

Who Decides Where Money Goes? The Benefits of Participatory Funding



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Image credit: Museu de Porto Alegre Joaquim Felizardo.

Image description: A black and white photograph from a participatory budgeting neighborhood assembly in Porto Alegre, Brazil, early 1990s. The image shows a large diverse crowd of community members gathered in an auditorium, with many people raising their hands. A panel of facilitators sits at a table in the front of the room.

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The Benefits of Participatory Funding

The Problem and The Solution

Our current economic system incentivizes profit above all else, producing ecological degradation, addictive products, exploitative technology, and runaway inequality. Meanwhile, what truly matters to people goes chronically underfunded, despite unprecedented levels of wealth.

But research from around the globe demonstrates a powerful alternative: **when communities control capital allocation through participatory funding, they deliver measurably better outcomes for people and the planet.** This is because participatory funding processes incorporate a broader diversity of viewpoints, including those of people who are closest to the problems we are trying to solve, unlike top-down processes that are controlled by distant decisionmakers.

We analyzed the research literature and found evidence of the benefits of four proven models of participatory funding: participatory budgeting, participatory grantmaking, participatory investing, and indigenous/traditional financial mechanisms.

The Evidence for Superior Results

The research shows compelling proof that participatory funding works:

- **Brazilian cities reduced infant mortality by nearly 20% through sustained participatory budgeting.**¹
- **Porto Alegre expanded water and sewage access from 75% to 98% in nine years.**²
- **Community-based lending programs like microfinance and village banking achieved repayment rates above 90% (and in some cases over 95%), while serving low-income, excluded, or marginalized populations.**³
- **Studies from around the world show that community control of capital, when practiced with explicit equity rules, redirects resources to poorer neighborhoods and underserved populations.**⁴

1 Gonçalves, 2014; Touchton & Wampler, 2014.

2 Goldsmith & Vainer, 2001.

3 Maitra et al., 2012; Morduch, 1999.

4 Gonçalves, 2014; Swack et al., 2014; Hauger, 2023.

Participatory Funding Gets the Goods

1. Improved Tangible Outcomes for People and Planet

- **Lives saved:** nearly 20% reduction in infant mortality with sustained participatory budgeting.⁵
- **Higher project success rates:** Community accountability improves investment outcomes.⁶

WHEN PEOPLE CLOSEST TO PROBLEMS CONTROL THE RESOURCES, THEY SOLVE THOSE PROBLEMS MORE EFFECTIVELY THAN DISTANT DECISIONMAKERS.

2. Enhanced Individual Agency and Capabilities

- **Civic skills development:** Participants develop political knowledge and advocacy capabilities.⁷
- **Leadership capacity building:** Individuals develop leadership skills, stronger interorganizational relationships, and more effective social movements.⁸
- **Accessible participation:** Low-barrier entry systems enable broad involvement.¹⁰

3. Strengthened Democratic and Civic Institutions

- **Increased voter turnout:** Participants in New York City's participatory budgeting were 8.4% more likely to vote in regular elections.¹⁰
- **Higher tax compliance:** Municipalities in Brazil 1989–2016 that used participatory budgeting collected 34% more in local taxes.¹¹

5 Touchton & Wampler, 2014.

6 Inside Philanthropy, 2019.

7 Schugurensky, 2006; Lerner & Schugurensky, 2007.

8 Hauger, 2022; Price et al., 2024.

9 Community Field Notes, n.d.

10 Johnson et al., 2023.

11 Touchton et al., 2021.

- **Stronger civic ecosystem:** Increases the number of civil society organizations, with the strongest effects in poorer neighborhoods.¹²
- **Improved trust:** Participatory grantmaking builds funder-community relationships.¹³

4. More Equitable Resource Distribution

- **Resources reach those in need:** Funding shifts to lower-income neighborhoods.¹⁴
- **Support for marginalized communities:** Grants and funding reaches groups that are often overlooked by top-down capital allocation approaches.¹⁵
- **Wealth building:** Communities that are historically excluded from capital markets are able to build more wealth.¹⁶
- **Capital sovereignty:** Community-controlled funds are more likely to invest in community enterprises, and less likely to invest in extractive firms, than externally managed funds.¹⁷

Success Factors

The evidence of benefits is strong, and also, the research literature reveals several critical factors that shape the success of participatory funding initiatives:

- **Meaningful resource allocation:** Participatory funding processes with larger budgets per capita, coupled with freedom to discuss and deliberate on a wide range of social issue areas, tend to have greater impact. This is supported by studies from Latin America, the US, and Canada.¹⁸
- **Equity-focused design:** Well-designed processes include targeted outreach to marginalized communities, accessibility support, careful selection of voting algorithms,¹⁹ and explicit equity criteria.²⁰
- **Sustained engagement over time:** Longer-term commitment leads to greater impact. For example, studies in Brazil showed that municipalities practicing PB for 8 or more years experienced an estimated 19% less infant mortality than those practicing PB for less than 4 years.²¹

12 Baiocchi, 2001.

13 Gibson, 2018.

14 Hong & Cho, 2018.

15 Carboni & Eikenberry, 2021.

16 Swack et al., 2014; Mission Investors Exchange, 2020.

17 Mission Driven Finance, n.d.;

Deweese & Sarkozy-Banoczy, 2008.

18 Wampler & Touchton, 2019; Goldfrank, 2011; Hagelskamp et al., 2016.

19 Yang et al., 2023.

20 Bartlett et al., 2020; Wampler et al., 2021.

21 Touchton & Wampler, 2014.

- **Education and capacity building:** Participatory processes are most successful when their organizers invest in educating, training, and supporting participants.²²
- **Transparency and accountability:** Clear processes for tracking and reporting outcomes are essential. Transparency in PB processes leads to increased tax compliance and civic trust.²³
- **Social Accountability and Peer Sanctioning:** Long term relationships, peer monitoring, and sanctioning mechanisms improve repayment and equity outcomes in community-based lending, by embedding mutual accountability and fostering trust.²⁴
- **Sufficient Support for the Work of Running the Participatory Process:** It takes dedicated, well-resourced, skilled labor to run effective participatory funding processes.²⁵
- **Grassroots and Social Movement Leadership:** Participatory budgeting processes are most effective when rooted in organized civil society, when they are initiated and co-governed by social movements, unions, and progressive political parties,²⁶ and when cities partner with neighborhood and community groups to mobilize under-represented residents.²⁷

The Bottom Line

The research provides strong evidence that **economic democracy works**. When people closest to problems have meaningful say over allocating resources to solve them, they consistently deliver better results than top-down systems. This is a blueprint for systemic transformation that is already being demonstrated in practice by thousands of communities worldwide.

22 Lerner, 2010.

23 Touchton et al., 2019; Swaner, 2017.

24 Cornée & Masclat, 2022; Maitra et al., 2012; Carboni & Eikenberry, 2021.

25 Kilmurray, 2015.

26 Baiocchi, 2005; Touchton & Wampler, 2014.

27 Ross, 2022; Community Development Project & PBNYC Research Team, 2015.

ECONOMIC
DEMOCRACY
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Introduction

Our current economic system incentivizes profit above all else. Profit maximization produces ecological degradation, addictive products, exploitative technology, and runaway inequality. Meanwhile, what truly matters to people too often goes chronically underfunded, despite our unprecedented levels of wealth. Yet at the same time as we see capital becoming highly concentrated in the hands of an ever smaller set of companies and individuals, if we pay close attention, we can also observe that around the globe, thousands of communities are exploring the benefits of economic democracy.

ECONOMIC DEMOCRACY CREATES JUST, DESIRABLE FUTURES FOR ALL.

Economic democracy means that we the people decide how our resources and energy are used to meet our needs. It refers to any system where everyone has a meaningful voice in shaping the economy through participatory tools and processes, ensuring decisions about land, infrastructure, and money serve the common good. By aligning economic incentives with human wellbeing and planetary health rather than profit alone, economic democracy creates just, desirable futures for all.

In this memo, we explore an important aspect of economic democracy: community-controlled capital (also called participatory funding). Some of the best known approaches to moving capital into community control are **participatory budgeting**, **participatory grantmaking**, and **participatory investing**, as well as various **indigenous and traditional financial mechanisms**. In many cases, communities that use these approaches have been able to achieve remarkable outcomes by allocating capital in ways that help people and the planet to thrive.

OneProject analyzed the research literature to better understand the evidence base for the impact of these approaches. Overall, the research suggests that moving capital into community control leads to:

1. **Improved Tangible Outcomes for People and the Planet**, such as decreased infant mortality and greater access to sanitation;
2. **Enhanced Individual Agency and Capabilities**, such as feeling more empowered to advocate for one's needs, becoming connected to other community members, and experiencing better communication with decisionmakers;
3. **Stronger Democratic and Civic Institutions**, such as increased voter turnout, increased tax payments to local government, heightened trust and participation in civic institutions, and an increased number of civil society organizations;²⁸
4. **More Equitable Resource Distribution**, such as funding shifts toward communities with the greatest needs, like lower-income neighborhoods that typically receive less in municipal budgeting processes, or targeted support for vulnerable children and the elderly.²⁹

This memo synthesizes evidence of these benefits, focusing on four primary models: participatory budgeting, participatory grantmaking, participatory investing, and indigenous and traditional financial mechanisms.

²⁸ Notably, these are all factors that may provide a counterweight to authoritarianism.

²⁹ However, poorly-designed participatory funding processes can increase inequality, particularly if equity considerations are not built in or if the process is captured by elites (Wampler et al., 2021; Musadat, 2022).

Key Models and Their Benefits

1. Participatory Budgeting

Participatory budgeting (PB) is a widely used approach to including everyday people in budgeting, such as in municipal budgets, school budgets, and housing projects. Originating in Porto Alegre, Brazil in 1989, PB has since spread to thousands of locations worldwide; as of 2019, there were approximately 11,000 PB processes taking place around the world.³⁰ With more than three decades of research into the benefits (and challenges) of PB, the evidence base here is the most robust of the various approaches that we reviewed.³¹ Research suggests that PB produces:

Improved Tangible Outcomes for People and the Planet

- **Reduced infant mortality:** Multiple empirical studies in Brazil show that PB has contributed to significant reductions in infant mortality. In municipalities that maintained PB for more than eight years, infant mortality rates decreased by nearly 20% compared to municipalities without PB, even after controlling for other economic and political factors.³²

Enhanced Individual Agency and Capabilities

- **Civic skills development:** PB builds civic capacity by offering participants opportunities to develop political knowledge, public speaking, and deliberative skills. They become more capable advocates for themselves and their communities, and more likely to engage in other forms of civic participation.³³

Stronger Democratic and Civic Institutions

- **Increased voter turnout:** PB increases voter turnout in regular elections. In New York City, PB voters were 8.4% more likely to vote in regular elections after participating in PB, with effects strongest among traditionally under-represented groups such as young people, residents from low-income neighborhoods, and ethnic minorities.³⁴

30 Dias et al., 2021.

31 Wampler et al., 2021.

32 Touchton & Wampler, 2014; Gonçalves, 2014;

Touchton et al., 2023.

33 Schugurensky, 2006; Lerner & Schugurensky, 2007.

34 Johnson et al., 2023.

- **Increased tax revenue:** The World Bank found that the increased accountability and transparency from PB creates greater willingness to pay taxes. Municipalities in Brazil that used PB between 1989–2016 collected 30%–40% more local taxes than similar municipalities without PB - an amount comparable to the discretionary resources typically invested in PB programmes.³⁵
- **More transparency and accountability:** PB has been used as a tool to increase accountability, especially in regions where administrative corruption is a significant challenge.³⁶ For example, in Kenya, participatory budgeting has introduced new spaces for citizen input. In some cases, trust in government has been restored, particularly when development projects selected through participation are implemented and the use of public revenue is made transparent.³⁷
- **Strengthened civic ecosystem:** The strongest empirical evidence shows that PB simultaneously transforms both institutional and grassroots dimensions of democratic participation. At the institutional level, PB improves accountability and equity in public service provision by creating direct channels between residents and government.³⁸ PB also increases the overall number of civil society organizations,³⁹ with the strongest effects recorded in poorer neighborhoods.⁴⁰

More Equitable Resource Distribution

- **More funding for highest-need communities:** When cities use equity criteria in their PB processes, funding tends to shift towards communities with greater need. Research from Porto Alegre, Belo Horizonte (Brazil), New York City (USA), and Seoul (South Korea) all demonstrate that PB redirects spending to lower-income neighborhoods.⁴¹

Further Reading

One Project grantee People Powered recently completed a comprehensive global review of the state of research into the short- and long-term impacts of PB. They found significant positive impacts for people, communities, and governments that are involved in or organize PB processes, especially when certain conditions are met. Their [research brief, along with all of their data sources, is available here](#).⁴²

³⁵ Touchton et al., 2019.

³⁶ Fox, 2015; Touchton et al., 2023.

³⁷ Wampler et al., 2024.

³⁸ Schugurensky, 2006; Lerner & Schugurensky, 2007.

³⁹ Abers, 2000; Avritzer, 2002; Baiocchi et al., 2011; Fedozzi, 1997; Wampler, 2015.

⁴⁰ Baiocchi, 2001.

⁴¹ Wampler, 2015; Shybalkina & Bifulco, 2019; Hong & Cho, 2018.

⁴² Wampler et. al., 2025.

Example: People Powered



Image credit & description: A photo from People Powered shows a group of community members taking part in a participatory decision-making activity. A woman in a floral-embroidered top is placing a colored dot on a blue board used for voting or prioritization. The setting is outdoors, with green foliage and a basketball hoop in the background, with multiple participants.

[People Powered](#) (a One Project grantee and co-design partner) is a global hub advancing participatory democracy through programs in participatory budgeting, collaborative policy-making, community planning, and citizen assemblies. The organization strengthens the capacity of participatory democracy advocates worldwide by building essential infrastructure that enables democratic decision-making models to be tested locally and scaled nationally. People Powered leads the field in training practitioners, developing resources, and evaluating technologies that support democratic participation.

PEOPLE
WITH LIVED
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2. Participatory Grantmaking

In traditional philanthropy, foundation staff or board members decide who gets funding. Participatory Grantmaking (PG) flips this model: it puts decision-making power in the hands of the communities most affected by funding decisions.⁴³ PG recognizes that people with lived experience of issues often have key insights into how to solve them. This approach represents a fundamental transformation in thinking about who should control resources. While mutual aid, collective giving, and community-based decision-making have existed throughout human history, the formalization of participatory practices within institutional philanthropy emerged in the 1970s. The Haymarket People's Fund, founded in 1974 in Boston, Massachusetts, was one of the earliest examples of a foundation explicitly using a participatory grantmaking approach. Today, the practice is becoming more widespread, as foundations increasingly recognize the value of shifting decision-making power to communities that are the intended funding beneficiaries.⁴⁴ By 2021, 88% of US-based philanthropies believed that participatory grantmaking results in more effective grantmaking outcomes, 83% engaged in some form of stakeholder participation, 53% involved grantees at some point in their grantmaking process, and 10% were shifting funding decisions to their grantees.⁴⁵

Although the comparative impacts of participatory grantmaking vs. traditional philanthropy is understudied, current evidence suggests that the approach, when done well, leads to:

Improved Tangible Outcomes for People and the Planet

- **More relevant and effective grants:** By involving those with lived experience in decision-making, participatory grantmaking can lead to more thoughtful and informed spending that better addresses community needs and priorities.⁴⁶ Frontline community members may identify solutions that professional grantmakers would overlook. 88% of US-based philanthropies believe that participatory grantmaking improves grantmaking outcomes, although only 10% currently practice it.⁴⁷

⁴³ Cardona, 2020; Hauger, 2022; Price et al., 2024.

⁴⁴ Gibson, 2017.

⁴⁵ Husted et al., 2021.

⁴⁶ Gibson, 2018.

⁴⁷ Husted et al., 2021.

- **Enhanced social innovation:** Collective decision-making rooted in peer knowledge and local expertise may allow grantmakers and investors to identify new initiatives and take more risks, with improved outcomes. Peer-led structures that support greater flexibility can enable responsive, iterative problem solving as needs evolve.⁴⁸
- **More sustainable change infrastructure:** Rather than isolated single-grant transactions, where outcomes may only shift temporarily, participatory approaches can create more lasting networks, enhanced organizational capacity, and movement-building infrastructure that generates ongoing material impact that lasts well beyond individual funding cycles.⁴⁹

Enhanced Individual Agency and Capabilities

- **Improved leadership capacity:** When diverse leaders come together in participatory grantmaking processes, they often develop enhanced relationships and strengthen both their own capabilities as well as broader movements for social change. For example, individuals in PG may build leadership skills, collective identities, deeper relational networks, and stronger collaborations.⁵⁰

Stronger Democratic and Civic Institutions

- **Improved trust and relationships:** Traditional philanthropy faces declining public trust. Participatory grantmaking builds trust between funders and communities by creating more transparent and equitable power dynamics. This can lead to stronger, more collaborative relationships that extend beyond individual grant cycles.⁵¹
- **Increased legitimacy and credibility:** Including people with direct lived experience of an issue area in philanthropic decision-making can provide a counter to mismatched priorities produced by far-removed donors. This can produce better decisions and increased credibility in an era of declining trust in most institutions.⁵²
- **Bringing ecosystems & networks to bear on public problems:** Public problems are often too complex for institutions to solve alone.⁵³ PG processes may shift problem-solving away from single philanthropic organizations towards more diverse networks of actors.

48 Ang et al., 2023; Hauger, 2022.

49 Gibson et al., 2025.

50 Hauger, 2022; Meyer et al., 2021; Price et al., 2024.

51 Gibson, 2018.

52 Ang et al., 2023; Kilmurray, 2015; Price et al., 2024.

53 Gibson, 2018.

- **Enhanced organizational learning:** Foundations that implement participatory practices report increased organizational learning and adaptation as they gain new insights from community partners.⁵⁴ When freed from top-down foundation-driven metrics, organizations can act more flexibly in response to local conditions.⁵⁵ Greater autonomy and self-directed practices enhance organizational learning.⁵⁶

More Equitable Resource Distribution

- **Increased diversity in funding recipients:** Participatory approaches tend to support a more diverse range of organizations, more vulnerable communities, and smaller grassroots groups, including those led by marginalized communities that might be overlooked by traditional philanthropy.⁵⁷

Further Reading

Several recent works explore the benefits and challenges of participatory grantmaking in-depth. In particular, we recommend a recent volume edited by Cynthia M. Gibson, Chris Cardona, Jasmine McGinnis Johnson, and David Suárez, titled *Participatory Grantmaking in Philanthropy: How Democratizing Decision-Making Shifts Power to Communities* (Georgetown University Press, 2025), as well as Ben Wrobel and Meg Massey's book *Letting Go: How Philanthropists and Impact Investors Can Do More Good by Giving Up Control* (Zorajack Studio, 2021).

54 Ang et al., 2023.

55 Meyer et al., 2021; Price et al., 2024.

56 Ang et al., 2023.

57 Carboni & Eikenberry, 2021; Evans, 2014.

Example: María Fund



Image credit & description: A processed photo from María Fund shows three women collaborating around a table covered with papers and charts. The person on the right is adding dots to the chart while the other two look on attentively.

María Fund (a One Project grantee and co-design partner) is a social justice intermediary that supports organizations advancing racial, gender, climate, land, and socioeconomic justice in Puerto Rico. Born out of the devastation of Hurricane María in 2017, María Fund has evolved into a movement-aligned intermediary that raises and distributes resources while providing capacity-building support and coordination to partners across the archipelago. Since its founding, María Fund has mobilized more than \$24 million in direct support to over 115 new and emerging organizations through multi-year general operating grants, curated offerings responding to emerging needs, and rapid-response funding during climate crises.

In times of crisis, María Fund directs resources to organizations that share a critical analysis of disaster capitalism and a commitment to leveraging recovery efforts for community organizing. By working in deep collaboration with movement partners, María Fund enhances the agency of individuals and communities, ensuring equitable resource distribution to those often overlooked by traditional philanthropy. Its approach centers on trust-based philanthropy and long-term commitment, with funding decisions deeply informed by those closest to the work.

3. Participatory Investing

Participatory Investing (PI) enables communities to direct investment capital toward local priorities, often focusing on affordable housing, small business development, and community infrastructure. Earlier examples include community development loan funds and credit unions, but the explicit democratization of investment decision-making represents a newer model. Drawing on inspiration from longstanding innovations in development and cooperative finance traditions, participatory investing began to gain momentum in the 2000s as communities sought greater control over investment capital flowing into their neighborhoods. Most recently, organizations like the Boston Ujima Project (founded in 2017) have organized cutting-edge processes where community members directly decide which local businesses will receive investment. This movement has begun to accelerate as more and more communities recognize that control of investment capital is essential to build lasting economic power.

Much of the current research about this approach is grey literature, rather than peer-reviewed articles. That said, there are strong indicators that PI has similar benefits as PB, PG, and other approaches to community control of capital:

Improved Tangible Outcomes for People and the Planet

- **Project success rates:** PI can boost project and business success rates through built-in support systems beyond just financing. These include heightened community accountability, early filtering out of weaker ventures, and an increased ability to mobilize flexible solutions and non-financial resources and motivations, including concern for future generations, cultural values, and community well-being.⁵⁸
- **Non-extractive investment:** Unlike traditional investment models, community-controlled funds often employ non-extractive approaches that prioritize community benefit (including meeting material community needs, providing good quality jobs, and protecting the environment) over investor returns.⁵⁹

⁵⁸ Armeni & Lyon, 2021; Inside Philanthropy, 2019.

⁵⁹ Armeni & Lyon, 2021; Center for Economic Democracy, 2024.

- **Local economic multipliers & resilience:** By channeling capital into locally owned businesses and projects, recirculating dollars, and building wealth locally, participatory investment enhances community resilience. A diverse ecosystem of small, community-rooted enterprises is less vulnerable to external shocks and more responsive to local needs.⁶⁰

Enhanced Individual Agency and Capabilities

- **Local leadership and pride:** Individual PI participants often become customers and advocates of funded businesses, enhancing enterprise viability.⁶¹ Visible benefits of successful projects can generate dignity and a sense of belonging,⁶² reinforcing local leadership.
- **Lower investment barriers:** Many community-controlled funds offer low barriers to entry (some as low as \$10/month) that make investment accessible to community members regardless of wealth status.⁶³

Stronger Democratic and Civic Institutions

- **Democratization of investment decisions:** PI typically incorporates democratic governance mechanisms that enable community stakeholders to set economic development priorities.⁶⁴
- **Trust-building and relationship development:** Deep engagement opens the door to long-term relationships. Investors can learn from communities and adapt their practices based on ongoing feedback that enables more rapid course correction.⁶⁵

More Equitable Resource Distribution

- **Risk mitigation:** PI can mitigate and share risk more effectively in several ways, such as through taking individual and community knowledge of local market and operational conditions seriously. Additionally, direct stakeholder accountability can reduce default risk.⁶⁶ Many Global Majority practices reflect collective strategies for mutual protection against the threat of poverty.⁶⁷
- **Increased economic power in marginalized communities:** PI helps build economic power, ownership of assets, and opportunities for wealth building in communities histor-

60 Beckon et. al., 2013.

61 Lyon, 2020.

62 Tomasko, 2021.

63 Armeni & Lyon, 2021; Community Field Notes. (n.d.); Hossein & Christabel (Eds.), 2022.

64 Community Field Notes. (n.d.)

65 Armeni & Lyon, 2021; Mission Investors Exchange, 2020.

66 Lyon, 2020.

67 Bhattamishra & Barrett, 2008.

68 Mission Investors Exchange, 2020.

ically excluded from capital markets, particularly Black, Indigenous, and People of Color communities.⁶⁸

People everywhere engage in community economies,⁶⁹ and shared survival practices tend to include the most vulnerable.⁷⁰

- **Capital efficiency:** Proximity to market needs in PI may increase the likelihood that investments target genuine local gaps rather than presumed needs. Engaged investment can help surface overlooked opportunities and mitigate potential misalignment between capital and community needs.⁷¹
- **Capital stacking:** PI funds may strategically blend diverse funding sources like grants, program-related investments, and market-rate capital to create focused financing packages that maximize impact per dollar invested while building community wealth.⁷²

Further Reading

To learn more about Participatory Investing, we recommend exploring the Participatory Investment Learning Hub, from Transform Finance: <https://www.transformfinance.org/participatory-investment-learning-hub>. For those who are ready to try out Participatory Investing, we recommend Common Future's toolkit: <https://www.participatory.investing.commonfuture.co>.

69 Gibson-Graham & Dombroski, 2020.

70 Ardener & Burman, 1995; Masha & Fihla, 2025.

71 Armeni & Lyon, 2021; Mission Investors Exchange, 2020.

72 Armeni & Lyon, 2021; Mission Investors Exchange, 2020.

Example: Seed Commons



Image credit & description: Image by Seed Commons showing a worker (Zeke Coleman of Coop Cincy) walking out of the back of a white van carrying a black plastic storage crate. He is wearing a brown jacket, khaki pants, and a baseball cap with sunglasses. The van's interior is visible behind him, with curtains draped across the window and metal shelving units. Several other black plastic crates are stacked on the ground in front of the van. Greenery is visible in the background.

[Seed Commons](#) (a One Project grantee) is a network of community-based organizations in the United States that work towards building a more equitable and democratic economy. It is a cooperatively-governed national Community Development Financial Institution (CDFI) and nonprofit financial organization. The network includes community land trusts, worker cooperatives, and other community-owned enterprises. It provides financing, technical assistance, and other resources to help these organizations grow and thrive. Seed Commons shifts power to workers and communities through network infrastructure for non-extractive lending and investment. They steward a national network of locally-rooted, non-extractive loan funds that bring the power of big finance under community control. The network prioritizes projects that are community-led and promote economic democracy, racial justice, and environmental sustainability. By taking guidance from the grassroots and sharing capital and resources to support local cooperative businesses, they are building the infrastructure necessary for a truly just, democratic, and sustainable new economy.

4. Indigenous & Traditional Approaches

Indigenous and traditional communities have long used sophisticated systems for collective management and distribution of capital and other resources. Money Cooperatives (Financial Services Coops, or FSCs) in Latin America, *Sou-Sou* in the Caribbean and Africa, *Ajo* in Nigeria, *Stokvels* in South Africa, *Osusu* in Gambia, *Ikub* in Ethiopia, and *Hui/Ho* in Vietnam, among many others, provide powerful precedents for contemporary community-controlled funds. There is significant evidence that these and similar culturally-based systems help address economic inequities and foster stronger communities.⁷³ Research shows that these systems often produce:

Improved Tangible Outcomes for People and the Planet

- **Capital sovereignty:** Many Indigenous communities desire autonomous control over their resources as an important aspect of self-determination.⁷⁴ Research on contemporary Indigenous economic development demonstrates that community-controlled capital funds significantly outperform externally managed funds in supporting positive outcomes for Indigenous peoples across a range of metrics.⁷⁵

Enhanced Individual Agency and Capabilities

- **Rotating, non-extractive access to finance:** Traditional rotating savings and credit associations (ROSCAs) like *Esusu/Ajo* in West Africa, *Stokvels* in South Africa, *Sou-Sou* in the Caribbean, *Biao hui* in China, as well as innovations in microfinance in the Global Majority, demonstrate that community-controlled capital allocation can support individual, family, and community agency, while providing important alternatives to predatory lenders. These systems offer financial services to those who are typically excluded from formal banking, with loan repayment rates often exceeding 90% and occasionally exceeding 95%.⁷⁶

⁷³ Hossein & Christabel (Eds.), 2022.

⁷⁴ Cornell & Kalt, 2000.

⁷⁵ Mission Driven Finance, n.d.; Dewees & Sarkozy-Banoczy, 2008.

⁷⁶ Ardener & Burman, 1995; Maitra et al., 2012; Morduch, 1999.

Stronger Democratic and Civic Institutions

- **Democratic capital allocation:** ROSCAs and other traditional models are very widely used approaches to community control of capital. They often (although not always) incorporate collective decision-making at some point in the process. Studies from many parts of the world have shown that these systems can effectively build community wealth and address gender disparities, while maintaining high levels of social trust.⁷⁷

More Equitable Resource Distribution

- **Equitable Risk Distribution:** Indigenous approaches often incorporate risk-sharing mechanisms that protect community members during hardship.⁷⁸
- **Relationship-Based Investment:** Traditional capital systems tend to prioritize relationships over transactional exchanges. Studies of Indigenous economic systems demonstrate how relationship-centered approaches lead to more patient capital with longer time horizons and greater attention to collective action, thereby strengthening economic and social resilience at the local level.⁷⁹

These traditional approaches offer valuable lessons for modern community investment vehicles, particularly in their emphasis on democratic governance, non-extraction, relationship-centered finance, and long-term community benefit. As contemporary movements for economic democracy seek to democratize capital, Indigenous and traditional models can provide both inspiration and practical frameworks for reimagining how capital can serve communities rather than extract from them.

Further Reading

To learn more, read *Community Economies in the Global South: Case Studies of Rotating Savings and Credit Associations and Economic Cooperation*, by Caroline Shenaz Hossein and Christabell P.J. (Eds.). (2022), and *Decolonizing Wealth: Indigenous wisdom to heal divides and restore balance*, by Edgar Villanueva (2021). Also explore <https://decolonizingwealth.com>.

⁷⁷ Masha & Fihla, 2025; Phil-Ugochukwu, 2024.

⁷⁸ Ardener & Burman, 1995.

⁷⁹ Peredo & Chrisman, 2006.

Example: Global Tapestry of Alternatives

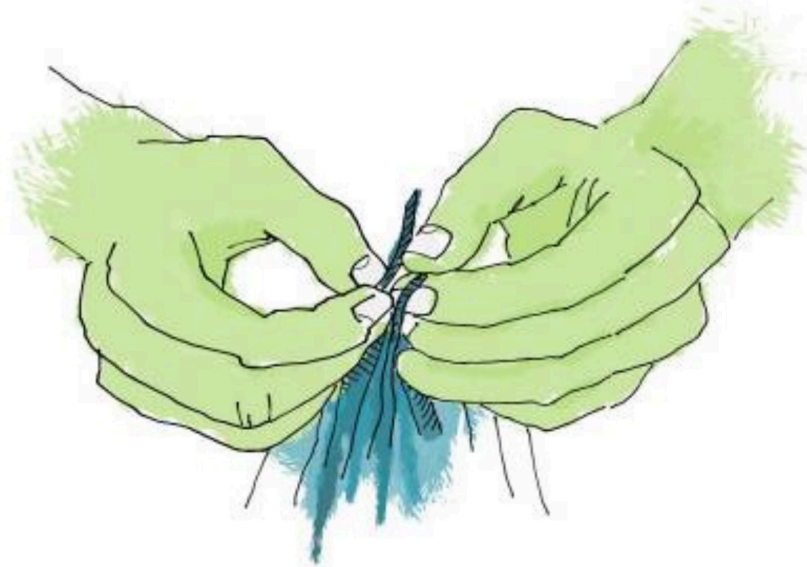


Image credit & description: An illustration by the Global Tapestry of Alternatives shows a line drawing of a pair of hands, painted light green, weaving together two strands of thread connected to a swatch of fabric, painted blue.

Launched in 2019, the [Global Tapestry of Alternatives](#) (a One Project grantee) is an initiative dedicated to forming networks of solidarity and strategic alliances across alternative movements worldwide. Its core mission is to facilitate and nurture alternatives to capitalism and other dominant systems, enabling interaction, shared learning, and collaboration among movements resisting these dominant regimes. The GTA employs a decentralized, lightweight organizational model, which emphasizes horizontal, democratic, and inclusive processes conducted in local languages and through varied communication methods. The Global Tapestry of Alternatives is a global leader in distributed leadership and governance. It convenes the ecosystem of alternatives internationally and facilitates exchanges to support cross-pollination, solidarity, and shared action. Through networks, it promotes the identification, creation, and cultivation of new weavers.

Implementation Considerations

While the benefits of community-controlled capital are significant, the research literature also indicates that successful implementation requires careful attention to several factors:

- 1. Meaningful Resource Allocation:** Programs with larger budgets tend to have greater impact and participation. For example, Brazilian cities that allocated more resources to PB, coupled with freedom to discuss and deliberate on a wide range of social issue areas, saw greater health improvements and higher participation rates.⁸⁰ Studies in the US and Canada similarly found that PB processes with larger per capita budgets saw higher voter turnout.⁸¹

IT TAKES DEDICATED,
WELL-RESOURCED,
SKILLED LABOR TO RUN
EFFECTIVE PARTICIPATORY
FUNDING PROCESSES.

- 2. Equity-Focused Design:** Deliberate design choices can help ensure diverse participation and equitable outcomes. This may include targeted outreach to marginalized communities, providing accessibility support for participation (translation, transportation, childcare), careful selection of voting and decisionmaking algorithms, multi-channel participation (such as via in-person meetings, mobile phones, computers, and mail-in), and the use of explicit equity criteria for resource allocation.⁸²

⁸⁰ Wampler & Touchton, 2019; Goldfrank, 2011.

⁸¹ Hagelskamp et al., 2016.

⁸² Bartlett et al., 2020; Wampler et al., 2021.

3. **Sustained Engagement Over Time:** Benefits often increase over time, suggesting the importance of sustained commitment. For example, studies in Brazil showed that a municipalities practicing PB for 8 or more years experienced an estimated 19% less infant mortality than municipalities practicing PB for less than 4 years.⁸³
4. **Education and Capacity Building:** Providing training and support to community participants can enhance their ability to make informed decisions. For example, informational workshops specifically for PB delegates and community leaders correlate with better outcomes.⁸⁴
5. **Transparency and Accountability:** Clear processes for tracking and reporting outcomes are essential for trust and demonstrating impact. For example, research shows that transparency in PB processes leads to increased tax compliance and civic trust.⁸⁵
6. **Social Accountability and Peer Sanctioning:** Long term relationships, peer monitoring, and sanctioning mechanisms that foster bonding and bridging interactions—via enduring group ties, local intermediaries, or collective deliberation—improve repayment and equity outcomes by embedding mutual accountability and fostering trust.⁸⁶
7. **Sufficient Support for the Work of Running the Participatory Process:** It takes dedicated, well-resourced, skilled labor to run effective participatory funding processes.⁸⁷
8. **Grassroots and Social Movement Leadership:** Participatory budgeting is most effective when it is initiated by organized civil society and social movement leadership, when it is used to strengthen local civic infrastructure (such as the ~8% rise in civil society organizations where PB was adopted under Brazilian Workers Party leadership),⁸⁸ and when cities actively partner with neighborhood associations and community groups to mobilize under-represented residents.⁸⁹

83 Touchton & Wampler, 2014.

84 Wampler & Touchton, 2019; Lerner, 2010.

85 Touchton et al., 2021; Swaner, 2017.

86 Cornée & Masclat, 2022; Maitra et al., 2012; Carboni & Eikenberry, 2021.

87 Kilmurray, 2015.

88 Baiocchi, 2005; Touchton & Wampler, 2014.

89 Ross, 2022; Community Development Project & PBNYC Research Team, 2015

Conclusion

As economic inequality reaches unprecedented levels and our current economic system continues to extract nonrenewable resources at an ever-increasing rate, we need to explore economic democracy if we want to survive on a finite planet. Happily, the research evidence to date supports the idea that moving capital into community control can be transformative in multiple ways.

REMARKABLE OUTCOMES THROUGH RELATIONSHIP- CENTERED, COMMUNITY- CONTROLLED PROCESSES.

At the individual level, participatory capital allocation can enhance agency and capabilities by improving civic skills, political knowledge, and leadership capacity. These personal transformations ripple outward to strengthen democratic processes, through increased voter turnout, heightened institutional trust, and more robust civil society networks. At the same time, participatory funding processes generate new channels for accountability and transparency. As communities gain decision-making power over capital and other resources, the result is often a more equitable distribution that centers the priorities of those most affected by systemic inequities. This reorientation of capital flows can produce measurable improvements in material conditions, from reduced infant mortality rates in Brazilian cities that use participatory budgeting to enhanced organizational effectiveness among recipients of participatory grants.

The evidence is strongest for participatory budgeting, with over three decades of research demonstrating consistent benefits across diverse global contexts, especially when certain conditions are met. Participatory grantmaking also shows promising results, and can build trust, support innovation, and reach marginalized communities that are too

often overlooked by traditional philanthropy. Participatory investing, while newer, demonstrates exciting potential for higher success rates in general as well as non-extractive wealth building in historically excluded communities. Indigenous and traditional financial mechanisms offer time-tested models of democratic capital allocation that can achieve remarkable outcomes through relationship-centered, community-controlled processes.

What emerges from the research literature is not just evidence of individual program success, but the outlines of a blueprint for systemic transformation. Community-controlled capital isn't just about redistributing existing resources, it is about a fundamental shift in how decisions are made, who gets to participate, and what outcomes are prioritized. The approaches discussed here provide signposts on a practical path toward economic democracy, a path that is already being blazed by thousands of communities worldwide, and that offers both immediate benefits and long-term hope for more just and sustainable economic systems.

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Appendix: Methodology

To investigate the benefits of community-controlled capital, we conducted a systematic literature review examining four primary approaches: participatory budgeting, participatory grantmaking, participatory investing, and indigenous/traditional financial mechanisms. Our approach combined comprehensive database searches with citation network analysis to identify the most influential and relevant scholarship across these domains.

Search Strategy and Data Collection

We developed targeted search strategies for each approach using systematic combinations of key terms. Table 1 presents the comprehensive list of search terms organized by category.

Table 1: Search Terms by Category

Category	Search Terms
Participatory Grantmaking	Term Set A: 'participatory,' 'community based,' 'community-based,' 'community led,' 'community-led,' 'democratic,' 'community controlled,' 'community-controlled' Term Set B: funding, fund, foundation, philanthropy, grants, grantmaking Combined: A+B combinations Additional: quadratic funding
Participatory Investment & Budgeting	(Participatory/Term Set A) + integrated capital, (Participatory/Term Set A) + finance, (Participatory/Term Set A) + budgeting, (Participatory/Term Set A) + investing, Initiative budgeting, Community controlled investment fund, Social movement investing, Place-based philanthropy/grantmaking, Trust-based philanthropy/grantmaking
Community Finance Institutions	Community Development Financial Institution (CDFI), Credit union, Community foundation, Public bank, Development bank, Member owned banks, Credit cooperatives, ROSCAs, Giving circle, Mutual credit associations
Indigenous & Traditional Approaches	East/Southeast Asia: Gotong Royong, Hui, Bayanihan financial collectives South Asia: Self-help microfinance groups, Grameen model Africa: Chama, Stokvel, Harambee, Ubuntu-based cooperatives Middle East/Islamic: Participatory Waqf, Qard Hasan circles Latin America: Bancos Populares, Banco Comunal, Economia Popular Caribbean: Sou-Sou/Community investment circles, Esusu/Ajo

We conducted searches across multiple academic databases including Google Scholar, Web of Science, and JSTOR, as well as grey literature sources from practitioner organizations, foundations, and research institutes. We included both peer-reviewed academic articles and high-quality grey literature reports, recognizing that much innovation in community-controlled capital occurs in practice-based settings.

Selection and Analysis

We screened papers for relevance based on their focus on community participation in capital allocation decisions and empirical evidence of outcomes. We prioritized studies that included measurable impacts, though we also included theoretical frameworks and case studies that provided insights into implementation.

Table 2: Literature Review Summary

Approach	# Sources (scanned)	# Sources (included)	# Sources (cited)	Key Focus Areas
Participatory Budgeting	110	30	20	Municipal processes, civic engagement, resource allocation, democratic participation
Participatory Grantmaking	112	23	12	Foundation practices, power shifting, community decision-making, trust-based approaches
Participatory Investment/ Finance	112	24	13	Community-controlled funds, non-extractive finance, democratic investment decisions
Indigenous & Traditional Approaches	306	8	10	ROSCAs, traditional savings groups, cultural financial practices
Total	651	97	79	All of the above, plus additional contextual materials

Citation network analysis helped identify seminal works and highly influential studies within each domain, with particular attention to research examining outcomes across multiple contexts or time periods. The participatory budgeting literature provided the most robust empirical evidence, with over three decades of documented implementation and evaluation, while participatory investing represented a more emerging field with primarily grey literature and case studies.

Categorization Framework

Through iterative review of the selected literature, we developed a framework to organize benefits into four main categories:

- 1. Improved Tangible Outcomes for People and Planet**
including reduced infant mortality, improved infrastructure, higher project success rates, and increased well-being.
- 2. Enhanced Individual Agency and Capabilities**
including civic skills development, leadership capacity, and empowerment
- 3. Strengthened Democratic and Civic Institutions**
including increased voter turnout, tax compliance, and civic trust
- 4. More Equitable Resource Distribution**
including funding shifts to marginalized communities and wealth building in excluded populations

Within each category, we identified specific measurable outcomes supported by empirical evidence, while noting the strength of evidence and contexts where findings were observed.

Limitations

Our review has several limitations.

1. We searched primarily in English.
2. The evidence base varies significantly across the four models, with participatory budgeting having substantially more rigorous studies than newer approaches like participatory investing.
3. Much of the research base focuses on specific geographic contexts (for example, the most extensive evidence base for participatory budgeting comes from Brazil, although there is now also a significant body of peer reviewed literature about participatory budgeting from around the world). This potentially limits generalizability.
4. Most studies focus primarily on objectives, implementation processes, and voting outcomes, rather than explicitly examining the material benefits of participatory approaches. When material benefits are discussed, they are rarely operationalized into measurable indicators.
5. External factors are seldom controlled. For example, participatory budgeting may be introduced by municipalities with pre-existing commitments to community-building and welfare programs, and this may explain the improved outcomes (rather than the process being participatory).
6. We found no studies that compared the costs of running participatory processes compared to non-participatory methods.
7. Finally, publication bias may favor reporting positive outcomes over failures or null results, and the interdisciplinary nature of this field means relevant studies may exist in specialized databases we did not search.

Despite these limitations, our approach provides a comprehensive high-level overview of current knowledge about the benefits of democratizing capital allocation.