

Participatory budgeting in reshaping public budgeting: Evidence from Finland, Poland, and the US¹²

Lotta-Maria Sinervo, Pauliina Lehtonen, Katarzyna Radzik-Maruszak, Carol Ebdon

lotta-maria.sinervo@tuni.fi
pauliina.lehtonen@tuni.fi
katarzyna.radzik-maruszak@mail.umcs.pl
cebdon@unomaha.edu

Abstract (150 words)

In the context of hybridisation, the boundaries of public sector accounting are expanding. This entails new forms of collaboration that eventually transform the current practices of public budgeting. Therefore, there is a growing need to scrutinise these practices from the perspective of collaborative governance. In this chapter, we approach participatory budgeting (PB) as a mechanism to construct new collaborative ways of governance and as a central tool for fostering democracy. We empirically illustrate how these new forms are created and take place in three cities: Lahti, Finland, Lublin, Poland, and New York, the United States. By employing analytical criteria, we find that it is challenging to achieve collaborative governance through PB. PB designs should clearly address the relationships and responsibilities of public administrators and citizens. Political support and managerial commitment, as well as adequate resources, are vital for PB in constructing collaborative ways.

Keywords: participatory budgeting, collaborative governance, public budgeting, local government, case study

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Introduction

Societies face complex challenges, such as sustainability (cf. Purvis et al., 2019), which require new kinds of collaboration between all sectors of society. The quest for ecological, social, and financial sustainability sets new requirements for governance and public financial management in local government. One of these requirements is to enhance collaborative democratic governance. In this chapter, we consider the influence of citizens as a key element of collaborative democratic governance. Particularly, we discuss citizen engagement as part of social sustainability that promotes social inclusion and empowerment of people, giving a voice to them, and developing societies where institutions are accessible and accountable to citizens (Dempsey et al., 2011). In collaborative governance that recognises the value of social sustainability by inviting citizens, civil-society organisations, and the private sector to participate, the responsibilities, costs, and learning can be shared to enhance the ability of governments to respond to societal challenges or changing circumstances (Webb, 2005). This entails new forms of collaboration that eventually affect and transform the current practices of public financial management. Therefore, there is a growing need to redefine and scrutinise the practices of public financial management, particularly public budgeting, from the perspective of collaborative governance.

Typically, the processes of budgeting have been firmly in the hands of civil servants and public managers in the planning and implementation phase, while politicians and local councillors have final decision-making power over the budget (Rajala & Sinervo, 2021). Therefore, citizen engagement in the decision-making of financial resources is a new mode of operations that sets new requirements for the conventional practices of budgeting. In this chapter, we illustrate how new forms of collaborative governance are created and take place in budgeting processes. Our specific attention is directed at citizens and their engagement in the budgeting process as a possible means of encouraging sustainable and democratic governance.

In addition to traditional public budgeting (Wildavsky, 1986, 1988), new arenas of budgeting have emerged. Participatory budgeting (PB) is a democratic innovation that strengthens direct citizen participation in the local decision-making of financial resources (Ebdon & Franklin, 2006). Generally, citizens are engaged in governance in multiple ways. PB is one tool that has gained global interest. PB was introduced in Porto Alegre, Brazil, in 1989, while the country transitioned from a military dictatorship towards civilian rule. PB has since been locally adopted all over the world. The idea of PB is to give people real power over real money during a democratic process. PB can be seen as a democratic innovation aiming to enhance citizens' well-being by providing opportunities to participate in public decision-making. Since 1989, PB has spread to over 7,000 cities worldwide, and interest continues to grow. Municipalities have played a remarkable role in experimenting with and piloting PB, and it has also received attention in prior research, especially with a focus on citizens' opportunities and roles in the decision-making of financial resources (e.g. Lehtonen, 2021; Manes-Rossi et al., 2021; Sintomer et al., 2016). Moreover, the successes of this participatory tool can be explained not only by new and innovative ways of involving citizens but also by the fact that it changes the dynamics of the traditional budget process and creates opportunities for a departure from the traditional institutional architecture (Smith, 2009).

We approach PB as a mechanism to construct new collaborative ways of governance in public budgeting and as a central tool for fostering democracy. Consequently, our aim is to study how PB expands the boundaries of public budgeting in the context of social sustainability. Theoretically, our chapter builds on the concept of collaborative governance. This mode of

governance brings multiple stakeholders together in common forums with public agencies to engage in consensus-oriented decision-making (Ansell & Gash, 2008). We critically analyse the ways in which PB can build more collaborative ways of governance and budgeting. We employ empirical cases from Finland, Poland, and the US to scrutinise the collaboration in PB.

From traditional public budgeting to citizen engagement in public budgeting

Typically, public budgeting has played a notable role in public financial management, and it has become an increasingly important political medium, a tool for influencing the economy and society, and a fundamental governance and management device (Saliterer et al., 2018). Although budgeting is an extensively researched topic among management accounting (e.g. Anessi-Pessina et al., 2016; Covaleski et al., 2003), in the politico-administrative context, it remains the key mechanism for steering, where decisions are made on the objectives and resources of the operations (Covaleski et al., 2003; Ezzamel et al., 2012; Grossi et al., 2020; Libby & Lindsay, 2010). It is not only about allocating funds but also assigning objectives to managers and demonstrating accountability to citizens and other stakeholders (Shick, 2014). Budgeting is also an arena where different rationalities, logics, competencies, and professional identities interact (Mauro et al., 2019; Sicilia & Steccolini, 2016).

Contrary to the assumptions of the rationalist paradigm (See Gibran & Sekwat, 2009), we regard budgeting as a social process of actors with different values, motives, and identities of contemplating and communicating ‘[On] what basis shall it be decided to allocate x dollars to activity A instead of activity B ?’, as laid down in the fundamental problem of budgeting by V. O. Key over 80 years ago (Key, 1940, p. 1138).

Traditional government budgeting, especially in a democratic system, is a political process (Rubin, 2020; Wildavsky, 1964). Resources are scarce, as demands for services generally exceed available revenues and the public’s willingness to pay more taxes. Many stakeholders are affected by the budget and often have different objectives. Stakeholders include, for example, citizens, voters, businesses, non-profit organisations, advocates/users/providers of specific public services, other governments, appointed public administrators, and elected officials. Resource scarcity sets up competition between stakeholders in the budget process, and decisions are then made through a political process, as the various actors vie for power (Lewis & Hildreth, 2013). In this traditional process, the decision makers are the leaders of the organisation. In a democracy, these are elected officials who are directly accountable to the public. Professional public administrators also play a key role in this process, although in developing proposed budgets. Budget officials are often seen as “technocrats” who are focused on making decisions in a rational manner that will maximise efficiency, and who seek budget reforms designed to increase efficiency and data-driven decisions (Rubin, 2020). This perspective contrasts with the realities of the budget process, however, in which politics often trump rationality (Wildavsky, 1964).

There are variations across countries in how traditional public budgeting is conducted. To some extent, this depends on variables such as state of development and wealth, degree of centralisation, type of government structure, and level of transparency (Menifield, 2011). For example, budgets in China have historically not been public documents, although significant budget reforms have occurred in the last few decades that have increasingly opened up the

budget process (Niu, 2011). In the US, by contrast, transparency has been a cornerstone of the budgeting process, especially at the state and local levels, where budgets are debated and adopted in open meetings, proposed budgets generally must be publicly available, and key information must be published (Berner & Smith, 2004). In the European context, transparency and accountability are guiding principles of public budgeting (Anessi-Pessina et al., 2016; Saliterer et al., 2018).

Citizens generally do not play a formal role in traditional public budgeting in most countries. An exception is the US, where the public has been considered since early budget reform efforts in the early 1900s (Kahn, 1997). In most US state and local governments, public hearings are required prior to the adoption of a budget (Berner & Smith, 2004). Other mechanisms are also used in many places to obtain input from citizens, such as budget advisory committees, satisfaction surveys, or budget workshops. However, these methods are often largely formalities and tend to occur late in the budget process, which reduces their ability to affect outcomes (Ebdon & Franklin, 2006). Interest in engaging citizens more in the public budget process has increased in the last few decades and has been advocated by scholars for a variety of reasons, such as increasing transparency, accountability, and trust; building community; educating citizens; and enhancing democracy (Ebdon & Franklin, 2006). Citizen participation is not always welcomed, however. Professional public administrators who see budgets as technical and complex may resist these efforts (Thomas, 1995), and officials may have concerns that increased input reduces their power and makes budgeting more difficult (Bland & Rubin, 1997).

PB is the method of citizen engagement in the budget process that is most widely used globally. PB changes the dynamics of the traditional budget process. Citizens are not only invited to give their opinions, but they also deliberate on and decide how the funds will be allocated. In theory, this reduces the power of the public administrators and elected officials, who are ceding their authority to citizens. PB has been implemented for a variety of reasons: to enhance transparency, increase social equity, respond to mandates from central governments or pressure from international funders, and as part of political reforms, among others (Wampler & Hartz-Karp, 2012). Wampler (2012) noted four core principles of PB: active citizen participation (voice), citizen authority (vote), resource reallocation (social justice), and enhanced transparency (oversight).

In most places, PB does not replace traditional systems. Rather, PB is generally used for only a small portion of the capital or operating budget, which is set aside for this purpose. Thus, it is a hybrid model of budgeting, where PB is a separate process from the traditional process, which continues to be used for the majority of the budget. However, there is substantial variation in how PB is used, both within and across countries (which will be seen in the cases discussed later in this chapter). Although PB has primarily been used to allocate a relatively small part of the budget, it is beginning to be used more widely (e.g. for projects related to addressing climate change). In addition, the process can be more or less complicated with multiple stages and various methods of selecting participants (Rubin & Ebdon, 2020).

However, several challenges related to, for example, organisational factors or the practices of participation in PB emerged from the literature (see Bartocci et al., 2022; Lehtonen, 2021). Within the organisation of PB, leadership appears to be important in implementing and maintaining the process. Research has shown that the reluctance of public managers negatively influences factual citizen engagement in PB (Liao, 2018). The lack of open-mindedness or

leadership skills in managing conflicts are distinguished as having negative effects on PB adoption (Zhang & Yang, 2009). Leadership skills are particularly crucial to the institutionalisation of PB, which can consume high amounts of time and monetary resources for participants as well as government officials. In addition to organisational factors, accessible participatory practices are crucial, as participants' characteristics and inclusion quality affect the adoption of PB. For example, particular groups of the population might be overrepresented in PB (Pape & Lim, 2019), which jeopardises the inclusivity of PB. In addition, the outcomes of PB have been mixed and are not always clear. For example, some studies have found increased social equity, whereas others have pointed to cases in which PB reinforced existing power structures and had only a cosmetic role (Baiocchi & Ganuza, 2014). The degree to which PB is a tool for empowerment appears to vary across cases and possibly over time (Bartocci et al., 2023; Rubin & Ebdon, 2020).

Collaborative governance as the theoretical frame

During the last decades the discourse about both government and society has evolved. So-called 'wicked problems' such as sustainability as in environmental degradation, urban development, ageing and health security have called into question the capacities of national and local governments (Blomgren Bingham 2001:386). Additionally, societies have become more diversified, fragmented and multi-layered. As a response to these challenges and transformations many public administrations have shifted from traditional governing towards more participative and collaborative governance (CG). Whereas the first pays attention to engagement, meaning direct or indirect involvement of stakeholders in decision-making about policies, plans or programs, the latter additionally focuses on the partners that represent diverse interests. Therefore, CG can be conceptualised as "a form of participation in which stakeholders co-produce goals and strategies and share responsibilities and resources (Davies, White 2012:161). Therefore, it well corresponds with the idea of participatory budget where many stakeholders collaborate in projects' submission, implementation, and evaluation. In next paragraphs we refer to collaborative governance more in detail.

Ansell (2012) stresses six characteristics of collaborative governance: (1) the forum is initiated by public agencies or institutions; (2) participants in the forum include nonstate actors; (3) participants engage directly in decision making and are not merely "consulted" by public agencies; (4) the forum is formally organised and meets collectively; (5) the forum aims to make decisions by consensus (even if consensus is not achieved in practice); and (6) the focus of collaboration is on public policy or public management. Ansell and Gash (2008) included five elements for collaborative governance: critical starting conditions, facilitative leadership, institutional design, collaborative processes, and outcomes. Critical starting conditions are described by imbalances between the resources or power of different stakeholders but also include the incentives that stakeholders have to collaborate and the past history of conflict or cooperation among stakeholders. In collaborative governance, leadership facilitates empowerment, and the institutional design of the process should be built on participatory inclusiveness, forum exclusiveness, clear ground rules, and process transparency. Ansell and Gash (2008) depicted a collaborative process that consists of face-to-face dialogue, trust building, commitment, shared understanding, and intermediate outcomes.

Currently, collaborative governance can be viewed both as a management practice and as a driver of more democratic governing. According to the first understanding, this idea allows for a more cross-boundary, joined-up government (Bevir, 2011; Kettl, 2015). In light of the latter viewpoint, collaborative governance contributes to democratic reconstruction, meaning broader participation and deliberation of different stakeholders within decision and policy-making processes (Ansell, 2012). In this context, Sorensen and Torfing (2021) underlined that collaborative governance is comprehended as a strategy for mobilising resources, creative ideas, and political support to produce public value outcomes. As with any paradigm, collaborative governance has both advantages and drawbacks (Pawłowska & Radzik-Maruszak, 2021). For example, it allows for more innovative, consensual, and dialogue-based policymaking. These, in turn, contribute to better preparation and implementation of local/national policies. In addition, collaborative governance has a significant impact on the learning process and the shaping of the horizons of individual stakeholders. It is also better equipped than traditional top-down policymaking to resolve policy conflicts and avoid policy dilemmas (Gash, 2016). In this light, collaborative governance can be viewed as a shift from traditional, hierarchical forms of governing to promoting multi-actor collaboration. Although usually led by a public sector organisation, collaborative governance is also aimed at building consensus among stakeholders on a formal set of policies designed and implemented to generate public value (Bianchi et al., 2021). Additionally, collaborative governance has a synergistic effect and supports community building (Lasker et al., 2001), as well as the potential to increase the legitimacy of public policies (Bevir, 2011).

From the perspective of this chapter, the involvement of citizens and their role as collaborators in governance is particularly important. Their engagement is considered to have positive influences on trust in government (Cooper et al., 2006; Yang, 2005), governmental legitimacy (Fung, 2006), and governmental responsiveness (Buček & Smith, 2000; Yang & Holzer, 2006). Citizen engagement also encourages open and inclusive interaction between participating actors and broadens their knowledge and expertise (e.g. Fischer, 2000). Royo et al. (2014) indicated that this positive rhetoric has led to a re-emergence of ideas and values of community, localism, and citizen participation in academic and political discourse. Prior research has found that citizen engagement sets new requirements for governance, such as changes in power distribution and institutional culture and attitudes (see, e.g. Torfing et al., 2019). These new requirements might also call for renewal of organisational structures and allocation of organisational resources (see, e.g. Fung, 2006) (e.g. financial, personnel, knowledge, and skills) (see, e.g. Bingham et al., 2005; Bryson et al., 2013; Yang & Pandey, 2011; Smith & McDonough, 2001).

However, collaborative governance and deeper citizens' involvement bring substantial challenges. First, both require stakeholders to avoid traditional hierarchical governing and to force them to cooperate. Their collaboration should be based on negotiation, coordination, orchestration, and mutual trust. However, this can be difficult, since participants have various experiences and knowledge (Gash, 2016; see Bidwell & Ryan, 2006). In this context, the expertise of public officials can be confronted with the practical knowledge of lay citizens. Additionally, stakeholders have various access to different types of resources, such as time or funding (Pawłowska & Radzik-Maruszak, 2021). The research has additionally shown that participatory methods and events, for example, often fail to incorporate diverse groups of the public (Young, 2002), do not meet participants' wishes to be heard, or may even antagonise participants by pitting them against each other (Innes & Booher, 2004). This may result in a situation in which only some citizens are included in genuine decision-making. Moreover, individual stakeholders may have different expectations about the way the cooperation is

structured and its outcomes. Second, collaborative governance alters the roles of the involved actors, forcing public officials to steer rather than command citizens to actively participate and share responsibility rather than just observe and grasp the results of the governing process. Third, the diversity of participants involved in collaborative governance may increase tensions and dissatisfaction. Lastly, the effects of collaborative governance can be affected by limited resources, ambiguous legal frameworks, and inadequate training (Blomgren Bingham, 2001, p. 399).

In this chapter, we analyse PB as a form of collaborative governance that reshapes traditional forms of public budgeting. We scrutinise collaboration in PB based on the criteria drawn from previous literature (see Table 1):

Table 1. Criteria for analysing collaboration in participatory budgeting.

Initiation of PB	-Initiators (public agencies? politicians? active citizens? NGOs?) -Starting conditions -Societal/cultural contexts
Design of PB	-Format -Aim -Money allocation
Collaboration	-Methods -Forms of interaction -Actors -Power relations/roles
Inclusion	-Who/whose knowledge is included in the process -How is PB made accessible -Openness, transparency of PB
Access to resources	-Citizen's resources -Organisational resources
Institutionalisation	-PB's role in local governance -Changes in institutional cultures and attitudes
Outcomes and evaluation	-For citizen engagement and participatory practices -For organisation -Transformation of PB processes -Transformation of organisational structures/cultures

Methodology and Empirical illustrations from Finland, Poland, and United States

We provide empirical illustrations from three cities across three countries: Lahti, Finland, Lublin, Poland, and New York City, United States. These cases, anchored in different traditions and models of local government (Kemp & Moore, 2011; Loughlin et al., 2012), are used to examine whether PB can be regarded as a mechanism to construct new collaborative ways of governance in public budgeting. The experiences of these cities vary over different timeframes,

focuses, and processes. These variations are helpful in exploring key factors that may explain the degree to which the cases exhibit the elements considered critical to collaborative governance. Lahti, Finland, has been one of the forerunners of implementing participatory tools for citizen engagement but started to utilise PB relatively late in 2020. In Poland, we examine the City of Lublin that implemented PB in 2010 as a result of a change in the city's leadership. Since then, PB has not only developed but gained new forms (e.g. youth PB; school PB). In the US, we focus on the PB process in New York City, which has used PB in city council districts over 10 years and has recently adopted a city-wide PB process.

The data for the Lahti and Lublin cases were collected as part of independent research projects by the co-authors. The New York City case is based on secondary data (e.g. annual PB reports) and existing research studies. The next paragraphs provide an overview of the use of PB in each of the three cities. Following that, we discuss how the analytical criteria discussed above apply across these cases, and draw conclusions from the analysis.

Participatory budgeting in Lahti, Finland

In Finland, interest in PB has steadily grown since the first experiments in local government in 2012. Nowadays, almost one-third of the 309 Finnish municipalities have tried or plan to try PB as a method for citizen engagement. One reason for the popularity of the PB in Finland can be found in the Local Government Act, which highlights that municipalities must arrange opportunities for citizens to participate in the planning of the municipality's finances (Section 22, 2015/410). Generally, it has not been typical for citizens to be engaged in the budgeting processes of Finnish municipalities. Citizen engagement has been in the form of public discussions and hearings, specific residents' panels and councils (youth/elderly/disable people, city districts, etc.), and general citizen feedback and opinion polls. These forms have not directly influenced the decision-making of financial resources, nor have they been part of budgeting processes.

In Finland, the city of Lahti has been one of the forerunners in implementing participatory tools in citizen engagement, although it experimented with PB for the first time relatively late in 2020. The city conducted a PB as a city-wide process with the general goal of strengthening citizens' participation and piloting PB for the first time. The pilot was allocated 100,000 euros from the 2020 municipal operating budget, which was the sum that citizens could budget with their ideas. Before the PB process started, Lahti city estimated that the administration and implementation of the PB process would require financial resources of 60,000 euros. However, it was a rough estimation, and in practice meant that 0.5 person could be hired to the PB team. No specific resources, for instance, for communication, technology solutions, or human resources outside the PB team, were recognised or allocated. In addition, the city council did not allocate extra resources to PB, but the resources (100,000 euros) came from the operating budget of the specific administrative service branch (participation and welfare), which meant cutbacks in other service operations of the branch.

Before the pilot, the PB process was carefully planned by a PB team of five people. In addition, voluntary PB coaches were recruited from administrative branches to support the process. Moreover, voluntary activists were invited to take part as PB guardians to spread the word and promote PB. The planning period included a citizen survey (n = 1213) where citizens expressed their interest in participation through PB and using online tools. It became clear that the citizens were interested in and motivated to take part in the decision-making of municipal affairs. This

willingness and readiness to utilise online tools helped Lahti make the decision to implement PB during the sudden and unexpected outbreak of COVID-19.

The PB pilot in Lahti followed the typical PB process, meeting the criteria by Sintomer et al. (2016): 1) procedure explicitly concerns financial matters, 2) participation on the level of the whole city/municipality, 3) permanent and repeated procedure, 4) public debate on budgetary issues, and 5) results are publicly reported (so-called Porto Alegre model). In Lahti, the PB process was carefully planned to form a solid basis for permanent procedures. Although there was not an official decision made by the city council, the profound planning and motivation of the PB team in Lahti expressed a commitment to institutionalising PB procedures. budgeting received strong political support from the city council. The grounds for setting up PB could therefore be regarded as fruitful.

Typically, PB consists of three parts: idea creation, voting, and implementation. The PB process in Lahti included these three parts, and they were divided into six more detailed phases: 1) new edition of the PB and idea creation phase, 2) project idea pre-check and cost evaluation by city employees, 3) project idea co-creation and co-development phase with citizens and city employees, 4) the voting phase, 5) the implementation phase, and 6) the evaluation of the process for further development for upcoming rounds. The PB process started in the early spring of 2020, and the implementation phase took place at the end of 2020 and beginning of 2021. The process was evaluated during the first months of 2021. Since it was a question of the first city-wide PB, evaluation was seen as important to signal accountability towards citizens as well as the city council. After the PB pilot had taken place in 2020, empirical qualitative data were collected from citizens (online survey, n = 243). This second citizen survey was directed to all citizens of the Lahti region, not just those who had taken part in the PB pilot. However, most of the respondents were also involved in the PB process. Additionally, empirical data were collected from Lahti City employees and politicians using a similar type of online survey (n = 39) as for citizens. To deepen the understanding of the process, 17 individual thematic semi-structured interviews were conducted. The interviewees were civil servants working for the city of Lahti and local politicians from the city council.

The first round of the PB in Lahti could be regarded as a success based on the number of project ideas and votes. City organisations and the PB team were positively surprised with the 713 ideas they received and voting turnout of 3.2 per cent of citizens voted. However, it became apparent that the relatively high number of ideas meant an intensive workload in prechecking and cost evaluation of the ideas (58 out of 713 to voting, 10 ideas implemented). The time and human resources for this work were not adequate, especially when combined with staff layoffs due to the COVID-19 pandemic.

Although, from the citizens' perspective, the first round of PB could be regarded as a success, there were several challenges in the process. It became clear early on that political support did not materialise into managerial actions and commitments. Based on the collected data, there were various attitudes towards PB. PB team received good feedback, but the readiness and motivation to conduct PB varied in different service branches. COVID-19 worsened the situation. Managerial support was missing, working hours for PB were not assigned, and generally PB was regarded as extra work that had to be done on top of regular work duties. The allocated sum for PB received a heavy critique: it was regarded as "too small, just pennies," but there was also the question of why money was allocated for PB while cutbacks were regularly made in city budgets. This showed that the logic of allocating resources in PB and in traditional ways clashed and created challenges in implementing PB.

Lahti illustrates a case in which citizen engagement clashes with traditional, hierarchic organisational processes and limited resources for PB in the context of a city's difficult financial situation. Citizens were ready to try PB, but the city organisation was not. Most of the challenges of PB process can be found in city organisations. What is interesting in the Lahti PB is that politicians were keen to push PB piloting, but the administration did not fully accept the idea of PB and the way it could transform the traditional processes of decision-making of financial resources and the traditional ways of engaging citizens. In particular, the top management of service branches expressed various attitudes towards PB, and a shared meaning and commitment to PB was lacking. The PB team had the difficult task of running PB without adequate support, human resources in service branches, concrete management actions, and overall commitment to the process.

Participatory budgeting in Lublin, Poland

PB in Poland has undergone a long and interesting evolution. The country was one of the first states in the Visegrad Group to introduce PB on a larger scale (Sintomer et al., 2016). The first city to employ BP was Sopot in 2011; then, the idea was spread to other, larger urban municipalities. In 2018, PB was recognised as one of the forms of social consultation, and all cities with county rights – in practice bigger urban municipalities – were obliged to implement it and allocate at least 0.5% of their annual budgets to PB. Additionally, since PB started to be perceived as a form of consultation, the age limit has been abolished, and all inhabitants, including children, youth, and foreigners, were encouraged to take part in it.

In Lublin, preparations for the introduction of PB started in 2010 and were related to a change in leadership in the city. The new mayor noticed that the citizens were not sufficiently involved in the decision-making processes. He and his team transformed the participative framework, including the introduction of new forms of consultation, a pilot of PB, and the initiation of closer, regular cooperation with civil society activists. In 2015, city authorities organised the first regular round of PB. On the one hand, PB was seen as an important democratic tool and, on the other hand, as an instrument that supported a shift from government to governance. Since then, PB has been undertaken every year, although its principles, structure, and rules have evolved in response to both the experience gained in each PB round and changes of law. The biggest changes were so far introduced in 2020 (Braun & Marzec-Braun, 2021).

Presently, in a similar way as in Lahti, Lublin conducted the PB cycle in six different phases: 1) information about a new edition of PB and its rules, 2) project planning and submission (both are conducted mainly by citizens and NGOs, 3) project verification conducted by city employees, 4) project voting, 5) project implementation, and 6) evaluation. Every year, the process starts in spring with the planning phase, continues with submission time in summer, and voting takes place in autumn (September/October). Projects can be submitted through an online form on the city web page (special tool) or on paper by putting the filled-in forms into a special box at the Residents Affairs Office. Every project idea must be supported by at least two persons (including the author of the idea) (Lublin PB, 2022).

In the last 2020 and 2021 editions, citizens were able to submit two categories of projects: 1) city district and 2) city-wide. The first should especially serve the residents of one district. Their value cannot exceed 350,000 PLN (around 76,000). This is the amount of money used in each district (if there are projects submitted in every district). The unused amount will return to the general category of citywide projects. On the contrary, city-wide projects are supposed

to meet the needs of the citizens of more than one district of the city, or their implementation is not tied to a specific place. City-wide projects can be further divided into 1) non-investment projects—so-called “soft” projects in which investments are not foreseen. These can be *inter alia* cultural, sports, or social activities. The value of such a project cannot exceed 200,000 PLN (around €43,000), and 2) investment projects—so-called “hard” projects—which are not bound specifically to one district. The latter must be implemented within at least two districts of Lublin, be worth a maximum of 1.5 million PLN (€326,000), and be solely of investment. Additionally, it should be underlined that against the background of other Polish cities, Lublin decided to allocate one of the highest percentages of the city budget to PB, amounting to 1.11% of total city expenses in 2019 (Braun & Marzec-Braun, 2021, pp. 29–20).

Tables 2 and 3 indicate the changes in the number of submitted projects, projects that were accepted for implementation, and changes in the voting preferences of Lublin residents.

Table 2. Project submission in 2015–2021 PB editions

Year of the PB edition	Number of submitted projects	Number of projects allowed to vote (% of projects submitted)	Number of projects approved for implementation
2015	333	233 (70%)	29
2016	210	155 (74%)	25
2017	171	149 (87%)	23
2018	157	118 (75%)	43
2019	223	165 (74%)	44
2020	201	142 (71%)	40
2021	156	91 (58%)	40

Source: Braun & Marzec-Braun (2021), p. 32

Table 3. Voting in 2015–2021 PB editions

Year of the PB edition	Number of paper voters (percentage of the total voters)	Number of online voters (percentage of the total voters)	The sum of paper and electronic voters in a participatory budget
2015	19,843 (42%)	27,272 (58%)	47,115
2016	43,621 (64%)	24,405 (36%)	68,026
2017	55,721 (76%)	17,748 (24%)	73,469
2018	1,286 (3%)	37,386 (97%)	38,672
2019	2,596 (10%)	22,722 (90%)	25,318
2020	2,180 (8%)	23,635 (92%)	25,815
2021	1,112 (6%)	17,121 (94%)	18,233

Source: Braun & Marzec-Braun (2021), p. 32.

As PB enjoyed a relatively large public interest—especially in the early years—the city authorities decided to introduce new solutions, including the so-called Green PB (GPB), Youth

PB (YPB), and School PB (SPB). The first is part of the city's budget that enables citizens to submit their own proposals regarding municipal greenery. One difference from the "traditional" PB is that the projects are evaluated and selected by experts rather than through a vote. The best ideas are implemented by the City of Lublin under the supervision of the Office of the Municipal Greenery Architect. Approximately 2 million PLN (around €333,000) are spent on these projects each year. Importantly, Lublin was the first city in Poland to introduce a green budget (Lublin, 2022). The YPB, due to COVID-19, so far had only one edition in 2019. The main difference from traditional PB was that the YPB was directed at children, youth, and students and was related to the activities of the Youth City Council (YCC) and organised in cooperation with a local non-governmental organization. The budget of the first YPB was rather low, at approximately 96,000 PLN (€22,000). Children, young people, and students from Lublin could receive financial support for the implementation of their initiatives in the following amounts: €250 for small projects, €80 for medium-sized projects, and €140 for large projects. In the first YPB round, 53 proposals were submitted, and after review, 33 were funded. The decision to grant funding was made by a special jury composed of one representative of the YCC, two representatives of the Lublin Team for Children and Youth, the Mayor's Proxy for Children and Youth, and one representative of an NGO working with young people. In 2021, the city also introduced SPB. Interested schools can apply for about 1,000 euros. However, the distribution of money is in the hands of pupils who create and vote for particular projects. The whole process is supervised by teachers and city officials.

Over time, PB has changed in Poland. Initially, it was treated as a democratic innovation and became one of the regular instruments of participation for citizens. Additionally, the tool has a relatively high share of funds allocated for the implementation of tasks in total budget expenditure compared to other cities in Poland. However, the PB process was not free from controversy. One of the most important were the rules of organising and submitting projects to the BP and the participation of children and young people in voting. In the latter case, some local politicians strongly opposed it. Furthermore, due to the division of the city council into a ruling coalition with which the initiating PB mayor was connected and the opposition, PB became a political issue. Lastly, a downward trend in terms of the number of projects submitted to the PB can be observed, and a decline in the turnout of residents voting for projects has been visible, which is especially problematic. Therefore, the Lublin case illustrates a situation in which PB gains popularity and becomes an "ordinary tool" of participation. However, city authorities constantly search for other targeted forms of PB and try to attract citizens. Currently, however, the greatest threat to PB seems to be the tensions between the national government, and the local government, which results in cutting funds and financial austerity. Participation is also influenced by the COVID pandemic and the influx of refugees from Ukraine, which, on the one hand, are not conducive to involving citizens more deeply and, on the other hand, force the adaptation of existing tools to the needs of new city residents.

Participatory budgeting in New York City, United States

New York City has a population of 8.4 million, the largest in the US. Baez and Hernandez (2012) argued that the use of public funds to bail out financial institutions during the Great Recession and questions about the role of government led to a grassroots effort to advocate for PB. Local civil society organisations partnered with the Participatory Budgeting Project (an

organisation that promotes PB in North America) and sought support from city council members (Jabola-Carolus, 2017).

Each of the 51 city council members receives \$5 million in discretionary funds, primarily for capital spending on projects in their district; legislators typically solicit requests from non-profits, city agencies, and citizens (Shybalkina & Bifulco, 2019). In 2011, four council members adopted PB, using at least \$1 million in their discretionary funds for this purpose (Calabrese et al., 2020). By fiscal year 2017, 31 districts had participated, and \$40 million was allocated. Although this is a large amount, it represents only about 7% of all council member funds, and only 0.2% of the city's capital budget (Shybalkina & Bifulco, 2019). District participation decreased to 27 council members in 2018 (Shybalkina, 2021) but increased to a high of 33 council members in 2019 (Williams & Waisanen, 2020). PB was suspended in 2020 because of the pandemic, but four council members used it again in a fully online process in 2021 (Sandoval, 2021).

There were five stated goals for PB in New York City: to open government, expand civic engagement, develop community leaders, build community, and increase equity in public spending. A citywide rulebook was established for the process. Capital projects are limited to physical infrastructure, costing at least \$35,000, with a useful life of at least five years. PB funds are primarily capital, but some operating funds are used for small, one-time needs (Su, 2017). A steering committee of volunteers and civil society organization leaders oversees the process and establishes policies. There are several phases but with significant variation across districts. The steering committee and council district committees conduct planning in the summer. Project ideas are solicited from the public in the early fall through neighbourhood meetings and online. Budget delegates, who must work, live, or study in the district, are assigned to committees by theme within each district; after being trained, they spend several months developing proposals with the city agency, council staff, and volunteers. In the spring, activities are held to advocate for specific projects. Voting then occurs online and at various sites. Voters must live in the district and be at least 14 years old (the minimum age has decreased over time); they can vote for up to five projects. Projects receiving the most votes are funded until the money runs out (Shybalkina & Bifulco, 2019; Williams & Waisanen, 2020).

A number of changes have occurred. After a new city council speaker was elected in 2014, resources were increased for staff and other assistance, which led to increased use of technology for outreach and tracking, improved training and coordination, greater ability to encourage rule compliance, and PB institutionalisation and expansion (Jabola-Carolus, 2017). However, expansion led to less evaluation capacity, a decrease in outreach funding per district, and reduced popular control of the Steering Committee, which became more advisory than policymaking. In addition, a policy change in 2015–2016 required city agencies to only examine five proposals per district, which is challenging, as delegates may receive up to 150 ideas (Su, 2017). A ranking tool has also been developed for project evaluation based on needs, feasibility, and social equity (Kuenneke & Scutelnicu, 2021).

For the first 10 years, PB was at the discretion of each city council member, and operated separately within each district. A 2018 city charter revision created a commission to develop a citywide PB process, which will be in addition to the council-based process (Williams &

Waisanen, 2020). This Commission ran a pilot programme for youth (ages 9–24) in 2020 to allocate \$100,000 (Sandoval, 2021).

As the number of participating council districts has increased, so has voter turnout, from 6,000 in fiscal year 2012 to 99,250 in 2019 (the latter is approximately 1% of the population) (Kuenneke & Scutelnicu, 2021). One study found that half of the 2014 voters had not previously worked with others on a community issue, and individuals from marginalised groups participated at a greater rate than in traditional elections (Su, 2018). Districts with more Asian Americans and mixed-race residents have a higher percentage of PB voters, but this is not the case for other minorities or women (Kuenneke & Scutelnicu, 2021). Johnson et al. (2021) found that PB participation led to increased voting in regular elections, especially for younger, less educated, lower-income individuals, and minorities. Residents in districts using PB “have greater feelings of access to and voice in local government, and better understanding of the complexities of spending public monies, often leading to a more positive view of government officials, and bolstering legitimacy of local governments” (Swaner, 2017, p. 95).

It is not clear how PB has affected the allocation of funds. Kuenneke and Scutelnicu (2021) found decreased PB funding per district over time, and fewer projects. Calabrese et al. (2020, 1403) found that “members simply allocate only a small fraction of discretionary capital spending to PB, fund more projects with smaller amounts than before, and leave overall spending categories unchanged” and concluded that council members used PB as a form of patronage rather than an empowerment tool for citizens. Hægelskamp et al. (2020), by contrast, found increased allocations to schools, streets, and public housing, and decreased allocations to parks and recreation, housing preservation, and development. Rothbart et al. (2021) found large appropriation increases in schools with PB projects but no evidence of effects on academic performance. Lastly, Shybalkina and Bifulco (2019) found that increased shares of funding within PB districts went to census tracts with the next to lowest income levels, but census tracts with the lowest income levels did not receive increased funding shares. Thus, the social equity effects of PB in New York City are unclear.

Various issues have been identified. First, the PB process operates differently across districts, such as the use of assemblies, predetermined project topics, and the participation of city employees (Williams & Waisanen, 2020). The perspectives of officials also led to variations: one district focused on cost-saving, another on project feasibility, while others were interested in sharing authority and increasing trust (Shybalkina, 2021). Second, participation barriers exist. Participation opportunities are not well-advertised, and the project-vetting process is often closed to the public (Williams & Waisanen, 2020). Support services are not adequate (e.g. childcare, and translation), and voting access is a challenge (Kuenneke & Scutelnicu, 2021). Third, PB has been used as a political tool in some cases by officials and civil society organisations (Shybalkina, 2021). For example, three of the four council members who instituted an online version of PB in 2021 during the pandemic were running for a higher office (Sandoval, 2021). Fourth, a common criticism relates to city bureaucrats, who have increasingly exerted their influence, making PB more of a top-down process (Williams & Waisanen, 2020). Budget delegates find city agencies difficult to work with, with staff acting as gatekeepers or advocates for specific projects (Su, 2018; Swaner, 2017), while agencies find delegates lack technical knowledge and have unrealistic expectations (Su, 2018; Jabola-Carolus, 2017). Su (2018, 88S) termed the process “managed participation” and noted that “at

its extreme, this dynamic embodies almost a consumer choice model rather than a deliberative one, with representatives giving pitches for PB funds, and telling delegates exactly what projects need funding in their neighbourhoods.”

Conclusions and discussion

In this chapter, we have investigated PB as a new form of collaborative governance that reshapes the traditional processes of public budgeting. With case examples from Finland, Poland and the United States, we have illustrated PB in the context of social sustainability. In particular, we analysed how and whether budgeting succeeded in fostering inclusive democracy in local governance. Table 4 summarizes our findings based on the criteria identified earlier.

Table 4. Participatory budgeting and collaborative governance.

	Lahti, Finland	Lublin, Poland	New York, U.S.
Initiation of PB	Politicians and civil servants for stronger citizen engagement	Politicians and civil servants: shift from traditional government to more inclusive governance	Politicians and civil society organisations; response to Great Recession issues
Design of PB	Porto Alegre model; 1) PB set-up and idea creation; 2) idea pre-check and cost evaluation; 3) idea co-creation and development; 4) voting; 5) implementation; 6) evaluation No specific goals, but the aim was to pilot city-wide PB and build permanent PB Budget: 100,000 euros + 60,000 euros for administration (from operating budget) 0.83 euros/resident	Similar to Porto Alegre model; 1) information about new edition of PB and rules; 2) project planning and submission; 3) project verification by city employees; 4) voting; 5) implementation and 6) evaluation. At least 0.5% of the annual budget allocated to PB Over time, new “types” of PB were introduced.	Individual city council districts, using discretionary funds; several phases with some variation across districts At most, about 0.2% of the total city capital budget Goals were to open government, expand civic engagement, develop leaders, build community, and increase equity in spending
Collaboration	Online idea creation and voting; one face-to-face co-creation event PB team of 5, 8 PB guardians, 4 PB coaches	Two main methods of submission and voting – 1) traditional (paper) and 2) on-line	Multiple methods for submitting ideas and voting Power has shifted from steering committee to city officials
Inclusion	Online execution only in Finnish Difficulties in process openness and transparency PB firmly in the hands of PB team, cross-agency missing	All residents of the city can take part (including children, youth, and foreigners) Difficulties in the process operation Tensions between residents, politicians, and citizens	Mix of online and in-person activities Transparency issues Heavy reliance on agency officials for project review

Access to resources	Those who participated had capabilities Inadequate organisational resources	Constant change of the rules High support for residents however still visible drop in their interest	Organisational resources have increased over time, but fewer projects are evaluated Support services for participants inadequate
Institutionalisation	PB was a separate 'pilot project' Difficulties in cross-border cooperation Various attitudes, critical attitudes, especially in middle management Lack of commitment to PB Lack of shared meaning and importance of PB	PB is an institutionalised tool for participation Critical attitudes of local politicians	PB has expanded to most city council districts (pre-pandemic), and an additional citywide process has been adopted
Outcomes & evaluation	Good turnout in ideas and voting; those already active participated; unsuccessful in engaging different groups; PB was a small-size and bounded 'pilot project', limiting possibilities to transform organisational structures; inadequate resourcing; PB was not in work plans; willingness to develop PB Shared commitment agency	Interesting idea that constantly evolves and develops New types of PB have been introduced over time "PB tiredness" and the decline of PB voters New challenges are ahead related to 1) tension between national and local governments and changes in tax system (big cities receive less money) and 2) influx of refugees	Increase in participation over time Positive effect on voting in traditional elections for some marginalised groups Social equity effects of allocations not clear Inconsistency across districts Political agendas affect PB use and decisions

There are a number of similarities and differences across the three cases. In Lahti and New York City, PB was initiated largely by politicians, but civil servants were also involved in Lahti, while civil society organisations led efforts in New York. The design basically followed the Porto Alegre model of several phases in all three cases, although it has had different focuses; for example, in Lublin, there are different types of PB used specifically for green purposes, youth, schools, etc., while New York's PB has revolved around capital projects within individual city council districts. Collaboration was seen in all three cases throughout the process. Multiple methods are used for idea generation and voting, and citizens are involved in various leadership roles, such as PB facilitators and executors. However, tensions and power imbalances exist across cases. Conflicts have been seen between politicians and administrators in Lahti and between the mayor and other politicians in Lublin. In New York City, decision-making and power have shifted over time away from the participants to public administrators. Collaboration is, to some degree, superficial rather than truly empowering partnerships between multiple actors.

Attempts have been made for inclusive processes, for example, by using online and in-person options for the public to express opinions and vote, but with limited success. Transparency has

been an issue in Lahti and New York, while Lublin has struggled with concerns about whether children and youth should be allowed to vote in citywide PB. Inclusion is also affected by a lack of resources. The inability to have translation services or childcare inhibits the participation of some citizens. Organisational resources are also an issue. Even where additional funding has been allocated for internal support, such as in New York, changes have resulted in less capacity to evaluate project ideas.

PB has been institutionalised to different degrees in these cases. PB is a fully institutionalised form of participation in Lublin. New York has used PB for over 10 years in an increasing number of city council districts, and a new, additional citywide process has been adopted. PB was a pilot in Lahti, where managers lacked commitment. However, the pandemic has affected PB operations, so it is difficult to speculate on the future of PB in these cities. In Lublin, the changes in the tax system that affected the city budget, as well as the influx of Ukrainian refugees, may also play a role.

What have been the results of PB collaborative governance? The amount of funding was relatively small in all three cases, which limited the potential impact. There is some evidence of increased participation by disadvantaged groups in New York but not in Lahti, while decreased interest and voting turnout occurred over time in Lublin. Shifts in resource allocation for social equity purposes are not clear in New York, where there has been some inconsistency in PB implementation across districts. Overall, political issues have also been key in all these cities, sometimes related to the internal and external tensions noted above, as well as elected officials using PB strategically for political gains.

In this chapter, we analysed PB as a participatory tool that seeks to expand the boundaries of public budgeting. Traditionally, public budgeting has been a rational, administration-led process in which budget officials are responsible for making decisions about the allocation of public funds (Rubin, 2020). Efficiency has been one of the guiding principles of public budgeting. As our case examples show, PB changes this situation. PB challenges the traditional power relations of budgeting. It replaces budget officials with citizens as executors of budget decisions and makes citizens accountable to themselves (cf. Shick, 2014). However, this does not happen without challenges. As the case of Lahti shows, PB was confronted with problems derived from the local organisation not being ready to transform the procedures of local decision-making. Although citizens were interested in PB, political support in the city did not materialise into commitments. The engagement of the citizens clashed with traditional, hierarchic organisational processes and limited resources for PB in the context of the city's difficult financial situation.

When viewed from a social sustainability perspective, traditional public budgeting has not been inclusive or devoted to empowering people. However, PB as a form of sustainable, collaborative governance shares the responsibilities of budgeting (cf. Webb, 2005); it broadens the responsibilities of allocating funds from local governments towards citizens and associations (and the private sector), hence making the setting of budgeting priorities more inclusive and horizontal. Although PB has been criticised for not being able to attract a broad spectrum of the public to participate, the experiences of the New York City case show some evidence of PB succeeding in engaging disadvantaged groups. However, our cases demonstrate the difficulties of maintaining people's interest, as in Lublin, the participation rate in PB has been decreasing.

There are several lessons for practitioners who are considering implementing PB. Based on our case examples, we see the challenges of moving from the traditional public budgeting process to PB's collaborative governance approach. Our cases all illustrate the tensions between expert public administrators and citizens making budget allocation decisions. These issues are difficult to resolve and raise questions about the extent to which PB can be considered truly collaborative. PB process designs should carefully address the responsibilities and relationships between these stakeholders. In addition, the role of politics cannot be ignored. Each of these cases demonstrates the importance of support for PB from elected officials and the political benefits that they can derive from it. Finally, our findings highlight that adequate resources are needed for PB. This process takes time, requires effort to develop and analyse potential projects, and a great deal of outreach to obtain and maintain participation.

Our study also raises questions for scholars. We wonder whether PB is actually about "budgeting" at all. The amount of funds allocated to PB is generally a small portion of the budget. The focus of PB is often more on engagement and deliberation, particularly with disadvantaged populations, than on financial decisions. We also suggest additional research on the sustainability of PB. In our cases, as with other studies, we see that some communities use PB for only a short time, while others institutionalise it but with significant changes and adaptation over time. What distinguishes those who sustain the practice, and to what extent do the changes enhance the collaborative nature of PB? Our goal was to explore how PB expands the boundaries of public budgeting in the context of social sustainability and as a form of collaborative governance. Through these three comparative cases of PB in cities in three different countries, we conclude that PB can enhance social sustainability in a variety of ways, such as by focusing on specific goals, topic areas, or groups. Truly achieving collaborative governance through PB is more challenging due to the inherent political and administrative structure of government and the long-held values of bureaucratic expertise and efficiency. Finally, we posit that PB may not expand the boundaries of public budgeting as long as it remains a distinct deliberation process with little relationship to budgeting.

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