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The participatory budgeting  
and the collaborative governance movement  
at the Hungarian local government level

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### Abstract

This paper provides a comprehensive analysis of participatory budgeting (PB) practices in Hungary by offering a general overview of the evolution across the country and exploring the deeper experiences of three local governments. The research specifically investigates the environmental conditions conducive to PB adoption, internal organizational factors influencing its success, and the short- and long-term outcomes of the process. While well-developed democracies with active local communities have a long tradition of participation and cooperation between government and citizens, the Hungarian context offers a unique examination of PB due to the fragmented structure of the local government system, its developing civil sector and historical mistrust between government and civil society. However, during increasing governmental centralization, local initiatives advocating for citizen-driven budgets are emerging. Based on recent data and by confronting interviewees with their original expectations, this research explores whether the PBs under review were successfully implemented as a collaborative process in this challenging environment. The low participation rate of Hungarian PB (3–5 per cent) indicates significant challenges in fostering community collaboration in highly participatory practices. However, the year-to-year increasing trends in both the number of submitted ideas and the number of votes reflect a promising trajectory. The research relies on desk research, analysing secondary data on PB practices (participation, implementation), as well as interviews with six stakeholders who are ‘owners’ or facilitators of the projects.

**Keywords:** participatory budgeting; co-creation; Hungary; local government; cost and benefit

## 1 Introduction

Civic engagement and co-creation are popular tools employed by governments to improve transparency, efficiency and effectiveness of policy formulation, service provision and monitoring (Rodrigo & Amo, 2006; Bovaird, 2007; Pestoff, 2012; 2018; Nemeč et al., 2016;

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Mikusova Merickova et al., 2015; Osborne et al., 2016). This study investigates a specific form of co-decision making through presenting and analysing the practice of participatory budgeting (PB) with a special focus on the Hungarian practices at the local level. This article aims to explore how PB supports and shapes the public policy process in Hungary by examining the environmental conditions conducive to PB adoption, the internal organizational factors influencing its success, and the short- and long-term outcomes of the process on policies and stakeholders.

PB is a process in which citizens take part in the decision-making and allocation of public funds. This approach empowers citizens, who are often closer to the day-to-day problems of their community than government authorities. Community members are devolved to exercise direct control over resources and this allows them to prioritize policies that are most needed in their environment by deciding together how to allocate part of a municipal or public budget (Shah, 2007). In other words, PB is a form of collaborative governance in which active community members work together with the government to make decisions about public spending.

The Hungarian case presents a compelling and unique context. Hungary, as a post-socialist country, exhibits a relatively weak or developing civil sector. The lack of trust from state entities in any form of civil initiatives can be traced back to socialist traditions and roots. Simultaneously, Hungary demonstrates a notably low level of citizen trust in governmental organizations, coupled with one of the lowest political participation rates in the European Union.

Additionally, the government structure and politico-administrative context also present a unique situation marked by fragmented local governance and significant centralization, particularly since the Covid-19 pandemic. This centralization trend has intensified with the central government increasingly taking over local authorities' tasks and re-appropriating local resources.

Despite these circumstances advocating for citizen-driven budgetary decisions is surfacing in various local government contexts.

The research utilizes a qualitative approach to investigate the implementation of PB in three local governments (Budapest 3rd District – Óbuda, Budapest 6th District – Terézváros, and Szentendre) within this extreme environment. The data collection process involves conducting six in-depth interviews with key stakeholders, including one head of the urban planning office, two project managers of PB, one mayoral advisor, one elected representative (the mayor), and representatives from Transparency International, an NGO facilitating and coordinating the initiatives. Additionally, documentary analyses are performed to complement the interview data. The interviews were conducted over a period of two months, from October to November 2022. The research also incorporates additional qualitative data by collecting nationwide data on initiated PB practices and municipality-specific data, including the number of inhabitants and details about political leadership. Furthermore, data on the PB practices themselves are gathered, such as the number of voters, the number of proposals submitted, and the allocated budget for these initiatives. This comprehensive data collection aims to provide a detailed understanding of the factors influencing the successful implementation of PB initiatives in the given environment.

## 2 Analytical framework

### 2.1 The precondition and success criteria

Attention must be drawn that certain preconditions are required to implement collaborative governance. That is why the analysis is structured around three relevant analytical dimensions, identified by Bartocci et al. (2023) in their longitudinal study based on reviewing a wide selection of PB practices, investigating the external environmental, internal organizational factors and the outputs and outcomes of the practices.

Among the external environmental factors, this study examines how the politico-administrative context, including government structure and autonomy of the local government influence the adoption and success of PB. It also aims to investigate the role of political factors (support or opposition) and formal as well as informal rules and the legal background of civic engagement in shaping the PB landscape.

The second crucial external environmental factor is society. The paper aims to explore the impact of the cultural and civic engagement context on PB and analyse how the size and diversity of the population affect the dynamics of PB adoption. The positive contribution of vibrant civil society to implementing successful participatory budgeting (PB) is widely recognized. Conversely, in societies with weak civil engagement, the prevalence of governing bodies and technocrats often results in suboptimal PB outcomes (Krenjova & Raudla, 2013).

Under the internal organizational factors, the paper aims to investigate the relevance of four factors: assess the significance of leadership in the initiation of PB; explore the role of financial resources in successful PB practices; analyse the role of elected officials and administrative staff in PB implementation; and explore the role of NGOs and external consultants as intermediaries.

### 2.2 Outcomes of collaborative creation: Exploring the impact of participatory budgeting

Co-creation is a key concept in the development of public policy and delivering public services. As a shift from traditional public administration (Brandsen et al., 2018; Bovaird & Loeffler, 2012) which mainly relies on bureaucratic structures and direct exclusive/monopolistic delivery of public services, where the members of society were primarily viewed as passive clients or receivers of public services towards a more complex system of network based collaborative governance, also called as New Public Governance (NPG) (Osborne, 2006; 2009). According to NPG, public policies are developed, and public services are delivered in a compound co-creation of government and civil society (Pestoff, 2018). Co-creation is a process through which inputs and resources from civil society are transformed into the process of creating public goods and services and where citizens are expected to play an active role in some aspects of the policy cycle (Ostrom, 1996; Osborne, 2006). Currently, this practice has received increasing attention due to citizen engagement, co-production, and democratic governance. Co-creation has proved to be a valuable com-

ponent to enhance public service quality and the efficiency of public policies (Pestoff, 2012). Participation is also seen as adding political value to a government experiencing a crisis in the traditional model of representative democracy and it helps to meet community needs and tackles diverse societal challenges (Michels, 2011; Bartocci, 2018 ). Therefore our third analytical dimension focuses on the output and outcome of the process. Output can be measured based on the (1) the degree of citizen engagement, (2) and the successful implementation of selected projects. But there are less tangible, sometimes longer-term outcomes of the PB, such as (3) political benefits including increased political legitimacy (Holdo, 2016), a more educated public, equal access to a public decision-making process or greater transparency and accountability (Sintomer et al., 2008), (4) strengthening the sense of community and (5) policy related outcomes including increased efficiency and effectiveness in public policymaking and implementation (cf. Carroll et al., 2016).

**Table 1** Presenting the analytical framework for investigating participatory budgeting practice

<b>Analytical framework for investigating participatory budgeting practice</b>		
External Environmental Factors	Politico-administrative context	Governmental structure and autonomy
		Political dynamics
		Formal and informal rules, norms, legal framework
	Social Factors	Culture of participation and civic engagement
		Population size and diversity
Internal Organizational Factors	Leadership	The level of initiation and commitment
	Financial Capability	% spent on PB
		Stability of financial capacity
	Commitment and Capacity	The role of elected officials and administrative staff in PB implementation
Professional Connectors	The role of NGOs or consultants	
Results	Output	Degree of citizen engagement
		Number of implemented projects
	Outcome	Political/democratic outcome
		Community related outcome
		Policy related outcome

Source: Own edition

### 3 Exploring the environmental landscape: A contextual analysis of participatory budgeting in Hungary

In the past few years, since 2019, PB has become a growing practice for local governments (LGs), aligning with the recent municipal election cycle. It is considered one of the most significant innovations in local governance during this period.

Despite its novelty, the number of PB practices in Hungary remains relatively low compared to other countries in the region. There are only 22 active practices in 3150 municipalities varying in their success rates. In contrast, in Poland in 2022, 43.5 per cent of municipalities with populations greater than 5,000 had introduced PB processes, and in the Czechia, almost 20 per cent of the population could participate in project-oriented municipal participatory budgets by 2019, with more than 60 municipalities running PB initiatives (Nemec et al., 2022, p. 302).

However, it is important to note the structural barriers in Hungary: fewer than 10 per cent of Hungarian municipalities have populations over 5000 inhabitants. In these smaller municipalities, there is often neither the capacity nor the perceived necessity for such practices. Additionally, when PB gained popularity and many municipalities, particularly those led by opposition parties, decided to introduce PB to enhance transparency and direct democracy following the local government elections, the onset of COVID-19 posed significant challenges. These challenges included political barriers, marked by political unwillingness, and economic barriers, related to the limited financial resources of municipalities (cf. Sedmihradská et al., 2022).

Previous research suggests that another hindering factor in Hungary is that smaller municipalities do not necessarily require formalized community engagement methods like PB (Kocsis, 2018). Local issues are often resolved through informal and personal consultations between local decision-makers and stakeholders, reducing the need for a formalized and structured approach. Additionally, the high administrative costs associated with PB, which can consume a significant portion of the allocated budget – in one case in Hungary (Miskolc), one-third of the PB budget –, make it less efficient for small towns with limited resources. Despite the above, PB was adopted by three smaller local governments.<sup>1</sup>

Seven mid-sized municipalities<sup>2</sup> seem to find a balance between the benefits of formalized citizen engagement and the resources required to manage such processes. Twelve larger municipalities<sup>3</sup> introduced these structured community involvement methods, possibly due to the complexity of reaching and engaging a larger population. They face greater challenges in reaching and engaging their residents (Kocsis, 2018). In these cases, PB, which can include online voting – half of the PB initiatives in Hungary allow for online participation in some form – an effective solution for broadly-based citizen involvement.

<sup>1</sup> Bordány, Jászárokszállás, Pilisborosjenő

<sup>2</sup> Budakalász, Törökbálint, Hatvan, Gyöngyös, Szentendre, the 6th and 7th Districts of Budapest

<sup>3</sup> The 2nd, 3rd, 8th, 9th, 10th, 11th, 13th, 19th, 22nd Districts of Budapest, Pécs, Miskolc, and the Capital City of Budapest

**Table 2** Evolution of participatory budgeting in Hungary by size of local government

Size of Local Governments initiated PB		Starting Year of Initiating PB					Overall Number of LG initiated PB
		2016	2020	2021	2022	2023	
Smaller Fewer than 10,000 inhabitants		0	0	1	1	1	3
Mid-size municipalities 10,001 – 50,000 inhabitants		0	0	3	2	2	7
Larger municipalities	50,001 – 100,000 inhabitants	1	1	0	4	0	6
	More than 100,000 inhabitants	0	2	1	1	2	6
Total		1	3	5	8	5	22

Source: Own edition

For a deeper analysis, the Hungarian case of PB presented in this study offers an illustrative example of multi-stakeholder cooperation. Two mid-sized and one larger size municipality – the 3rd District and the 6th District of Budapest, and Szentendre, a suburban town near Budapest – participated in a project led by the NGO Transparency International Hungary (TI). Funded by the US Embassy, the project ran from November 1, 2021, to September 15, 2022, with the final vote in one municipality organized in October 2022.

### 3.1 Politico-administrative factors: Governmental structure, local government autonomy and political dynamics

In general, local governments play a pivotal role as the extended arms of governance, facilitating community engagement, consultation and the cultivation of societal relationships. Positioned closer to the citizens, local decision-makers exhibit a notable capacity to respond promptly to community needs and feedback, a characteristic underscored by Folke et al. (2007). Additionally, they have the flexibility to establish formal and informal institutions that align with local interests and behavioural norms (Ostrom, 2006).

In Hungary PB was introduced in a context where the financial, economic and administrative autonomy of local governments had significantly diminished due to escalating centralization and political favouritism (cf. Hajnal et al., 2021; Reszkető et al., 2022). This practice has emerged as a pivotal tool mainly for local governments led by opposition or civic political actors, offering an approach to bolster transparency and citizen engagement, which are relatively low in EU comparison. Hungary ranks in the EU's bottom third

(23rd place) for transparency of government<sup>4</sup> with a score of 41.6 out of 100, and in the bottom third (24th) place for maturity of open data<sup>5</sup> with a score of 58 per cent.

In Hungary, participatory budgeting has primarily been embraced by left-wing politicians, aligning with international trends observed in Southern and European countries.

Before the LG elections of 2019 three NGOs<sup>6</sup> advocating for transparency and integrity in government launched a campaign programme called ‘This is the minimum,’ which summarized the basic principles for transparent decision-making in LG in six fields.<sup>7</sup> During the election campaign many local politicians and mayors – only opposition party politicians or independent/civil candidates<sup>8</sup> – committed to the programme and promised that if they got elected, they would implement the programme in their own LGs by the end of their term in 2024. But at the beginning of the pandemic and the declared ‘state of emergency’ this topic was relegated to the background and LGs were put under extreme pressure by initiating lockdown measures and social and healthcare services in the local community (cf. Hajnal & Kovács, 2020; Baranyai et al., 2021). At the same time the Government initiated several measures in 2020, leading to a further weakening of Hungary’s LG competences and capacities. While the formal structure and remit of local self-government has not changed *de jure*, its autonomy has radically decreased *de facto*. Whereas some measures affected all municipalities, the most important ones were rather selective, affecting only the larger cities and, most prominently, the capital city Budapest. As a result of financial restrictions, many LGs were forced to implement layoffs, budget cuts, or delay/cancel local development projects (Siket, 2021). Another, rather local political characteristic in the investigated municipalities is the political fragmentation of the population and the destructive presence of the opposition. From the interviews, it emerged that opposition forces often attempt to question the legitimacy of local government’s decisions or reverse already made decisions, aiming to sway public opinion against the mayor. The collaborative governance approach might be effective against strong political resistance, as noted by interviewees. The mayor of Szentendre (interviewed in 2022) suggests ‘involving key political influencers and allowing residents to voice their concerns at community events to counteract this resistance [...]. This inclusion promotes consensus, strengthening collective action. The “political sting” can be removed or dulled from policy issues.’

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<sup>4</sup> European Commission eGovernment Benchmark, 2019 data.

<sup>5</sup> European Commission, European Data Portal, 2020 data.

<sup>6</sup> The three NGOs who launched the ‘This is the minimum’ were Átlátszó, K-Monitor and Transparency International Hungary.

<sup>7</sup> These are the following: Transparent operation (agenda and minutes of the local committee are published, trackable discussions), freedom of information (openness on requesting public data), transparent budgeting, contracts and public procurements are published, transparent operation of companies owned by the LG, accountable decision makers (transparency on asset declarations). The webpage of the programme is available at: <http://ezaminimum.hu> (accessed: 16.09.2022).

<sup>8</sup> The list of the politicians or local representatives who joined the programme is available on the programme’s website: <http://ezaminimum.hu> (accessed: 16.09.2022)

### 3.2 Legal framework

This section focuses on the institutional features – formal and informal rules, norms and strategies that structure human interactions (Ostrom, 2006) – enhancing or hindering the functionality of PB systems. From a formal and procedural standpoint, consultation with community members can occur through various methods. The first and least cooperative form represents a rather one-way notification, in which the government provides information on policy decisions to the public. The second means is consultation, which allows two-way communication and interaction. In the third, more complex form, including PB as well, participation requires an active involvement of interest groups in the formulation of policy objectives, prioritizing between different alternatives and selecting the right programme.

Research by Kocsis (2018) shows that community engagement in local policymaking is often rudimentary and non-systematic in Hungary, with comprehensive public consultations occurring mainly when required by external funding sources, such as EU funds. Public engagement faces several limitations, including a lack of capacity due to tight financial frameworks, insufficient human resources, and the absence of the necessary knowledge for conducting formal surveys. In smaller municipalities, personal communication is often deemed sufficient for information exchange. National regulations do not strongly encourage local governments either to engage with the public, giving them broad autonomy in choosing the forms and intensity of public consultation. The Local Government Act mandates a one-way public consultation through an annual public hearing in which community members can ask questions and make proposals. However, new legislation<sup>9</sup> from September 2023 further restricted public consultation rights, allowing public hearings without personal appearances and shifting information dissemination to online platforms. Politically divided environments also affect public engagement, with local governments in high-tension areas often favouring one-way communication to avoid criticism and opposition feedback. In such environments, consultation opportunities are often biased towards local government-friendly interest groups.

### 3.3 Society and traditions matter

Participatory budgeting does not occur in a vacuum: cultural and social factors significantly impact citizen engagement and co-creation in the public sector.

#### 3.3.1 Culture of participation and civic engagement in Hungary

Howard (2003) argues that the legacy of the communist experience of mandatory participation in state-controlled organizations, the development and persistence of vibrant private networks, and the tremendous disappointment with developments since the collapse

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<sup>9</sup> Act CLXXXIX of 2011 on Local Governments of Hungary 53 § – 54 §



of communism have left most post-communist citizens with a lasting aversion to public activities. These phenomena dramatically diminished the capacity of the civic sphere to regenerate itself, even after the transition (Ekiert & Kubik, 2017). As another study from the post-socialist region has shown (Boc & Lazăr, 2022), the very limited developments in participatory budgeting can be explained through one critical path-dependency element: the historical heritage from the communist era, which has kept citizens at a distance from any decision-making regarding public life. This legacy of centralized control and lack of public involvement has had a lasting impact, creating a cultural and psychological barrier to active citizen participation in governance. The residual effects of this era continue to shape contemporary attitudes, making it challenging to foster a participatory culture in public budgeting and decision-making processes (Boc & Lazăr, 2022).

Civil society and advocacy in Central and Eastern European (CEE) countries, including Hungary, are generally weak due to loose linkages between civil society and state institutions. Previous studies (Guasti, 2016; Kopecký & Mudde, 2003; Szalai & Svensson 2019) highlight significant shortcomings in CEE civil society's participation and co-creation functions. The state-society relationship remains cumbersome. There is no long tradition of bottom-up cooperation and active political citizenship in these countries (Plaček et al., 2023). According to the EIU Political Participation Index (2022),<sup>10</sup> Hungary has one of the lowest political participation rates in the EU, partly due to its post-socialist trajectory. Under communism, citizens were seen as subordinates of the state, and non-party-organized civic activities were often suppressed. Howard (2003) argues that the legacy of mandatory participation in state-controlled organizations and disappointment with post-communist developments have led to a lasting aversion to public activities. Ekiert and Kubik (2017) note that this legacy has dramatically diminished the capacity of the civic sphere to regenerate itself. As earlier research shows from the post-socialist region, the residual effects of this era continue to shape contemporary attitudes, making it challenging to foster a participatory culture in public budgeting and decision-making processes (Boc & Lazăr, 2022).

Despite Hungary's higher-than-average trust in local government (63 per cent) and public administration (62 per cent) compared to the EU-27 average (EC, Standard Eurobarometer), an earlier study (Oross & Kiss, 2023) examining the motivations of politicians to introduce participatory budgeting (PB) in Budapest revealed that public participation was advocated both as a response to mistrust in local political decisions and as a means to build trust in democracy and democratic institutions. Our research similarly confirmed that trust-building played a crucial role in all three local governments studied. As one interviewee noted, 'Of course, the main driver is that trust in public offices in Hungary is still low... Therefore, the first step in introducing PB is building trust.' (Interviewee from District 3, 2022)

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<sup>10</sup> Economist Intelligence Unit (2023), Economist Intelligence Unit (2021) via gapminder – processed by Our World in Data: <http://www.gapm.io/dxlsdemocrix> (for the years 2006-2020)

### 3.3.2 Community and local identity

Aside from the variables at the national level, several local-level factors can impact the suitability of various participatory budgeting models within a specific context (Krenjova & Raudla, 2013). Although the investigated three local governments worked closely together and shared their practices during the process the three projects show different features when it comes to citizen engagement due to the local characteristics. Based on the interview evidence, the most important characteristics that had to be considered during planning were the specific composition of the local community, the fragmentation of interest groups and society, the commitment and loyalty of the people towards their community and the territorial size of the municipality.

**Table 3** Population and territory of the local governments

Local Government	Population (inhabitants)	Territory (hectares)
Budapest District 3	129,609	3970
Budapest District 6	38,158	238
Szentendre	27,534	4382

The municipalities of the 3rd and 6th Districts have different authorities and responsibilities compared to the town of Szentendre, and the population of the two districts may represent a weaker, more fragmented local identity than the town. Two LGs out of the three had already had one- or two-years practice in PB, while it was new for the 6th District. During the project, the LGs supported each other by mutually sharing their experiences, good practices or even working and project planning methods.

The functioning of PB varies significantly across municipalities. Some systems adopt an inclusive approach, allowing anyone to propose ideas. These ideas then undergo a feasibility examination by experts and are subject to online and/or in-person voting by residents. Typically, these proposals will pass through preliminary screening. These mechanisms may involve dedicated committees composed of representatives from the local community and experts from the LG office, as seen in District 6 and in Szentendre. Alternatively, the screening process might be carried out solely by experts from the LG office, often members of the City Development Council. After this initial screening, a selected set of ideas is presented for public voting.

As was confirmed by the interviewees in all three municipalities the successful implementation of community budgets is heavily influenced by the population composition. Citizens often lack awareness of the costs associated with specific public tasks and the potential administrative and management expenses involved (Interviewees from District 6 and Szentendre, 2022). They may also not fully understand the obstacles that can impede implementation (Interviewees from District 3). According to our interviewees, higher levels of education among citizens are presumed to make it easier for them to comprehend complex information related to public expenditures and administrative intricacies.

Secondly, individuals who have a connection with the local government, receive social benefits, are member of a social housing programme and attend LG institutions or care centres – are the primary target groups for participatory budgeting. Initially, the older population, often closely linked to the local government, actively engaged in these initiatives (e.g. in Szentendre and District 3). Engaging the younger population poses more challenges, but events organized by the local government, such as markets or flower distribution in District 3, attract people of all ages. Families are reached through interactions with schools and daycare institutions. Schools and kindergartens play a significant role in advocacy, effectively mobilizing parents and colleagues to support proposals.

Thirdly, in the districts of the capital city Budapest, the high ratio of commuters and non-permanent residents significantly impacts community commitment to public affairs due to the high fluctuation of residents (renters and commuters).

#### 4 Internal dynamics: Analysing organizational factors shaping participatory budgeting

As mentioned earlier, LG election campaigns emphasized transparency and community engagement, particularly through the introduction of PB. As a result, all three local governments have strong leadership support for PB practices. This commitment is crucial for overcoming bureaucratic resistance within local governments and ensuring that PB is not just a one-time initiative. In Szentendre, for instance, in addition to mayoral support, elected representatives also assume personal responsibility for the success of the project. Representatives are responsible for promoting PB in their districts, and each representative personally evaluates the incoming proposals, which are made public and accessible to the residents.

Considering the *financial capability*, introducing PB in the context of declining financial resources required a strategic approach from local governments. The proportion of the municipal budget allocated to PB in Hungary is generally small, often less than one percent, with a few exceptions. However, this aligns with the practices of other countries in the region (Nemec et al. 2022, p. 302).

Table 4 Budget allocated to PB between 2020–2023

Local Government	BUDAPEST DISTRICT 3				BUDAPEST DISTRICT 6		SZENTENDRE		
	2020	2021	2022	2023	2022	2023	2021	2022	2023
Budget allocated (EUR)	132.275	198.412	264.550	264.550	79.365	132.000	132.275	158.730	184.696

The patterns observed indicate that municipalities, on average, allocate approximately 0.1–0.2 per cent of their total budget for community decision-making processes. Notably, in the first pilot year, municipalities tend to allocate a smaller sum for community decisions, gradually increasing the amount entrusted to the public's decision-making as the programme matures.

While financial constraints pose difficulties for local governments there are several ways local governments can benefit from citizen engagement and address municipal resource shortages e.g. by announcing co-financed programmes. In District 3, citizens can co-finance tree planting and a programme focusing on creating green areas and they can decide where new trees should be planted. Another way for resource generation involves exploring external funding, grants, or partnerships with non-profit organizations or other governmental entities. An illustrative example of this collaboration is the professional network facilitated by the Transparency International Hungary (TI) and financially supported by the US embassy. This cooperation aimed to foster communication between local governments, encouraging the sharing of best practices. TI also offered professional expertise and knowledge to design and implement PB in the three municipalities. Leaders and managers from all involved LGs underscored the crucial assistance, emphasizing the value of learning from one another. Regular consultations, visits, and conferences dedicated to PB allowed these local governments to exchange experiences and refine their approaches.

*Bureaucratic commitment and administrative capacity* of LGs seem to be also a crucial factor for implementing PB. In different phases on the PB process (the planning, promoting, feasibility assessment of proposals, voting, moderation of public forums and implementation) many organizational units need to collaborate. The programme must be disseminated throughout the organization and involve departments such as information technology, communication, and urban planning. Initially, civil servants were sceptical. Civic participation stands in contrast to the entrenched bureaucratic ethos inherent in the Hungarian local governance structures and tradition. As the deputy mayor of Szentendre noted (2022) ‘...there is a vast bureaucratic gap between everyday office culture and participatory governance. This gap stems from the rigidity of administrative procedures and the fact that civil servants are not conditioned or experienced in such participatory processes... they are also overloaded with their everyday tasks.’ Although office workers were less enthusiastic, openness and a cooperative attitude are necessary from the side of the office, but this requires time.

## 5 Results

Active citizen participation is believed to have a positive impact on various political, social, and policy outcomes. This section presents the summary about the PB cost and benefits in the investigated local governments through the three major dimensions.

### 5.1 Political/democratic outcome

Under the politico-administrative circumstances presented in Section 3 citizen engagement addresses municipal resource shortages by mitigating financing difficulties and alleviating resulting public dissatisfaction in the examined municipalities. Every local government’s experience indicates that PB enables citizens to realistically perceive the local

government's financial situation and funding, bureaucratic and legal constraints. Consequently, they are more understanding when a programme lacks funding, providing stronger legitimacy to local leadership and to the local programmes themselves. As the Interviewees from Szentendre and District 3 insisted, this increased legitimacy, in turn, supports the survivability of decisions over time, as they are backed by a broader base of public input and approval.

Furthermore, political polarization is mitigated by involving even the 'most vocal opposition figures' in decision-making and sharing responsibility with citizens through decision delegation (Interview with the deputy mayor of Szentendre, 2022). As the interviewees from Szentendre and District 3 stated, it becomes challenging for opposition parties to question a decision that has received public support; therefore it acts as a shield against political attacks. The inclusivity of PB helps build resilience against potential challenges, ensuring that decisions withstand scrutiny and enjoy continued support from the community.

On the other hand, PB has introduced political costs and potential threats as well, notably in limiting the power of elected politicians and undermining the reputation of traditional democratic institutions. The delegation of decision-making responsibilities to citizens may lead to a deficit in democratic institutions, as elected officials may face challenges in holding decision-makers accountable for their performance (Interviewee from District 3). Our interview evidence highlights instances where citizens in certain municipalities rejected participation in PB. They argued that 'they elected representatives due to their superior knowledge of social problems, expressing a preference for relying on their elected representatives' decisions' (Interviewee from District 3).

Additionally, issues arose with citizens as less-informed decision-makers, often laypeople, proposing unrealistic projects. In response to rejected proposals, all local governments reported allocating significant time and effort to enhance transparency, explaining the reasons for rejecting certain proposals. The evidence from interviews also underscores that the quality of decisions can be influenced by powerful interest groups or processes captured by political parties or coalitions. Certain interest groups, such as families with young children or pet owners, demonstrated greater mobilization capabilities, securing more votes for their projects despite representing minority interests.

Addressing the unequal representation of citizens, some local governments attempted to mitigate disparities by organizing forums specifically for the most vulnerable citizens, including those living on social benefits or residing in social houses. These efforts aimed to foster a more inclusive and equitable participatory budgeting process.

From the viewpoint of democracy and state role, 'PB represents a delicate balance of combining representative and direct democracy' (Interview with the deputy mayor of Szentendre, 2022). As our interview evidence stated delegating power and authority to the citizens presented a significant challenge for local government officials, including politicians and bureaucrats. It required a fundamental shift in mindset, urging representatives and office staff to transcend the traditional notion that decisions should solely rest with the local governments and politicians, considering them the sole expert authority. In Hungary contextualised with paternalistic state approach, this proved to be exceptionally difficult. The prevailing norms often emphasized a top-down decision-making structure,

where expertise and authority were concentrated within the local government. Breaking away from this established paradigm and embracing a more inclusive, participatory approach demanded not only a reevaluation of roles but also a departure from ingrained political practices.

According to previous research, PB could increase voter turnout in local elections, and PB might be an ideal instrument to foster civic participation (cf. Kukučková & Bakoš, 2019), but in the Hungarian case there is not long enough practice to verify this finding.

Table 5 Political and democratic outcome

Political and democratic outcome	
Benefits	Costs
<ul style="list-style-type: none"> <li>• Restoring the trust in the LG and local politicians</li> <li>• Greater transparency and accountability</li> <li>• Direct democracy and increasing political culture and representation</li> <li>• Mitigating the power of local oligarchs</li> <li>• Educating the community</li> <li>• Strengthening legitimacy of decision - shields against political attacks</li> <li>• Pressure on politicians to deliver</li> <li>• Bottom-up process – involves stakeholders whose opinions are unavailable or unknown</li> </ul>	<ul style="list-style-type: none"> <li>• Not always well-informed decision-makers / the problem of laypeople</li> <li>• Unequal representation of citizens</li> <li>• PB can be captured by political parties or by a coalition</li> <li>• Limits the power of elected politicians</li> <li>• Weakening the reputation of traditional democratic institutions</li> </ul>

## 5.2 Community and culture related outcome

All interview evidence supported that high scepticism prevails among citizens towards any government initiatives. As our interviewees noted it takes years of consistent positive feedback for citizens to perceive that their input truly influences decisions, that they are also responsible for their environment and that the local government effectively executes and implements projects. Citizen engagement was empowered by repeated affirmations over time. It is underpinned by our finding that there is a gradual increase in community participation over time. As the community becomes more familiar with the process and gains confidence in the effectiveness of their involvement, a growing proportion of the population actively engages in the community voting process. Despite the initial stages typically seeing lower participation rates, it is observed that, over time, the percentage of the total population actively participating in the community voting process steadily rises. On average, participation rates typically range from 3–5 per cent of the total population.

PB also serves as a catalyst for the creation of social capital and trust within a community. It achieves this by facilitating gatherings such as public meetings and workshops that bring together citizens from diverse backgrounds and with seemingly irreconcilable differences. For instance, individuals representing conflicting or competitive interests, such as those of cyclists vs drivers or pet owners vs those without pets, are seated together at a table. These forums, typically lasting 3–4 hours of conversation, play a pivotal role in

bridging perspectives and fostering understanding among citizens facing distinct life situations and challenges. Through open dialogue and shared decision-making, PB reconstructs a sense of community by building commitment and reducing feelings of alienation. It transforms conflicting viewpoints into opportunities for collaboration and helps residents appreciate the diverse concerns and needs of their fellow community members.

**Table 6** The implementation of PB in the three local governments

Local Government	BUDAPEST DISTRICT 3				BUDAPEST DISTRICT 6		SZENTENDRE		
	2020	2021	2022	2023	2022	2023	2021	2022	2023
Budget allocated (EUR)	132.275	198.412	264.550	264.550	79.365	132.000	132.275	158.311	184.696
Number of submitted proposals	1530	1619	2478	3766	90	NA	715	389	451
Citizen engagement: number of voters (ratio to the total population)	4485 (3.8%)	6389 (4.9%)	7290 (5.6%)	12976 (10%)	NA	NA	748 (2.7%)	763 (2.8%)	943 (3.4%)

Source: Zeisler (2022) Report of Transparency International Hungary Foundation and own edition from LGs' websites

**Table 7** Community and culture related outcome

Community and Culture Related Outcome	
Benefits	Costs
<ul style="list-style-type: none"> <li>• Creating social capital and trust</li> <li>• Understand the different viewpoints of several interest groups representing conflicting, competitive interests</li> </ul>	<ul style="list-style-type: none"> <li>• Some strong interest group might capture the PB process, mobilizing community to serve their own interest</li> </ul>

### 5.3 Policy related outcome

The neo-classical economic theories of decision-making offer rational insights into the choices made by government entities to cooperate, suggesting that economic and political incentives trigger such collaboration. Collaborative governance, as outlined in the literature, can yield various positive effects (Bartocci, 2018). One notable outcome verified by our interview evidence is the enhancement of administrative performance and adaptability within public organizations. This involves the development of new techniques and procedures, enabling organizations to renew and improve their administrative performance and operations.

Cooperation is also identified as a means to achieve cost savings by dividing the construction and operating costs of public service delivery infrastructures (Garlatti et al., 2019). Overcoming resource scarcity, it creates opportunities for innovative and cost-effective service delivery. Interviews with two municipalities revealed that PB projects have indirect positive outcomes, such as the creation of a 'problem map' highlighting local issues identified by the community. Proposed issues not addressed by PB are added to the municipalities' 'to-do list' for future handling in Szentendre and in District 3.

Additionally, PB is recognized for its ability to adapt to real social and ecological needs and changes more effectively than centralized forms of government. According to the interviewees, personal meetings play a pivotal role, offering a platform to comprehend community needs and understand the diverse viewpoints of interest groups representing conflicting or competitive interests. Instead of creating strict hierarchical systems LG proposes arenas that can engage in rapid discovery of conflicts and effective conflict resolution (Ostrom, 2006). As many interviews pointed out, one of the most important impacts of PB is that citizens became more aware of the real nature of community problems and the complexity of implementing certain programmes (e.g. creating a pedestrian crossing is not 'drawing' lines, but it requires the cooperation and permission of several authorities).

On the other hand, as Feiock (2009; 2013) pointed out, there are transactional costs of negotiating, monitoring, and enforcing an agreement that are necessarily required for achieving joint actions. Transaction theories of organizations focus on uncertainty and four types of transaction costs as barriers that prevent government entities and authorities from reaching cooperation and co-actions. The first called 'information costs' limit the range of options being considered by bounded rational actors, while the second type refers the 'negotiation costs' that limit the number of alternatives for actors during the decision-making process. The third type of cost are 'external decision costs' that limit autonomy in conforming to collective decisions, and the fourth type of cost is related with the decision enforcement, because the joint action limits the ability to make credible commitments (Feiock, 2013). One should also note that participation also entails a cost for the citizen, in terms of the dedication of time and energy, and does not provide for any form of remuneration; the potential benefits associated with participation are not immediate. As our interview evidence shows, the implementation of such programmes requires a tremendous amount of resources. Beyond the financial resources the need to mobilise significant capacities and develop new competences on both sides – both from public administration, politicians, and the citizens – in order to have a positive and sustainable impact. The LG should allocate a few people as experts (urban development) and project managers; however, the LG's HR capacity is limited and overloaded. Secondly the LGs have very limited financial capacity to launch any new development or innovative investment. They can hardly finance the provision of the basic public services due to the central government's financial cuts. Thirdly the LGs also need more time to shift from the more bureaucratic, authoritarian way of thinking about government – customer relations and adopt and integrate the culture of cooperative governance and civic engagement. The key factor of sustainable cooperation is building trust by providing evidence and good examples of how the programme reached its goal and ideas coming from the community have been realized. But it is a decades-long process to make cultural changes on the government side and in the individuals' awareness.



Table 8 Public policy and administrative outcome

Public Policy and Administrative Outcome	
Benefits	Costs
<ul style="list-style-type: none"> <li>• Increased the efficiency and effectiveness of public policymaking processes</li> <li>• Adapting to real social and ecological needs and changes better than more centralized forms of government</li> <li>• Higher acceptance and voluntary compliance with policies</li> <li>• Citizens got more aware of the real nature of community problems and the complexity of implementing certain programmes</li> <li>• Networks create new, additional resources for the government, such as financial resources, knowledge, expertise and experiences</li> </ul>	<ul style="list-style-type: none"> <li>• Budget</li> <li>• Transaction costs of negotiating, monitoring, and implementing the PB – mobilise significant capacities and develop new competences</li> <li>• “External decision costs” that limit autonomy of bureaucracy in conforming to collective decisions</li> </ul>

## 6 Conclusion

In Hungary, the introduction of PB appears to be driven by the current political environment and the budgetary challenges faced by local governments. The purpose of implementing PB is threefold. Firstly, it serves a political purpose.

Our study reinforces the findings of Oross and Kiss (2023), showing that local political leaders implement PB to increase the transparency of public institutions and restore trust in municipal organizations by fostering more effective communication and connection with citizens. Additionally, our research demonstrates that PB is an effective tool for enhancing political education at the local level through practices such as discussion and voting. It also acts as a response to overly centralized governance and political favouritism, as community-supported projects carry strong legitimacy and reinforce local political leadership. However there seems to be a political risk as well: by combining direct and indirect form of democracy the division of responsibilities between community members, interest groups, elected local politicians and LG bureaucrats in a governance system can make it challenging to hold decision makers and the LG accountable for their performance.

Secondly, PB plays a crucial role in strengthening local community cohesion, which is particularly important in a politically polarized society like Hungary. However, as our study also showed, there is a risk that interest groups may mobilize the community to push through their own agendas, potentially skewing the larger community interest.

Thirdly, from a policy perspective, participatory budgeting (PB) helps address budgetary constraints by engaging citizens in generating new resources, whether fiscal capital or knowledge. Furthermore, it aids in communicating to the public why certain projects cannot be realized by the municipality. However, the effectiveness of PB in addressing real social needs and representing stakeholders' interests is questionable, given the relatively

low participation of citizens. The implementation of PB also incurs high costs, including significant transactional costs associated with coordination and facilitation. These costs encompass human resources, facilitation and negotiation expenses, time, specialized expertise from urban development specialists and technology expenses.

Several critical issues for the future of PB are evident. One significant gap in the PB process is the relative weakness of the state-citizen relationship. Additionally, the application of PB is often unstable, rarely lasting more than a few years due to the fragility and volatility of political commitment, financial stability, and the lack of regulation.

There are also risks to democracy associated with PB. It can be captured by political parties or coalitions, and in some cases, people tend to over-identify PB practices with certain figures or political coalitions that have promoted its use. This can create a dangerous connection between the political arena and PB practice, which is intended to serve the co-creation of policies.

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