; Sydney Janey, owner

Ujima Fellows

Arthur Thomas; youth worker and youth services provider

Kathrina St. Flavin; financial educator and coach

Kiara Mark; social entrepreneur, real estate agent

Rafael Feliciano; law student focused on cooperative economics

Teenah Marie Johnson; youth organizer and constituent services provider

Thaisha Genty; community educator and services provider

Consultants / Project Leads

Aisha Shillingford and Terry Marshall; Intelligent Mischief. Cultural organizing consultants.

Stacey Cordeiro; Boston Center for Community Ownership. Neighborhood planning consultant.

Cierra Peters, Jax Gil, Sarah Rejouis. Cultural organizing leads.

Steering Committee

Aaron Tanaka, Center for Economic Democracy (CED)

Darnell Johnson, Right to the City Boston

Deborah Frieze, Boston Impact Initiative (BII)

Hendrix Berry, Balanced Rock Investment Advisors

Libbie Cohn, MIT Department of Urban Studies and Planning

Lisa Owens Pinto, City Life/Vida Urbana

Lor Holmes, CERO Co-op

Maya Gaul, CERO Co-op

Sarah Jimenez, Tufts University UEP

APPENDIX B

How the PBNYC Research Advisory Board aligned research goals with the goals of the PBNYC process. From Kasdan and Markman (2017), p. 147-148.

The goals from the PBNYC Cycle 4 Rulebook (2014–2015) were to:

1. Open Up Government: Allow residents a greater role in spending decisions, and inspire increased transparency in New York City government.
2. Expand Civic Engagement: Engage more people in politics and the community, especially young people, people of color, immigrants, low-income people, the formerly incarcerated, and other marginalized groups.
3. Develop New Community Leaders: Build the skills, knowledge, and capacity of community members.
4. Build Community: Inspire people to more deeply engage in their communities, and to create new networks and organizations.
5. Make Public Spending More Equitable: Generate spending decisions that are fairer and reflect the entire community's needs, so resources go where they are needed most.

The research goals from that same cycle were:

1. To document the strengths and weaknesses of the PB process in order to draw conclusions and make improvements for the future.
2. To provide support data and conclusions for organizations and officials seeking to democratize budget processes (Corresponds to PBNYC Goal 1: Open up Government).
3. To identify who is participating, who is not participating, and why, in order to maximize participation of diverse stakeholders in future processes (Corresponds to PBNYC Goal 2: Expand Civic Engagement).
4. To document the impact of PB on civic engagement, community building, and leadership development (Corresponds to PBNYC Goals 2, 3, and 4: Expand Civic Engagement, Develop New Community Leaders and Build Community).
5. To assess the extent to which the PB process makes public spending in NYC more equitable (Corresponds to PBNYC Goal 5: Make Public Spending More Equitable).
6. To examine the role of city agencies in the PB process (Corresponds to PBNYC Goal 1: Open Up Government).
7. To examine outreach efforts and generate best practices about outreach, including the work of contracted outreach organizations.
8. To monitor the implementation of key components of the PB process across the City as PB is brought to scale.
9. To educate the public about the impact of the PB process.
10. To develop action oriented tools that PBNYC can use to improve and expand then process.

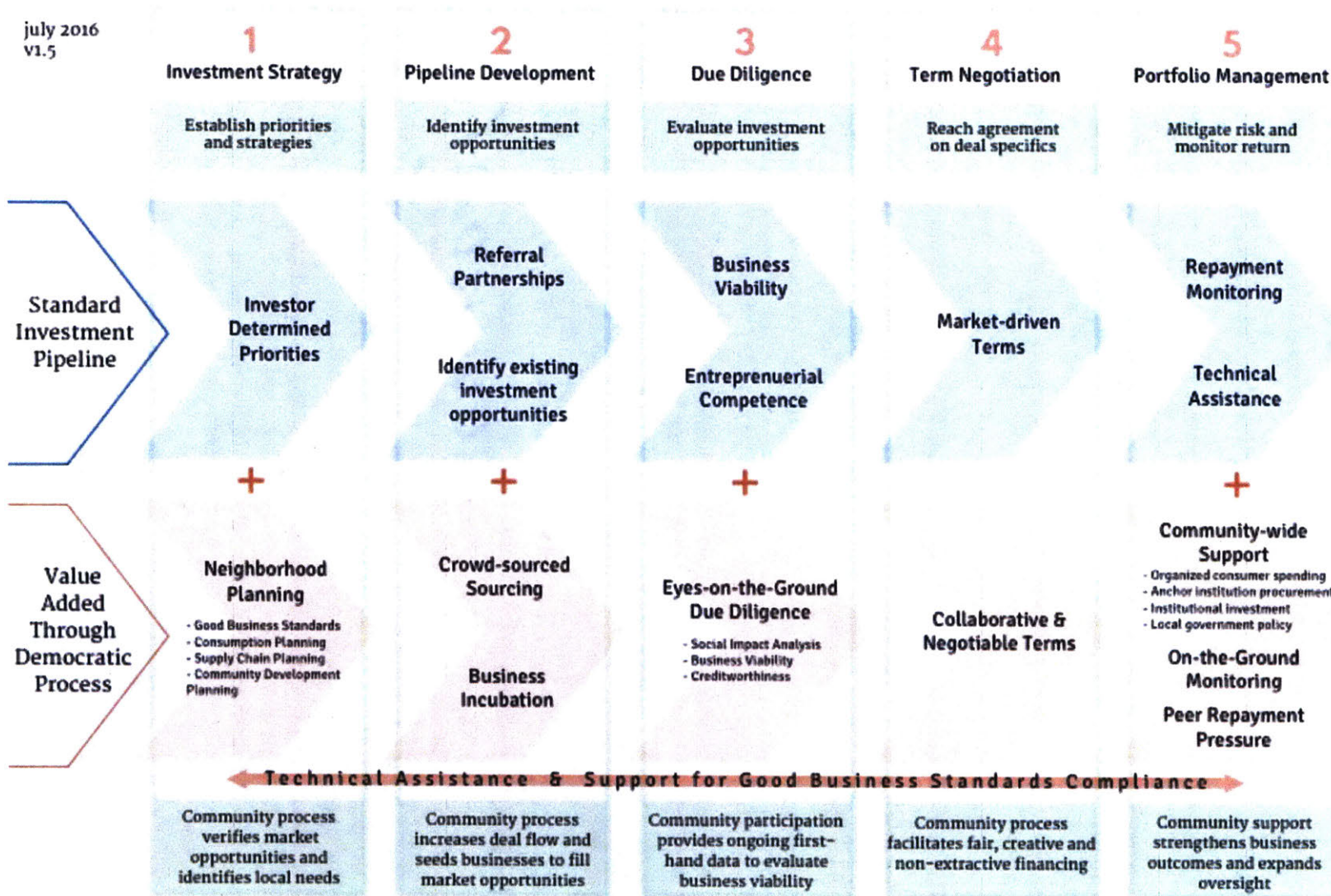
Democratic Investment Lifecycle

Value Added to Conventional Investment Process

Boston
Ujima
Project

APPENDIX C

july 2016
v1.5



APPENDIX D

Boston Ujima Project FRAMEWORK PROPOSAL FOR Process Evaluation

Introduction Process empowerment refers to a process's *scope of influence* and *capacity to implement*, two essential dimensions to keep in mind when evaluating Ujima's participatory allocation process. This proposed framework focuses on three areas of the process: *deliberations*, *decisions* and *outcomes*. Because the *quality & justness* of each of these three areas is judged upon different criteria, this framework proposes separate metrics for their evaluation.

Process Empowerment

I. Sources:

What are the *sources of power* in the process to actualize decisions (*capacity to implement*)?*

II. Forces:

What *forces* shape the process's *scope of influence* and *capacity to implement*?

III. Accountability

Does the process ensure that the scope of influence is *relevant* and *responsive* to participants?

* the *sources of power* and *forces* of influence can come from both within and beyond the process itself

Quality of deliberation (who, what, how)

1. Inclusive participation

- a. Representative of those impacted
- b. Relevant knowledge & expertise present

2. Opportunities for participant growth & development

- a. Relational work - framing
- b. Knowledge & capacity building - training
- c. Joint research - knowledge co-creation

3. Facilitation that promotes breadth & balance of voices

- a. Joint agenda setting and scoping
- b. Internalize mission in structure and sequencing of discussions
- c. Integrate expertises through multiple modes of communication
- d. Assess options in reference to shared principles
- e. Provide sufficient time for articulation, understanding, transformation

4. Reflexivity

- a. Scope of deliberations includes process design
- b. Integrates info & learning from previous cycles

Outcomes (why)

1. Empower low-income communities of color in Boston to control and guide non-extractive economic development and wealth creation in their neighborhoods

- a. Increase popular access to and expertise in finance
- b. Incubate local businesses & support entrepreneurs
- c. Build a democratic process that supports meaningful deliberation and planning around community needs & priorities
- d. Build political power among stakeholders across sectors and neighborhoods

2. Expand social and political imagination on real possibilities for economic democracy (political structures) and regenerative finance (finance structures)

- a. Develop cultural organizing around solidarity values and alternatives to capitalism
- b. Test the hypothesis that community participation in local impact investing creates greater mixed returns than non-participatory place-based impact investing

Decision procedures (who, when, how)

5. Decisions reflect outcomes of deliberation

- a. Reflects needs & priorities
- b. Reflects citizen/expert knowledge
- c. Reflects citizen/expert ideas/solutions

6. Appropriate and efficient

- a. Legitimate allocation of power
- b. Respects time of participants

7. Accountable

- a. Transparent decision rules
- b. Decision rules internalize mission
- c. Capacity for self-regulation: rules & criteria are both stable and adaptive
- d. Representatives are subject to recall

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