CONSIDERATIONS ON PARTICIPATORY BUDGETING FOR LOCAL DEVELOPMENT PROJECTS IN ROMANIA

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Abstract
The participatory budgeting process has lately become a topic of interest for nowadays society, where citizens express their willingness to be involved in the proposal and selection of the projects which will be implemented by the local public administration. Participatory budgeting provides as direct result better funding of local projects. This study represents a brief analysis of the main steps and measures already undertaken in the field of participatory budgeting, by some local public administration authorities in the European Union. In Romania the beginning of this process is a difficult and complex task, but it can provide great satisfaction if it is implemented properly.

Keywords: Participatory budgeting, project financing, local public administration, local communities.

JEL classification: G38, R51

1. Introduction
At the core of any activity, any service and any expenses lies a budget. Any household or company or country justify and provide balance between their income and their expenditure through a budget that becomes the indicator of well fare and living standards, especially when it comes to local budgets or the state budget. The latter has a special status, as it relates to spending public money for the good of the society. Thus, taxpayers, who uphold the budget, need to be involved in setting investment priorities and must be informed about the amount of annual revenue and expenditure.

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Originally published in the late 80's in the city of Porto Alegre, Brazil, this practice has gradually been adopted by cities of various sizes in Europe, the US and other regions of the world. In 1989, Porto Alegre developed a new model of democratic participation, which became internationally known as "participatory budget". Through this process, community members directly decide how to spend a part of the public budget. In other words, those who pay taxes decide how a part of such revenue is spent. Despite widespread popularity this idea gained, the concept of participatory budgeting is new to North America. In 2009, the organisation called "Budget Participation Project" helped launch the first process of its kind in the US, with $1.3 million in the 49th district of Chicago. Later, a $6 million initiative was subsequently developed in four neighborhoods in New York (Haddon, Lerner, 2011).

In the United States and Canada, participatory budgeting has allowed residents to decide directly how to spend a share of their capital funds from their communities and recorded an increase from 2 pilot-projects in 2 cities to 63 in 22 cities. In the year 2015, over 70,000 people voted in a participatory budgeting process, deciding to spend nearly $50 million (Hagelskamp, Leighninger, 2016).

According to the “The Participatory Budgeting Project” organisation, most success stories for participatory budgeting are found in the Americas, at European Union level the process being continually expanding.

2. Defining Participatory Budgeting

Participatory Budgeting is a participatory democracy practice in a city where citizens are involved in decisions concerning how to allocate public funds. It aims to transform the citizen-authority relationship, by providing a platform through which citizens would participate more actively in the process of managing the city. This practice contributes to an increase in participation and quality of local democracy, promotes pluralism of opinions and public discussion and stimulates the inclusion of excluded voices and unrepresented groups. Participatory Budgeting also contributes to the achievement of social justice and ensures a high degree of civic control.

From a finance perspective, participatory budgeting means a process through which citizens of a community are directly involved in making decisions about the budget and spending of a public institution. Thus, participatory budgeting becomes a real mechanism developed by a local public
administration authority, whereby local community ideas are heard and promoted. In this way the members of the local community are directly involved in formulating decisions on spending priorities of local budgets. For an easier understanding, this type of budgeting is similar to a family’s budget that aims to improve the quality of life in that city by encouraging citizens to get involved in establishing priorities and investment objectives of local budget.

3. **Rules of operation regarding the Participatory Budgeting**

Participatory budgeting works when communities make budgetary decisions through an annual cycle of meetings and voting (A Guide for Officials and Staff Interested in Starting PB, 2017). Most experiences follow a similar basic approach outlined in the figure below. After funding, the planning process begins again, and PB becomes part of the local government way of ruling.

**Figure 1: Participatory Budgeting process**

![Image of Participatory Budgeting process]

Source: own processing after A Guide for Officials & Staff Interested in Starting PB

International theoretical references make an overview of some of the fundamental aspects such as the basic principles and key impacts of the participatory budgeting process (Wampler Boise, 2012), the long tradition of freedom of speech in France, Paris (Véron, 2015), The United States, New York (Pape, Lerner, 2016) and the existing evidence of participatory budgeting processes that took place in Scotland by June 2016. In Scotland, the growth and development of the first generation of participatory budgeting in the country is analyzed in order to generate an understanding to support strategic direction, operational leadership and to improve the future of Participatory Budgeting (Harkins, Moore and Escobar, 2016).
This process allocates funds that are not already committed to fixed costs - such as public debt service - and which are instead assigned at the discretion of decision-makers. This type of budgeting may save money on the road because participants discover new ways to overcome budget limitations. Basically, just a part of the budget is intended to be participatory budgeting and not the entire budget. Participatory Budgeting starts usually with discrete funds which are not reserved for fixed or essential expenses, being typically a small fraction of the overall budget, but at the same time representing a portion of the funds available and sustained in the debate each year. This allocation could come from the investment budget (for infrastructure) or from the operating budget (for public utilities and services) from a city or county. Local or county councilors may decide on the funds allocated to this purpose. These officials can also have control over special allocations such as community funds intended to finance the development of local communities. Alternatively, the authorities in the field of pre-university and universities, community centers and other public institutions could open their budgets for this purpose.

Funds could also come from non-governmental sources, such as foundations, community organizations, or fundraising at the local level, if the money are directed to public or community projects. Some PB processes combine funds from different sources to build a larger budget appeal. In order to better organize the community and develop appropriate and necessary projects for local communities, citizens gain confidence in their representatives and better understanding of the needs of their community, thus increasing social trust. In the process of participatory budgeting, citizens make real decisions about the destination of funds and not only participate in a public consultation.

The basic principles of participatory budgeting propose the involvement of local public administration citizens in a democratic deliberation process and their decision in order to establish the best manner of spending part of the local budget. The process involves citizens taking on a role as an active participant in defining and addressing the issues of community to which they belong. The fundamental principles lie in (Wampler Boise, 2012):

- Active participation of citizens through the voice of the local community;
- Increase of citizen authority by voting;
- Social justice through the reallocation of resources;
- Improved transparency through surveillance.

Participatory budgeting rules can be established in a participatory way. Participatory budgeting is an annual process and not an isolated event. A process of approved participatory budgeting can take between 3 and 6 months in order to be successfully implemented. A typical cycle lasts 5-8 months, from collecting ideas to public voting. Below are the major phases that take place annually.

**Figure 2: Stages of participatory budgeting**

Source: own processing after A Guide for Officials & Staff Interested in Starting PB

4. **Outcomes and Successful Models of Participatory Budgeting in Europe**

Most successful stories for participatory budgeting can be found also in Europe as well as in the rest of the world, as the map below shows. Therefore, the participatory budget is an instrument successfully adopted by more than 1,000 cities around the world, including Paris, London, Berlin or Lisbon. This concept involves allocating a percentage of the city budget to finance projects proposed by civil society, whose feasibility is verified by the local government. Budgetary participation can be broadly perceived as citizen participation in decision-making on budget allocation and monitoring of public spending. Participation can take various forms, from actual decision-making power in resource allocation, to more modest initiatives that give voice during budgeting.
At European Union level, the process is expanding continuously and successful examples in this regard are the cities of Zwolen from Poland, of Svishtov from Bulgaria and of Pazin within Croatia.

In the case of Poland, the city of Zwolen (17,000 inhabitants), the process started in 1998 at the initiative of the mayor, the city hall and citizens by setting out a multi-annual capital investment plan involving citizens at all stages of the process. In this sense, the municipality has printed and distributed to citizens capital investment cards in public places such as: public housing, schools, shops, post offices, headquarters of community non-governmental organizations. The local community was invited to express its views on the city's development priorities. The process involved clear rules from the start, a detailed implementation timetable, a method of prioritizing and scoring proposed projects, and three criteria in this context: improving the local economy, creating jobs and increasing local income. The municipality has appointed a City Hall Committee which oversaw the implementation of this plan and mediate the decisions taken, a committee that involved the city's Economic Department in order to provide the financial resources needed for the proposals. The final draft budget is approved by the Implementation Committee, the Board of Directors and the Local Council.

In Bulgaria, Svishtov City (30,000 inhabitants) the City Hall established a capital investment plan in the early 2000s, which distinguished between large infrastructure projects financed from external sources and small community-specific projects financed from the city budget through a participatory process. This budget planning, divided into two components, continues to be an institutional budgeting practice at city level. Citizens can get involved in determining which programs are receiving money from the budget (restoration of sidewalks, park infrastructure, child care centers, etc.). The citizens are invited to apply for funding under selected programs by participating in public hearings in the community. There are clear criteria and procedures for selected projects, while community may provide co-financing. A steering committee, with representatives from the city hall and civil society, decides which projects within the programs will be proposed to the local council. Selection criteria include the participatory nature of the project, the level of co-financing and the economic and social benefits, maintenance costs and various technical considerations. The steering committee prepares the plan submitted for approval to the local council. The fact that participation is still increasing suggests that institutional efforts to involve citizens have been
successful. Additional resources have been provided for capital investment within the city budget which led to the increasing of interest from citizens in maintaining the resulting infrastructure. Further in the subsequent years these actions brought sustainability and reduced local costs. This is one of the examples that provides clear evidence that the initiative has had a further impact on just improving citizen participation.

In the city of Pazin (8,600 inhabitants) in Croatia, a participatory budget pilot project has been running since 2014 by the local public administration, together with the NGO GONG, ”Our Children” Association, and in close cooperation with the Institute for Public Finance and Cities Association. The project has already been awarded for the best involvement of citizens in the budgeting process in 2014, being given as an example of good practice with regard to public participation in Croatia. The aim of the pilot project was to use participatory budgeting as a tool for strengthening civil society and eliminating corruption. The intent of the initiators is to allow citizens from Pazin and other cities in Croatia (such as Karlovac or Mali Lošinj) to engage in participatory budgeting activities at local government level over the next two years. In 2014, citizens' opinions were taken into account in the smaller investment decisions of the municipality, worth about 4,000 euros. There were public debates and around 500 citizens voted to support their favourite project. Citizens have been involved in this process through local committees and participated in a series of public debates.

5. Traditional budgeting, open budgeting and participatory budgeting in Romania

Starting from the premise that a local public institution represented either by a local council or a county council or other deconcentrated public institutions such as directorates, agencies, inspectorates, undertakes the implementation of budgeting, given the two pillars of the open government - transparency and the involvement of citizens, we are dealing either with open or participatory budget, but these two types of budget of are not cumulated.

*Open Government* has been globally established as a form of good governance through the Open Government Partnership. The recipe for effective governance that facilitates the development and prosperity of a society includes both components: transparency and involvement in the governance process. The Open Government Partnership was formally
launched in September 2011 when eight States (Brazil, Indonesia, Mexico, Norway, the Philippines, South Africa, the United Kingdom, United States of America) signed the Declaration on Open Government and presented their national action plans to meet the proposed objectives. The number of participating countries has now reached 75.

**Open budgeting** refers to transparency in the budget process, i.e. the publication of documents and data underlying the planning, drafting and implementation of budgets, using both open formats and narrative forms and citizens' budgets. Publishing the final version of the legally adopted budget is a key moment and a point of reference for the local community, as open budgeting mainly refers to how public institutions communicate citizens' information about the other local authorities’ budgeting phases of planning, implementation, monitoring.

By **participatory budgeting**, we are talking about creating and implementing mechanisms to facilitate citizens' involvement in all these stages. Participatory budgeting involves the transparency of the process, because we cannot talk about an informed decision in the absence of free access to information. Citizens' involvement in the budgeting process is often more complex than the opening of budget data, because it needs to ensure both-way communication. In practice, many democratic states have set up standards for opening public budget data, but participatory budgeting is still in the pilot phase.

Both in the case of traditional budgeting and in the case of open budgeting, the documents underlying the drafting of the budget are put to public consultation. Therefore, in the case of participatory budgeting, the documents underlying the budget preparation have to be publicly consulted, discussions are held with the inhabitants on budget issues and its allocation to projects aimed at the development of local communities. The inhabitants are involved in the process of monitoring expenditures of public money.

In Romania there is already a legal basis for citizen involvement through Law 52/2003 on Decisional transparency in public administration, which requires the public consultation of the draft for normative acts before their approval, and this applies also to budgets, which are always adopted by normative acts.

The **traditional budgetary process** involves the elaboration, approval, execution, control and reporting of budget revenues and expenditures, these stages having specific features at the local budget level.
Budgeting at local level starts with drafting budgets by the main credit managers based on central forecasts, regional priorities, transfers and amounts allocated from the state budget or from other institutions within the approved limits the Government and its own revenues. The process of local budget is finalized within 15 days after the publication of the state budget in the Official Journal of Romania and is published in the local press or displayed so that residents can lodge complaints within 15 days of dissemination. The draft budget together with the appeals are subject to approval by the deliberative authorities at local level, respectively the local or county councils.

6. Areas of competence regarding participatory budgeting local projects in Romania

Participatory budgeting is carried out within the competencies of the administrative-territorial unit represented by the local public administration authority that governs it. Therefore, this is a basic solution for spending public resources efficiently by city halls and county councils, in various fields of activity as identified below after an analysis of the areas of intervention given to the competence of the local administrations in Romania. In this regard, the local and county councils exercise certain categories of attributions such as:

- Organization and functioning of public institutions, public services of local interest, and of autonomous companies of local interest;
- Economic, social and local environmental development;
Participatory budgeting can be geographically defined by a locality, a sector and a neighbourhood or by sector such as: education, culture and creative industries; infrastructure and public buildings; parks and playgrounds; mobility, accessibility and road safety; land use; digitalization; youth, local identity, etc. The process implies that residents or other people directly affected by what is happening with the budget of a public institution get involved in budget discussions, propose projects that they want to be funded from public money, and then vote on how the budget will be spent. The Councils sets the budget for the next year and implements the decision. All members of the community decide on what kind of projects benefit of the public money. Projects proposed by citizens in participatory budgeting are subject to the same budget rules. Therefore, citizens living, working or studying in the respective community can participate in the participatory budgeting process.

The citizens' consultation mechanisms created by the authorities can be diverse, ranging from classical debates to online platforms, but the basic principle is their involvement in all stages of the participatory budgeting process. Consequently, the concept of local leadership takes shape by the fact that citizens understand how budgets are formed, what can and cannot finance state institutions, feel responsible and empowered, feel that their community depends on them. Other methods of public participation could be further developed, such as scenario workshops, or mapping the needs of the local community.

7. Results on participatory budgeting in Romania

Unlike the rest of Europe, in the field of participatory budgeting in Romania, we note a particular concern especially at the level of municipalities, i.e. county residence municipalities with populations of around 200,000 inhabitants and over.

In Romania, the schematic idea of participatory budgeting started in 2013 at the initiative of the Cluj-Napoca City Hall and the local community, which held a consultation on the allocation of a part of the local budget of the Manastur neighbourhood. Local authorities have continued in 2015 within the framework of European Youth Capital Program through a form of vote on the
financing of projects for young people. Given that there was no real consultation regarding the destination of the money, but just an online vote for a number of projects on a topic decided by the authorities, we can conclude that it was not a participatory budgeting process but merely an exercise for its implementation.

Practically, for the first time in Romania, the idea of a participatory budget is implemented by the City of Cluj-Napoca in 2018 when the Municipality allocated 2 million euros for the projects voted by the residents from Cluj last year following a participatory budgeting process elaborated in 6 essential stages.

The first stage involves meetings in delimited areas to identify the needs of the community and to establish rules and delegates in the budgeting process. Stage two is materialized through proposed delegation meetings to develop the identified needs of the community in feasible projects. Practical ideas are gathered, discussed and transformed into concrete proposals with the help of experts and representatives of the authorities. The goal is to prioritize feasible projects and present them to citizens and representatives of institutions involved in the process. In stage no. 3, the projects developed in the 2nd stage are thrown back in the community and the citizens express their opinion about them and propose suggestions for improvement.

Stage 4 involves community vote on projects resulting from meetings with citizens. Implementation and monitoring of the projects selected by the citizens, by empowering authorities represents the 5th stage.

As a last step is the key principle of participatory budgeting, namely the fact that this process is not singular but annually through the repetition of the previous stages. Therefore, every year the process can be improved, the rules can be adapted to local needs and legislative specifications, more and more citizens have direct access to public budgeting decisions. Participatory budgeting in Cluj-Napoca has the following objectives:

- Increasing the level of dialogue and collaboration between citizens and public administration;
- Adapting public policies to the needs and expectations of citizens, to improve the quality of life in the city;
- Increasing the degree of assumption and co-creation of the urban development process by citizens;
- Strengthening democracy through citizens' participation in a community-wide decision-making exercise;
Increasing the transparency of the local public administration.

The methodology adopted by Cluj lies in the fact that the regulation mentions the organisation of "participatory workshops" in Cluj but from the description of the process and the data on the site, it is not clear whether or not these meetings are organized, by whom, when, with what purpose and what are the results obtained to validate this stage of the process.

There are other specific examples of decision by other local authorities in Romania on funding priorities in smaller communities, but they do not meet from our point of view all the elements of the so-called participatory budgeting.

In 2018, in Oradea Municipality, projects were submitted on the active.oradea.ro site - a site where citizens' initiatives are being launched in the attempt to attract local budget funding for neighbourhood-impact projects in the city. Most of them refer to recreation areas and facilities, the upgrading of roads and access ways. The aim of this research is to strengthen the civic spirit and participation of citizens actively in certain activities, to improve the quality of life within this city. The premise is to increase the portfolio of project ideas for the municipality through a participatory budgeting solution at municipal level. The whole process is based on the development of an IT system that implies an on-line form. The designed system allows the allocation of a budget of 1.5 million euros on the basis of the collection of project proposals from citizens. We observe the lack of the fundamental stage concerning the organization of discussions with inhabitants on budget issues and its allocations to projects necessary for the development of local communities.

The timing of the participatory budgeting process meet other essential elements through the stages of completion:

- **Participants**: citizens who have their domicile or residence in the city and who are at least 18 years of age. To submit a project, they must register on activ.oradea.ro. Projects can only be submitted online on this site;
- **Categories of projects** are established, in this case 8 of them: Street Infrastructure; Green Spaces and Playgrounds; Mobility, Accessibility and Circulation Safety; Public Cultural Facilities Infrastructure; Social Infrastructure; Health Infrastructure; Digitalization;
- **Allocated budget and estimated value for a project**;
- **Eligibility criteria** must be fulfilled, such as:
- local interest, except for the realization of commercial, advertising, political or ethnic activities;
- the project can be assimilated to an investment in the competence of the City Hall and must target a space belonging to the public domain of this city;
- the project should only cover public investments consisting of endowments, modernizations, repairs of the public property of the municipality;
- the projects are not inconsistent or incompatible with the plans or projects of the municipality in progress;
- be delimited in an area;
- to be in the maximum budget allocated to a project;
- to fall within the areas covered by the Regulation;

- Analysis and validation of projects carried out by a commission set up for this purpose at the level of the City Hall.
- Prioritization of projects for funding: citizens' vote determine priority projects, therefore eligible projects will be ranked according to the number of votes received from citizens.
- Final selection of projects: achieved by combining the online vote (50%) and the vote expressed in the public meetings (50%). Debate in public meetings with citizens in city districts is done at the level of each neighbourhood by presenting the first 5 projects according to the number of votes cast online, during which the participants in the public meetings will be able to express their own option by direct vote.
- Annuity of participatory budgeting: 10 projects will be selected and included in Municipality's income and expenses budget for that budget year. The current budget execution will reflect these projects.

Baia Mare also wishes to get in line with this trend of participatory budgeting, through the involvement of citizens in civic activities and encouraging local initiatives. The local government has recently undertaken actions and initiatives that clearly show the desire to involve the community directly and actively in the development of the city.

With the support of the Mayor and the Local Council, this approach highlights the needs and aspirations of citizens and offers the opportunity to create the city where all citizens want to live. In order to raise living standards in Baia Mare, participatory budgeting offers the opportunity to solve problems, capitalize on opportunities and set priorities for the specific local community. The local budget is largely made up of local taxes and
contributions that citizens pay, and by participating in the participatory budgeting process they are given the opportunity to decide how to use part of a small amount of that money.

Unlike Cluj-Napoca and Oradea, the process is open to all citizens of Baia Mare without any age limit, and the City Hall will implement the projects that accumulate the largest number of votes from the community. However, we note that the process preserves transparency, because projects can be submitted exclusively on-line on a dedicated site, and the citizens have the obligation to register on this site on www.baiamareactiv.ro.

8. Conclusions

The Government acknowledges that in Romania the participation of citizens in public life at the local level is an essential element of decentralization and that the participatory budgeting is closely linked to the process of European integration.

The desire to involve citizens and to allow them to express their requests is not just a statement of intent, but also results in initiatives embodied in the legislation specific to the functioning of the local public administration authorities. Law on local public administration provides for the obligation to consult citizens in solving local issues of particular interest and thus gives citizens the right to belong to the decision-making process at the local level. In addition, in order to enhance transparency, the local finance law guarantees the transparency of the budgetary procedure and the law governing free access to information of public interest settles all the public documents and types of information that must be provided by an authority in order to ensure free and unrestricted people accessibility.

Analysing the project submission form available to public authorities in Romania that implement, one way or the other a fettle of participatory budgeting, we note that it is difficult to fill in the field related to the necessary budget because this activity requires more knowledge from various fields that probably many of citizens have not.

Moreover, regarding the chapter of terms and conditions, we find a provision stating that projects and any documents uploaded to the site become the property of the municipality and can be freely reused by it. The stipulation is controversial under the conditions in which, under copyright, at least the source is cited and obtained the consent of that person regarding the use of
information and concepts provided to the authority in the process of participatory budgeting.

Except Cluj-Napoca Municipality, we note the absence of organizing discussions with the local community on budget issues and allocations intended for projects necessary for the development of local communities.

Therefore, the application of the principle of participatory budgeting in Romanian city halls in 2017, by allocating a proportion of the budget institution to the proposed citizens' projects, pointed out a lack of unitary criteria for the consultation of stakeholders and for the selection of submitted proposals community.

Taking into account the lack of general and minimal criteria regarding the participatory budgeting process in Romania, criteria which would offer adequate answers to all the important actors and major issues in this regard, the consultation of the local public institutions is an extremely important key factor and therefore in its absence we can say that we are not dealing with a proper process of participatory budgeting but with an alternate process, simpler and based solely on on-line proposals from citizens.

9. References


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