

Participatory Budgeting at the Local Level: Challenges and Opportunities for New Democracies

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ABSTRACT

The main goals of this paper are to examine the existing models of participatory budgeting (PB), to match the various models to different constellations of contextual variables and to investigate the applicability of PB in the new democracies in Central and Eastern Europe (CEE). First, the article gives an overview of the different (Western) European PB models put forth in the existing literature (Porto Alegre adapted for Europe, proximity participation, consultation on public finance, multi-stakeholder participation, and community participatory budgeting) and outlines the main environmental variables (financial autonomy, political culture, the size, heterogeneity and prosperity of the local government (LG) units) that are likely to influence the applicability and feasibility of PB in different LGs. As a second step, the paper analyses the links between different PB models and the environmental variables: it examines under which conditions each of the PB models would be applicable and advisable. As a third step, the article discusses the applicability of different PB models in the new democracies in the CEE region. As the analysis shows, limited financial autonomy of the local governments and the prevailing political culture (combined with weak civil society) are likely to constitute the main challenges to implementing PB in CEE countries, especially if the implementation of the Porto Alegre model is considered. At the same time, PB could be used to encourage the development of participatory culture in the region and to foster genuine decentralisation.

Keywords: participatory budgeting; Central and Eastern Europe; local government

1. Introduction

Participatory budgeting (PB) is essentially a process of participation that enables ordinary citizens to make decisions about budget allocations. It is a "democratic innovation" stemming from the South: PB was pioneered in the Brazilian city of Porto Alegre at the end of the 1980s, and it has, since then, become one of the best

known examples of “empowered deliberative democracy” (Fung and Wright 2003). Proceeding from the model of Porto Alegre, several cities in Brazil and other countries in Latin America adopted PB, followed by local governments (LGs) in many other countries in the world (Goldfrank 2007; Sintomer et al. 2010a, b). The estimated number of PBs in Europe approached the landmark of 300 and the corresponding number of worldwide initiatives exceeded 1400 cases by 2010 (Sintomer et al. 2010b, 10). Furthermore, the growing popularity of PB is demonstrated by the increasing number of cities planning to experiment or already piloting this participatory instrument.

What could be the reasons for such an “invasion” of participatory budgets? Presumably, it has become obvious that representative democracy, despite its worldwide triumph, does not fully satisfy citizenries (Geissel 2009). Political dissatisfaction, political distrust, citizens’ apathy – a few phrases that could characterise today’s world. While the reasons behind these deficiencies constitute the topic of another paper, their mere existence should ring an alarm. And indeed, it has. Citizens’ participation in the decision-making has become one of the favourite topics of many conferences and workshops in academia as well as in politics. As evidence of this, Open Government Partnership¹ – the worldwide multilateral initiative launched in September 2011 – has declared civic participation in public affairs to be one of the building blocks of its programme.

Participation, however, has its critics as well. One can find scepticism focusing on the lack of citizens’ knowledge about making difficult socio-economic and political decisions. It can be argued that you have to know how the engine works in order to construct a car, i.e. people lack knowledge to participate in public affairs (Cellary 2011).

Nevertheless, as one of the participants at ICEGOV 2011² argued: “I would never really ask the citizens how to build a bridge, but I might want to ask them where to put it”. Participation has to be understood within certain borders. It should not be associated only with direct democracy, which might theoretically become a reality due to the rapid development of information and communication technologies (ICTs). As Coleman and Götze (2005) put it, pure and extensive direct democracy is not desirable, as it is positively correlated with dissatisfaction with the institutions of representative democracy. What could possibly be desirable is the linking of elements of direct and indirect democracy, which is exactly what the social experiment such as participatory budgeting strives to do (Novy and Leubolt 2005).

One might wonder, however, what is so special about PB, i.e. how this mechanism of participation differs from traditional government-citizens interactions. Fung and Wright (2003) group PB with the reforms they call “empowered deliberative democracy” or EDD³. These reforms are radically democratic in their “reliance on

¹ More information on the initiative can be found on the official website of the Open Government Partnership: <http://www.opengovpartnership.org/>

² International Conference on Theory and Practice of Electronic Governance www.icegov.org. The 5th conference took place in Tallinn, Estonia on 26-28 September 2011. More information available at www.icegov2011.icegov.org.

³ EDD can be characterised by three main principles: “1) a focus on specific, tangible problems, 2) involvement of ordinary people affected by these problems and officials close to them, and 3) the deliberative development of solutions to these problems”. (Fung and Wright 2003, 17)

the participation ... of ordinary people”, deliberative because they foster “reason-based” decision-making⁴ and empowered as they try to “tie action to discussion” (Fung and Wright 2003, 7). Overall, the topic of PB interweaves with discourses on participatory democracy/governance (Geissel 2009), deliberative democracy (Ganuza and Frances 2011), public-sector modernisation and public-management reform (Allegretti and Herzberg 2004; Herzberg 2011). While discussions on participatory democracy and governance converge in the statement that PB might aid to combat a range of “malaises” such as political apathy, distrust and dissatisfaction, deliberation-focused researches look at the ability of PB to foster dialog and communication. Furthermore, in terms of public-sector modernisation, PB is capable of enhancing transparency and accountability in public administration by “opening the backdoors” of the budgeting process and involving citizens in learning and deciding about its trade-offs. PB also charges citizens with new responsibilities of “co-producers” of public services and in general “co-deciders” in political decisions which in turn fits with the “post-post-NMP” rhetoric called New-Weberian-State (NWS)⁵ (Pollitt and Bouckaert 2004; Herzberg 2011).

The NWS principles that argue for the supplementation of the representative democracy by devices for consultation/participation are very important for CEE countries⁶, which have undergone radical changes since the collapse of the Soviet Union when the structure of intergovernmental and citizens-state relations essentially changed (Pollitt and Bouckaert 2004 in Randma-Liiv 2008, 12).

The newly born states passed new constitutions providing autonomy for the local level of governance and encouraging citizen participation. However, due to the communist legacy the citizens of these countries, who were detached from decision-making for a long time, seem to be mistrustful of collective action and are mostly passive receivers rather than active developers of public services. Also, the local authorities might not feel confident vis-à-vis strong business actors that came to dominate the civil society of the new democracies (Pollitt and Bouckaert 2004; Fölscher 2007; Randma-Liiv 2008). Hence, PB as an instrument for integrating the elements of indirect (or representative) democracy with the ones of direct democracy might help the local authorities in CEE countries to strengthen their legitimacy on the one hand and can provide the citizens of new democracies with incentives to break the walls of passiveness and detachment and participate in local decision-making on the other⁷.

⁴ Deliberation as a distinctive feature of the EDD model does not foresee participants being altruistic or having similar opinions that would converge in a consensus. As Fung and Wright (2003, 19) put it, “real-world deliberations are often characterized by heated conflict.” According to the model the important feature of genuine deliberations is the process whereby participants are persuading one another “by offering reasons that others can accept”.

⁵ The NWS approach tries to combine the elements of Weberian bureaucracy with neo-elements of New Public Management ideology. For more information on public-management reform see Pollitt and Bouckaert (2004) and Drechsler (2005).

⁶ The paper at hand investigates the new member states of the European Union (Bulgaria, The Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, the Slovak Republic and Slovenia), as these are often regarded as constituting a relatively homogeneous group in the CEE region

⁷ It has to be emphasised, however, that the focus of this paper remains on the concept of PB and its applicability in new democracies and has no intention to investigate any specific problems in CEE countries and their possible solution with the help of PB.

However, next to the opportunity of changing the citizens-state relations, the context of CEE countries comprises the challenges of rather complicated and underdeveloped intergovernmental fiscal relations. The roles and responsibilities are ambiguously assigned to the local level, expenditure responsibilities might not match with the revenue capacity, and the transfers from the upper governmental level might not be reliable, either (Fölscher 2007).

There is, however, no universal definition of PB as its experiences and practices vary all over the world and depend on local context and conditions (Matovu 2007). As Cabannes (2004, 28) puts it, a real challenge in analysing PB experiences is “the uniqueness of each experience”. The differences in PB practices range from the form of citizen participation in the budget-preparation phase to controlling the implementation after the budget has been approved (Sintomer et al. 2008; Cabannes 2004, 28). For the purposes of this paper, it is useful to depart from a relatively broad definition, such as provided by Sintomer et al. (2008, 168). They define PB in the following way: “participatory budgeting allows the participation of non-elected citizens in the conception and/or allocation of public finances”. Additionally they propose five criteria: (1) the financial dimension has to be discussed; (2) the city level has to be involved; (3) the process has to be repeated; (4) there has to be some form of public deliberation; (5) some accountability is required (Sintomer et al. 2008, 168). Within this broad definition, PB can, of course, take on different forms, and the models of PB can vary significantly. The most systematic typology of different forms of PB has been put forth by Sintomer et al. (2010a, b), who distinguish between the Porto Alegre adapted for Europe, proximity participation, consultation on public finance, multi-stakeholder participation and community-participatory budgeting.⁸

While there is a large and increasing body of literature *describing* the application of PB and its different variants in various countries, there is a lack of *systematic* approaches that would discuss the applicability and suitability of the various models of PB in different *contexts*. Furthermore, there are almost no studies that would examine the feasibility and advisability of PB in the new democracies in the region of Central and Eastern Europe (CEE).⁹ This paper seeks to fill these gaps by providing a systematic overview of the environmental variables that are likely to influence the applicability of the different PB models and then discussing the feasibility of PB in CEE countries. Hence, the goals of the paper are the following: First, it will discuss the central elements of the PB process and the different forms PB can take (Porto Alegre adapted for Europe, proximity participation, consultation on public finance, multi-stakeholder participation and community-participatory budgeting). Second, the article will outline the main environmental variables that are likely to

⁸ The scholars distinguish between 6 models of European PB experiences. However, the paper at hand will analyze only 5 of them. The reason behind this is that the 6th model labelled “participation of organized interests” does not have any prominent features that could distinguish it from the models taken under current investigation that also focus on organised interests’ participation. Therefore, the sample of 5 models fully covers the variety of PB experiences.

⁹ The main exception is Fölscher (2007). Her chapter, however, focuses primarily on *describing* PB experiences (initiated and funded by international donors) in Albania, Armenia, Bulgaria, Moldova, Poland, Romania, the Russian Federation and Ukraine. It does not provide a systematic discussion of which PB models could be applicable in the CEE region, however.

influence the feasibility and suitability of PB in LGs. Third, it will examine the linkages between different models and environmental variables and discuss under what conditions each of the PB models would be feasible and advisable. Finally, the article discusses the applicability of PB in the new democracies in Central and Eastern Europe, with a specific focus on those CEE countries that are by now members of the European Union. As there have been no systematic discussions on the applicability of the different PB models in CEE countries in the PB literature so far, we hope that our paper can serve as a useful starting point for further discussions and studies of PB in this region. The structure of the paper follows the sequence of these goals.

2. Models of Participatory Budgeting

Even though it is not the simplest task to “map the contours” of PB and the different PB models as its practices are extremely diverse, the attempt to do so still seems to be inescapable, if we want to study PB in a more systematic way. As Esping-Andersen argues, “the point of generalisation is economy of explanation – to be able to see the forest rather than the myriad unique trees” (Esping-Andersen 1997, 179 in Cousins 2005, 110). The paper will hence try to sketch the “forest” of the PB process, by first identifying the main elements in the PB process (section 2.1) and then looking at the different configurations of these elements in the form of PB models (section 2.2).

2.1. Mapping the Contours: Process Design Elements in PB

The process design variables described below have been extracted from the research conducted by Cabannes (2004), which draws on 25 experiences in Latin America and Europe, and from the global study by Sintomer et al. (2010a), which elaborated different models of PB in Europe. Additionally, the proposed framework integrates ideas from Fung (2006), Ebdon and Franklin (2006) and Talpin (2007).

The PB process starts with the elaboration of a strategy, plan or legal act of any kind that would set up the procedure of the whole participatory process. In other words this act/document should state “the rules of the game” – e.g. themes for discussion, criteria for allocating resources, the number of meetings etc. There are variations on what body determines these rules. The literature proposes different options: the Council of the Participatory Budget,¹⁰ the pre-existing social and political frameworks such as neighbourhood associations, and local administration. This stage can also be of participatory nature; that is, the citizens can be involved in drafting this regulatory act. This element (or variable) will be labelled PB decision-making body.

¹⁰ The Council of the Participatory Budget consists of the delegates elected by the participants of the meetings, i.e. citizens. Its main functions concern the elaboration of the budget proposal with the integrated results of the discussions during the meetings, to revise the final budget proposal elaborated by the City Council and to monitor the implementation of the budget (Avritzer 1999). This is mostly practiced in Brazilian and Latin American experiences.

Next, a central element of PB is who is expected to participate. The procedure can be oriented towards different types of citizens: citizens from various social groups (e.g. women, pensioners, foreigners etc.), organised citizens (e.g. associations), single active citizens, “ordinary citizens” (chosen by random sampling), and all citizens (referendum). Hence, there are differences in the scope of participation. Different participants’ selection methods can be applied depending on who is invited to take part: self-selection, targeted recruiting, random selection etc.

The next stage involves the gathering of proposals (input) from the participants. There is a great variety of participation mechanisms ranging from public meetings and citizens’ forums to surveys (Ebdon and Franklin 2006; Hinsberg and Kübar 2009). This stage can be multi-layered depending on whether the participation is direct or indirect. In other words, the PB procedure might involve the election of delegates, who can be either professional¹¹ or lay¹² stakeholders. In case of open meetings different territorial levels can be involved – city, district or neighbourhood levels.

Table 1: Participatory Budgeting: Process Design Elements

PB decision-making body	<ul style="list-style-type: none"> • Who sets up the rules of the game?
Participation	<ul style="list-style-type: none"> • How are the participants being selected? • What types of participation mechanisms are used? (public meetings, focus groups, simulation, advisory committees, surveys etc.) • How do citizens participate (direct vs indirect participation)? • How are the meetings organised (territorial or thematic logic, city, district or neighbourhood level)?
Deliberation	<ul style="list-style-type: none"> • What is being deliberated? (investments or service delivery, projects or general areas?) • How do participants communicate and make decisions?
Empowerment	<ul style="list-style-type: none"> • What role does the civil society play? • Are the participants’ decisions binding for the authorities?
Control and monitoring	<ul style="list-style-type: none"> • Who controls the implementation of the budget?

Source: the authors, drawing on Cabannes (2004), Sintomer et al. (2010a), Fung (2006), Ebdon and Franklin (2006) and Talpin (2007).

As the definition of PB prescribes, in the course of participation, citizens are encouraged to deliberate on projects or proposals they put forward. The subjects of deliberation can vary from the general areas (e.g. education, healthcare) to concrete public services or specific projects. After deliberation comes the decision-making stage, where the citizens’ proposals, projects and discussions are transformed into public decisions (and actions). Depending on the extent of civil society’s influence on the final decision, the PB literature suggests three levels of empowerment:

¹¹ i.e. paid representatives of organised interests (Fung 2006, 68).

¹² i.e. unpaid citizens who have interest and desire to represent others with similar interests (ibid.).

“selective listening”, co-governing partnership and de-facto decision-making competence (Fung 2006; Herzberg 2011). While “selective listening” stands for a mere consultation process, where citizens’ proposals are simply taken into account by local authorities, de-facto decision-making competence at the other side of the spectrum means the local council’s obligation to officially approve the participatory budget plan. The middle level of empowerment – co-governing partnership – implies joint decision-making of local authorities and representatives of civil society. The decision-making mode, in turn, can range from voting to consensus.

Finally, it is rather obvious that once the budget has been approved, its implementation requires control and monitoring. The performance of these functions can range from control by the executive branch to control by the citizens.

2.2. Sketching Models of PB

As could be seen from the previous section, there is no “one size fits all” approach. If PB is a tool for deepening/democratising democracy (Fung and Wright 2001; Schugurensky 2004), then this tool has been applied very differently depending on the local conditions and context. However, in order not to get lost in “thousand and one” examples of PBs, it is useful to look at different configurations of the process variables in the form of ideal types. Proceeding from the framework of process-design variables presented in the previous subsection, this subsection gives an overview of different models of PBs in Europe – Porto Alegre adapted for Europe, proximity participation, consultation on public finance, community participatory budgeting and multi-stakeholder participation – drawing on the typology elaborated by Sintomer et al. (2008, 2010a, b). The description of the models will be based on the studies by Sintomer et al. (2008, 2010a, b), but it has been adjusted to the framework of process-design variables described earlier. Whereas the first model – the adapted version of Porto Alegre – is presented separately, the other 4 models are outlined in pairs, for the sake of comparison and better understanding. The model of Porto Alegre adapted for Europe can be considered to be the “genuine” type of participatory budgeting as it has preserved the basic features of the Brazilian case, where this participatory process has its roots. The other two models have made “concessions” to the genuine participatory model on two fronts: proximity participation as well as consultation on public finance are purely of *consultative* nature (rather than implying binding constraints on the elected representatives), while multi-stakeholder and community participatory budgeting are oriented towards *organised* citizens only (rather than all individual citizens).

2.2.1. A Democratic Innovation from the South: Porto Alegre Adapted for Europe

Participation in the Porto Alegre model adapted for Europe is based on the participation of individual citizens in open meetings at the neighbourhood level via self-selection. During the preparatory meetings citizens elect delegates to the special Council, which elaborates the “rules of the game” that are valid for the next year. Further meetings at the higher territorial levels (district and city levels) are performed by the delegates, who are typically the members of residents’ organisations, local associations and political parties. Concrete investment projects are being discussed

at the neighbourhood level, and once the list of projects is ready it is voted on in an open assembly. Later the proposals are being ranked by the district and city delegates (e.g. by applying social justice criteria¹³). The final list constitutes a participatory budget proposal which is presented at the municipal council and is later incorporated into the city budget. Once the budget has been approved, the monitoring body (composed of the district and city delegates) is set up. Thus, in this model, people are granted de-facto decision-making powers, meaning that the municipal council has the obligation to approve the participatory budget proposal. According to Herzberg (2011, 8) exactly these kind of practices can be truly called “democratic innovations”.

2.2.2. Consultation-Based Participation: Proximity Participation and Consultation on Public Finance

The feature of these two models is the fact that they are purely consultative. More specifically, both types involve the process of “selective listening”; i.e., the results of the deliberation are being summed up by local authorities, who later implement only those proposals that are in accordance with their own interests. Associations can hardly play any role; rather, participation takes place via citizens’ assemblies and fora. In the latter, participants are being invited through media, by mail or personal invitation. Herzberg (2011, 8) regards such experiences as “symbolic”, since according to his opinion the changes they provoke are rarely visible.

The proximity-participation model involves districts as well as a city as a whole with the deliberation on investments in the former case and on general strategic goals in the latter. Proposals are not ranked and the decisions are usually taken by consensus. LG prescribes the procedure (if there is any) and local representatives moderate the discussion during the deliberation phase.

Consultation on public finance is mostly directed towards making the financial situation of a city more transparent. Information is usually distributed in brochures, via the Internet and press releases. The procedure is based on a citizens’ forum with information stands, where most participants are selected at random from the civil registry, but anyone interested can still participate. In the first version of the model the focus is on services delivered by public providers (e.g., libraries, public swimming pools, kindergartens and street cleaning). Public services are presented by municipal employees at information stands. Anyone can ask questions as well as record his/her suggestion on special forms. The second version aims at generating proposals to rebalance the budget (staff cuts, reduced public expenditure, tax increases). Participants have to come up with their own suggestions combining various possibilities. Views could be gathered via questionnaires and quantified. The local council announces its decisions after internal deliberation. Similarly to the proximity-participation model, the LG is the initiator of the process procedure and supervisor of its outcomes.

¹³ In Seville two types of social justice criteria are used: objective and subjective. The objective criterion gives points to the proposals based on the statistical data on the population affected, the socio-economic situation of the area etc. The subjective criterion, on the other hand, focuses on the ability of proposals to foster tolerance, social justice, multiculturalism, gender equality etc. The delegates, therefore, have to argue and convince each other, how many points to give to each proposal (Talpin 2007, 10).

2.2.3. *Beyond Selective Listening: Community-Participatory Budgeting and Multi-Stakeholder Participation*

Both models include funds for investments and projects in the social, cultural and environmental sectors. The participants in both procedures constitute organised groups who are invited to propose projects. Another peculiarity of these models lies in the fact that only part of the money under discussion comes from the LG; that is, money can also be given by international organisations, NGOs, private companies or from the national government. Hence, the municipal council is not the sole decision-maker: a board, a committee or an assembly of representatives from NGOs, the private sector and local authorities jointly decide on the acceptance of proposals. Therefore, the level of empowerment here can be labelled “co-governing partnership”; i.e., joint decision-making of the citizenry and the representatives of private, governmental and non-profit sectors.

Table 2: **European PB models**

	Porto Alegre adapted for Europe	Proximity participation	Consultation on public finance	Community participatory budgeting	Multi-stakeholder participation
Decision-making body	Council composed of citizens' elected delegates	local administration	local administration	a committee composed of representatives of LG, NGOs, state organisations	a committee composed of representatives of LG, NGOs, state organisations, private sector
Participation	Participants' selection methods				
	Self-selection;	Self-selection;	Random selection;	Targeted selection;	Targeted selection;
	Scope of participation				
	single active citizens	single active citizens	“ordinary” citizens	organised citizens	organised citizens together with private enterprise
	Participation mechanisms				
	Open meetings at neighbourhood level, delegates at town level	Open meetings at neighbourhood and town level	Open meetings or citizens' forums at town level	Different kinds of meetings at neighbourhood level, delegates at town level	Closed meetings at town level
Deliberation	Focus of discussion				
	public investments	micro-local public investments or broad guidelines of town policy	overall budget or offer of services	concrete community projects	concrete projects financed by public/private partnerships
	Modes of communication				
	Develop preferences	Listen as spectators, express preferences	Listen as spectators, express preferences	Express, develop preferences	Express, develop preferences
	Formality of the process				
Projects ranked according to criteria of distributive justice, formalised rules	No ranking of investments or actions, informal rules	No ranking of services, possible ranking of priorities, rather informal rules	Projects ranked, formal rules	Projects ranked, formal rules	
Empowerment	Decision-making power	Consultation	Consultation	Co-governing partnership	Co-governing partnership
Control and monitoring	Council composed of citizens' elected delegates	local administration	local administration	local administration + donors	local administration + donors

Source: Sintomer et al. (2010b); Herzberg (2011); Fung (2006). Modified by the authors

In the community participatory budgeting – in contrast to the multi-stakeholder model – business is excluded: funding is provided by a national or international programme. Even though the committee is screening the proposals (ensuring that they meet the rules of the process), the final decision on which project receives funding is taken by the residents via voting. Usually the applicants are given the mandate to implement the projects themselves; however, the local authorities still monitor the delivery and spending.

Given the financial participation of the private sector in the multi-stakeholder model it can be assumed that private sponsors might influence the outcome of the process. This type of participation can be considered PB only in case the larger part of financial resources comes from the local municipality. Furthermore, participation has to take the form of forum rather than commission meeting.

3. Environmental Variables Influencing PB

As has already been mentioned, PB is a case-sensitive social experiment, and hence it seems obvious that each model is likely to fit better to certain contexts than to others. We will now look at different “environmental” or contextual variables that are likely to influence the applicability of the various PB models.

We divide the variables that influence the PB process and hence the choice of PB model into two main categories: country-level and local-level. The country-level variables include the degree of financial autonomy and political culture. These are the factors that influence which of the PB models could fit the LGs in any particular country as a whole. Next, since PB is primarily practiced on a local level, the second category of the environmental variables concerns certain characteristics of a local municipality, namely size, diversity and prosperity. As we will then show in section 4 that the different PB models are likely to fit better with certain configurations of these variables than others.

3.1. Financial Autonomy

Given that PB prescribes public participation in the allocation of financial resources at the municipal level, it probably goes without saying that the local municipality willing to implement PB has to have at least some financial autonomy. First, in order to make any form of PB conceivable, the LGs in the country need to have some degree of *expenditure* autonomy, in that they have some discretion to allocate their financial resources freely (i.e. independently from the central government). Second, besides expenditure autonomy, the LGs that want to implement PB should, ideally, also have some degree of revenue autonomy, since that would increase the amount of funds available for discretionary spending.

3.2. Political Culture

The implementation of PB presumes certain political attitudes – both by citizens and political elites. For PB to work, the citizenry in general has to be ready and willing to participate and the municipal decision-makers have to have the political will to

involve the public. Indeed, since political actors might feel threatened by the citizens' direct participation in local governance as they essentially lose – at least some – decision-making space (Cabannes 2004; Wampler 2007), the existence of the support among local councillors and administration is essential. All this is definitely an integral part of the political culture, which constitutes the second country-level variable we look at.

More specifically, the term political culture refers to the orientations and attitudes towards the political systems as well as the attitudes towards the role of the self in the system (Almond and Verba 1966, 13). Putting it more simply, it is “what people believe and feel about government, and how they think people should act towards it” (Elazar 1994 in Ishiyama 2012, 94). The paper at hand will combine two most prominent classifications of political cultures: one elaborated by Almond and Verba (1966) and the other by Elazar (1972). Both threefold typologies complement each other by emphasising different components of the term “political culture” – while Almond and Verba underline “culture”, Elazar focuses on the “political”. Almond and Verba adopt a more individualistic approach, by focusing on individual psychological orientations and attitudes towards the political system¹⁴ (including the role of the self as participant in the political system), whereas Elazar employs a broader perspective describing the general conduct of politics. In a nutshell, three types of political cultures can be distinguished: moralistic, individualistic and traditionalistic (see Table 3).

Table 3: Types of Political Cultures

Political culture/ key elements	Perception of politics/vision of government	Individualism/ Collectivism	Participation
Moralistic/ participant	politics as moral duty of every citizen; government as a positive force for commonwealth	individualism is not submerged, but collectivism is also valued	High
Individualistic/ subject	politics as “business”; government as a “watchman” for market; cynicism	individualism emphasised	Low
Traditionalistic/ parochial	politics as moral duty of elite; government has positive but limited role;	collectivism emphasised	Average

Source: Elazar (1972); Almond and Verba (1966). Composed by the authors

Moralistic/participant political culture embraces the notion that politics is “one of the great activities of man in his search for the good society” (Elazar 1972, 96) and it is also considered to be a matter of concern for every citizen; hence, citizens are usually active and the level of participation in public affairs is high. Next, in the

¹⁴ Almond and Verba (1966, 14) argue that by the concept of culture they mean “psychological orientations toward social objects”.

individualistic/subject political culture politics is seen as “business”; thus, it is perceived as a means for people to improve themselves socially and economically. Government is instituted for utilitarian reasons, with emphasis on encouraging private initiatives rather than guaranteeing “good society” (ibid., 94). There is a prevailing cynicism about government, and hence participation in politics is relatively low. Finally, *traditionalistic/parochial* political culture can be characterised by “the ambivalent attitude towards the market coupled with a paternalistic and elitist conception of the commonwealth” (ibid., 99). Social and family ties are considered to be very important. Government has a positive role, which is, however, limited to the maintenance of the existing social order (Elazar 1972, 94-99; Almond and Verba 1966, 17-19).

While moralistic and traditionalistic political cultures seem to provide more fertile grounds for PB implementation, it is probably complicated to establish more genuine forms of participatory procedure in the individualistic culture due to the low level of participation and the prevailing “utilitarian” attitudes towards politics and government. Furthermore, as already noted above, strong political will is a decisive component of PB success. If politics is perceived as a means for making a good career, then citizens’ participation in the decision-making would not be something to strive for. In individualistic political cultures, the transaction costs associated with citizens’ participation (e.g. increased staff time and communication) (DeNardis 2011) are likely to diminish the enthusiasm of political elites towards PB.

In reality, the political culture is usually a mix of the above-mentioned types, and hence, it can be said that the prevalence of either moralistic or traditionalistic types of political culture (even if mixed with individualistic one) can be regarded as a factor conducive to the success of PB implementation.

In sum, the political culture can influence the readiness of local authorities to empower citizens, which, in turn, influences which type of PB decision-making processes (consultation, co-governance or transferring de-facto decision-making power) are feasible in a country. In addition, how active citizens are can shape the scope of participation (the groups of citizens that can be involved), their mode of communication and participation mechanism to be used in PB.

3.3. Characteristics of Local Governments: Size, Heterogeneity and Prosperity

In addition to the country-level variables, there are a number of local-level variables that can influence the applicability of the different PB models in a specific context. In this paper, we focus on the most obvious and intuitive ones: size, heterogeneity (or diversity) and prosperity of the LG.

First, the size of the population can be expected to affect the “participation” element in PB process design, especially the form and scope of participation but also the method for selecting participants. Large cities may opt for a multi-layered form of participation with citizens’ delegates involved in the process. The other variant for a large city would be a targeted selection of organised citizens’ representatives (this, however, also depends on the political culture of the country). Smaller cities might choose to engage in participation via self-selection and open meetings at the town level. Moreover, the size of the population might also influence the formality of the

process and mode of decision-making. In smaller cities, for instance, consensus-based and informal processes might be more feasible.

Heterogeneity (or diversity) of the population in a given LG is a variable that cannot be ignored in today's plural societies, which can be divided along religious, linguistic, ethnic or racial lines.¹⁵ Presumably, the heterogeneity of the population in a municipality can have an impact on both participation and deliberation variables in the PB process design. For instance, in heterogeneous cities political conflict might emerge because of different group demands, which might, in turn, lead to the formalisation of the participation process (Ebdon and Franklin 2006). The participants' selection methods may also have to be adjusted according to the make-up of the population so that representativeness would be guaranteed.

Finally, the level of prosperity of the LG (as indicated by its per-capita revenues, for example) is likely to influence the feasibility of different PB models. It is worth noting, however, that PB can be implemented even with a rather limited amount of money. The practices here vary from 1% to 10% of the overall implemented budget (Cabannes 2004, 34). Moreover, prosperity might influence the focus of deliberation, which can range from concrete projects to broad city policy guidelines. A financially strapped municipality (Wampler 2007) is more likely to involve citizens in discussion on general policy priorities rather than in the selection of new public works. Even though it is primarily the municipality's finances that have to be involved in PB (according to the definition of PB), then as the models showed, the public funds may also be combined with private and (non)governmental recourses in order to provide adequate funding for PB implementation. This, in turn, would influence most explicitly the decision-making and control bodies of PB initiative.

Obviously, these three variables do not constitute a comprehensive list of factors that influence the choice of a (suitable) PB model. The analysis provided here, however, allows a preliminary investigation of the links between environmental variables and the various PB models, undertaken in the next section.

4. Matching Models with the Environment – What is the Fit?

4.1. Accepting the Delegation of Authority: Porto Alegre Adapted for Europe

The model "Porto Alegre adapted for Europe" requires a high degree of financial autonomy because of the transfer of significant decision-making powers to the citizens, manifested in the composition of decision-making and monitoring bodies, which both consist of citizens' representatives. Delegating power to the citizenry to such an extent would only be possible if the local municipality has to be able to decide on its own its expenditure areas without being overly constrained by the higher authority. In addition, because of the high level of empowerment entailed in this model, it can be argued that it would fit the best with moralistic or traditionalistic political culture. Given that in this model the proposals for the PB final list are

¹⁵ According to Lijphart (1991, 67) the most common line of differentiation between the subsocieties in a plural society is ethnicity. He specifies that ethnic differences include cultural as well as linguistic differences.

being elaborated at the neighbourhood level by the single active citizens who voluntarily join together to develop their projects, it implies a high level of activity of the civil society. Further, there has to be a strong will of the governing political elite to share power. It would hence probably fit the best to LGs with “a reformist tinge” (Wampler 2007) where i.e. the political leadership is composed of people willing to experiment with new institutional formats and accept the delegation of their authority. The two-layered character of the participation mechanism with direct participation at the neighbourhood level and participation through delegates at the town level implies that the model is likely to be utilised in large cities, where the election of representatives is inescapable. Furthermore, the formalised procedure with clear “rules of the game” also suits municipalities with large population, where the degree of diversity is relatively high. Heterogeneous population creates the need for formalisation because of varying group demands (Ebdon and Franklin 2006). Moreover, the model usually presupposes the existence of social criteria that ensures the just distribution of resources e.g. between richer and poorer neighbourhoods, which again fits with large municipalities. As the focus of deliberation constitutes concrete investments and project ideas generated by the citizens, the model would match a rather prosperous city that can afford implementation of the projects proposed by its citizenry. It might be complicated for a city to encourage people to get so extensively involved in “managing scarcity”.

4.2. Setting up Counter-Veiling Strategies: Proximity Participation

The term “proximity” in the context of this model is indicative. In contrast to “participatory democracy”, the concept of “proximity politics” lacks the recognition of the role of participants as joint decision-makers (Allegretti and Herzberg 2004). Hence, the powers to decide about the rules and to monitor the PB process as well as its realisation belong entirely to the LG. This implies that the model could be applied in a municipality with an average degree of financial autonomy, whereby the local authorities would consult the residents, but place concrete limits on the choice of spending options. Given that the local representatives can (un)intentionally frame the discussion in such a way that outcomes would fit their preferences, the model would work best where the participants are active in making proposals and are able to set up “counter-veiling strategies”,¹⁶ i.e. to use tricks and small windows of opportunities to counter-balance the dominant position of government officials in the participatory process.

In view of the above it would be fair to say that the model has the potential to work in moralistic and traditionalistic cultures only in case the citizenry is active and ready to use “counter-veiling strategies”. Otherwise, it could be applied in an individualistic political culture where participation might have merely a symbolic value for the political elite trying to stay in power. Due to the informality in procedure and the use of consensus as a usual decision-making mode, the proximity-

¹⁶ The term “countervailing power” was coined by political scientists Archon Fung and Erik Olin Wright to imply a variety of mechanisms that reduce, and perhaps even neutralise, the power-advantages of ordinarily powerful actors (Fung 2003, 260).

participation model tends to fit rather small, homogeneous towns. Furthermore, because discussion is centred on either micro-local public investments or broad guidelines of town policy the model would presumably suit a municipality with average or small revenues. The strength of this model is the close communication between local authorities and the residents, which might motivate people to discuss their everyday problems more openly and feel closer to those in power. However, “the selective listening” manner that this model is working in, might also constitute a real threat to the legitimacy of the whole PB process that might eventually fail to preserve its sustainability.

4.3. Increasing Transparency: Consultation on Public Finance

Consultation on the public-finance model has mainly derived from the New Public Management ideology that sees participation as a part of the aim to increase transparency in government (Sintomer et al. 2010). The main goal of the open meetings is either to get feedback on the existing public services or to find solutions to financial problems. Such a focus of discussion (overall budget or specific public services) means that this model would also be suitable to an LG with average revenue levels and to one that probably cannot afford the implementation of the new proposals made by its residents. Furthermore, it can also fit to an LG with an average level of expenditure autonomy, which means that the LG has limited discretion on what services to provide; in such a situation the local authorities can ask for the feedback about the services that already exist and are mandatory. Because random selection to citizens’ forums is used as participants’ selection method, this model could be applicable in cities with different population sizes. The main concern would be to make the forum representative of the city, which might become a rather complicated task. Furthermore, the model would suit heterogeneous cities in case the random selection ensures representativeness. Since this model is not underpinned by the social movements, it is also likely to fit to individualistic political culture.

4.4. “Participatory Grant-making”: Community Participatory Budgeting

This model is largely based on funds originating from state, non-governmental or international organisations, and the procedure is being controlled as well as elaborated by the representatives of these institutions. That is why it can be labelled “participatory grant-making” rather than participatory budgeting (Blakey 2007). This model can, in principle, fit LGs with different degrees of financial autonomy and the procedure mostly depends on the spending rules of the funds provided for PB; i.e., how strictly the donors determine the spending priorities of their money will affect the discretionary space of a municipality. In general, however, as part of the money still has to come from the LG, the degree of expenditure autonomy would have to range from average to high. In other words, the municipality has to have discretion regarding *how* to provide mandatory public services and goods; furthermore, it might also need to have the authority to provide optional services. The reason for that is the focus of discussion: concrete community projects generated by

the citizens. Furthermore, the level of prosperity in this model can vary, but considering the cooperation opportunities with other sectors, it could range from low to average. Because the model is directed mostly at organised citizens it requires a rather developed and active third sector. On the other hand, the type of empowerment in this model – “cogoverning partnership” – reflects the *sharing* of power with the residents but not the *transfer* of it. Therefore, the model would fit with a combination of active citizenship and cautious power-sharing intentions from the governing side. This is likely to be present in the combination of individualistic and moralistic types of political cultures, which might form conducive bases for the successful implementation of this PB model. Next, as already noted before, only organised citizens participate in the elaboration and further implementation of the community projects (while individual active citizens are involved in the decision-making stage of voting on the developed projects). Consequently, the model would suit large cities due to the fact that the infrastructure as well as the capacity of the civil-society organisations (CSOs) is usually better in larger cities than in smaller towns or villages. As the rules are rather formal and the proposals are scrutinised according to the criteria set by the officials and donors, the model could fit heterogeneous towns.

4.5. Participatory PPP: Multi-Stakeholder Participation

In the context of PB, the motives for LG to become involved in public-private partnerships (PPP)¹⁷ could be either to attract private finance or to share power. While the former enables the LG to pursue projects which it might have not been able to afford on its own, the latter implies that partnerships are usually seen as promoting cooperative, less authoritarian, “horizontal” relationships (Pollitt 2003). Therefore, the model of multi-stakeholder participation is likely to fit a municipality with poor or average revenues. Analogously to the previous model (described in section 4.4) and for the same reasons, it assumes an average-to-high degree of financial autonomy. Regarding the political culture, this model would imply the existence of market-friendly attitudes among the political elite, as the main distinction of this model is the involvement of private interests into the procedure. Participation of single active citizens is not foreseen in this model, since it has mostly closed meetings as a participation mechanism. Therefore, the model would match best with individualistic political culture where participation might be seen to have a symbolic value rather than implying an actual transfer of decision-making power. This model could be feasible in large cities with a developed network of private companies and CSOs. It would also fit heterogeneous towns due to the formality in process.

¹⁷ The interconnection between the popular strand of PPP and PB requires more detailed investigation which is, however, outside the scope of this paper.

Table 4: **Which Model for Which Environment?**

	Adaptation of Porto Alegre	Proximity participation	Consultation on public finance	Community participatory budgeting	Multi-stakeholder participation
Financial autonomy (low/average/high degree)	high	average	Average	average-high	average-high
Political culture (individualistic/moralistic/traditionalistic)	moralistic/traditionalistic	individualistic	individualistic	moralistic-individualistic	individualistic
Size (large/small)	large	small	Variable	large	large
Diversity (heterogeneous/homogeneous)	heterogeneous	homogeneous	heterogeneous	heterogeneous	heterogeneous
Prosperity (low/average/high level)	high	low-average	Average	low-average	low-average

5. Challenges and Opportunities for New Democracies in Implementing PB

Very different types and levels of citizens’ engagement in CEE countries are called PB. In general, participatory devices in the region are directed towards organised interests (e.g. CSOs, NGOs). The ones that involve individual citizens are mostly information-sharing or consultation-oriented instruments by their nature. With very few exceptions, international organisations are the initiators of participatory mechanisms (Fölscher 2007).¹⁸

In analysing the applicability of PB models in CEE countries, one obviously cannot ignore the legacies of both the Communist era and of the transition period of the early 1990s. These two legacies – of the democratic centralism of the Communist period and the romantic localism of the early transition period (see, e.g., Illner 1998) – place the LGs in the region in the middle of countervailing forces when it comes to implementing participatory mechanisms like PB. On the one hand, one may argue that the legacy of “democratic centralism”, characteristic to the Communist era¹⁹,

¹⁸ Sintomer et al. (2010b) point out Poland as one of the CEE countries having experienced a PB process. In short, PB was implemented in the city of Plock in the framework of a UNDP programme and involved local municipality, two private companies and representatives of NGOs. The fund was provided by the first three partners, and the applications for projects were submitted by local NGOs. A committee comprising local citizens, experts and representatives of the official project partners made the decisions.

¹⁹ In the centrally planned economies, all goods and services were provided under the direction of central government and its ministries. The policy decisions pertaining to revenues and expenditures were hence made at the central level, and the role of LGs was to implement the “central plan and will” at the local level. (Bryson and Cornia 2004, 266). Under such a system, “any authentic self-government was excluded”; LG budgets constituted parts in the central state budget, and the bulk of LG revenues came in the form of central government grants (Illner 1998).

implies that the LGs in the CEE region have had to struggle to overcome the inherited weaknesses of local-level decision-making structures (see, e.g. Yoder 2003; Fölscher 2007). Thus, such a “centralist” heritage and the centralising tendencies that carried over into the post-communist era are likely to act as an obstacle to implementing PB.²⁰ On the other hand, as Campbell and Coulson (2006, 543) argue, one of the first commitments of the post-communist regimes was to re-establish genuine LGs, because “there was a strong belief in local (self-)government as an antidote to the centralised state, and an institution through which people could gain control over their own lives, and regenerate and revitalise their communities”. In other words, establishing strong LGs was carried by the motive to break the power monopoly that had emerged during the Soviet times (Regulska 2009; Baldersheim 2003). Thus, the remnants of such a “romantic localism” from the early transition period are likely to increase the appeal of PB mechanisms both to the decision-makers and the local communities themselves. Furthermore, one could also argue here that PB practices may also play a role in fostering genuine decentralisation and hence provide countervailing mechanisms to the still-present lures of re-centralisation in the region (see, e.g. Regulska 2009; Yoder 2003). Given the somewhat “similar” historical legacies (of authoritarianism and non-democratic governments, with some elements of clientelist relations on the local level)²¹ in the new democracies in CEE and the countries in South America, which have pioneered the application of PB, one can argue that the “lessons learnt” with PB in Brazil, Peru, Argentina, etc. could be particularly useful for the CEE countries.

Illner (1998) and Swianiewicz (2010), among others, have pointed out that the territorial structure of the LGs in the CEE region is highly fragmented, and many LGs tend to be rather small (see Table 5). As Swianiewicz (2010, 183) notes, this has often been “a reaction to an earlier consolidation imposed by the respective communist governments in an undemocratic manner, without public consultation”. The fragmentation of LGs can have two-fold implications for implementing PB models in the region. On the one hand, the small size of LGs could be conducive for introducing PB and it would allow the use of PB variants with more direct elements of participation (like involving all inhabitants of the jurisdiction in PB). One may wonder, here, of course, whether in the context of very small jurisdictions, where the LG decision-makers and the inhabitants are in constant interaction and there are strong links between voters and representatives anyway, there would even be a need for some more “institutionalised” form of PB. Thus, before proposing specific models of PB for such small jurisdictions, it would be worth analysing the existing flow of information, the level of trust and accountability in such contexts and whether formal PB mechanisms can necessarily add anything useful to them. On the other hand, the smallness of the LG units often implies limited financial resources, which may make more large-scale implementation of PB more complicated, since there simply is “no money to go around”.

²⁰ For a discussion of post-communist budgeting at the central level, see Raudla (2010b,c).

²¹ As Illner (1998) points out, in CEE countries, the “centralist command system” often degenerated into “a client-based structure” of networking and negotiation; for example, “contributions to municipal and regional infrastructure and services were usually negotiated informally.”

Table 5: Size, Fiscal Decentralisation and Ethnic Diversity of Local Governments in CEE Countries in 2000-2001.

	Number of lowest-tier local governments (in 2001)	Average population of local government unit in 2001	Subnational share of general government expenditure (%)	Number of ethnic groups in 2001
Bulgaria	255	33,000	22	7
Czech Republic	6292	1700	23	7
Estonia	247	6000	16	6
Hungary	3177	3200	25.9	6
Latvia	541	2219	21.9	6
Lithuania	56	66,000	19.3	5
Poland	2483	16,000	35	4
Romania	2948	7632	17.9	9

Source: Dabla-Norris 2006, Rodriguez-Pose and Kroijer 2009

An important challenge to implementing the more comprehensive forms of PB (like the Porto Alegre model) in CEE countries is the relatively limited financial autonomy of LGs in the region (see, e.g. Yilmaz et al. 2010; Brusis 2002; Shah 2004; Dabla-Norris 2006; Rodriguez-Pose and Kroijer 2009; Davey and Peteri 2006; Fölscher 2007),²² though there may be space for PB models that would also fit contexts with an average-to-low level of financial autonomy (like proximity participation and consultation on public finances). Although by indicators measuring fiscal decentralisation, the new member states (NMS) of the EU are doing better than the rest of the region and have undertaken extensive fiscal decentralisation reforms since the beginning of the 1990s, there are still a number of problems. An important measure of fiscal decentralisation is the degree to which LGs have access to autonomous sources of tax revenue. Ebel and Yilmaz (2002, 10) concluded that governments in CEE countries have “very little control over their revenues”. In particular, the proportion of “own” taxes in LG revenues in the CEE region remains relatively low (see Table 6). As Dabla-Norris (2006) points out, in the CEE countries LGs make only limited use of property taxes (which, in the developed countries are often seen as an important revenue source for LGs). The total own revenues as a share of sub-national revenues does show significant variation though. In the Czech Republic, Hungary, Poland and Romania the share of “own” revenue of LGs (i.e., what the LGs collect themselves and have policy control over) is in the range of 33-40%, whereas in the Baltic countries, a “very small share of sub-national revenue is controlled by sub-national governments, which depend almost entirely on transfers from the central government” (Dabla-Norris 2006, 119; see also

²² For a comparison of the fiscal decentralisation in CEE countries with developed countries, see, for example, Ebel and Yilmaz (2002).

Davey and Peteri 2006; Ebel and Yilmaz 2002).²³ Dabla-Norris (2006, 117) also notes that in some of the transition countries, effective *expenditure* autonomy is limited (e.g. very clearly so in Bulgaria), whereas the situation is better in Hungary, Poland, Estonia, Latvia and the Czech Republic. In general, though, the funds of the LGs in the region have been squeezed, resulting from a combination of factors, including fiscal stress throughout the transition period and beyond, the capture of the tax base by the central governments (leaving the LGs with only limited leeway to pursue their own revenue-raising policies), and unfunded mandates from the central government²⁴ (see, e.g., Bryson and Cornia 2004). One of the reasons for such muted development of local tax systems was (and is) a large disparity between the tax bases of the different LGs (and hence their tax raising potential), which is why most LGs prefer to rely on intergovernmental transfers for the bulk of their revenues rather than engage in local tax-raising efforts (Davey and Peteri 2006, 589). Davey and Peteri (2006, 591) hence argue that

Local taxing power has few friends in CEE. Ministries of Finance are reluctant to curtail their monopoly of power over fiscal policy. Local authority associations rarely if ever seek taxing power for their members; their demands focus on increasing shares of nationally determined revenues, an approach which has lower political costs.

Also, when the financing of local-level capital infrastructure is strongly dependent on the funding and priorities of the central government (as it is in the Czech Republic, for example; see Bryson and Cornia 2004), the chances for a meaningful utilisation of PB are likely to be curtailed. As Davey and Peteri (2006, 597) note, in financing investments, remnants of “negotiation” culture from the soviet time can still be observed in CEE countries and “allegations of partiality have not been eradicated from investment funding”. One may argue here, of course, that implementing a PB model like community participatory budgeting in such contexts may in fact enhance the transparency of “grant-making” and force the authorities to make decisions on the basis of more clearly articulated criteria.

Although the limited financial autonomy of the CEE LGs may act as an impediment to meaningful implementation of any of the PB models, one may also argue that PB practices may lead to an increase of the budgetary leeway of the LGs, if they enable the LGs to engage in more extensive local revenue-raising efforts than before. Cabannes (2004) notes that in those cities that have implemented PB, tax revenues have increased, owing to higher tax compliance of the citizens. Furthermore, if the PB participants become more aware of the trade-offs involved in local expenditures and revenues, they may be more willing to accept the enactment of higher LG taxes. Given the temptation of the central governments in the region to deal with fiscal

²³ In Lithuania, for example, 91% of subnational governments’ revenues come from shared taxes (i.e. the government decides on the tax base and rate and establishes the revenue-split) and the sub-national governments have control over only around 4.8% of their revenues (Ebel and Yilmaz 2002). In Slovakia, in contrast, own-source revenues constitute around 60% of subnational governments’ revenues.

²⁴ As Bryson and Cornia (2004, 276) put it, the “natural response from the central government” to fiscal stress “has been to reduce revenue going to municipalities while assigning additional service provision responsibilities to LGs”.

stress by reducing financial transfers to sub-national governments (or increasing unfunded mandates), LGs are likely to face increasing public pressure. Involving the public more directly in making the difficult tradeoffs may be a way for the LGs to deal with the dilemmas of cutback management (Franklin et al. 2009).

Table 6. Revenue Structure of Local Governments in CEE Countries, 1999.

	Own taxes ²⁵	Tax-sharing ²⁶	Non-tax revenue ²⁷	General purpose grants	Specific purpose grants ²⁸	Total
Bulgaria	0	47.2	13.4	32.4	7.1	100
Czech Republic	3.9	43.8	36.3	0	16.0	100
Estonia	6.3	62.1	9.1	13.4	9.1	100
Hungary	16.3	16.8	17.0	1.7	48.2	100
Latvia	0	66.2	14.1	5.8	13.9	100
Lithuania	0	91.0	4.8	2.3	1.9	100
Poland	10.6	14.4	24.6	30.5	19.9	100
Slovak Republic	22.8	39.6	19.3	0	18.4	100
Slovenia	10.6	49.3	17.5	15.9	6.6	100

Source: Ebel and Yilmaz (2002)

Probably the strongest impediment to the adoption of PB practices in the new democracies in the CEE region is the prevailing political culture and the weakness of civil society (see, e.g. Regulaska 2009; Fölscher 2007). One the part of the “general public”, there is popular distrust of political institutions and formal procedures and an unwillingness of citizens to become actively involved in public matters (Illner 1998; Fölscher 2007). On the other side of the table, the politicians and public officials, if prone to paternalism, may be reluctant to utilise PB in any genuine way. Hogue and McFerren (2002, 55) note that the participation of citizens in budgeting in CEE countries is limited because of the apathy of the inhabitants and the incomprehensibility of the budget to them. Further, they note that the decision-makers are “still struggling with the idea of what real role the average citizen should have”. In their study on LG budgeting in Poland, Filas et al. (2002) note that

[M]ost Polish local government officials remain wary of public involvement and think that, in general, it causes more problems than it solves. ...

²⁵ In the case of “own taxes”, LGs control tax rate and/or tax base.

²⁶ In the case of these revenues, the central government decides on the tax base and rate and establishes the revenue-split.

²⁷ Revenue from business operations, fees, fines and duties.

²⁸ Grants that are earmarked for specific purposes.

[C]itizens generally think their public involvement ends at the ballot box and have, in general, shown little interest in the way their elected officials spend public funds.

When discussing which PB model would fit which country, the following conjectures could be taken as starting points. Poland, Bulgaria, Latvia²⁹ and Lithuania, having rather big municipalities as well as individualistic culture, could presumably try to apply the multi-stakeholder participation model, which is already the case in Poland. As this model involved additional financial resources (e.g. international or private finances) it could be applicable in Bulgaria and Lithuania, where local financial autonomy is very low (as indicated by the absence of local taxes). The Czech Republic and Hungary, having LGs of a very small size, could opt for proximity participation. The same is applicable to Estonia and Romania with slightly bigger municipalities that, however, are still small enough for setting up multi-level structures of the PB process. Hungary, however, where local taxes make up 16.3% of the revenues could afford a mixed model with some features of the Porto Alegre model, which gives a high level of empowerment to citizens. Also, consultation on the public-finance model could probably fit all CEE countries. One has to stress, however, that due to the fact that all environmental variables vary significantly inside every country, multiple models can be found to be suitable in any one state. As mentioned earlier, the real challenge in analysing PB is the “uniqueness of each experience”.

The implementation of the Porto Alegre model in most CEE countries could be especially challenging, because this model implies politically active citizenry and politicians willing to cede significant decision-making powers. In light of the relative weakness of the civil society, proximity participation and consultation on public finances could be more feasible models to start with experimenting with PB in the region (especially since these models also involve local officials, making it less “threatening” to the elected officials and administration). However, one could also argue that because of the observed weakness of the civil society in the CEE region, PB could be viewed as a clear and specific instrument for *developing* the civil society. Budgetary decisions would constitute clear and specific focal points for discussion and hence offer clearly delineated opportunities for the civil-society organisations to voice their opinions on the local level. Also, PB could become the *vehicle* through which the LG leaders practice participatory mechanisms. Similarly, for the citizen, PB venues may be useful “citizenship schools” for practising more active voice and choice on local level issues, as it has been in Latin America (see Wampler 2000; Willmore 2005). Indeed, as Cabannes (2004) notes, PB has clearly stimulated the formation of social capital in the cities of South America.³⁰ Thus, experimenting with variants of the Porto Alegre model could be particularly conducive for stimulating the development of civil society in CEE countries.

Because of the ethnic diversity characteristic to most of the 8 NMS, attention

²⁹ In 2009 Latvia went through an administrative reform which reduced the number of LGs to 110 municipalities and 9 cities (Committee of the Regions 2013)

³⁰ As De Sousa Santos (1998, 482) puts it, “It is today generally recognized that the PB changed the political culture of community organizations, from a culture of protest and confrontation to a culture of conflict and negotiation”.

should be paid to how to utilise PB in order to encourage more direct involvement of the ethnic minorities in budgetary decision making. Dowley (2006, 568) has argued that the decentralisation efforts in some of the CEE countries (like the Baltics and Slovakia) have been, at least to some extent, weakened by the “nation-building aspirations of most of the national parties”. Thus, the implementation of PB can potentially help to counteract such centripetal tendencies.³¹

When choosing PB models that would suit the CEE contexts, it would also be useful to discuss the implications of different political and electoral systems for the PB efforts. Especially when drawing lessons from the South American experiences for CEE, one needs to keep in mind that the Porto Alegre models (and its variants) emerged from a political setting where the “executive” branch and “legislative” branch are separated (and where the mayor and the councillors are elected directly, rather than having the city council elect the mayor) (Cabannes 2004). In small LGs in CEE, where the “legislative” branch and “executive” branch are closely connected, the Porto Alegre model may be difficult to “sell”, because it would appear like an attempt to set up an alternative “city council”. Thus, the models like proximity participation and consultation on public finances may be more feasible in the CEE context.

Based on experiences in Latin America, the advocates of PB in the CEE region should be particularly aware of the limitations and even abuses of PB. In particular, if citizens have limited experiences in active participation, there are the dangers that PB exercises turn into acts of rubberstamping the already made decisions of the government, and the elected officials may use the PB to advance their own agenda and reward their “clientele” (Wampler 2000; Willmore 2005). If participatory processes become excessively politicised, this may lead to “deficient and non-meaningful participation” (Cooke and Kothari 2001; Rodgers 2007). In particular, in choosing a PB model, particular care should be taken not to disadvantage the participation of civil-society organisations at the expense of businesses and other powerful local-level actors.³² Drawing on Baiocchi (2001), one can suspect that inequality in the PB process would constitute one of the biggest threats to genuine deliberations on the budget. The advantaged groups would likely be tempted to utilise their superior resources in order to promote budgetary decisions that work disproportionately to their benefit (Rodgers 2010). These tendencies have to be kept in mind especially when the LGs in CEE countries decide to experiment with the participatory grant-making and multi-stakeholder participation models of PB.

Given the diversity of the contexts, it would probably be counterproductive to provide any uniform one-size-fits-all solutions to the LGs in the CEE region. When it comes to PB, a more polycentric system, advocated by Ostrom (2005), is likely to encourage experimentation and innovation.³³ What the central government and the civil society may try to do is to make the LG aware of the different options in the

³¹ Dallyn (2008) finds that the PB pilot projects in Albania managed to mobilise citizens and involve the poorest and most marginalised groups (like the Roma) in budgetary decision-making.

³² Sootla and Grau (2005, 287) found, for example that in Estonia LGs consider business actors to have larger influence than the LGs themselves.

³³ For an application of Elinor Ostrom’s governing the commons ideas to budgeting, see Raudla (2010a).

“PB menu” and encourage experimentation with these models and mechanisms (as has been done in the UK). It would be counteractive, however, to view PB “as recipe for ‘implanting’ participation and transparency”, as some international agencies and donors have come to see it (Cabannes 2004, 40).

6. Summary

The goals of this paper were, first, to examine the existing models of PB and to match the various models to different contexts and, second, to investigate the applicability of PB in new democracies in CEE. In particular, the paper focused on whether PB would be advisable and feasible in the CEE region and which of the PB models proposed by the existing literature (Porto Alegre adapted for Europe, proximity participation, consultation on public finance, community PB and multi-stakeholder participation) would fit the context of CEE countries.

As argued in the paper, variables like political culture and financial autonomy (country-level), size, prosperity and ethnical diversity (local level) are likely to influence the applicability of any particular PB model. The analysis suggested that the Porto Alegre model adapted for Europe could fit with large, heterogeneous and rather prosperous cities with moralistic-traditionalistic political culture and high financial autonomy. The consultation-based models (proximity participation and consultation on public finance) might match individualistic political culture and average financial autonomy. While the proximity-participation model could suit small homogeneous municipalities with the level of prosperity ranging from low to average, consultation on public finances is likely to fit LGs with an average level of revenues but of various sizes and rather diverse in terms of ethnicity. Finally, the models that are based on the participation of organised interests – community PB and multi-stakeholder participation – could be feasible for large, heterogeneous cities of average prosperity and average-to-high financial autonomy. The implementation of community PB would be feasible in a political culture with moralistic elements, whereas the multi-stakeholder participation could be applicable in the individualistic type of political culture.

In light of this theory-building exercise, one can argue that although as a general idea PB could be feasible (and even recommendable) in the CEE context, it is also likely to face a number of challenges. In particular, limited financial autonomy of the local governments and the prevailing political culture (combined with weak civil society) are likely to constitute the main challenges to implementing PB in CEE countries, especially if the implementation of the Porto Alegre model is considered. Given the contextual conditions in CEE countries, it can be conjectured that as a first step, experimenting with models like the consultation on public finances would be more feasible than the more demanding models of PB. At the same time, it can be argued that PB could – at least in principle – be used to encourage the development of participatory culture in the region and to foster genuine decentralisation.

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