

# **A New Role Model for Local Governments? - Budget Transparency and Participatory Budgeting of Budapest**

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## **Abstract**

This paper deals with the budget transparency and participatory budgeting of Budapest. In the last years, budget transparency and participatory budgeting are seen as a recognised tool influencing the quality of public finance management, limiting risks of corruption and promoting citizens' participation in public decision-making process. Furthermore, these tools can be seen as a factor promoting public trust towards local governments as well.

However, implementation and application of legal instruments in the post-communist transition countries with other socio-economic circumstances remains challenging. Countries like Poland, the Czech Republic, Slovakia and Hungary, have traditionally lack of experience with citizens' involvement in public decision-making process and fiscal transparency therefore the implementation of these international standards is even more challenging. Furthermore, in the last years, transparency, accountability and rule of law have significantly weakened in some of these countries at government level, endangering the results of the regime change thirty years ago.

Therefore, decision-makers of local governments who wants to change this trend have to propose to citizens a new role model for local governments, which is not a local executor of the central government's will but empowers citizens, provides transparent budget and tries to involve citizens in decision-making processes.

In order to demonstrate this, the paper highlights the challenges that the local government of Budapest elected in October 2019 is facing while implementing a new role model of local government, focusing on its ambitious budget transparency and participatory budgeting program. The program called "Ez a minimum!" (This is the minimum) was elaborated by Hungarian anti-corruption NGOs and tries to adopt and apply new methods to enhance fiscal transparency and accountability of the local governments which are completely confront the practice applied by the government and former local government of Budapest. Based on this, this paper seeks to provide an analysis of Budapest budget transparency model and participatory budgeting solutions based on international best practises and analysis how a capital city can change the formal local government's practice in order to enhance public trust and involve citizens in the participatory budgeting process.

In order to achieve these goals, this paper uses the results of own research based publicly available data on Budapest participatory budgeting and expert interviews. Based on these empirical data and other relevant publications, the paper presents the currently used tools of budget transparency and participatory budgeting of Budapest and provides a fact-based summary of the applied tools. Finally, the case study of Budapest based on interviews with decision-makers of local government of Budapest and representatives of anti-corruption NGOs shows how an engaged leadership for a different role model for local government can change the practice one of the biggest local government in Central Europe. The case study also describes the legal instruments used and the challenges which the decision-makers were faced and provides recommendations for implementing budget transparency and participatory budgeting for local governments.

## **Point for practitioners**

The paper will provide fact-based data on budget transparency and participatory budgeting tools used by Budapest which allow practitioners in public administration and public policy understand better the Hungarian tendencies in this field. The case study of Budapest shows how a local government with engaged leadership can achieved relevant changes even when the central government has significantly different or hostile attitude towards budget transparency and participatory budgeting. In longer term, the success of the "Ez a Minimum!" program can further enhance public trust toward local decision-makers and contribute to their success at the general election of 2022 or, in case of failure, can contribute to a general revision of the applied tools. Finally, the paper can contribute to the scientific debate on public financial management and can support the activity of expected network of young scholars active in the area of public finance.

## **Key words**

Budapest, community budget, Hungary, participation, participatory budgeting

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## 1. Introduction

The idea and practical implementation of a participatory budgeting has come a long way since the first such experiment took place in 1989 in Porto Alegre, Brazil. Its spread was supported not only by strong political commitment and the willingness of citizens to participate in public affairs, but also by the spread of the Internet and telecommunications, it became much easier to reach and activate citizens.

Following the collapse of communist regimes in Central and Eastern Europe, conditions for the rule of law and the democratic exercise of power developed in the region, but the need to involve citizens in political decisions during this period was mostly limited to parliamentary and municipal elections and referendums. However, the operational dysfunctions of the established democratic framework, the need to involve citizens in public affairs, and the opportunities offered by technical progress have opened up new horizons for the application of the participatory budgeting models, which have become more widespread in Central and Eastern Europe over the past decade.

## 2. Methodology

In the present study, I am looking for the answer to what are the antecedents and practices of participatory budgeting in Hungary and what are the main trends that affect the planning and implementation of this innovation? A further research question is the empirical examination of which participatory budgeting model is applied by Budapest and in what way? The coronavirus epidemic had a significant impact on planned or ongoing participatory budgeting, as the closures put in place limited the use of community spaces, and the loss of revenue due to epidemic control and closures diverted significant resources from Budapest and other Hungarian municipalities. In my study, I also want to analyze the implications of these effects for the implementation of participatory budgeting and the same time, to analyze the expected directions of the further diffusion of this innovation in Hungary in the near future answering the question whether the Budapest participatory budgeting can become a role model for municipalities in Hungary.

In the present study I use the definition of participatory budgeting of Sintomer et al.<sup>2</sup> as follows “*participatory budgeting allows the participation of non-elected citizens in the conception and / or allocation of public finances*” and the proposed criteria by the authors:

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<sup>3</sup>

At the same time, it is important to note that in daily practice, many Hungarian local governments use the term community budget (*közösségi költségvetés*) instead of participatory budgeting (*részvételi költségvetés*) to emphasize that the amount used is not decided by the local government, but by the members of the community. With this in mind, I use the terms participatory budget and community budget in the same sense in this study.

## 3. Participatory budgeting in Hungary

The social and technological processes outlined in the introduction also had a relevant impact in Hungary as well, however, the practice of participatory budgeting began to unfold relatively slowly. In my view, there are both political and economic reasons for this.

First of all, the legal status of local governments in Hungary was defined after the collapse of the communist regime by the Act LXV on Local Governments, adopted in 1990. This law stipulated, among others, that local governments are independent, and have their own tax revenues, which they are free to manage within the legal framework. The stability of this legal framework was provided by the fact that the amendment of the law required a qualified majority in the Parliament, which required the cooperation of the ruling party and the opposition.

However, the life of local governments in Hungary was influenced by two significant events in the decades following the turn of the millennium. On the one hand, during the 2006 municipal elections, representatives of the then opposition (the current ruling party) came to power at both regional and municipal level, and on the

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<sup>2</sup> Sintomer et al. (2008) p. 168

<sup>3</sup> Ibid

other hand, the economic crisis of 2008 and the ensuing economic downturn significantly reduced municipal budget room for maneuver.

In 2011, with the parliamentary qualified majority of the opposition (the current ruling party) that came to power after the 2010 parliamentary elections, it passed Act CLXXXIX of 2011 on Local Governments in Hungary. This legislation, as well as subsequent legislative changes, reduced the tasks and powers of local governments, consolidated their fiscal position between 2011 and 2014 by taking over debts largely accumulated during the crisis,<sup>4</sup> but also reduced their fiscal room for maneuver. The pro-government majority of local governments remained in 2010 and 2014 after the 2006 elections. Furthermore in 2010, Budapest has elected a pro-government mayor for two consecutive terms (2010-2019).

As the widespread use of the participatory budgeting was not on the agenda of either the ruling party and the opposition of local governments, no significant development can be reported in Hungary in this field in the second decade of the 2000s, either in legislation or in practice.

The first participatory budgeting project in Hungary was initiated in Kispest (District XIX of Budapest). The municipality of Kispest, led by the opposition, fulfilled its election promise and adopted a proposal in 2016 to implement a participatory budgeting project. Based on this, in the district with about 60,000 inhabitants, the local residents could decide directly on 4 million (approximately EUR 13,000), in total 16 million forints (approximately EUR 52 000) in 4 city quarters. For the first time, local residents could only decide on developments determined by the municipality, then from 2018, local residents could already propose in person, by letter, on the Internet or at a public forum what feasible projects should be put on the ballot papers. Over the years, the amount of the community budget also increased significantly: in 2018 30 million forints (approximately EUR 93 000 and in 2019 42 million forints (approximately EUR 122 000) were earmarked for this purpose, while the number of involved city quarters also increased from 4 to 7.<sup>5</sup>

Furthermore, relevant changes took place after 2019 with regard to the application of participatory budgeting in Hungary. The municipal elections held this year brought significant advances by opposition parties. In 14 of the 23 districts of Budapest, an opposition mayor was elected and the opposition also gained the position of the mayor of Budapest. In larger cities with county status, about half of mayoral positions were also won by the opposition, while in smaller municipalities, the pro-government majority usually remained.<sup>6</sup>

In my opinion, it is mainly due to this political turn that the idea of a participatory budget became more and more popular among Hungarian local governments, and from 2019 more and more local governments - mostly Budapest district local governments - became involved in the practical implementation of the participatory budgeting. This was the case in Budapest as well.

This endeavor is also remarkable because, within the legal framework on local governments, there is no legal requirement or regulation that would define the rules of participatory budgeting or regulate the procedure. Despite Poland, where the amended Act on the Local Self-Government regulates that organization of participatory budgeting project and allocating at least 0.5% of the annual budget is mandatory for major Polish cities from 2019,<sup>7</sup> Hungarian cities are quite free to organize participatory budgeting project on their own. As a result, Hungarian participatory budgeting projects also differ in deliberation, empowerment and the way citizens are involved.

#### **4. The potential drivers of participatory budgeting in Hungary**

Before examining in detail the drivers of participatory budgeting, it is worth stopping for a few thoughts on the general issue of democracy and participation in Hungary. In Hungary, there has been a serious debate in recent years on the state of democracy and rule of law<sup>8</sup> with international organizations and EU Member States. I agree with Pollit and Bouckaert that for the supplementation of the representative democracy by devices for consultation/participation are very important for the CEE countries and especially in Hungary, where the structure of intergovernmental and citizens-state relations essentially changed after the collapse of the socialist regime.<sup>9</sup> Therefore good practices based on civic participation and the transparent and responsible use of public funds may be of paramount importance. The local government-level policy effort to address these shortcomings

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<sup>4</sup> Lentner (2014)

<sup>5</sup> Merényi (2020) p. 23

<sup>6</sup> Nemzeti Választási Iroda (2019)

<sup>7</sup> Madej (2019)

<sup>8</sup> European Commission (2021)

<sup>9</sup> Pollit and Bouckaert (2004) in Randma-Liiv (2008) p. 12

can be well described by Fung and Wright's model<sup>10</sup> of empowered deliberative democracy (EDD), which main principles are:

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.<sup>11</sup>

Therefore, in my opinion, the application of the participatory budgeting in Hungary is not only a government tool for the efficient and effective use of public funds and the involvement of citizens in public decision-making, but is closely related to the state of participatory democracy and the political need to re-establish public trust towards politics.

Fazekas argues<sup>12</sup> that participatory budgeting can have the following six benefits for local governments and political parties in Hungary:

1. Increases support for government and government action
2. Increases support for participating political actors
3. Helps with local planning
4. Reduces the hidden economy
5. Reduces corruption and waste of public money
6. Contributes to improving the quality of democracy

From this list, the sixth element can be highlighted in particular, according to which the application of participatory budgeting also acts as “a »school of democracy« for citizens, politicians and officials. The point of this is that participants learn how to justify their position in the midst of diverse and conflicting opinions, how to properly evaluate differing opinions, and how to understand and pay attention to their fellow citizens. These are basic skills that are particularly needed in a society with low levels of general trust and social gaps and stereotypes that make it impossible to communicate between many social groups.”<sup>13</sup>

Examining the background, the question rightly arises that what has been the most important drivers and barriers to the spread of this innovation in Hungary? Among the circumstances that strengthen the spread of participatory budgeting, the following can be highlighted:

- **Political culture:** some political forces place great emphasis on involving citizens in decision-making process so that decisions can be taken as close as possible to the citizens, reflecting on their real problems. These political forces see this possibility in the implementation of participatory budgeting. At the same time, involving citizens in decisions strengthens public trust in public institutions, in the city administration, in the participatory process and in the responsible use of public funds.
- **Strong political commitment:** the primary reason for launching participatory budgeting is the commitment of political parties in power in local governments to the topic. This will allow them to prepare participatory budgeting, as well as reallocation of resources for implementation.
- **Available financial resources:** one of the most important elements of the implementation of participatory budgeting is that the local governments should have extra resources to implement the planned developments and to carry out the participation process.
- **Technical conditions:** the planning and implementation of participatory budgetings will be greatly enhanced by the wide range of technical conditions available. A dedicated website, the possibility to submit proposals online, online consultations and online and social media present supported by visual elements will make a significant contribution to the efficient and effective implementation of participatory budgeting programs. A good example of this is that the program launched by the capital Budapest did not stop during the closures and restrictions due to the coronavirus epidemic, but was successfully completed online by August 2021.<sup>14</sup>

However, there are circumstances that hinder the spread of good practices on participatory budgeting. Of these, the following can be highlighted:

- **Lack of political commitment:** while some forces in the political palette show a strong commitment to the theory and practice of participatory budgeting, this is almost entirely lacking in some parties. In the case of the local governments they manage, the spending budget resources with the participation of the citizens has not been realized or is not planned. As long as there is no change of attitude of these

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<sup>10</sup> Fung and Wright (2003)

<sup>11</sup> Fung and Wright (2003) p. 17

<sup>12</sup> Fazekas (2010)

<sup>13</sup> Fazekas (2010) p. 7

<sup>14</sup> Budapest Részvételi Költségvetés (2021a)

political forces, the practice of participatory budgeting is not expected to become more widespread in the municipalities under their control.

- **Lack of financial resources:** the basic condition for the implementation of participatory budgeting is that the municipality concerned has free budgetary resources for the development to be implemented as well as for the implementation of the participation process. A significant part of Hungarian local governments do not have such free financial resources. Especially because the government has diverted significant resources from them due to the coronavirus epidemic. This can reach 5-10% of their annual budget for some downtown districts.<sup>15</sup> As a result, Kispest (District XIX) and Józsefváros (District VIII) made the decision this year to suspend the implementation of the selected development programs. Therefore, I agree with Wampler<sup>16</sup> that a financially strapped municipality is more likely to involve citizens in discussion on general policy priorities rather than in the selection of new public works. At the same time, when planning participatory budgeting, it must be taken into account that the projects to be implemented also have a certain size limit, so in the case of low-budget projects, disproportionately high administrative burden (staff remuneration, marketing and organizational costs) must be taken into account. For this reason, the implementation of participatory budgeting may be disproportionately burdensome in the case of municipalities with a smaller population and limited financial resources. It is also important to note that due to planning peculiarities, the subsidies provided by the European Union cannot be used in the implementation of participatory budgeting programs, although these resources would undoubtedly significantly alleviate the lack of financial resources of local governments in Hungary.
- **Lack of professional competencies:** the planning and successful implementation of participatory budgeting requires serious expertise from local governments, which are typically in short supply. Apart from a few smaller professional NGOs (especially the K-Monitor Non-Profit Association) and experts, the human resources for participatory budgeting in Hungary are limited. As a result, local governments learn mostly from each other and from each other's experiences. In this field, the good practices of Budapest and Józsefváros (District VIII) is worth to mention. Budapest appointed a deputy mayor for smart city and participation,<sup>17</sup> and Józsefváros established a Community Participation Office to coordinate community participation programs.<sup>18</sup> In the field of knowledge transfer, cooperation with experts from the surrounding Central and Eastern European countries can also be highlighted. Furthermore, due to the cultural similarities, Budapest chose the Paris participatory budgeting model for his own participatory budgeting program. It was significant help that the software used to support the process was made available to anyone free of charge by the Paris municipality.

If we examine the aspect of who can support or oppose participatory budgeting, we see that the support of the local mayor and the majority of the members of the municipality council is essential. It is therefore in vain that citizens or local NGOs want to start participatory budgeting process if they do not have the necessary political support. At the same time, it can be deduced from the Hungarian experience that during the municipal elections, mayoral candidates (for example, in District VII, District VIII or District XIX) typically included the implementation of participatory budgeting in their election programs.

At this point I should mention the „Ez a Minimum!” (This is the minimum!) Project,<sup>19</sup> a joint initiative of the K-Monitor Non-Profit Association, the Átlátszó investigative journalism portal and Transparency International Hungary. The initiative dates back to 2014 and aims to support greater transparency in the operation of local governments. As part of this, the initiators of the project asked the candidates running in the 2014 municipal elections to make a commitment to act in the first hundred days of their work to make their municipality more transparent. Due to a number of difficulties in the practical implementation of the initiative, the organizers summarized and operationalized the commitments into 6 minimum points for the next 2019 municipal elections:

1. Public operation
2. Public interest data requests
3. Transparent budget management
4. Public contracts, public procurement
5. Municipally owned companies

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<sup>15</sup> Bucsky (2020)

<sup>16</sup> Wampler (2007)

<sup>17</sup> Fővárosi Önkormányzat (2021)

<sup>18</sup> Józsefváros Önkormányzata (2020)

<sup>19</sup> Léderer (2020); Ligeti (2020)

## 6. Accountable decision makers<sup>20</sup>

At the invitation of the organizers, a total of 204 candidates joined the initiative in 2019, including the later mayor and several deputy mayors of Budapest and council members. Therefore, the transparent and accountable model of municipal operation received significant political support after the municipality elections of 2019. The organizers of the project undertook not only to define the minimum requirements, but also to monitor the implementation of the transparency requirements after the elections and to provide technical assistance for their implementation according to their capacities.<sup>21</sup>

Undoubtedly, it is an additional task for the employees of the municipal office to organize and manage participatory budgeting. These tasks require a different approach than office work: much more consultation, liaison with citizens and local NGOs, and the creative and professional use of social networking and internet platforms.

Participatory budgeting is an excellent opportunity for the citizens to participate in local decision-making, but, as many authors,<sup>22</sup> point out, the active participation of citizens is a critical element in its implementation. At the same time, the use of a participatory budget can have a positive effect not only on civic activism, but also on the self-organization of citizens. Developing proposals, contributing to their implementation and monitoring implementation, or running completed projects can give new impetus to local NGOs, strengthening local communities.

## 5. Participatory budgeting of Budapest

As I have shown above, participatory budgeting has gained more and more ground in the practice of Hungarian local governments in recent years. At the same time, it must be acknowledged that none of the 19 county self-governments, and only a dozen of the 3178 local governments in Hungary have a participatory budgeting program or have already taken steps towards its practical implementation. However, if we look behind the mere numbers, we can see that these local governments typically come from larger local governments with a population of up to one hundred thousand, and the local government of Budapest also launched its participatory budget program in 2020. Therefore about one-fifth of Hungarians have access to participatory budgeting programs. This development is particularly striking when we take into account that the first participatory budget program was adopted in 2016, barely five years ago.

In the following, I present the participatory budgeting program of the Budapest and its implementation. Not only because it affects the largest part of the Hungarian population (directly about 1.7 million people, about 17% of the total Hungarian population), but also because it is considered to be the largest participatory budgeting project in Hungary in terms of both budget and elaboration, therefore its implementation can have a significant impact on the practice of other Hungarian local governments as well.

The preparation of Budapest's participatory budgeting started in 2019, after the autumn municipal elections. A significant factor in this was the fact that the leadership of Budapest local government (and many district municipalities) was taken over by the formerly opposition parties, whose mayoral candidates and council member candidates joined "This is the Minimum!" initiative. In order to put the relationship between Budapest local government and the citizens on new foundation, a deputy mayor for smart city and participation was appointed in 2019. At the same time, the preparation of the participation budget began with the appointment of a chief participation adviser.

The Mayor's Office considered the first participation budget to be a test, for the implementation of which HUF 1 billion (approx. EUR 2.9 million) was allocated. The software ensuring the implementation of the participation budget was provided by the Paris municipality, the creative implementation of the posters was done by own graphic designer, 2 people were hired to run the participatory budgeting project in 2020, and no contract was signed with an external party to support the process.<sup>23</sup>

The process of implementing the participation budget consisted of 4 stages. The first phase took place between 1 October 2020 and 31 December 2020. As part of this, Budapest local government expected ideas to be submitted online in the following categories:

- Whole Budapest: an idea that affects the whole capital (but at least 3 districts). In this category, it will be possible to implement 2 major ideas, each with a maximum amount of 250 million forints (EUR 1,45 millions).

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<sup>20</sup> K-Monitor Non-Profit Association (2019)

<sup>21</sup> Ibid.

<sup>22</sup> Pollitt and Bouckaert (2004); Fölscher (2007); Krenjova and Raudla (2013)

<sup>23</sup> Fővárosi Önkormányzat (2020)

- Green Budapest: ideas for the development of green spaces in the capital and adaptation to climate change. The cost of a project in this category cannot exceed 50 million forints (EUR 145 000), there is no lower limit. The total amount is HUF 250 million (EUR 750 000).
- Caring Budapest: ideas promoting social solidarity or community development. The upper value limit of a project is 50 million forints (EUR 145 000), there is no lower value limit, and the total budget for the category is 250 million forints (EUR 750 000).<sup>24</sup>

In the second phase of the project, the Mayor's Office and the districts concerned examined the approximately 700 proposals received from a legal, financial and formal point of view and consolidated them, shortened their descriptions and, where necessary, clarified their content.

In the third stage, a special body, the Participatory Budgeting Council, which was set up for this purpose, formed an opinion on the proposals. 642 people applied to this council, modeled on the UK, through the project's website. Among them, as well as among the members of the invited non-governmental organizations, 44 people came from, whose composition in terms of residence (district), age and education is similar to the proportions within the population of the capital. The 141 ideas considered feasible in advance were reviewed by the members of the council according to their public interest, reasonableness, innovation and likability, and then discussed in small groups during a two-day, facilitated meeting. Based on this, 53 proposals were finally put to the ballots.

In the fourth stage of the Budapest participatory budgeting project, anyone who lives, studies or works in Budapest and has reached the age of 18 could vote on the ideas received. One idea could be voted on in each category, so in total, everyone could cast three votes. Voting took place online and in person from 17 May to 31 July 2021. In the fourth stage, a total of 13,344 people voted and 40,000 votes were cast.<sup>25</sup>

The following projects will be implemented as a result of the vote:

	Project category	Project name	Expected cost in (EUR)	Votes
1.	Whole Budapest	Recreational and cultural center for adult autistic people	725 000	2056
2.	Whole Budapest	„Outskirts of Budapest” Recreation Center	725 000	1874
3.	Green Budapest	City forests	145 000	1514
4.	Green Budapest	Installation of bicycle racks throughout the city	145 000	1142
5.	Green Budapest	More drinking fountains in the city	145 000	1078
6.	Green Budapest	Community features in Szent István park	145 000	1052
7.	Green Budapest	Greener and more livable Mester street	145 000	924
8.	Caring Budapest	Renovation and rental of empty flats for homeless people	145 000	3902
9.	Caring Budapest	Exemplary public toilets in Budapest	145 000	3614
10.	Caring Budapest	Animal therapy programs in nursing homes	72 500	1251
11.	Caring Budapest	Creating a community space for disabled and non-disabled people	145 000	980
12.	Caring Budapest	Seating surfaces on the Danube bank slope	43 500	905
13.	Caring Budapest	Free sport possibilities	17 500	710
14.	Caring Budapest	Pedestrian crossing at Astoria junction	58 000	647
15.	Caring Budapest	Creating a legal graffiti wall	14 500	330

<sup>24</sup> Budapest Részvételi Költségvetés (2019)

<sup>25</sup> Budapesti Részvételi Költségvetés (2021a)

	<b>Reserve</b>		<b>84 000</b>	
	<b>Totally</b>		<b>2 900 000</b>	<b>21 979</b>

**Table 1. Winning project of the first participatory budgeting of Budapest (Source: own edition based on Budapesti Részvételi Költségvetés 2021a)**

## 6. Lessons learned

Although the first participatory budgeting project in Budapest has only recently been completed and the practical implementation of the ideas is still ongoing, we can already draw some important lessons from the above.

In the case of Budapest, the decision-making body remained the municipal council. This body approves the proposals voted by local residents, which received the most votes. Subsequently, the municipal council can no longer touch on the final result of the vote, delete voted proposals or put forward a new proposal, so the decision is clearly up to the citizens. The municipal council is only a formal executor of the decision of the citizens.

A common feature of the Budapest model is that it rely significantly on citizens and non-governmental organizations in the formulation of project proposals. At the same time, the analysis, evaluation and pricing of the proposals are carried out by the municipal officials, if necessary in further consultation with the proposer. The peculiarity of the participatory budgeting project of Budapest is that it was not the local government that decided to put the many received proposals on the ballot paper, but a specific 60-member council (actually 44 people in the end), representing the population of Budapest.<sup>26</sup> The proposals received are not decided by the municipal council, but by the local residents with the help of ballots or online voting. Businesses are not given a say in the process, either in the preparation of proposals or in the voting process, but it is of course not excluded that businesses participate in the process as local residents and propose or vote on individual projects.

During the decision-making process, it can be said that the Budapest participatory budget project is<sup>27</sup> is a model of empowered deliberative democracy, aim to solve specific, local problems and implement development projects. Its aim is therefore not to enforce general planning principles or to consult on the quality of public services, but to achieve well-defined objectives. In doing so, participants have the opportunity to formulate their suggestions and express their preferences based on pre-defined formal rules.

In the case of Budapest participatory budgeting, the engines and shapers of the process are the citizens. Based on the consultations that have taken place so far, it can be said that the decision-making power is in the citizens' hands, the local government only participates in the implementation of decisions taken by voting and reflecting the opinion of local residents, therefore regarding empowerment, the Budapest practice approaches the Porto Alegre model adapted for Europe.

Regarding the difficulties of the participatory budgeting project of Budapest, the biggest one was undoubtedly the fact that a previously not used participatory model had to be implemented in such a way that it has neither domestic regulations nor relevant domestic practices. Despite all this, the participatory budgeting of Budapest can be said to be successful, as the process went well and led to results, even though the organizers had to face significant difficulties. Due to the coronavirus outbreak, most of the planned personal consultation opportunities either had to be canceled or could only take place online. The epidemic also made it difficult to communicate the participatory budgeting, as news of the epidemic and epidemic management measures overshadowed news about the planning and implementation of the project. Finally, the government's financial deductions and extra expenditures related to the epidemic significantly narrowed Budapest's budgetary room for maneuver, jeopardizing the implementation of the participatory budgeting.

However, all these challenges were well handled by Budapest. The almost complete preparatory phase and communication of the participatory budgeting project took place online, involving the districts of Budapest as well. This, together with the extension of the deadline for voting, has made it possible for many more people to be involved in planning and voting. The credibility of the participatory budgeting project was strengthened by the fact that, despite the deductions and extra expenses the implementation of the participatory budgeting was not suspended, but it was carried out successfully.

## 7. Conclusions – a role model for local governments?

The practice of participation budgeting of Budapest can be traced back to only a few years, therefore it is difficult to draw conclusions and determine trends based on previous experience. However, it can already be stated that the Budapest local government - despite the almost complete lack of legal regulation - is able to implement a participatory budget program. It can also be said that, despite the negative effects of the epidemic,

<sup>26</sup> Budapest Részvételi Költségvetés (2021b)

<sup>27</sup> Fung and Wright (2003) p. 17



the population is showing a keen interest in participatory programs, both in terms of formulating proposals and deciding on them. Nearly 700 proposals were received for the recently closed Budapest participation budget and a total of 13,344 votes were cast,<sup>28</sup> which is a significant number, at least for the first time.

Based on the above, it can be stated that the Budapest local government's participatory budgeting provide a wide space for citizens both in terms of project formulation and decision-making. Therefore, the Hungarian practice participatory budgeting model – based on Sintomer et al.<sup>29</sup> and Krenjova and Raudla<sup>30</sup> - is close to the community participatory budgeting model while regarding of empowerment, it shows similarities to the Porto Alegre model adapted for Europe.

Based on the presented case study, we can state that the Budapest participatory budgeting project achieved the goal of the political forces that took the local government decision-making position in 2019. Although the establishment of the Participatory Budgeting Council was not smooth, following the criteria of Fazekas,<sup>31</sup> it can be stated that the efficiency of the decision-making process improved due to the quality and social support of the development project proposals prepared in this way. The project proposals went through several filters, which improved both the efficiency of the use of resources and the chances that unnecessary or overpriced projects proposals would be implemented. Finally, by involving citizens in planning and voting, the Budapest participatory budgeting project mobilized not only the residents of Budapest, but also the citizens studying and working here, making the democratic processes livable, strengthening the citizens' democratic commitment.<sup>32</sup>

Overall, it can be stated that the carefully prepared participatory budgetin of Budapest can be used as a good role model for Hungarian local governments, as it strengthens participation and the democratic commitment of citizens. In my opinion, some elements of the Budapest participatory budgeting (implementation stages, online tools and software) can be directly transferred to the practice of other local governments, while some special elements of the project, such as involving the Participatory Budgeting Council in decision-making process, may require redesign.

However, we can be optimistic about the future of the participatory budgeting in Hungary. Budapest and other local governments that have been living with this innovation so far are committed to continuing participatory budgeting programs, and programs suspended due to budgetary restrictions are also expected to continue as a result of the economic recovery. In the longer term, these programs can be helped by the development of a legal framework, the wider dissemination of professional experience and good practice, and a significant increase in the free budgetary resources of local governments, even through the channeling of EU subsidies.

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<sup>28</sup> Budapesti Részvételi Költségvetés (2021a)

<sup>29</sup> Sintomer et al. (2010)

<sup>30</sup> Krenjova and Raudla (2013)

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