

## Good Governance Starts from Procedural Changes: Case study of Preparing Participatory Budgeting in the City of Tartu

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### Abstract

The main goal of this paper is to examine practical experience in good governance at a local level by discussing the initiative called Participatory Budgeting (PB). The paper seeks to map challenges, choices and decisive factors that can be distinguished in the PB preparation process by presenting a case study of the City of Tartu. It focuses specifically on the fears, barriers and arguments of the local politicians and officials involved in the preparation process. The study reveals that political confrontation, financial constraints, composing the PB decision-making body as well as overcoming the problem of extra workloads can become major challenges in the process of preparing for PB.

**Keywords:** local governance, participatory budgeting, participation practices.

### Introduction

Citizen participation or, to be more precise, a lack thereof, has become one of favourite topics of numerous political documents and academic papers. One could even argue that it has turned into a common rhetoric in everyday politics at all levels. However, this rhetoric very rarely materializes in good examples of citizen real empowerment and involvement in decision-making processes. Sceptics of participation might argue that if the aim is to make sophisticated and difficult socio-economic and political decisions, then, to give an example, if a bridge needs to be built, people should not be asked how to do it because engineers should be in charge of such a task (Cellary 2011, in Krenjova, Raudla 2013). In other words, it is often assumed that people lack knowledge necessary to participate in public affairs. However, even if one argues that there is indeed no need to ask citizens how to build a bridge, it might still be a good idea to ask them where to put it (ICEGOV 2011, in Krenjova, Raudla 2013). In the context of Participatory Budgeting (PB), one might go even further and ask people whether they want a bridge at all or they would prefer that the municipality spent funds on something else.

PB is an emergent phenomenon and a growing international practice in many countries. It provides an opportunity and space for the public to shift from being a mere service “user” toward being an involved “maker and shaper” (Demediuk et al. 2012, 186). The benefits of PB include democracy, transparency, education, efficiency, social justice and community development. Since there is considerable research on participatory democracy and the necessity of enhancing it (e.g., Kim and Lee 2012; Höchtl, Parycek, Sachs, 2011), the present paper does not focus on outlining the advantages of PB. We would only briefly cite John Dewey’s expression: “The man who wears the shoe knows better where it pinches” (Lerner 2011, 31).

Analysing PB can pose a considerable challenge. This is mostly because of differences in PB practices in terms of the form of citizen participation and monitoring and managing the process. The scope and combination of different elements vary from case to case and the very notion and definition of PB remains a much contested issue<sup>1</sup>. While there is a growing body of research describing the already implemented PB practices and their results, there is a lack of analysis of the preparation process of PB and its characteristics. This paper seeks to fill this gap by mapping the challenges, choices and decisive factors that could be distinguished in the PB preparation process. It focuses specifically on the fears, barriers

<sup>1</sup> As Lerner (2011) argues, advocates in some countries have interpreted PB to mean any kind of public involvement in budgeting. While he refers to such initiatives as helping the governments “to legitimize old (or new) consultation practices that give citizens no power to decide spending” (Lerner 2011, 31), Zhang and Liao (2012) in their study on New Jersey municipalities state that “the mechanisms of PB include public hearings, citizens’ surveys, advisory boards and forums or workshops open to citizens”. This paper refers to the criteria proposed by Sintomer, Herzberg and Röcke (2005): (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.

and arguments of the local politicians and officials involved in the preparation process. The paper presents a case study of the City of Tartu, Estonia.

Structurally, the paper firstly presents the methodology used in research and then proceeds to the section that details the design of the variables of the PB process and outlines the main theoretical assumptions concerning the major decisions that face the developers of PB. The theoretical part is supplemented with contextual factors that are assumed to determine the choice of the PB design and constitute the challenges that the developers are confronted with. The empirical part of the paper, firstly, focuses on examining the contextual factors of Estonia and Tartu in particular, and, secondly, analyses the preparation process of the PB design in depth, outlining the fears, barriers and arguments discussed during meetings and in e-mail conversations. Finally, the elaborated PB model of Tartu is briefly presented<sup>2</sup>.

## 1. Methodology

The conducted research in the present paper is a case study. In anticipation of objections concerning inability to generalise anything from a single case or a possibility to look at the problem subjectivity, it should be noted that the case study format is perfectly suited for generating context-dependent knowledge, which is particularly significant in researching PB. Moreover, the case study method allows the researcher to remain close to the meaningful characteristics of real life events (Flyvbjerg 2006). Finally, as Hans Eysenck claims, “sometimes we simply have to keep our eyes open and look carefully at individual cases – not in the hope of proving anything, but rather in the hope of learning something!” (Eysenck 1976, 9, in Flyvbjerg 2006). The PB preparation process in the City of Tartu, Estonia, is analysed by presenting the fears, barriers and arguments discussed in the focus group. The virtue of the latter lies in the ability of a group process to produce a considerable amount of information: as people engage in a dialogue, the conversation is nonlinear and different perspectives can be brought up at any time (Johnson 2002).

The focus group in this research consisted of 10–12 people representing every political party in the City Council. In addition to party representatives, the group included the City Secretary who is responsible for the city’s legislative acts, the Head of the Legal Department and an official from the Financial Department. The initiative to pilot the project came from the Mayor and this meant that the Mayor and Deputy Mayors were also part of the group. Last but not least, the Public Relations Department was also

<sup>2</sup> Due to space limitations, there is no detailed description of existing theoretical PB models in this paper. For a more detailed overview, see Sintomer et al. (2010).

involved in developing the PB process. The focus group coincided with the Work Group (WG) that was involved in the elaboration of the PB design.

The choice of participants for the focus group was partially based on self-selection and purposeful selection. A letter of invitation was sent to all parties in the City Council, briefly describing what PB is and proposing to attend a meeting to discuss its implementation possibilities in Tartu. The City Secretary, the head of the Law Department and the representative of the Financial Department were personally invited to take part due to the specifics of the topic discussed. Similarly, there was a general understanding that the communication aspect of the PB process is crucial; therefore, the Public Relations Department was assigned an important role. Overall, three discussion sessions took place between April 2013 and June 2013, each lasting for two hours<sup>3</sup>. E-mail communication between the WG members was encouraged from the onset. One of the authors of the paper was involved as an expert in designing and planning the PB process and was, hence, the facilitator of the discussion. The sessions were recorded and transcribed. Additional sources include secondary literature analysis and e-mail conversations.

## 2. Theoretical framework

### 2.1. Designing the PB process: choices and challenges

As noted above, the practices and methods of implementing PB vary greatly, from the specific form of citizen participation in the budget allocation procedure to the control mechanisms used once the budget has been approved (Sintomer et al. 2005; Cabannes 2004, 28 in Krenjova, Raudla 2013). Thus, it is rather difficult to “map the contours” of PB. However, based on the synthesis of existing PB research, it is possible to outline the basic phases of the PB procedure (see Table 1). The variables of the process design were extracted and consolidated from Cabannes (2004), Sintomer et al. (2010), Fung (2006), Ebdon and Franklin (2006) and Talpin (2007)<sup>4</sup>.

<sup>3</sup> Marked as WG sessions below.

<sup>4</sup> The variables of the process design have been synthesized by one of the authors as part of the master’s thesis (see Krenjova 2012). They were extracted from research conducted by Cabannes (2004) which draws on 25 experiences in Latin America and Europe and from a global study by Sintomer et al. (2010a) which elaborated 6 models of PB in Europe. The criteria that the models are based on have been integrated with the variables and distributed between the stages of the PB process developed by the author of the thesis. Additionally, the framework has been supplemented by Fung’s dimensions and some components from Ebdon and Franklin (2006) on key elements of citizen participation in budgeting. Lastly, the questions of procedure, framing and implementation raised by Talpin (2007) have been taken into account while elaborating the framework. For more detailed references to these sources, see Krenjova (2012).

## PB process design variables

<b>PB decision-making body</b>	<ul style="list-style-type: none"> <li>• Who sets up “the rules of the game”?</li> </ul>
<b>Participation</b>	<ul style="list-style-type: none"> <li>• How are participants selected?</li> <li>• Which participation mechanisms can be used? (public meetings, focus groups, simulation, advisory committees, surveys, etc.)</li> <li>• How do citizens participate? (direct vs. indirect participation)</li> <li>• How are meetings organized? (territorial or thematic basis; city, district or neighbourhood level)</li> </ul>
<b>Deliberation</b>	<ul style="list-style-type: none"> <li>• What is being deliberated? (investments or service delivery, projects or general areas)</li> <li>• How do participants communicate and make decisions?</li> </ul>
<b>Empowerment</b>	<ul style="list-style-type: none"> <li>• What role does the civil society play?</li> </ul>
<b>Control and monitoring</b>	<ul style="list-style-type: none"> <li>• Who checks the implementation of the budget?</li> </ul>

Source: Krenjova, Raudla (2013)

The first variable, the discussion of the PB preparation process traditionally starts with, is the **PB decision-making body**. In other words, a decision has to be made as to which body/institution is going to set up “the rules of the game”, that is, manage the whole process of selecting themes for discussion, criteria for allocating resources, number of meetings, etc. According to Cabannes (2004), cited by Krenjova, Raudla (2013, 26), most PB cases fall between two extremes: the specific PB Council and the pre-existing social and political frameworks such as neighbourhoods. The virtue of the former is that the budget becomes the focal point of participation, while in the latter budgeting can end up as not the foremost concern and local networks might not be modified (Cabannes 2004; Haller and Faulkner 2012). Some scholars argue that the Mayor’s office should be directly involved in coordinating the process (Goldfrank 2007), while others do not exclude management of the PB process by an independent and unaligned body/expert without a vested interest in the outcome (Thomson 2012; Demediuk et al. 2012; Lerner 2011). Challenge and choices at this stage also concern involvement of citizens in preparing for PB (Demediuk et al. 2012).

The PB decision-making body is also in charge of determining the proportion of the budget or the amount of money to be given to public deliberation. Cabannes (2004, 28) outlines this aspect as a separate variable, labelling it “management of scarcity or full control of public resource”. Again, significant differences exist between cases, ranging from less than 1% to 100% of the budget. Campinas, Brazil, for example, implemented the PB system that allows citizens to determine 100% of the municipality’s resources (Haller et al. 2012). This, of course, is an extreme example. Typically, less than 20% of the total budget is under discussion (Lerner 2011).

The next aspect to be decided while preparing the PB design is **participation** and all challenges

and options surrounding it, ranging from selection of participants to organization of meetings. A much debated issue is efficacy of participation. The self-selection process, for instance, is sometimes viewed as involving issue extremists (as the most active participants), resulting in the so-called “dark side of civic engagement” (Fiorina 1999, 414, in LaFrance, Balogun 2012). At the same time, studies also suggest that participation should be open to large numbers of people; it should provide a wide access and not exclude anyone. There is also an added challenge of involving underrepresented groups of society, what the self-selection process does not ensure. It is also important that the chosen participation mechanisms relate to participation goals (Ebdon, Franklin 2006). As Demediuk et al. (2012) suggests, the ends (objectives and outcomes) chosen for a PB initiative should shape the means (structure and processes) chosen in the PB design.

Undoubtedly, the awareness raising phase has to take place in order to inform citizens of upcoming opportunities. This could be done via local newspapers, online media, social networks, television, mail or any other means of communication. Lerner (2011, 34) names mobilization of diverse participants the greatest challenge for PB in the United States: “How do you attract diverse participants, beyond the usual suspects?” An added nuance is two distinct approaches to organising the meetings: thematic or territorial. Usually, PB is conducted in two ways: either through regular meetings of the neighbourhoods and the whole city (territorial approach) or through the so-called thematic assemblies which can be on housing, local economic development, transportation, etc. (Cabannes 2004, 28).

The main point of these meetings is **deliberation**, the subject of which can vary from general areas to specific projects. It is also at this stage that the preparation process should focus on

the question of framing, that is, on how deliberative decisions should be (e.g., operating through consensus or through a more aggregative approach such as voting). Consensual decision-making might become a fertile ground for the administration to manipulate the discussion (Talpin 2007); on the other hand, there is always a normative argument in favour of deliberation as the scope of matters that can be discussed is more wide (Thompson 2012).

Depending on the extent of civil society's influence on the final decision, different levels of **empowerment** can be implicated, ranging from "selective listening" to de facto decision-making. While "selective listening" stands for a mere consultation process whereby citizens' proposals are simply taken into account by local authorities; de facto decision-making at the other side of the spectrum means that the local council has an obligation to officially approve the participatory budget plan (Fung 2006, Herzberg 2011 in Krenjova, Raudla 2013).

Finally, a decision has to be made as to who **controls and monitors** budget implementation once it has been approved. These functions are usually performed by the executive branch or by citizens (Cabannes 2004, in Krenjova, Raudla 2013)

## 2.2. Contextual factors

It is obvious that the preparation process, that focuses on the selection of the PB design and different options it has to offer, is greatly influenced by environmental aspects that are frequently decisive in the elaboration of the PB structure and in its feasibility and applicability overall.

Research on different PB experiences makes it possible to map several key contextual factors. Conducive political and civic cultures constitute favourable environmental components that facilitate successful implementation of PB (Herzberg 2011, 18; Wampler 2007, 24; DeNardis 2011, 98; Fölscher 2007, 132–134; Goldfrank 2007). Secondly, as PB concerns local level governance and deals with the allocation of financial resources, local financial autonomy is another important prerequisite for its feasibility (Wampler 2007, 25; DeNardis 2011, 95; Fölscher 2007, 130–132).

Previous participation experiences, i.e. the history of participation of local governments (LG), can serve as an indicator of readiness for and possible acceptance of PB (Kweit and Kweit in Ebdon and Franklin 2006). For PB to work, there has to be a clear interest on the part of the civil society, that is, the citizenry has to be ready and willing to participate; also, a clear political will on the part of municipal decision-makers is vital (Ebdon, Franklin 2006 in Krenjova, Raudla 2013). Political actors might feel threatened

by citizens' direct participation in local governance as they obviously lose some decision-making space (Cabannes 2004; Wampler 2007 in Krenjova, Raudla 2013). As investigated by Zhang and Liao (2012), the Mayor's general attitude toward public participation is of utmost importance. It has a strong impact on the adoption of PB. Their findings suggest that the extent to which a municipality engages in a two-way dialogue with its citizens depends on the beliefs of the elected officials and the rational evaluations of professional managers, especially the estimation of citizens' interest and participation cost.

Certainly, participation has its cost, both for citizens and officials. The former derives from Downs' idea that individuals always weigh costs against potential benefits, and participation is no exception (Downs 1957, in LaFrance, Balogun 2012). From the government's perspective, citizens' presence in budgeting is thought to make decisions more expensive (Zhang, Liao 2012, 285). Transactional costs of participation can dampen enthusiasm among political elites who calculate increase in staff time and communication (DeNardis 2011). As DeNardis (2011) observes, the prevailing belief, that citizens lack the necessary knowledge to participate, can become an obstacle in PB implementation.

It also can always be argued that the economic perspective should be supplemented with the variable of importance, that is, the variable that measures importance that a participant attaches to being able to express his preferences (Fiorina 1999, in LaFrance, Balogun 2012). As one study suggests, "perceived efficacy is the best determinant of generalized contact" (Hirlinger 1992, 553, in LaFrance, Balogun 2012, 2). Hence, the perception of society that its voice is being heard (which is often achieved through multiple participatory experiences that legitimize the government) and, as a consequence, willingness of the civil society to participate are additional decisive contextual factors that influence the feasibility of PB.

Furthermore, since PB prescribes participation in the allocation of financial resources at the municipal level, it probably goes without saying that the LG willing to carry out PB has to have some degree of financial autonomy. This might be a real challenge for a municipality which is dependent on state transfers for vital services (Lernen, Baiocchi 2007).

Existing research provides an even less systematic overview of the more local level characteristics of municipalities. The size of an LG (e.g., its population) is presumably decisive in how participation will be structured (affecting the form and scope of participation as well as the methods of participant selection). Large cities may opt for

multi-layer participation with citizens' delegates involved in the process. An alternative for a large city would be targeted selection of organised citizens' representatives (this, however, also depends on the political culture). Smaller cities might choose to engage in participation via self-selection and open meetings at the town level. The size of the population may also influence formality of the process and the mode of decision-making. In smaller cities, for instance, consensus-based and informal processes might be more probable (Krenjova, Raudla 2013).

Lerner (2011) points out that ethnical diversity can constitute a challenge for the developers as they attempt to get all groups involved thus also influencing participation and its options. Council diversity is being examined by Zhang and Liao (2012) as a generally favourable factor that values the input of different perspectives and encourages overall public involvement. They suggest, however, that PB is more likely to occur in homogeneous communities.

Finally, the level of LG prosperity (indicated by its per capita revenues) is likely to be the decisive factor in the choice of empowerment level and of the decision-making body. Even though municipality finances have to be involved (according to the definition of PB), as research on different PB models shows, they might be combined with private and (non)governmental resources in order to provide adequate funding for implementation. It is worth noting that PB can be implemented even with a limited amount of money. Practices vary from 1—10% of the overall implemented budget (Cabannes 2004, 34). Prosperity may additionally influence the focus of deliberation, which ranges from specific projects to broad policy guidelines. A municipality, strapped for funds, is more likely to involve citizens in a discussion over general policy priorities rather than in selection of new public works (Cabannes, 2004, Wampler 2007 in Krenjova, Raudla 2013).

The additional contextual factor that is increasingly important in the information age is desire and readiness of a municipality to use ICT in participation. This factor might become decisive in structuring different stages of the PB process, starting from gathering input for voting on the final decision. As various e-PB experiences start to emerge, importance of this variable cannot be underestimated. As stated by Haller and Faulkner (2012, 24), who examine PB in the US, "the integration of technology into public participation becomes a key indicator of success of public engagement". The use of ICT in PB design broadens the scope of public engagement and allows for a more diverse array of opinions and ideas to be presented.

### 3. Discussion

This section provides a brief overview of the environmental characteristics at both, the national and local, levels. It also outlines the main discussion points and arguments raised during the PB preparation process in Tartu. The argumentation is structured on the basis of the design variables presented in the previous theoretical framework. This section also indicates critical points in the WG discussion sessions and presents related discussions that are available in the present research. The section also reveals the most decisive factors behind the choices in the PB process design.

#### 3.1. Environmental characteristics of Estonia and Tartu

As stated in the theoretical section, preparation and, finally, choice of a specific PB design strongly depend on the environment of LG. This section provides an overview of the contextual factors that are assumed to influence choices that officials and experts make during the PB preparation process.

Estonia is divided into 226 municipalities, including 33 cities and 193 rural municipalities. They differ greatly in size: the largest is the capital city Tallinn, with the population of about 400 000, whereas two thirds of the LG units have less than 3 000 inhabitants. Independent LGs were re-established in Estonia in the early 1990s, when most legislation on LGs and their finances were written. The Constitution of Estonia states (in §154) that local authorities have the right to manage local issues: "All local issues shall be resolved and managed by local governments, which shall operate independently pursuant to law".

Despite the right to manage their issues, local financial autonomy of the Estonian LGs is rather limited. Expenditure autonomy is dependent on the central government through the mandatory services and functions that are imposed by law and that actually constitute most expenditure areas. In addition, vagueness in what specifically local tasks are enhances LG dependency on the discretion of the central government. Some mandatory functions imposed by law are regulated by area-specific laws, leaving LGs little room to decide for themselves how to provide the service. Finally, revenue autonomy is rather low, as most LG revenues actually constitute transfers from the central government (Krenjova 2012).

It could be argued that, similarly to local governments in Europe, local authorities in Estonia have relative freedom of action and broad opportunities to develop local communities. However, at the same time they have the obligation to offer almost 70% of the services (social assistance, education, etc.).

Furthermore, the status and role of local governments have differed and have been debated throughout history and certainly during the years of independence. Although numerous responsibilities have been divided between the central government and the municipalities for more than a decade, there is still confusion in understanding the roles, functions and responsibilities of the different governmental levels. As the central government has constantly changed its expectations of the local governments, a mutual understanding has not always been sufficient. At the same time, the municipalities themselves have not been overly proactive in developing their initiatives and approaches. This, in turn, affects citizens' will to enter into a dialogue with their local municipalities (Reinsalu 2008).

The existence of such a dialogue certainly concerns the political and civic culture of the country and of the specific LG that is capable of influencing PB formation. Speaking of the national level, for Estonia as for many other Central and Eastern Europe (CEE) countries, change from an undemocratic to a democratic regime has had an immense impact on people's belief systems (Titma, Rämmer 2006). The democratic regime that the newly established independent state was longing for appeared radically different from the regime into which many people had been socialised for all their lives (Mishler, Rose 2001). Trust in institutions, one of the main indicators of sustainability and successful performance of a political system (Pettai et al. 2011), was inevitably affected by a change in the world history known as collapse of the Soviet Union. Nowadays, it has probably become common knowledge that citizens of post-communist societies are likely to manifest low trust in the institutions of their country. A desire to protect oneself from an intrusive and repressive authoritarian regime left its mark on many people's perception of government-related institutions (Mishler, Rose 2001). As a result, the civic culture in Estonia is presumably relatively weak. Generally, the role of the Estonian citizen is seen in legal terms. This means that citizens are focused on their legal status and opportunities to ensure themselves civil and political rights rather than on assuming social obligations and participating in the governing of their state or municipality (Krenjova 2012).

In general, Estonia could be said to be dominated by an individualistic political culture. The NPM paradigm, that Estonia eagerly stepped into, contributed significantly to the development of the minimalist conception of the state as well as to the weakly developed civil society where participation rates are relatively low and individualist values prevail. Politicians at the local level are eager to engage in a one-way relationship with citizens, mostly

by the disclosure of public information (actively<sup>5</sup> or passively<sup>6</sup>) and emphasize people's passivity in participation. From the individual perspective, in turn, being a citizen does not seem to imply a moral duty to take part in policy-making but, instead, has a short-term utilitarian tint (Krenjova 2012).

As noted above, democracy in Estonia has developed similarly to other post-communist countries. It has been characterised by rapid institutional development and a comparatively slower development of the civil society. However, Estonia is exceptional due to its technological development which has been faster than in most other post-communist countries. Estonia has invested in and created a well-functioning IT infrastructure which integrates offering e-services at both levels, local and national. The use of the Internet and e-services is relatively high, meaning there is a general favourable context in which to plan the use of online tools from the very beginning of the PB process. This is even more the case due to the already existing tools for Local Democracy Procedures such as the Information System for Councils, VOLIS – special software for e-decisions by local authorities. The software digitally generates views for different user categories and roles performed (for the council, government, state, official, administrator), links them according to the procedural regulations of the local administration, enables decision-making through the use of digital authentication, allows members to virtually participate in the council and its sub-meetings (via the Internet) with full rights (including voting and making speeches) and real-time overview, etc. What is especially important in the context of PB is that the software offers a special citizens' view which enables public involvement (allows the citizens to present proposals, amendments to drafts as well as offer their opinions real-time). The citizens' view also streams video and sound from the local council meeting. VOLIS software is available to all local governments and levels for a (relatively low) fixed service price. Still, not all Estonian LGs have joined the system. It might be the case that local political leaders are afraid of a high degree of transparency<sup>7</sup>.

Tartu has joined the Information Council System and might be said to stand out among other LGs in Estonia. In fact, it cannot be considered a representative city among the Estonian municipalities. With the population of roughly 100 000 residents, it is the second largest city of Estonia. Located 185 km south of Tallinn, it is also the centre of Southern Estonia. The City Council of Tartu, chosen

<sup>5</sup> Disseminating information on its own initiative (OECD 2001).

<sup>6</sup> Providing information on the citizens' request (OECD 2001).

<sup>7</sup> For further information about VOLIS visit <https://www.volis.ee/gvolis/?lang=en>

by the electorate of the city every four years, is the representative body of municipal government. City life is directed by 49 members of the City Council and 5 members of the City Government, most recently elected in the autumn of 2009<sup>8</sup>.

Tartu has been outstandingly active in involving citizens in decision-making processes on different local issues. There are great examples<sup>9</sup> from the last couple of years when Tartu has involved citizens in the process of noticing and rewarding best snow-clearers, encouraged citizens to become the creators and authors of new tourist brochures about Tartu, etc. These are minor everyday local issues. In addition, there have been two participation cases which are highly relevant in the context of PB and for discussing the general readiness for PB.

One of these cases is the way the city government used online channels to prepare the new public transportation tender in Tartu. The project was meant to raise public awareness and map public opinion of the public bus transportation as a new tender was being prepared. As a result, the city government received 552 pieces of feedback from citizens via the Internet and social media channels and used them to improve quality requirements for public bus transportation in the new tender. The feedback was also used to improve bus routes and timetables according to citizens' needs. This case clearly demonstrates high readiness for e-participation from both parties, supported by a sufficient IT infrastructure with many free wireless areas in the city, high use of the Internet, great availability of various e-services and a long tradition of using them<sup>10</sup>.

Another example of participation relevant to this discussion demonstrates that the city government has taken first steps towards combining the tools of traditional participation with e-tools in order to engage citizens in spatial planning processes. Since 2011 Tartu has been working on the general planning of the city centre with the aim of establishing the principles for its spatial development – where to build and where not to build. The first stage of general planning drafted the city centre development strategy, including the evaluation of the previous developments and a set of possible suggestions to improve the centre. Next to online tools (from online questionnaires on Twitter and Facebook posts), traditional deliberative democracy tools such as workshops were organized for different citizen groups who have a specific interest in the city centre (shop

owners, students, etc.). This experience underlined the importance of public relations and the earliest possible involvement of the media in the decision-making process. The discussion was initiated by the local daily *Tartu Postimees*. At first, the City Architect published their vision of how the river banks could be developed in the city centre in the future. There were drawings and videos attached. This initiated a major discussion in the media. Most published articles were ordered by *Tartu Postimees*. Dozens of articles were published in different media, most of them in *Tartu Postimees*. The topic was also covered on TV and on the radio with the aim of making citizens think about city development<sup>11</sup>.

However, there is a chance that participation in the process of PB might remain modest, paradoxically not because of the design of the process itself but because of specific contextual factors. There have lately been some instances in some areas of the city where citizens have suffered due to misinterpretation and unauthorised (and illegal) behaviour of property developers. The fact that the city government does not always have an appropriate reaction and might be unable to change the situation has led to mistrust in and dissatisfaction with the political leadership of Tartu. The mistrust has also increased and the rating of the governing body decreased due to some nationwide political scandals related to the leading Reform Party in Tartu.

### 3.2. PB preparation process in Tartu

The topic of PB was not entirely new for Tartu. One of the authors of the present paper had been involved in organising and running seminars in Tartu in 2011 for local decision-makers on the topic of PB in the framework of the project “Participatory Budgeting in Local Governments”<sup>12</sup> which was implemented by the Estonian non-governmental organisation e-Governance Academy (eGA). Already back then, it seemed that there was a fertile ground for the idea of PB in Tartu, as there was a strong political will among the members of the City Government and the City Council to pilot this initiative. In particular, the Mayor was very enthusiastic about integrating new participatory practices into everyday governance of the city (seminar session).

#### *PB decision-making body*

A decision to invite the e-Governance Academy (eGA) to be an external expert organisation managing the whole process was based on the

<sup>8</sup> For further information see [http://www.tartu.ee/?lang\\_id=2&menu\\_id=13&page\\_id=1119](http://www.tartu.ee/?lang_id=2&menu_id=13&page_id=1119)

<sup>9</sup> For a description of the cases (accompanied with videos) see: <http://eparticipation.eu/country/estonia/>

<sup>10</sup> See the description of the case <http://eparticipation.eu/2012/10/using-online-channels-for-preparation-of-the-new-public-transportation-tender-in-tartu/>

<sup>11</sup> See the detailed description of the case <http://eparticipation.eu/2012/10/engaging-citizen-to-the-general-planning-of-the-city-centre/>

<sup>12</sup> The project was financed by the Open Estonia Foundation.

previous experience from the seminar. The eGA has also demonstrated its political neutrality with previous participation projects, analysis and numerous democracy and e-governance work. Thus, it was a strategic decision by the City Government to engage the eGA as the leader of the process, aimed at increasing credibility and legitimacy of the process among different political parties as well as citizens. A neutral and independent institution was set up to manage the PB process.

In general, the eGA was given a fairly large space to operate in from choosing what to start from and how to begin setting up rules of the process. The eGA's strategy was to combine academic research methods (analysing existing research, collecting case studies) and free discussion (deliberation) methods. External experts began by presenting an overview of the international cases of PB at the first meeting (hereafter labelled WG Session I). At the following meetings, the main arguments and suggestions were already taken into account when preparing discussion documents to be presented at future meetings.

As was stated in the methodology section, the PB decision-making body was composed of city officials and politicians. One key aspect to be emphasized is a necessity to involve officials from the Legal Department. In the case of Tartu, the City Secretary and also the Head of the Legal Department were involved. These officials earnestly contributed to group discussions and documents to be prepared for subsequent WG meetings, putting arguments and discussion points into the existing legal framework and pointing out limits and restrictions.

As research indicates, involving citizens in the elaboration of the PB design is an issue to be considered. In Tartu, the external expert and the City Government discussed a possibility to engage representatives of civic organizations as well as the wider public in the process of designing the PB model (consulting different scenarios via electronic tools) (WG Session I). However, it was decided that, since the first time when PB was planned and implemented as a pilot project, it might be easier for citizens to contribute to the already designed test model. It was assumed that more useful feedback would be received if people were offered a way to practice the process by themselves first and only then asked to give their thoughts and comments on it. In fact, it became critical to plan and implement efficient feedback collecting practices during the pilot project in order to adjust the model if need be and make it better correspond to the needs and expectations of citizens. During and after the pilot between August 2013 and December 2013, external experts from the eGA try to get as much feedback and co-production

from citizens as possible so that the process could be redesigned and improved in upcoming years (WG Session I).

It is also worth noting that, since the PB decision-making body in Tartu was formed of representatives of all political fractions elected to the City Council and of the members of the City Government, the main argument was focused on the ability to combine direct democracy (citizens presenting ideas and choosing the best ones) and indirect or representative democracy (politicians and administrative leaders working on the model) (WG Session I). As outlined by Novy and Leubolt (2005), PB is an ongoing social experiment of linking the elements of direct and indirect democracy.

As the reviewed research indicates, even in the context of a favourable political culture, there are always costs involved in setting up participatory practices. In Tartu, one of the most serious topics discussed in the WG at the stage of initiating PB was cost of the whole process (not the amount of money to be eventually allocated by the citizens but cost of the process itself). The largest anticipated cost was that of public relations (PR). It was agreed that efficient communication strategies and quite costly activities (e.g., the use of publicity screens) were needed to truly mobilize citizens. Another critical question was payment and motivation of the officials who had to do extra work (WG Session I). The external expert presented approximate calculations of all costs (including additional payments, PR materials such as flyers, etc.). These were approximately 6 200 EUR what was less than politicians had anticipated at first (WG Session III).

The greatest issue of concern was not the PB process or making it work but rather the amount of money to be given to citizens to decide upon. This discussion was initiated by the politicians involved from the very beginning of the preparation process (WG Session I). A decision that money should come from the infrastructure budget and be spent on public spaces and specific objects (buildings, parks, etc.) was fast and almost consensual. However, a more lively discussion occurred on the topic of a specific sum of money to be allocated: should it be a symbolic sum, at least in the pilot project? This was not discussed in other research but the Tartu experience clearly illustrated what the critics of "the symbolic sum of money" approach have argued: that in such circumstances the whole process remains symbolic as well. Those who argued for a more significant amount of money, which would legitimise the process and increase participants' motivation, were criticised for willing to take risks. As mentioned above, the financial autonomy of LGs is another factor. The previous

sections explained how 90% of the budget Estonian LGs made essentially unavoidable decisions where the space to manoeuvre is very limited. As a result of the discussions, it was agreed that Tartu residents would decide on about 1% of the investments budget (140 000 EUR).

### ***Participation***

As the theoretical framework indicated, participation is an important variable to decide upon. Differently from research that debates the issue of under-represented groups, this did not become a significant factor in the PB preparation process in Tartu. Examples of various cases in Canada have been listed: in Guelph, people in neighbourhoods, who have not been organized into grassroots groups, cannot participate; in Toronto, those who do not live in public housing cannot participate; and at Ridgeview, non-students cannot participate (Baiocchi and Lerner 2007). As Baiocchi and Lerner (2007) argue, these exclusionary practices may paradoxically have included marginalized groups by preventing more privileged citizens from taking charge of the process. Although, when it comes to the existence of mobilized social groups since the situation in Estonia is more similar to the United States and Canada than Brazil, it was decided that an opportunity to participate would not be limited to formal social organizations or community associations but would also be directed to individual citizens. Since it was agreed in the first session that Tartu is going to set up a pilot project on PB, it was decided that the initiative would be directed to all citizens through the self-selection method. Governance practices in Tartu have been fairly inclusive of all groups and one cannot map groups that would have been particularly marginalized. Furthermore, reflecting the notion that the ends shape the means (Demediuk et al. 2011), this particular PB initiative could be labelled as the project “learning by doing” where the number of final participants (those making a proposal or voting) is not as important as experience itself (WG Session I).

One of the most critical questions raised during the discussions concerned citizen motivation (WG Sessions I and II). Whereas in Latin America, poor people participate in PB partly to fix urgent problems (Lerner 2011) such as unpaved streets or open sewers, in Estonia these basic needs are already met and one has to engage people by using different methods. In Tartu, one strategic decision was to invest in communication management both financially and in terms of human resources. The Department of Public Administration, the entity responsible for the whole process, was promised extra funds for effective communication activities (WG Session I).

Also, a detailed communication plan was prepared in collaboration with the PR Department and the external expert and presented at WG Session III.

The discussion of which mechanisms could be used for the process was certainly influenced by previous participatory practices in Tartu (described above). Based on these experiences, it was decided that different participation mechanisms offline and online would be combined, although greater focus would be placed on online means because the citizens of Tartu have proven their preference for using online tools for participation (WG Session II). While it was generally agreed that there should be a special PB webpage for submitting ideas and that they should be published along with expert opinions on them, the most critical question raised in the discussions was the criteria for selecting the ideas. An equally important question is whether there should be face-to-face meetings and how they should be organized. As stated above, there was no plan to pre-select or segment participants in the Tartu project; instead, final decision-making would be open to all citizens. Thus, no district or neighbourhood level meetings were organized (WG Session II). Still, there should be a shared environment for reading and commenting on expert opinions and a joint event for presenting final ideas (elaborations of preliminary ideas based on expert opinions) before the citizens could select the winning one. Considering the technology-driven culture and previous practices, it was agreed that the event for presenting the ideas should be held in a small auditorium with only the PB work group, some experts and presenters of the ideas participating and that the event would then be broadcast online to wider audiences (WG Sessions II–III).

### ***Deliberation***

As the previous section outlined, there is a plan to set up a shared environment for reading and commenting on the ideas and expert evaluations. This is what the deliberation variable theoretically addresses: how decisions are being made. Regarding the final decision-making and taking technical availability, e-readiness and long experience of e-voting<sup>13</sup> in Estonia into account, one suggestion made during the PB preparation process concerned the use of an e-voting system for final decision-making (WG Session I). This idea provoked a wide array of topics related to the political situation, starting with procedural questions on the possibility of connecting

<sup>13</sup> Estonia was the first country in the world where state-wide Internet-based elections took place: the local elections of 2005 and the Riigikogu elections of 2007. E-election has been possible in all elections after that with the numbers of e-voters consistently rising from election to election.

the PB process (voting on ideas) with voting in local elections in October 2013 to a sensitive discussion of political victimization. Namely, the opposition accused the majority party of “conveniently” beginning the process of PB on an election year and making the process a part of their campaign. At the same time, representatives of all fractions were invited to the PB work group and the external expert advised that this fact be communicated to the citizens as well. It has to be noted that after the first meeting the accusations of one or other party profiting from PB before elections and other similar arguments were almost non-present (WG Session I). As a result, during the second session, it was decided that the procedure of voting for PB ideas and voting at the elections would not be connected due to the restrictions in the Law of Electing Local Councils that prohibits any kind of parallel voting procedures. A separate voting procedure<sup>14</sup> was designed for PB voting, applying both traditional and online methods. The traditional method is paper-based voting at special voting polls (Public Hall in the City Hall); and development has already started on creating new functionalities to VOLIS (Information System for Councils) for online voting.

The phase that precedes the PB voting procedure in Tartu is the expertise stage when all suggestions are evaluated by the experts who produce detailed statements. The experts are officials of the City Government who are responsible for the corresponding areas of the proposals (departments of city planning, architecture, etc.). One critical aspect here is motivation of the experts/officials to do extra work. This is of utmost importance for making PB truly work, since it mostly depends on the political culture and willingness of the governing elite to contribute to the process. As noted by Herzberg (2011), giving citizens real feedback on reasoned statements to their proposals is highly significant: if this stage is carried out successfully, it creates a real break from the notion of “selective listening”.

### **Empowerment**

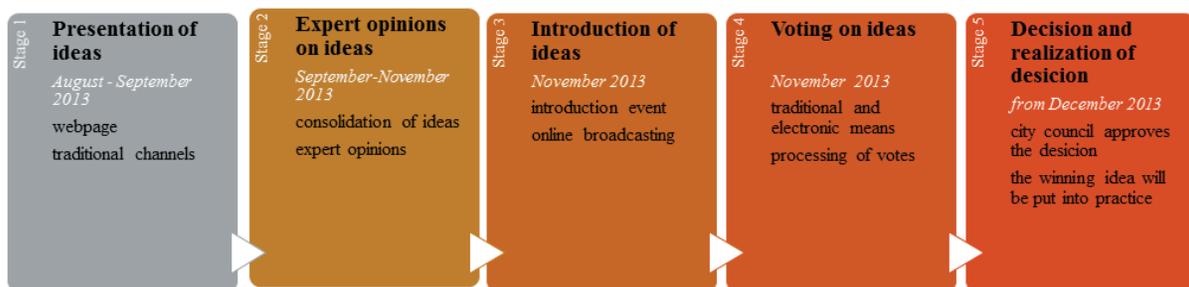
The notion of “selective listening” is something the city officials as well as the political elite were aiming to avoid. Already during the introductory seminar in 2012 on the topic of PB, there was a common understanding (that had full backing of the Mayor) that it should be obligatory to implement the decision made by the citizens. There was and still is a rather strong political will among the governing elite in Tartu to empower citizens by delegating the de facto decision-making power.

### **Managing and monitoring**

Since the formed work group operated efficiently throughout the preparation process of PB, a decision was made that the main body to manage the whole process will be the same work group. Since 2013 elections will coincide with the process and since membership is voluntary, there might be some changes in the people involved (WG Session III).

### **3.3. Tartu PB model**

As the result of numerous discussions, arguments and exchanges of ideas, the PB design in Tartu consisted of the following stages. First, from August 21 to September 10, presentation of ideas takes place (both offline and online). Everyone is eligible to present their ideas that have to qualify as investments and the cost of which should not exceed 140 000 EUR. After the stage of collecting citizens’ input, experts will analyse their respective topics, consolidate similar ideas, evaluate and comment on their estimated cost and content until October 2013. The event for presenting the ideas is planned for mid-November 2013. All ideas will be available on the city webpage and the event will be broadcast online. Finally, at the end of November, all ideas that are in accordance with the predicted budget and receive positive expert evaluations will be voted on by the citizens using both traditional and electronic means. Every Tartu resident of at least 16 years of age is eligible to vote. In December 2013 the City Council is obliged to approve the decision made by the citizens and incorporate it into the city budget.



**Fig. 1.** PB design in the City of Tartu

<sup>14</sup> The timing for PB voting also differed from local government elections. It was set for November 2013.

Comparing the Tartu PB model/design with the existing international frameworks of different PB models (see Sintomer et al. 2010) presumably requires more detailed research than the scope of this paper can offer. It can be argued, however, that in terms of citizen empowerment, Tartu the PB design (even within the limited 1% of the investments budget) is closer to the Porto Alegre model, where citizens are engaged in the co-production of the budget, than to the “selective listening” experiences worldwide. According to experts, the process has gone very smoothly so far. The project of PB was voted on on 27 June 2013 at the City Council meeting, with the plan to start its implementation on 21 August. Hopefully, local Tartu politicians understand that there is no way back and the final decision made by the citizens is binding for them. At the end of the day, participatory institutions have to complement the logic of representative democracy and it is exactly at the local level that the citizen “learns how to govern himself” (Pateman 1970, 31; Wampler 2012). As David Plotke put it: “The opposite of representation is not participation” (Plotke, 1997, 19, in Wampler 2012, 7).

#### 4. Conclusion

Participatory Budgeting, a global practice of local democracy, provides ordinary citizens with the opportunity to decide public spending. Since PB practices vary all over the world, different studies on the results of their implementation are described in the literature. This paper focuses on the process that precedes implementation, namely, the preparation stage of PB. The research looks at the challenges, choices and decisive factors of the PB preparation process. The theoretical framework outlines the main variables of the process design as well as the challenges and choices of selecting them while preparing PB. Furthermore, contextual factors that are assumed to influence the choice of a particular design/model and act as decisive factors are presented.

The empirical part is based on the case of the City of Tartu that decided to pilot a PB project in the autumn of 2013. The research revealed that one of the most critical challenges and choices of the PB preparation process is overcoming political confrontations as well as financial autonomy constraints. One decisive factor in combating political confrontations is to give the leading role to neutral and independent institutions and experts in designing the process. Furthermore, a political will to pilot the process can aid to pave the way beyond the limits of financial autonomy. Thus, neither limited financial autonomy nor the upcoming local elections ended up impeding the inception of the PB project. However,

evaluating whether and how the pilot project was used by different political parties and what the mutual effect of the two processes was it is only possible after PB is implemented. The initiators of PB also face important challenges in composing the PB decision-making body and in overcoming the issues related to extra tasks for many officials in the City Government while implementing PB. In such a context, the political culture appears to be the decisive factor in solving problems successfully. Nowadays, the array of the methods available to citizens for mobilization and participation is significantly wider due to the massive implementation of ICT in all fields of life. Tartu, having a positive contextual factor in the form of the civic culture and e-readiness decided to integrate ICT into the PB process. In terms of contextual factors, as already mentioned above, the local political and civic cultures are extremely important and need to be taken into account when preparing for PB. Among other variables of the design process they mostly influence the level of empowerment and the degree of deliberation. The latter was also determined by local e-readiness, that is, the use of ICT in voting and in presenting ideas. Finally, the participation component was partially defined by the homogeneity of the specific city.

It is still to be discovered what results the pilot PB project in the City of Tartu will bring. The hope is that it will enhance a dialogue between the citizens and the government, that it will bring new knowledge on how to improve local participatory practices in the future and that it will help learn what democracy is and how it works for the both parties, for those who are engaging and for those who are engaged.

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## Хорошее управление начинается с процессуальных изменений: исследование разработки дизайна совместного бюджетирования в городе Тарту (Эстония)

### Резюме

Совместное бюджетирование (СБ), глобальная практика местной демократии, предоставляет простым гражданам возможность принятия решений об использовании публичных денежных средств. В то время, когда многие ученые фокусируют свое внимание на описании многих вариантов СБ во всем мире, авторы настоящей статьи в качестве объекта исследования избрали предшествующий внедрению СБ процесс – этап подготовки дизайна СБ. Данное исследование выявляет трудности, опции и решающие факторы, с которыми сталкиваются политики и государственные служащие в ходе разработки модели СБ. В теоретической части данного анализа рассматриваются основные переменные процессуального дизайна СБ, а также описываются возможные трудности и опции, возникающие при выборе той или иной модели СБ. Контекстуальные факторы, в свою очередь, потенциально оказывают влияние на выбор того или иного дизайна и выступают в роли решающих аспектов.

Практическая часть исследования основывается на кейсе города Тарту (Эстония), который принял решение внедрить СБ в рамках пилотного проекта осенью 2013 года. Исследование показало, что одной из основных трудностей при разработке процесса СБ является преодоление политической конфронтации, а также финансовых ограничений. Одним из методов борьбы с данными проблемами является предоставление лидирующей роли в процессе формирования СБ нейтральной и независимой организации или экспертов. Тем не менее, судить об использовании пилотного проекта политическими партиями, станерт

возможным только после его реализации. Кроме этого, инициаторы СБ сталкиваются с трудностями в структуре отвечающей за процесс СБ организации, а также с решением проблем, связанных с дополнительной работой государственных служащих. В данном контексте благоприятная политическая культура может послужить фактором, способным разрешить подобные проблемы. К тому же, на сегодняшний день спектр методов по привлечению населения к участию в публичных процессах принятия решений значительно расширился благодаря внедрению информационно-коммуникационных технологий во все сферы жизни. В Тарту имеется благоприятный контекст и э-готовность, что повлияло на решение муниципалитета использовать технологии в процессе СБ. Данные контекстуальные факторы (политическая и гражданская культура) представляются очень важными и должны приниматься во внимание при разработке процесса СБ. Помимо э-готовности, гомогенность сыграла важную роль при выборе методов участия.

Результаты пилотного проекта в Тарту послужат темой будущих исследований. Надеемся, что данный проект укрепит диалог между гражданами и государством, предоставит новые знания о том, каким образом улучшать на практике участие населения в принятии решений на местном уровне, а также поможет учиться демократии и понимать обеими сторонами (теми, кто вовлекает, и теми, кого вовлекают) механизм ее работы.

**Ключевые слова:** совместное бюджетирование, местная демократия, участие в принятии решений.

The article has been reviewed.

Received in September 2013, accepted in October 2013.