

PARTICIPATORY BUDGETING AS A GOVERNANCE INNOVATION: INSTITUTIONALIZATION, FISCAL DYNAMICS, AND DELIBERATIVE QUALITY IN HUNGARY

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ABSTRACT

Participatory budgeting (PB) represents one of the most widely adopted innovations in contemporary democratic governance, linking fiscal decision-making with deliberative citizen engagement. Originating from the Global South in the late 1980s, PB has evolved into a globally disseminated institutional form that reshapes the relationship between citizens and local governments. This paper examines the institutionalization and financial dynamics of participatory budgeting in Hungary through four case studies: Szentendre, Győr, Pécs, and Budapest's 8th District (Józsefváros). The analysis applies a qualitative, comparative research design and draws on both empirical data and international benchmarks (Porto Alegre, Madrid, Paris, Vienna). The findings reveal that while Hungarian PB processes operate with modest fiscal weight (0.2–0.5% of local budgets), they produce substantial governance and social learning effects, strengthening transparency, trust, and administrative adaptability. The study concludes that PB in Hungary represents a deliberative–consultative model of governance: financially limited but democratically productive, offering a platform for incremental institutional learning within constrained fiscal systems.

KEY WORDS

Participatory Budgeting; Public Management; Fiscal Governance; Deliberative Democracy; Municipal Innovation; Hungary

1. Introduction

Participatory budgeting (PB) has become a globally recognized governance innovation that enhances fiscal transparency, citizen engagement, and administrative learning. While originally designed as a redistributive mechanism in Brazil, PB has evolved into diverse institutional forms across Europe and beyond. This study examines the institutionalization, fiscal dynamics, and deliberative quality of PB initiatives in Hungary through four comparative case studies: Szentendre, Győr, Pécs, and Budapest's 8th District (Józsefváros). Using a qualitative research design and a structured six-dimensional indicator framework, the analysis evaluates organizational maturity, participation patterns, inclusivity, transparency, and implementation performance. The findings show that although Hungarian PB processes operate with modest fiscal weight (0.2–0.5% of municipal budgets), they generate significant governance value, including strengthened transparency, enhanced trust, and improved administrative adaptability. Cross-case comparison indicates divergent institutional pathways: from institutionalized and cyclical PB (Szentendre, Józsefváros) to emerging models (Pécs) and consultative practices lacking formal PB (Győr). The study concludes that PB in Hungary represents a deliberative–consultative model that—despite fiscal constraints—functions as an

effective mechanism for democratic learning, managerial innovation, and participatory legitimacy. Implications for public management highlight the importance of institutional continuity, coordinated communication, and hybrid financing models to support durable PB systems.

2. Literature Review

2.1 Deliberative Governance and Democratic Legitimacy

Participatory budgeting (PB) is rooted in the broader theoretical foundations of deliberative democratic governance, which emphasize communication, argumentation, and inclusive reasoning as core components of legitimate public decision-making. Unlike aggregative models that reduce citizen input to voting, deliberative governance conceptualizes participation as an ongoing process of dialogue between citizens and institutions. Seminal work by Habermas (1996) positions deliberation as a communicative practice through which legitimacy emerges from reasoned public discourse. Similarly, Dryzek (2000) and Smith (2009) argue that public decision-making gains credibility when grounded in transparent, participatory, and communicative processes.

Within this framework, participatory budgeting functions as a practical institutionalization of deliberative principles: citizens not only articulate preferences but also deliberate on the prioritization of public expenditures. The link between deliberation and fiscal decision-making positions PB as a hybrid democratic instrument that enhances transparency, responsiveness, and trust—key dimensions of contemporary governance reforms.

2.2 Evolution of the Participatory Budgeting Model

The original PB model developed in Porto Alegre (1989) reflected a redistributive logic, aiming to empower marginalized groups through direct influence over municipal investments. As PB spread globally, however, the model diversified into multiple institutional variants. Sintomer et al. (2008) categorize these into three main types:

- **Redistributive PB** – prioritizing social justice and infrastructure equity (Latin America)
- **Deliberative PB** – emphasizing public discussion, transparency, and co-governance (Europe)
- **Consultative PB** – facilitating advisory participation without binding decision power (North America)

Hungary aligns predominantly with the European deliberative–consultative trajectory, where PB operates within constrained fiscal environments but still fosters democratic engagement and participatory legitimacy. The Hungarian model thus reflects PB's global evolution from a redistributive mechanism to a deliberative governance tool.

2.3 Institutionalization and Fiscal Democracy

Institutional theory offers additional insights into the diffusion and sustainability of PB. Local governments adopt PB not solely as a normatively desirable practice but as a governance technology that enhances institutional transparency, accountability, and citizen trust. Yin (2014) describes institutionalization as a process of embedding new practices into organizational routines, while Schick (2005) conceptualizes fiscal democracy as the right of citizens to influence the allocation of public resources.

PB operationalizes fiscal democracy by creating structured, accessible channels for public involvement in budgetary decisions. This shifts fiscal legitimacy from a purely technocratic foundation toward a dual model combining administrative efficiency and participatory legitimacy. As Wampler (2012) notes, PB “translates the voice of citizens into the language of budgeting,” making it a pivotal instrument of democratic accountability.

2.4 Participatory Budgeting as Public Sector Innovation

Viewed through the lens of public sector innovation, PB constitutes a soft, process-oriented innovation that transforms administrative routines, stakeholder relationships, and communication patterns. Fung (2006) and Baiocchi & Ganuza (2017) emphasize PB's role in introducing new forms of accountability and co-decision-making, even without expanding fiscal capacity.

Key innovation effects consistently identified in the literature include:

- **Administrative learning** – improved interdepartmental collaboration, communication, and project management
- **Social capital formation** – strengthened trust and civic networks
- **Enhanced policy responsiveness** – decisions better aligned with community needs

In this perspective, PB functions as a "micro-laboratory" of governance innovation, enabling incremental improvements in transparency and participatory culture. This interpretation is particularly relevant for fiscally centralized systems like Hungary, where PB serves as a low-cost but high-value democratic and managerial innovation.

3. Methodology

3.1 Research Design

This study employs a qualitative comparative case study design to examine the institutionalization, fiscal dynamics, and deliberative quality of participatory budgeting (PB) in Hungary. Case study methodology is well-suited for analyzing complex governance processes where multiple contextual variables—administrative capacity, political leadership, civic culture, and fiscal structure—interact to shape outcomes. Rather than testing causal hypotheses, the research aims to trace patterns of institutional adaptation and explore PB's contribution to deliberative governance within constrained fiscal environments.

The analysis focuses on four municipalities—Szentendre, Győr, Pécs, and Budapest's 8th District (Józsefváros)—representing distinct stages of PB development and varying degrees of political commitment. The temporal scope (2021–2025) aligns with the early institutionalization period of PB in Hungary, allowing for cross-sectional comparison of emergent governance practices.

3.2 Data Sources

A multi-source dataset was constructed to enable triangulation and enhance the reliability of findings. Four categories of data were used:

1. **Municipal documents and decrees** – including budget resolutions, council decisions, PB reports, final accounts, and project implementation updates.
2. **Digital participatory platforms** – quantitative and qualitative data extracted from platforms such as varosreszi.szentendre.hu, pecs.hu/dontsvelunk, and jozsefvarosipb.hu.
3. **Public communication materials** – press releases, media articles, NGO analyses, and social media content.
4. **Comparative and academic sources** – OECD datasets, international PB case studies, and theoretical literature.

All textual materials were subjected to content analysis. Platform data (proposal counts, voting statistics, implementation updates) were compiled into thematic datasets to support comparison across cases.

3.3 Indicator Framework

To systematize the evaluation of PB performance, a six-dimensional indicator framework was developed. Each indicator captures a core aspect of PB governance:

1. **Institutionalization Index** – degree of formalization, recurrence, and organizational anchoring.
2. **Participation Rate** – proportion of adult residents participating in voting.
3. **Inclusivity** – extent of social and demographic diversity among participants.
4. **Deliberative Quality** – depth of dialogue, information provision, and feedback loops.
5. **Implementation Rate** – share of approved projects completed within twelve months.
6. **Cost per Participant** – administrative and communication cost per engaged citizen.

Indicators were operationalized using a mixed qualitative–quantitative approach: ordinal scales (Low–Medium–High) for qualitative dimensions and proportional comparisons for quantitative values.

3.4 Analytical Strategy

The analysis proceeded on two levels:

- **Intra-case analysis** – assessing each municipality individually based on the indicator set.
- **Cross-case comparison** – synthesizing patterns across municipalities and benchmarking them against international PB cases (Madrid, Porto Alegre, Paris, Vienna).

Quantitative data were normalized to facilitate comparison, while qualitative assessments were coded using a structured rubric. This mixed-method analytical strategy increases interpretive validity and aligns with international PB evaluation standards.

3.5 Validity, Reliability, and Limitations

Several methodological limitations were identified:

- **Data availability varies** across municipalities due to differences in transparency and reporting. This was mitigated by triangulating multiple sources.
- **PB in Hungary is nascent**, limiting opportunities for longitudinal trend analysis. Cross-sectional comparison, however, reveals important institutional patterns.
- **Centralized public finance structures** may influence the results; thus, findings reflect both local practices and systemic constraints.

Despite these limitations, the methodological design ensures rigor, transparency, and replicability, making it suitable for analyzing emerging participatory governance mechanisms.

4. International Models

4.1 The Origins: Porto Alegre and the Redistributive Model

Participatory budgeting (PB) originated in Porto Alegre, Brazil, in 1989 as part of a broader democratization and social justice program. The Porto Alegre model was explicitly redistributive: it directed investment toward underserved neighborhoods through a structured sequence of community assemblies, deliberative forums, and binding budget decisions. Key characteristics included:

- **High fiscal weight** (up to 20% of the municipal investment budget)
- **Delegated citizen councils** with formal decision-making authority
- **Equity-based resource distribution formula** prioritizing poorer districts

This model represents PB's strongest institutionalization and remains a global reference for participatory governance. However, its resource-intensive and socially embedded structure limits transferability, especially to fiscally constrained or politically centralized contexts such as Central and Eastern Europe.

4.2 European Diffusion: Deliberative and Consultative Transformations

Across Europe, PB evolved into a more flexible, process-oriented, and administratively integrated instrument. Instead of redistributive transformation, European models tend to emphasize transparency, public dialogue, and managerial innovation. Three benchmark cases illustrate this shift:

Madrid (Decide Madrid)

Madrid institutionalized one of the largest digital PB systems in Europe. Key features include:

- Fully digital proposal submission and voting platform
- Strong emphasis on open data and transparent reporting
- PB embedded in a wider participatory ecosystem (e-initiatives, citizen assemblies)

Paris (Budget Participatif)

Paris allocates an exceptional share of its municipal budget (5%) to PB, which stands out in Europe. Distinctive elements include:

- City-wide and thematic voting cycles
- Professionalized project design support for citizen groups
- Strong branding and participatory identity

Vienna (Wien macht's möglich)

Vienna applies a consultative–deliberative hybrid model with:

- District-level PB initiatives
- Co-design workshops and expert-assisted planning sessions
- Integrated communication strategy reaching diverse social groups

These models reflect a European consensus: PB enhances transparency, communicative legitimacy, and administrative responsiveness, even when fiscal impact remains modest.

4.3 PB in the OECD and Global North

Beyond Europe, PB has spread across the OECD as a soft-governance innovation focusing on managerial learning, stakeholder engagement, and community-based problem solving. In North American cities such as New York or Chicago, PB frequently operates at the district level, emphasizing equity, youth engagement, and innovative outreach strategies. Here, PB strengthens municipal accountability and builds trust in local governance rather than redistributing resources systematically.

4.4 Positioning the Hungarian Model in the Global Landscape

Hungary's PB initiatives align most closely with the European deliberative–consultative variant. Three structural factors limit the emergence of redistributive PB:

- **Centralized fiscal governance** reduces municipalities' autonomous investment capacity
- **Narrow PB budgets** (0.2–0.5% of local budgets) constrain redistributive potential
- **Limited participatory culture** relative to Western European benchmarks

Nevertheless, Hungarian PB demonstrates clear innovation value:

- Improved transparency through digital platforms
- Strengthened municipal–citizen communication
- Incremental administrative learning within municipal departments

Thus, Hungary represents a **managerial and deliberative PB model**, where organizational practice, communication, and participatory legitimacy matter more than redistributive outcomes.

5. Hungarian Case Studies

This section presents the four Hungarian PB cases—Szentendre, Győr, Pécs, and Budapest's 8th District (Józsefváros)—analyzed using the six-dimensional indicator framework developed in the methodology. The cases illustrate distinct trajectories of PB institutionalization, participation, and managerial adaptation within Hungary's fiscally centralized governance context.

5.1 Szentendre: Institutionalized and Recurring PB

Szentendre represents one of the most advanced and consistently implemented PB models in Hungary. Since its inception in 2021, the town has conducted annual PB cycles with stable political commitment and a clear organizational structure.

Institutionalization

Szentendre has fully institutionalized PB through a municipal decree, stable budgeting practices, and recurrent implementation cycles. Administrative responsibility is shared between the Mayor's Office and the municipal communications department, enabling cross-departmental collaboration.

Participation and Inclusivity

Participation rates (approx. 3–5% of adult residents annually) are among the highest in Hungary. The digital platform facilitates broad access, while offline voting stations support inclusion of elderly residents. Proposal data show diverse thematic interests (public spaces, mobility, community facilities).

Deliberative Quality

The PB process emphasizes transparency and deliberation: detailed project descriptions, feasibility assessments, and clear communication support meaningful public reasoning. Feedback loops ("You Asked – We Respond") enhance trust and legitimacy.

Implementation Performance

Implementation rates are high: over 80% of winning projects were completed within twelve months. Close cooperation between municipal departments ensures efficient project delivery.

Cost per Participant

Administrative costs are moderate due to economies of scale and strong digital infrastructure. Cost-per-participant estimates range from 1.2–1.8 EUR.

Overall: Szentendre demonstrates a mature, deliberative model anchored in stable institutional practices.

5.2 Győr: Consultative Participation Without Formal PB

Győr presents a contrasting case. While often cited as an example of participatory decision-making, the city does not operate a formal PB system. Its "district consultations" resemble participatory agenda-setting but do not allocate a dedicated budget for citizen-driven proposals.

Institutionalization

PB is not formally institutionalized. Consultation events are organized on an ad hoc basis by district representatives and lack standardized rules, budgeting, or a recurring cycle.

Participation and Inclusivity

Participation is modest and skewed toward politically active groups. The absence of a dedicated PB platform limits transparency and data accessibility.

Deliberative Quality

Deliberation is limited: consultation events focus on gathering opinions rather than structured deliberative dialogue. There is no formal feasibility assessment or project-level feedback.

Implementation Performance

Since consultation inputs do not directly translate into budget allocations, implementation cannot be meaningfully assessed.

Cost per Participant

Costs are low, but the lack of formal PB structure means the city achieves limited managerial or participatory benefits.

Overall: Győr demonstrates a consultative participation model rather than PB, highlighting the importance of formalization and recurring cycles for genuine PB practices.

5.3 Pécs: Emerging PB with Strong Communicative Orientation

Pécs launched its first PB cycle in 2023, positioning itself as an emerging PB municipality with a strong emphasis on communication, awareness-raising, and symbolic legitimacy.

Institutionalization

The PB process is anchored in a municipal decision but remains in early institutionalization. The city allocated 50 million HUF (~130,000 EUR), modest relative to its size, but significant symbolically.

Participation and Inclusivity

Participation increased from 2,500 voters in 2023 to nearly 4,000 in 2024, showing strong growth. Inclusivity remains a challenge: participation is higher among younger and middle-aged residents, while elderly groups are underrepresented.

Deliberative Quality

Deliberative features include thematic workshops and structured proposal cycles, but limited disclosure of feasibility assessments weakens public reasoning. Communication, however, is strong and professionally organized.

Implementation Performance

As most projects are still under implementation, performance assessment remains partial. Early evidence suggests capacity constraints within municipal departments.

Cost per Participant

Due to high initial communication investment, cost-per-participant is temporarily higher (approx. 3–4 EUR). Costs are expected to decline as PB becomes routine.

Overall: Pécs represents an emerging, communicative PB model with potential for institutional consolidation.

5.4 Budapest's 8th District (Józsefváros): Deepening Deliberative Model

Józsefváros has developed one of Hungary's most deliberative and inclusive PB processes. Since 2021, the district has introduced robust offline engagement mechanisms, thematic working groups, and consultation forums.

Institutionalization

The PB process is grounded in district regulations and supported by a dedicated participation office. PB is embedded within broader district-level participatory structures.

Participation and Inclusivity

Participation reached 7–8% of the district's adult population in 2023–2024—by far the highest in the country. The district uses a combined offline–online model that effectively reaches vulnerable groups.

Deliberative Quality

Deliberation is exceptionally strong: working groups, facilitated discussions, and transparent decision-making procedures support high-quality public reasoning.

Implementation Performance

Implementation rates are above 70%, though some projects face delays due to complex procurement regulations typical in urban contexts.

Cost per Participant

Due to the intensity of offline engagement, costs are moderately high (approx. 2.5–3.2 EUR per participant), but these investments significantly strengthen demographic inclusivity.

Overall: Józsefváros represents the most deliberative and inclusive PB system in Hungary, demonstrating the potential for high civic engagement even in socioeconomically diverse environments.

6. Comparative Analysis

This section synthesizes the four Hungarian PB cases using the six-dimensional analytical framework. The comparison highlights significant differences in institutional maturity, participatory depth, managerial performance, and deliberative quality. It also situates Hungary's PB practices within broader international patterns.

6.1 Institutionalization Patterns

Institutionalization varies markedly among the four municipalities:

- **High institutionalization:** Szentendre, Józsefváros
- **Medium (emerging) institutionalization:** Pécs
- **Low institutionalization:** Győr

Szentendre and Józsefváros demonstrate recurring PB cycles, regulatory anchoring, and stable organizational structures. In contrast, Győr lacks formal PB, highlighting how ad hoc consultation fails to substitute structured participatory budgeting.

The Hungarian pattern aligns with European models where institutionalization is the critical driver of PB performance. Municipalities with consistent PB cycles achieve stronger deliberative quality, higher participation, and more effective implementation.

6.2 Participation Levels and Sociodemographic Patterns

Participation rates differ significantly:

- **Józsefváros:** 7–8% (highest in Hungary)
- **Szentendre:** 3–5%
- **Pécs:** 1.5–3% (rising)
- **Győr:** no measurable PB participation

Sociodemographic inclusion follows a similar pattern. Józsefváros leads due to extensive offline engagement, while Szentendre achieves broad digital inclusion. Pécs shows improving but still uneven demographic outreach. Győr's model provides minimal participation opportunities.

Compared with international benchmarks, participation levels in Józsefváros are approaching the lower range of Paris and Lisbon. Participation in Szentendre is consistent with mid-sized European PBs (e.g., Vienna district programmes).

6.3 Deliberative Quality

Deliberative quality mirrors institutionalization:

- **Very High:** Józsefváros (facilitated workshops, working groups)
- **High:** Szentendre (transparent communication, feedback loops)
- **Medium:** Pécs (good communication but limited formal deliberation)
- **Low:** Győr (opinion-gathering without deliberation)

Relative to global models, Józsefváros approximates the deliberative intensity of Madrid or Vienna, while Szentendre resembles structured digital PBs found in Northern Europe.

6.4 Implementation Performance

Implementation rates strongly depend on administrative capacity:

- **Szentendre:** >80% within 12 months
- **Józsefváros:** ~70%
- **Pécs:** early-stage, mixed evidence
- **Győr:** not applicable

Compared internationally, Szentendre's implementation rate is highly competitive; notably higher than many large-city PB programs where complex procurement slows delivery (e.g., Paris, New York).

6.5 Cost Efficiency and Administrative Learning

Cost-per-participant is lowest in Szentendre due to digital efficiency, and highest in Pécs during early cycles. Józsefváros invests strategically in inclusivity, resulting in moderate costs with strong social returns.

Across cases, PB drives administrative learning through:

- improved interdepartmental coordination,
- better communication routines,
- enhanced project management,
- citizen-centered service design.

This aligns with international findings that PB is a public-sector innovation improving organizational adaptability rather than merely a democratic mechanism.

6.6 Cross-Case Synthesis

Three overarching patterns emerge:

1. **Institutional stability predicts PB success.** Stable, rule-based PB systems deliver higher deliberative quality, stronger participation, and better implementation.
2. **Hybrid engagement models produce inclusivity.** Combining online and offline outreach—as in Józsefváros—expands participation across social groups.
3. **PB operates as a governance innovation in Hungary.** While fiscal impact is modest, PB generates managerial, communicative, and legitimacy-based value.

Overall, Hungary displays a **deliberative–managerial PB model**, situated between highly institutionalized Western European cases and more consultative post-socialist systems.

7. Financial and Managerial Implications

Participatory budgeting (PB) carries strategic significance for municipal financial management and organizational development, even when the allocated resources represent a small share of the local budget. This section outlines the fiscal, managerial, and governance implications of PB in Hungary, drawing on the four case studies and international best practices.

7.1 PB as a Fiscal Governance Tool

PB contributes to fiscal governance in three ways:

1. **Enhanced budget transparency** – PB processes require municipalities to publish accessible project descriptions, cost estimates, and feasibility assessments. This increases fiscal visibility for citizens and strengthens public trust.

2. **Citizen-informed prioritization** – By allowing residents to directly propose and select projects, PB aligns municipal spending with community needs. This reduces the risk of misallocated investments and improves allocative efficiency.
3. **Cost-effective communication** – Digital PB platforms provide a scalable communication mechanism that reduces administrative time and increases the clarity of budget-related information.

Overall, PB improves the legitimacy and rationality of municipal resource allocation, supporting the principles of fiscal democracy.

7.2 Cost Structures and Financial Efficiency

While PB initiatives require initial investment—especially during the first implementation cycle—costs generally decrease as administrative routines improve. The analysis of Hungarian cases reveals three cost-related patterns:

- **Economies of scale:** Digital-first PB models (e.g., Szentendre) achieve low cost-per-participant indicators (1.2–1.8 EUR).
- **Hybrid engagement costs:** Offline components (e.g., Józsefváros) increase administrative costs but significantly improve inclusivity and social reach.
- **Early-cycle investment peaks:** Emerging PB systems (e.g., Pécs) have temporarily higher costs due to communication-intensive outreach.

Long-term financial efficiency emerges through:

- reduced administrative overhead in citizen communication,
- improved integration of project management workflows,
- fewer delays and cost overruns in small-scale community projects.

Thus, PB supports cost stabilization and predictable financial planning.

7.3 Implementation Efficiency and Project Management

PB functions as a project management innovation. Municipal departments must coordinate across domains to deliver citizen-selected projects within the PB cycle timeframe.

Hungarian cases demonstrate:

- **High implementation rates** where PB is institutionalized (Szentendre, Józsefváros),
- **Administrative bottlenecks** in early-stage systems (Pécs),
- **Implementation disconnect** in consultative models without dedicated PB (Győr).

PB encourages municipalities to adopt:

- streamlined procurement processes,
- standardized feasibility assessments,
- clear communication protocols,
- internal monitoring mechanisms.

These practices enhance organizational learning and operational efficiency.

7.4 Managerial Implications: Leadership, Capacity, and Innovation

From a managerial perspective, PB serves as a catalyst for transforming local governance culture. The following implications emerge from the case studies:

1. **Leadership Commitment** – Stable political and managerial leadership determines PB continuity. Where leadership actively supports PB, institutionalization and participation improve substantially.

2. **Capacity Building** – PB accelerates the development of key administrative competencies:
 - cross-departmental coordination,
 - digital communication skills,
 - data management and reporting,
 - participatory facilitation.
3. **Innovation Culture** – PB introduces experimentation into municipal governance. Administrations learn to test new outreach methods, digital tools, and collaborative decision-making formats.
4. **Organizational Transparency** – PB requires municipalities to publicly justify project costs, feasibility analyses, and implementation timelines. This strengthens internal accountability and improves organizational credibility.

7.5 Strategic Value for Public Management

PB's strategic significance extends beyond direct fiscal impact. As international research shows, PB enhances public-value creation in four domains:

- **Legitimacy:** Decisions are perceived as fairer and more inclusive.
- **Trust:** Transparent processes improve citizen–government relations.
- **Responsiveness:** Administrations adapt to community priorities more effectively.
- **Resilience:** Stable PB processes strengthen institutional continuity over political cycles.

In this context, Hungarian PB systems—though financially modest—act as important instruments of democratic and managerial transformation. By integrating community input into budgeting and project delivery, municipalities improve their legitimacy, adaptability, and long-term fiscal governance.

8. Conclusions

This study examined the institutionalization, deliberative quality, and fiscal–managerial implications of participatory budgeting (PB) in Hungary through four comparative case studies: Szentendre, Győr, Pécs, and Budapest's 8th District (Józsefváros). Using a structured, six-dimensional analytical framework, the research demonstrated that PB in Hungary functions as a deliberative–managerial governance innovation rather than a redistributive mechanism.

Three core conclusions emerge:

1. Institutionalization is the primary determinant of PB performance.

Municipalities that embed PB into regulatory frameworks, allocate stable budgets, and maintain recurring cycles achieve superior outcomes in participation, deliberative quality, and project implementation. Szentendre and Józsefváros illustrate how institutional continuity strengthens citizen trust and administrative capacity.

2. PB generates significant managerial and governance value even with modest fiscal weight.

Although PB represents only 0.2–0.5% of municipal budgets, it improves transparency, communication efficiency, and project management. PB facilitates organizational learning by establishing new routines for feasibility assessment, interdepartmental coordination, and citizen-centered service delivery.

3. Hungarian PB reflects a European-style deliberative model shaped by centralized fiscal conditions.

In contrast to the redistributive origins of PB in Latin America, the Hungarian model aligns with the European consultative–deliberative trajectory. Fiscal constraints limit redistributive capacity but do not diminish PB's democratic or managerial significance.

Limitations

The study's findings are constrained by uneven data availability across municipalities, the early developmental stage of PB in Hungary, and the absence of long-term longitudinal data. Additionally, centralized fiscal structures may influence local PB outcomes.

Future Research Directions

Future studies should explore:

- longitudinal analysis of PB institutionalization,
- the impact of PB on trust and political efficacy,
- comparative research across Central and Eastern Europe,
- and the integration of PB with other participatory instruments (citizens' assemblies, e-consultations).

Final Reflection

Participatory budgeting in Hungary—despite fiscal limitations and institutional challenges—serves as a meaningful governance innovation that enhances democratic legitimacy, strengthens managerial capacity, and improves local decision-making. As Hungarian municipalities continue to refine their PB processes, PB has the potential to become a stable element of public value creation and a cornerstone of modern, citizen-centered local governance.

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