

PARTICIPATORY BUDGETING AND THE COLLABORATIVE GOVERNANCE MOVEMENT ON THE HUNGARIAN LOCAL GOVERNMENT LEVEL¹

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1 INTRODUCTION

Civic engagement and public consultation are popular tools employed by governments to improve transparency, efficiency and effectiveness of policy formulation, service provision and monitoring (Rodrigo and Amo 2006). Consultation with interested members of the community can take place in different forms.

The first and least cooperative form represents rather one – way notification, when government provides information on policy decisions to the public. The second stage is consultation, which allows two- ways communication and interaction between the government and the interest groups. It usually aims to enhance the bottom - up problem identification and articulation and program evaluation. And the third, more complex form of consultation is participation, that requires an active involvement of interest groups in the formulation of policy objectives, prioritizing between different alternatives and selecting the right program.

This study investigates the latter form of consultation through presenting and analysing the practice of participatory budgeting. Participatory budgeting (PB) is a process in which citizens take part in the decision-making and allocation of public funds. This approach empowers citizens, who are often closer to day – to –day problems of their community than government authorities. Community members are devolved to exercise direct control over resources and allows them to prioritize policies that are most needed in their environment by deciding together how to allocate part of a municipal or public budget (World Bank). In other words, PB is a form of collaborative governance in which active community members work together with the government to make decisions about public spending.

Attention must be drawn that certain preconditions are required to implement collaborative government in general and participatory budgeting in special. First of all, this concept implies a generally supportive, inclusive, transparent and accountable political environment where active participation of citizens in government is fundamental democratic right for all people and this image of active community is also embedded in the social culture. It involves strong supportive political environment that insulates participatory budgeting from political attacks. Secondly, it also requires certain institutional capacity, including human resources and knowledge to launch and manage certain projects and financial resources to fund the projects selected by citizens. In well-developed democracies attributed with active local communities has a long tradition in participation and cooperation between government and citizens. However, Hungary, as a post- communist country represents a special case. In the early nineteenth the rapid political changes have been followed by a much slower and controversial transition from a socialist one-sector economy to a ‘three-sector economy’ (Kuti 1994). The decline in the role of the state and the vigorous swell of democratic ideas such as decentralisation, devolution and citizen empowerment triggered the development of the market and civil society. Even so “the development of civil society organisations in Hungary has been impressive in terms of number and diversity, its influence has remained limited on policy-

¹ Project no. TKP2021-NKTA-51 has been implemented with the support provided by the Ministry of Innovation and Technology of Hungary from the National Research, Development and Innovation Fund, financed under the TKP2021-NKTA funding scheme.

making” (Szalai – Svensson 2019). To introduce successfully a participatory budgeting system, especially on the local government level in a diverse municipal system, one must be sensitive to the context, such as different standards of living, different societal compositions and histories of conflict, or different economic and political institutional capacity. That is why this study aims to provide a better understanding in the context-specific ‘social fabric’ to perform effective community engagement. This implies an interest in the drivers and blocks of collaborative governments and also leading to a debate on potential costs and benefits of launching PB program either from the government or citizens side. Many potential benefits of PB is proved by earlier studies, including improved service delivery, increased government accountability, and enhanced community engagement. However, there are also some costs associated with PB processes, such as the need for dedicated staff time and resources. Overall, the costs and benefits of PB need to be carefully evaluated on a case-by-case basis to ensure that participatory budgeting is the best way to meet the needs of a particular community. In this article we'll explore the fundamentals of participatory budgeting before evaluating its costs and benefits. In section 2 we briefly trace the concept of new ways of governance, co-creation and participatory budgeting. In section 3, we introduce the attributes that form the practice of governance and co-creation in Hungary and in so doing, we clarify contradictory impact of the legacy of the communist experience on the government – society cooperation and highlight the institutional characteristics of the governance framework at the local level. In section 4, we present cases of participatory budgeting in three local governments’ practices and we introduce the potential benefits and costs of certain practices based on our interview experiences. Finally, we conclude with a discussion of the implications of the PB and the challenges that lie ahead for further development. The data collection relies on mainly interviews with government officials and members of governance networks (representatives of NGOs, citizens) 6 local government officials, politicians or project managers were interviewed during the period of October – December 2022. Each interview took around 1 hour.

2 CO – CREATION AND PARTICIPATORY BUDGETING

Co-creation is a key concept in the development of public policy and delivering public services. As a shift from traditional public administration (Brandsen et al., 2018, Bovaird – Loeffler 2012) which mainly relies on bureaucratic structures and direct exclusive /monopolistic delivery of public services, where the members of society were primarily viewed as passive clients or receivers of public services towards a more complex system of network based collaborative governance, also called as New Public Governance/ NPG (Osborne, 2006, 2010). According to NPG, public policies are developed, and public services are delivered in a compound cocreation of public, nonprofit, private organizations and formalized or ad hoc coalitions and citizens (Pestoff 2018). Co-creation is a process through which inputs and resources from individuals who are not part of the public organization are transformed into the process of creating goods and services and where citizens are expected to play an active role in some aspects of the policy cycle (Osborne 1996). The reason why co-creation has been proposed as an alternative solution to the traditional model is the belief that the creation and delivery of services is difficult without the active participation of the recipients. The implication of co-creation seems to be largely important and creates better synergy and development especially in such as complex form of governance called as “polycentric systems” (Ostrom 2005, Ostrom 1996) where multiple centres of decision making are given and where each actor operates with some degree of autonomy.

However, it is still inconsistent and contradictory in the literature (cf. Brandsen – Honingh 2016) what types and level of cooperation can be classified under the term of co – creation. This article applies a broader interpretation where “public services are the joint product of the activities of both citizens and government officials” (Sharp 1980, p. 110) and government

intends to enable citizens and to make them aware of their participative potential in solving important societal problems and empowering them to deal with public policy issues in different stages of policy circle (Palumbo 2018,p. 4499).

The various forms of co-production might differ in two major aspects. Firstly, different actors and stakeholders might be involved in the practice. On the one side some government actors are required either directly or indirectly. On the other side social actors - can be distinguished a wide range from individuals to NGOs, church or business entities - are involved who interact with the government actors.

Secondly, co-creation can be encouraged in different ways by involving social actors in different activities. Bovaird and Loeffler (2012) argue that coproduction may involve co-planning of policy, co-design, co-prioritisation, co-financing, co-managing, co-delivery of services and co-assessment (including co-monitoring and co-evaluation) of public services. Our current practice, the participatory budgeting falls into the co- planning and co -design categories where public services are mainly delivered by government, but the planning and design stages closely involve community members (Bovaird 2007). PB is a type of community engagement in which citizens decide how to allocate part of public budget through a process of democratic deliberation and decision-making and community members also part of designing the selected services and monitoring the implementation of them. Though PB practice members of the community identify, discuss, and prioritize public spending, government acts mainly as the mediator and facilitator of the process by organising some forms of public deliberation within the framework of specific meetings and public forums and government keeps certain accountability on the outputs (Bartocci 2018, p. 4483). There are generally two approaches through which PB formulates: top-down and bottom-up. In the top-down approach, the adoption of participatory budgeting is required by the central government. In the bottom-up approach, local governments decide autonomously to initiate PB budgeting independent from the national agenda. In this approach community, local interest groups, NGOs and local organizations play crucial roles in mobilizing and informing the community members.

3 THE TRADITION OF GOVERNANCE AND CO-CREATION IN HUNGARY

Participatory budgeting does not occur in a vacuum: Cultural, environmental, social and political factors impact citizen engagement and co-creation in the public sector.

3.1 Path dependency: The legacy of the communist experience

Civil society and advocacy are generally rather relatively weak in the CEE countries, including Hungary, due to the rather loose linkages between civil society and state institutions. According to previous studies (Guasti 2016, Kopecky and Mudde 2003) there are still several important shortcomings in how CEE civil societies function when it about participation and co-creation. The state-society relationship remains cumbersome. CEE countries are special case when it is about co-creation because the bottom- up cooperation with the government and active citizenship have no long tradition and political culture neither from the citizens' nor from the government's sides. In the communist past citizens were seen more as subordinates of the state and communist rule destroyed foundations of civic life. Civic activities, that were not directly organised by the communist party were mainly not tolerated or suspected as harmful for the communist regime. Howard (2003) argues that the legacy of the communist experience of mandatory participation in state-controlled organizations, the development and persistence of vibrant private networks, and the tremendous disappointment with developments since the collapse of communism have left most post-communist citizens with a lasting aversion to public activities. These phenomena dramatically diminished the capacity of the civic sphere to regenerate itself, even after the transition (Ekiert and Kubik 2007).

Even in the recent years most NGOs and civic organisations find it difficult to work with state or local government institutions. The reasons for that the even at the local level public organization characterized by extreme politicization and polarization. Apart from political reasons, there is a general distrust and lack of cooperation between civil society and local authorities, partially based on a lack of experience working together or on lacking capacities and skills for cooperation. However, the pandemic situation and state of emergency has shaped this relation and left behind lasting effects, was mirrored in deepening the local government dependency on local communities and civic society's resources.

Despite the above, Hungary ranks above EU-27 average for tendency to trust national government (45%), regional and local authorities (63%), and public administration (62%)² (see table 1). The tendency to trust national / local authorities and public administration is relatively stable over the past five years. The Hungarians have the highest trust in the local authorities, scores 63/100 and ranks 7th in the European Union.

Table 1: Openness, oversight, and trust

Member State	2017	2018	2019	2020	2021	Latest	Source
	Value	Value	Value	Value	Value	Rank	
Transparency of government (0-100)*	39,5	55,0	55,3	60,0	41,6	23	EC, eGovernment Benchmark
Open data (% of maximum score)	-	-	32,0%	34,0%	58,0%	24	European Data Portal
Tendency to trust national government (%)	39%	46%	48%	46%	45%	11	EC, Standard Eurobarometer**
Tendency to trust regional & local authorities (%)	55	64%	62	64%	63%	7	EC, Standard Eurobarometer**
Tendency to trust the public administration (%)	55%	59%	57%	62%	62%	8	EC, Standard Eurobarometer**

* For this indicator, the value is a biennial average. The year in the top row is the 2nd of the 2 years (e.g. 2017 is 2016-2017).

3.2 Institutional dependency

Among other things, the effectiveness of PB practice depends upon the historical and cultural context in which the governance system is embedded. Our focus here is on the institutional features - formal and informal rules, norms, and strategies that structure human interactions (E. Ostrom 2005)- that enhance or hinder the functionality of PB systems.

Local governments play a crucial role in community engagement and building relationship with the society. Local-level decision makers may be able to respond to the community's need and feedbacks more quickly than centralized decision makers (Folke et al., 2007) and to build formal and informal institutions and processes that are better adapted to local interests and norms of behaviour (E. Ostrom, 2005). But it is also a general tendency that local governments often lack the capacity or authority to deal with complex issues which requires wider consultation with the public.

As earlier research shows (Kocsis 2018), the practice of engaging the community members to policy making on a local level is rather rudimentary and non- systematic, and comprehensive

²European Commission, *Standard Eurobarometer 95*, Summer 2021, available at: <https://europa.eu/eurobarometer/surveys/detail/2532> (accessed 15/07/2022).

public consultation only take place when urban development projects benefited from external financial sources (mainly EU funds) explicitly requiring it from local governments. Research shows that public engagement has several limitations. One of these is the lack of capacity, i.e., formal, systematic population surveys are not carried out because the financial framework of local governments is tight, human resources are often lacking in the office, and in many cases the necessary knowledge is not available to conduct such surveys. In smaller settlements, where almost everyone knows everyone else, the exchange of information during personal communication is considered sufficient.

As regards the national regulation on local governments, it doesn't encourage local governments to engage the public either. The framework of mandatory cooperation between the local government and the community is characterized only in a very vague and blurred manner. It provides broad autonomy for local governments to choose the forms and intensity of public consultation.

The Local Government Act specifies a one-way public consultation as an obligatory forum for local governments. The LG committee is required to hold a public hearing announced in advance at least once a year, at which representatives of the community and local interest groups can ask questions and make proposals concerning community affairs³. In addition, the LG can specify which civil organizations might be invited to the public consultation and what are the other forums if any, which they serve to inform and consult the public (town forum, district council, village meeting etc.) On the other hands, the law also requires local residents to contribute to the creation of public services according to their abilities and opportunities.⁴ The other institutional characteristic that affects the public engagement is politically divided environment. In LGs with high – political tension and strong opposition, LG's leadership tends to consciously use one-way communication instead of real consultation in order to avoid negative criticism and eliminate oppositions' feedback. In these LGs, mainly LG friendly interest groups are given space for consultation, while critical groups have limited opportunities.

A third factor strongly shapes the LGs' practices on public consultation is the presence and power of local interest groups who can shape the policy agenda.

Fourthly, the factor characterizing mainly the districts of Capital City Budapest is the ratio of commuters/non-permanent residents is relatively high. That has a high – impact on community (non)commitment to influence public affairs. Due to the high fluctuation of residents (renters, commuters) who only live in the district periodically, the commitment to the community is low and it is also difficult to involve them in public consultation.

4 THE CASE OF PB PROJECT IN HUNGARY

4.1 Background

In the last years PB became a spreading practice for local governments (LGs) especially in the Capital City Budapest and in their districts.⁵

Before the LG elections 2019 three NGOs⁶ advocating for transparency and integrity in government launched a campaign program called "That is the minimum", which summarized the basic principles for transparent decision-making in the LG on six area. These are the followings: Transparent operation (agenda, minutes of the local committee are published,

³ Act CLXXXIX of 2011 Act on Local Governments of Hungary 53 §- 54 §

⁴ Act CLXXXIX of 2011 Act on Local Governments of Hungary 8. § (1)

⁵ e.g. Budapest, the capital city, II. district, VI. VII. district of Budapest, Hatvan, Szódliget just to mention a few example

⁶ The three NGOs launched the 'That's is the minimum' were Átlátszó, K-Monitor and Transparency International Hungary.

trackable discussions), freedom of information (openness on requesting public data), transparent budgeting, contracts and public procurements are published, transparent operation of companies owned by the LG, accountable decision makers (transparency on asset declarations).⁷

During the election campaign many local politicians and majors - only opposition party politicians or independent /civil candidates⁸ - committed to the program and promised that, if they got elected, they would implement the program in their own LGs by the end of the term (5 years).

But at beginning of the pandemic situation and the declared “state of emergency” this topic was relegated to the background and LGs were put under extreme pressure by initiating lockdown measures and social and healthcare services among the local community (cf. Hajnal – Kovács 2020, Baranyai – Barsi - Nárai 2021). At the same time the Government initiated a number of measures in 2020, leading to a further weakening of Hungary’s LG competences and capacities. Whereas the formal structure and remit of local self-government has not changed de jure, its autonomy de facto has radically decreased. After the drastic elimination of local autonomy throughout the 2010s (Hajnal & Rosta 2016), during the pandemic situation new measures further limited the LG’s financial and organizational capacity significantly. Whereas some measures hit all municipalities, the most important ones were rather selective, hitting the larger cities and, most prominently, the capital city Budapest. The main tool used to weaken them was depriving them of the most significant revenue source⁹ (Hajnal – Jeziorska – Kovács 2021). Furthermore, a number of local (typically, social) development projects were cancelled, predominantly in opposition-led municipalities.¹⁰ As a result of financial restrictions, many LGs were forced to implement layoffs, budget cuts, or delay / cancel local development projects (Siket 2021).

4.2 Inter- municipal cooperation and citizen engagement in PB project

The Hungarian case of participatory budgeting (PB) provides a good example of a multi-stakeholder cooperation. Three local governments – the III. District and the VI. District of Budapest and Szentendre, a town in the suburb area of Budapest - got involved to the project led by the NGO, Transparency International Hungary (TI). The project was founded by the US Embassy and running between 1 November 2021 to 15 September 2022 (in one of the municipalities the final vote organized in October, 2022).

According to the Hungarian law the LG only required to publish its budget and data regarding the implementation of the budget and the evaluation of the performance¹¹. Since there is no specific legal framework or requirement to apply PB in the local level TI was responsible for developing a mainly standardized method for PB and provided help and monitored the implementation of the processes in every municipalities. However, the methodology structured similarly the three municipalities participating in project have different features and experiences when it comes to citizen engagement, defining priorities and designing the planning process, so the project coordinator had to be sensitive on the local characteristics.

Based on the interview evidences, the most important characteristics that had to be taken into account during planning were the territorial size and fragmentation of the municipality, the

⁷ The webpage of the program available at : <http://ezaminimum.hu> (accessed: 16/09/2022)

⁸ The list of the politicians or local representatives joined to the program is available on the program’s website: <http://ezaminimum.hu> (accessed: 2022.09.16.)

⁹ Government Decree 92/2020. (IV. 6.) on the specific rules of the 2020 state budget of Hungary related to the emergency situation

¹⁰ https://www.napi.hu/magyar_gazdasag/elvonas-kormany-jozsefvaros-koronavirus.705792.html, Accessed: 02.09.2022

¹¹ Act CLXXXIX of 2011 on the local governments of Hungary, 113. §

proportion and the commitment of the ‘commuting’ population, the local subcultures and advocacy coalitions and strong interest groups (e.g. families, those connected to kindergartens and schools, local patriots, dog owners, the elderly). The municipalities of III. and VI. Districts have different authorities and responsibilities compared to the town of Szentendre, and the population of the two districts may represent a weaker, more fragmented local identity than the town. Two LGs out of the three had already one- or two-years practices in PB, the third LG, the VI. District was new with the PB. During the course of the project, the LGs supported each other by mutually sharing their experiences, good practices or even working and project planning methods.

According to the implementation of the project the LGs committed to launch a campaign to promote the PB project and try to engage as many people to the program as it is possible. Social media, website, local newspapers and personalised post letters were utilized to spread the information and promote the PB, and the staff of LGs also directly contacted the community leaders or vulnerable populations who regularly in contact with the LG because of social care. On-site campaign and promotion was also organised in the downtown or on “street forums”. As the first step the awareness was raised and than idea was collected from the community. Every community member had the opportunity to propose any development idea to the LG agenda.

The second step was organizing joint events, workshops in order to start a dialogue between the municipalities and the citizens, but also between citizens and interest groups themselves about the proposed ideas and their priorities and importance. The NGO had an important role during the whole process as a facilitator and mediator between citizens and between LG and the community. The third step was creating a list of prefiltered ideas from workshop participants. The major challenge was during this phase to keep the discussion in a constructive and realistic track. These events provided a great opportunity for the LGs to make a better understanding among the citizens on the scarce resources and financial limitation of the municipalities. The fourth step of the program was the feasibility check of the proposals by LG experts. Certain proposals had to be rejected /preselected because they did not fit into the budget frame with maintenance costs or the property subject to the proposal did not belong to the municipality. In the next stage the citizens or in the III. District the LG itself selected the proposals for the final voting based on applying predefined selection criteria. Citizens could vote on the final proposals online.

There is a growing literature addressing the question of why PB is being used in certain municipalities. In our case there are more motivation factors, explanation can be identified.

All the four organisations shared common objective namely improving the transparency and publicity of LG operation and budgetary processes by engaging citizens. In this case participation by citizens in the decision-making process enhance social cohesion and inclusion and help to build trust towards the LG and among the community as well.

Secondly, the political leaders of the LG were also committed to PB, because transparency and civic engagement were important elements of their political campaign in 2019 and they showed liability to fulfil their election manifesto (as we stated above the “That is the minimum” program). As our interview evidences show some political leaders even labelled the PB as a ‘communication campaign’ that brings more support and votes from the residents.

Aside from political reasons, it aimed to solve certain social problems, such as the inclusion of disadvantaged groups and equal distribution of resources. Elderly people, vulnerable members of the local community living in social houses, local grass root organisations and communities were invited and attended at the events.

Fourthly, as one of our interviewees pointed out the PB can be seen as the first milestone that paves the way for other cooperative practices and direct participatory on the local level. However, the LGs are lacking the knowhow and sometimes the human capacity to develop and

implement such an innovative program, so the external support from an NGO to transfer the knowledge and provide the guidelines had a high relevance. In this case we can describe the relationship between LGs and NGO as mutually dependent and mutually beneficiary.

4.3 Overview of cost and benefits of Participatory Budgeting

Participatory governance reforms are gaining a growing relevance all around the world. However, it is still not clear whether a participatory approach to public policy making supports or hinders the proper functioning of public institutions; besides, only limited evidence on the ability of participatory governance initiatives to enhance the democracy and the effectiveness of public policy-making processes is available (Lindgren and Persson 2011).

Many studies proved, and it is generally accepted that networks create new, additional resources for the government, such as financial resources, knowledge, expertise and experiences that government might miss, workforces if we think about volunteers or good reputation and social cohesion just to mention a few. The society and the citizens themselves are also beneficiaries of government cooperation by achieving greater transparency and accountability or by influencing/ forming agenda and policy content through the direct participation and representation. On the other hand, besides the highlighted plurality of positive impacts the implementation of co-creation we need to understand better the limitations of such practice. The most critical issues relate to its elusive nature of their cost and actual benefits. This subchapter aims to provide a useful framework to identify the added value of collaborative partnerships by systematically analysing and summarizing the experience on 3 cases of participatory budgeting processes in Hungary.

Neo – classical economic theories of decision making suggest rational ways of understanding the choice of government entities to cooperate. It suggests that there are economic and political incentives that trigger cooperation. According to the literature collaborative governance cooperation might result in a number of positive effects (Bartocci 2018).

Increasing the administrative performance and adaptability of the public organization. It means developing new techniques and procedures that make the organization capable of renewing and improving administrative performance and operation. Cooperation likely creates cost savings by the division of the construction and operating costs of public service delivery infrastructures (Spitzer 2015), overcoming resource scarcity, the creation of opportunities for new and innovative ways to achieve high quality and less expensive service delivery. As it was emphasized by interviews from two municipalities PB projects have overspreading, indirect positive output, namely the creation of a “problem map” of the local issues indicated by the community. The local government often does not have the capacity to assess all needs or infrastructural problems (potholes, broken benches) all across the municipality. Residents’ feedback is a very efficient form of gathering and mapping information and needs. These are visualised on a map published on the LG’s website. There are proposed issues that are not addressed by the PB, but are added to the municipalities’ ‘to – do list’ to handle them in the near future.

The other commonly accepted advantage of PB is that it may be capable of adapting to the real social and ecological needs and changes better than more centralized forms of government. As our interviewees stated the power of a personal meeting is the strongest. It provides an opportunity to understand the needs and of the community and also provides a platform to understand the different viewpoints of several interest groups representing conflicting / competitive interests. The third benefit of introducing PB is creating social capital and trust by bringing people closer to the idea of community and sociability and decreasing the feelings of mistrust toward LG and other community members and dissatisfaction. It also helps to build commitment and reduce alienation, which is a general phenomenon in the districts of Budapest. The high fluctuation of

residents creates the attitude of being isolated from the community. The workshops and community meetings enables residents to build relationships and understand each other better. The fourth benefit strongly links to the previous one. It helps reconstructing a sense of community. The variety of formal and informal mechanisms (meetings, talk with people who are not necessary like-minded) enables conflict resolution between community members, but also between the LG and the citizens. Instead of creating strict hierarchical systems LG proposes arenas that can engage in rapid discovery of conflicts and effective conflict resolution (E. Ostrom 2005). As many interviews pointed out one of the most important impact of PB that citizens got more aware of the real nature of community problems and the complexity of implementing certain programs (e.g. creating a pedestrian crossing is not drawing, but it requires the cooperation and permission of several authorities)

Last, but not least creating PB has also multi-tier political benefit. Reinventing the authentic meaning of democracy by direct participation (Bartocci 2018) increases the legitimization of power and improving social cohesion and trust towards government. It has an impact on community's acceptance of government institutions and decisions which enables voluntary law enforcement and implementation of government decision as well (Wampler 2012). As our interviewees also stated, this function of governance has a high importance in a certain times, especially when the trust toward traditional model of representative democracy is weakened. Most of the interviews strengthened that one of the most important element of PB is building trust and ground for the "participative" culture within the community. It helps to create a direct connection between participation and outcomes. When the active participants take their time and effort to propose project ideas, discuss them or select the preferable project by voting, their expectation is to receive feedback from the government and follow up transparently on the implementation. When the government successfully implements selected projects, it reinforces the notion that participation in participatory budgeting is a valuable tool for promoting change (Wampler and Avritzer 2004).

Basically, as our interview experiences showed, the community was rather sceptical about government measures. The culture of cooperation is missing from domestic public life. Therefore, one of the main challenges of every project is building trust. Government actors emphasized that during the entire project period - from the collection of ideas, through their selection and discussion, during the voting process to implementation - the municipality continuously communicates transparently on various platforms - website, social media, leaflets, personal consultation, public forum - the decisions and detailed justification behind approval or rejection and data underlying the selection process. The PB process and the transparent communication of the governments helped stimulate accountability in local government. Participants believe the government will fulfil its promises.

Sovacool (2011) even suggests that such a governance systems enhance accountability because it may be more difficult for local oligarchs or dominant interest groups to capture the local policy agenda. PB provide more opportunity for citizens and officials to correct 'maldistributions of authority' and takeover by opportunistic individuals.

On the other hand, as Feiock (2009, p. 257, 2013, p. 399.) pointed out there is transaction costs of negotiating, monitoring, and enforcing an agreement are necessarily required for achieving joint actions. Transaction theories of organizations focus on uncertainty and four types of transaction costs as barriers that prevent government entities and authorities from reaching cooperation and co-actions. The first is called as "information costs" limit the range of options being considered by bounded rational actors, the second type refers the "negotiation costs" that limits the number of alternatives for actors during the decision making process, the third cost is "external decision costs" that limit autonomy in conforming to collective decisions, and the fourth type of cost is related with the decision enforcement, because the joint action limits the ability to make credible commitments. (Feiock 2013, p. 399.) One should also note that

participation also entails a cost for the citizen, in terms of the dedication of time and energy, and does not provide for any form of remuneration; the potential benefits associated with participation are not immediate. As our interview evidences show the implementation of such programmes requires a tremendous amount of resources. Beyond the financial resources the need to mobilise significant capacities and develop new competences on both sides - both from public administration, politicians and the citizens - in order to have a positive and sustainable impact. On the side of the LG should allocate a few people as experts (urban development) and project managers, however the LG's HR capacity are limited and overloaded. Secondly the LGs have very limited financial capacity to launch any new development or innovative investment. They can hardly finance the provision of the basic public services due to the central financial deductions. Thirdly the LGs need also more time to shift from the more bureaucratic, authoritarian way of thinking about government – customer relations and adopt and integrate the culture of cooperative governance and civic engagement. The key factor of sustainable cooperation is building trust by providing evidences and good examples how the program reached its goal and ideas coming from the community have been realized. But it is a decades-long process to make cultural changes on the government side and in the individuals' awareness.

On the side of the participants the tradition of cooperation and constructive dialogue with the government officials are also new and unusual. Citizens tend to be averse and keep distance from the new practice. Hence, one of the most critical issues concerns the quantity and quality of participation. As our interviewees stated citizens are not always keen to be involved in PB. In many cases, the participation rate is well below the 4-5% threshold. Participation requires cost for the citizen, in terms of the dedication of time and energy and in many case citizens do not see the direct, immediate benefit of participation. It is also need to be highlighted that some interest group might be overrepresented in the decision making process, because in generally they are more active, so PB can be captured by the most dominant interest groups such as families with children or more educated people who are more informed and interested in politics as such.

Additionally, PB practices might also create political costs or deficit in democratic initiations. The functionality of a governance system depends upon the possibility of holding decision makers accountable for their performance, decisions or failing to meet the needs and expectations of those whom they represent. By outsourcing the task of decision making to the community in PB the conventional mechanisms for accountability may be inadequate on account of the dispersal of decision-making authority among governmental and community actors (Skelcher 2005). Governance actors had strong incentives to shirk responsibilities because they could avoid 'blame' by relying upon other actors who were involved to the policy process, so they were not likely to be blamed or held accountable for inaction.

5 CONCLUSION

Participatory budgeting is an effective tool for engaging citizens in the decision-making process and it can be a useful means of improving public services. Importantly, participatory governance systems do not necessarily perform well or better than other forms of government. There are a number of potential pitfalls associated with their complexity. For example, the transaction costs associated with the coordination and facilitation can be quite high, particularly in larger or diverse systems. Additionally, by combining direct and indirect form of democracy the division of responsibilities between community members, interest groups, elected local politicians and LG bureaucrats in a governance system can make it challenging to hold decision makers and LG accountable for their performance. It also involves considerable costs including human resources, facilitation and negotiation costs, time, special expertise from urban development specialist and technology expenses. Nonetheless, when properly considered and

implemented, participatory budgeting offers valuable benefits to communities by making them more informed about their local government's budget priorities and giving them ownership over important decisions. Ultimately it may help make society fairer and build additional social capital which is why it should be explored as a practical option for governments.

There are also a number of critical issues that are specific to PB. One remaining gaps of the PB process might remain the relative weakness of state citizens relationship. The other critical issue links to the instability in its application. The use of PB does not often last for more than a few years due to the fragility and volatility of the phenomenon. PB can captured by political parties or by coalition or in some cases people tend to over- identify the PB practices with ceratain figure or political coalition that has promoted its use. This may create a dangerous connection between the political arena and the PB practice which rather serves the co-creation of policies.

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