Participatory Budgeting at the Local Level:  
the Case Study of Tartu, Estonia

Jelizaveta Krenjova (jelizaveta.krenjova@gmail.com) &  
Kristina Reinsalu (kristina.reinsalu@ega.ee)  
Ragnar Nurkse School of Innovation and Governance,  
Tallinn University of Technology  
Institute of Media and Communication, University of Tartu

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INTRODUCTION

Citizen participation in local government has been an area of discussion, experimentation and debate since many years. It is argued that increasing public participation in the decision-making processes would reduce citizens’ distrust in government, educate people about government activities, make government more transparent and responsive.

The research in the field of public engagement is examining both the negative as well as the positive sides of engaging citizens, whether the participation is effective and if it is worth the effort at all (Irvin, Stansbury 2004). Nevertheless, most of the research is focusing on the so-called legitimacy topic, i.e. looking at participation from the citizens-government relations point of view and if and how these are transformed. Input and output legitimacy, i.e. citizens’ attitudes towards possibilities to influence decision-making and citizens satisfaction with policy outcomes, is the predominant topic. However, as participation is a two-way street, one cannot neglect the views, attitudes and challenges of other stakeholder, namely, the government. There is a clear lack of analysis that would look at the dynamics of governmental practices during implementation of participation tools.

Participatory budgeting – a process of citizens’ involvement in the budgetary procedure – constitutes a participation tool practiced worldwide. Its global travel is a remarkable story and its adaptability to the most varied contexts has produced many different PB models and versions (Krenjova, Raudla 2013). The current paper aims at investigating the implementation of Participatory Budgeting (PB) at the local level by examining the case of Tartu, Estonia. The city of Tartu was the first city in Estonia to experiment with PB in autumn 2013 and continued to exercise this participation practice. The research looks both at the reasons and incentives behind the governmental decision to implement PB as well as at the dynamics of the process implementation, i.e. at governmental practices during preparation and adjustment of the model. In other words, the paper focuses on why and how PB is being implemented.
THEORETICAL FRAMEWORK

Being implemented in more than 1500 cities worldwide, the triumph of PB is according to Baiocchi, Ganuza (2014) associated with the travel of the “isolated device” – the idea of the success story of the good governance that was completely divorced from administrative reforms. Whereas the reforms invoked by PB is the topic of another paper, the focus on governmental practices remains essential. The scholars stress that it is important to look at PB “from the viewpoint of the exercise of power and not only from the viewpoint of those who participate.” (Ibid. 2012, 10)

New Institutionalism

Taking the above-mentioned governmental viewpoint, it is logical to raise the question of why any local government would want to try new participation tool. In other words, it is important to investigate what lies behind the decision of local government to launch PB, i.e. what factors drive the behaviour of local governmental officials. Different theories of institutionalism deal with these questions.

Institutions in the framework of institutional theory refer to the structural feature of the society and/or polity, which may be formal (e.g. a legal framework) or informal (e.g. a set of shared norms) (Peters 1999, 18). However, different strands of neo-institutionalism define institutions differently as well as have a different view on how they affect the behaviour of individuals (Hall, Taylor 1996). Historical institutionalism (HI) sees institutions as features of historical landscape which push the development and structure the action/outcome along a set of “paths”. Rational-choice institutionalism (RI) defines institutions as “incentive structures that reduce the uncertainties resulting from the multiplicity of individual preferences”. Hence, these scholars argue that actor’s behaviour is driven not by impersonal historical forces, but by a strategic calculus. Finally, for sociological institutionalism (SI) institutions represent norms, cognitive frames, symbol systems, which breaks the divide between institutions and culture. In this view, institutions do not simply influence the strategic calculations of individuals, as rational-choice institutionalists argue, but the very identity and the basic preferences of individuals (Hall, Taylor 1996; Schmidt 2010).

According to Schmidt (2010) the above-mentioned three new institutionalisms have always defined institutions as static and constraining as well as they explained change as coming from the outside (exogenous shock). However, recently, some scholars of these approaches started to look at the possible endogenous reasons of institutional change. The ones that did so have taken ideas and discourse seriously, i.e. they started to use the ideas and discourse to explain political change in institutional context. Schmidt (2010) labels this branch of neo-institutionalism as discursive institutionalism (DI).
Similarly to SI scholars, DI approach focuses on culture, ideas, discourse, and norms; however, from DI perspective, these institutions not only frame how actors conceptualize the world, but also enable them to re-conceptualize it. Hence, in contrast to other three approaches that define institutions as external constraints, DI sees them as internal constraints as well as constructs that are created and can be changed by actors. Schmidt (2010, 16) argues that actors have “foreground discursive abilities” through which they are able to think outside the institutions, i.e. to talk about them in a critical way, to communicate and to deliberate about them, to persuade others to change them and to take action towards the change.

Researchers have conflicting views about whether the managers are capable of bringing change (Fernandez, Rainey 2006). However, there is a number of public sector studies providing evidence of the critical role of managers in organizational change (e.g. Borins 2000, Fernandez, Rainey 2006) Likewise, from the perspective of participation, managers play a central role in the engagement processes since they become “interpretive mediators” as opposed to being only professional experts. As King et al (1998) argue, in the context of authentic participation, the administrator is “the bridge” between the administrative systems and the citizens, who in turn have the immediate and direct opportunity to influence the issue. City administrators exert influence over local budgeting via its formulation and implementation. As Liao and Zhang (2012, 21) argue “they shape the tone of citizen participation”.

**Organizational change and learning**

Organizational change is one of the ways of thinking about the implementation of PB from governmental perspective. Peters (1999, 106) argues that the distinction between institutions and organizations in the sociological literature is very vague. He, however, argues that this kind of differentiation is needed and, hence, uses the example of the teams playing a game and the rules of that game. Organizations are participating within the “institutional environment” that is created by “entities such as markets and political systems”. For instance, companies operate withing the framework created by a market and in case either formal or informal rules of the market change, the companies must also change.

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1 However, it is undoubtedly not the easiest task for an administrator to reconsider his or her basic assumptions regarding power, i.e. to move from the goal of protecting oneself to the situation where power is ground in the needs of the concrete issue (Fox, Miller 1995 in King 1998). Yang, Zhang (2009) describe the competing perspectives on managers’ perception of citizens’ engagement. The “technocratic expert” model is based on the perspective that there is an obvious tension between professional administration and citizen involvement and that decision-making based on expertise and professionalism is likely to leave little space for participation practices. This model suggests that the administrator might discourage citizen involvement since this process presumably reduces administrative efficiency. The “citizen leadership” model, on the other hand, presupposes that participation and community building is perceived as the integral part of administrators’ tasks and hence suggests that city managers are likely to encourage citizen participation.
Literature on organizational change provides multiple and conflicting theories counting one million of articles relating to that topic (van de Ven and Poole 1995 in Feranandez, Rainey 2006). According to March (1981) organizations always change (even if they are claimed to be rigid\(^2\)) in response to different stimulus, be it demographic, social, political or economic forces. This adaptation to a changing environment involves changing the routines, i.e. rules, procedures, strategies around which organizations are constructed (Levitt, March 1988).

Change and adaptation in organizational theory is closely related to learning. According to the traditional theories of organizational learning, “organisational change is governed by an experiential learning” (Lant, Mezias 1991, 148 in Cook, Yanow 1993, 376). Hence, from this perspective learning occurs when an organization is responding to “an external source of disturbance or shock”.

It is of course arguable, whether the implementation of PB can be named “an external source of disturbance or shock”. Nevertheless, it is the participation tool that changes the environment of local government and it obviously is created by the organization itself, since it is up to every LG to decide whether to use it or not. Scholars of organization theory also claim that organizations themselves can create their own environments, i.e. the beliefs about the environments and the actions taken based on those beliefs construct the specific environment (March 1981). Presumably, in the context of PB, the specific environment is created via beliefs in the benefits of participatory democracy.

Edmondson and Moingeon (1998) categorize the diverse ideas and approaches to organizational learning into two-by-two framework with two dimensions: unit of analysis (organization/individual) and research goal (descriptive/intervention). Descriptive research at the organizational level focuses on the routines that drive organizational behaviour and in which “actions stems from a logic of appropriateness or legitimacy more than from a logic of consequentiality or intention” (Levitt, March 1988, 320). Hence, learning in this approach is the accumulated residues of past conclusions. Descriptive research at the individual level, on the other hand, concentrates on the individual learning, conditions that enable employee learning and models that describe benefits of individual learning. Simon (1991, 125) states that learning takes place inside human heads and hence, organizations learn in only two ways: “a)by the learning of its members, or b)by ingesting new members who have knowledge the organization did not previously have”.

Intervention research at the organizational level looks at the policies that can create and foster learning organisations (e.g. participation of all employees in the problem solving and communicating with each other leads to organizational learning). Finally,

\(^2\)they always change in response to their environments, but they rarely change in a way that is satisfying a particular group of actors.
the intervention research at the individual level explores strategies for developing the way individuals think about organizations. This approach refers to organizational learning as a phenomenon in which individuals refine their cognitive maps and become better decision-makers by developing critical reasoning and communication skills for learning (Edmondson and Moingeon 1998).

Another divide of organizational learning literature is made by Moynihan and Landuyt (2009) who argue that there is a tension between structural and cultural approaches, i.e. whether learning is facilitated by structure or culture. Hence, these approaches fall into the intervention research category described above.

In brief, structuralists are more interested in the structural procedures that help to utilize learning acquired by individuals for organizational purposes. This approach also treats organizational learning as learning by individuals in an organizational context (Cook, Yanow 1993). On the other hand, a cultural approach to organizational learning states that the latter should be understood in terms of organizational culture, that is defined as “a set of values, beliefs, and feelings together with the artifacts of the expression and transmission (such as myths, symbols, metaphors, rituals)”. Organizations are constantly modifying or maintaining these values and their embodiments, which constitutes organisational learning (Cook, Yanow 1993, 379).

Hence, the above mentioned approaches either describe how organizations learn (through routines and models of individual learning) or prescribe what strategies and policies can be brought through intervention in order to facilitate learning.
TARTU CASE STUDY

Estonia, like other Central and Eastern Europe (CEE) countries, experienced the change from an undemocratic to a democratic regime that has had an immense impact on people’s belief systems (Titma, Rämmer 2006). The democratic regime that the newly established independent state envisioned appeared radically different from the regime into which many people had been socialised for all their lives (Mishler, Rose 2001). This has had a definite impact on the formation of the political culture as well as on the perception of the state in general. The same can be argued about the local government level as the prevailing culture of public’s mistrust of politicians is contributing to the perception of the citizen’s role in a “legal” manner, i.e. as a legal status and the opportunity to guarantee oneself civil and political rights, rather than presuming social obligation to participate in the governing of one’s own state/municipality (Kalev et al. 2009, 5). Hence, the experience of LGs in Estonia in the field of citizens’ participation is rather limited. In the view of the rapid growth of ICTs, e-participation has received much attention in Estonia. At the local level, however, it has not developed as much as at the national level; as well as LGs mainly use ICT for information dissemination rather than for genuine inclusion of their citizens (Hänni 2009).

Nevertheless, Tartu was the first city in Estonia to try PB during pilot project in autumn 2013. By autumn 2014 four LGs in Estonia have already implemented PB initiative. Except Tartu, which has the population of 95596 inhabitants3, other municipalities are rather small: Viljandi counting 17602 residents4, Kuressaare – 140705 and Elva - 5807 inhabitants6. All four PB cases have minor differences but the same overall structure involving the stage of gathering citizens’ input that is followed by the selection of proposals by the experts; the process is finalized by citizens’ voting. All LGs have the obligation to fulfill the idea that gathered most votes.

The launch of PB initiative: different institutional perspectives

The topic of PB was first introduced to Estonian LG decision-makers during autumn 2011 in the framework of the project “Participatory budgeting in local governments”7 implemented by an Estonian non-governmental organisation - e-Governance Academy Foundation (eGA). Local authorities of the city of Tartu, Estonia’s second largest city, perceived the idea with enthusiasm and the workshop continued with workgroup discussions on the feasibility of PB. In contrast to Tartu, other LGs at that time were not that eager to try the initiative that was introduced to them during separate meetings within the framework of the above mentioned project. One of the

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3 Official website of Tartu City [http://www.tartu.ee], 20.11.14
4 Official website of Viljandi City [http://www.viljandi.ee], 20.11.14
5 Official website of Kuressaare City [http://www.kuressaare.ee], 20.11.14
6 Official website of Elva City [http://elva.kovtip.ee], 20.11.14
7 The project was financed by Open Estonia Foundation.
dominant reasons for not implementing this participatory process stated by other LGs was the lack of financial resources.

Looking at the initiative of PB implementation from the perspectives of different theories of institutionalism, one could find that the non-willingness of LGs to try PB can be well explained by RI approach. The latter sees politics as a series of action dilemmas, whereas individuals always act to maximize their benefits. It also explains a firm’s organizational structure as the result of the effort to reduce transaction costs (Hall, Taylor 1996). Obviously, this is not the case with PB. As already noted earlier, the engagement of citizens takes time and effort that not all local authorities are willing to commit. Of course, one could speak about the value of PB in the face of enhanced legitimacy of LG, however, due to the complexity of participatory mechanisms and the variable likelihood of them becoming successful, this value probably does not outweigh the costs. Furthermore, the difficulties of Estonia in enhancing participation culture due to the communist history as well as a rather weak financial autonomy of LGs supplement the list of arguments against PB. Hence, an obvious question arises about the drivers behind PB implementation in Tartu.

After the discussion seminar in December 2011, the talks about the pilot project in Tartu revived in Spring 2013. The preparation process of the pilot project was not deprived of difficulties and challenges (see Krenjova, Reinsalu 2013). Even though the representatives of all fractions were invited to the PB Work Group, the opposition claimed that it was rather convenient to begin the process of PB on an election year (Estonia had local government elections in Autumn 2013) indicating the desire of the governing party to make the process part of their campaign (WG Session I). Hence, one could claim that here too RI approach was involved at least from the point of view of opposition. Then, however, it seemed to be reasonable to finish the process with the pilot project taking into account the criticism received and the rather low participation rate. This was, however, not the case and Tartu continued the renewed PB process.

Another three branches of neo-institutionalism - historical, sociological and discursive – might also help to explain the reasons behind PB implementation in the city of Tartu. Whereas HI operates with the notion of “path-dependency”, SI approach refers to the “logic of appropriateness”.

HI looks at how institutions being persistent features of historical landscape (e.g. regularized practices) are shaping actions and outcome and hence push the development along a set of “paths”. One could claim that the implementation of PB in Tartu was just another push along the “path” of citizens’ engagement that this city has been following for many years already. Tartu has been involving citizens in decision-making processes on many local matters starting from everyday local issues (e.g. citizens as creators of tourist brochures) to the usage of e-tools (in particular, social
media) in the preparation of public transportation tender and city center spatial planning.

SI defines institutions as not just formal rules or procedures, but as the symbols, moral templates, “frames of meaning” that guide human action. Sociological institutionalists argue that organizations adopt a new practice not because of the efficiency that it brings (as rational choice approach states) but because it enhances the legitimacy of the organization and its participants, i.e. the practice is “widely valued within a broader cultural environment” and hence follows the logic of “social appropriateness” (Hall, Taylor 1996, 949). The adoption of PB in Tartu can be, therefore, explained by the existence of the overall participatory culture of the local government that contributes to the new participatory practices being viewed as appropriate to try.

Even though from the HI and SI perspectives the idea of PB was “falling into the fertile ground” in Tartu, it can still be considered a breakthrough in terms of participation practices since it was the first time the city experienced citizens’ direct engagement in the budgeting process. In this view, the city did have to change the institutions (budgetary rules, procedures as well as the ideational perceptions of the budget) that it was previously relying on. The preparation process of the first pilot project constituted a series of meetings and discussions on how the process should look like. Those discussions involved intensive communication between the WG members in order to overcome the occurred difficulties and combat the encountered challenges. Political confrontations, financial autonomy constraints, extra workload of the officials were among them.

It is the DI perspective that presupposes in contrast to other theories that institutions are not static, but changeable by actors communicating and debating about them. Since institutions can be seen as the rules that the organizations are playing by (the team and the game example presented earlier), this approach suggests the occurrence of organizational change and learning as a result of discourse and communication.

Before turning to explanation of PB process from organizational learning perspective, the next section provides a brief overview of the pilot project and subsequent amended PB procedure.

Tartu PB model

One of the main objectives of PB was the improvement of understanding of the city budget as well as the decision-making within the city government. Also, cooperation between communities, increase in civic participation and the learning factor are
stressed. Planning and executing projects has to teach those involved to carefully consider problematic areas as well as to try to find possible solutions.

As a result of numerous discussions, arguments and exchange of ideas during preparatory stage of PB (Krenjova, Reinsalu 2013), the PB design in Tartu was agreed to consist of the following stages. Firstly, from late August to early September, the presentation of ideas took place (both via offline and online tools). Everyone was eligible to present his or her idea that had to qualify as an investment and the cost of which should not have exceeded 140 000 EUR (which constituted approximately 1% of the municipal investment budget). In total 158 ideas were submitted, 1 of them on paper while all others were submitted electronically. After this the experts analyzed and consolidated similar ideas, assessed and commented on their estimated cost until October 2013. As a result of this stage, 74 ideas were selected for the public vote. The event of presenting ideas took place in mid November. It was broadcasted online as well as ideas were available on the city webpage. Every Tartu resident that reached 16 years of age was eligible to vote. In total, 2645 votes were casted, 2370 of them electronically and 275 - on paper, which constitutes approximately 3,3% of all eligible voters in the city of Tartu. Most active voters were aged 30-36 (36% of all voters). The idea that got the biggest number of votes (773) was named “Investment in presentation technology for Culture Block”. Tartu City Council confirmed the decision by accepting the budget on the 19th of December 2013.

After the pilot project, the city of Tartu decided to continue with the implementation of PB, however, amending its structure. The idea was to provide the citizens with more opportunities to present and discuss their proposals both with other citizens as well as with the experts in the field. The PB structure now includes thematic workshops where both the owners of the ideas as well as experts in the field are participating and discussing the proposals. The objective was to select 5 ideas during every thematic session that would be put up for public vote. Also, the voting system was changed by giving everyone three votes, so that “small ideas” would have better chances. The amount of money allocated for PB remained the same – 140 000 euros; however, the new rule of two winning ideas was established. The submitted proposals had to be either an investment object or a public event; the maximum cost of each could not exceed 70 000 euros.

Comparing the Tartu PB design with the international cases of different PB models (see Sintomer et al. 2010) definitely requires more detailed research than the scope of

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8 Official website of PB in Tartu: [http://www.tartu.ee/kaasaveelarve](http://www.tartu.ee/kaasaveelarve), 20.11.14


10 Official website of PB in Tartu: [www.tartu.ee/kaasaveelarve](http://www.tartu.ee/kaasaveelarve), 20.11.14
this paper can offer. It can be argued, however, that when it comes to citizen empowerment, Tartu PB model (even within the limited 1% of the investments budget) is closer to the Porto Alegre design, where citizens are engaged in the co-production of the budget, than to the “selective listening” experiences worldwide (Krenjova, Reinsalu 2013).

**PB process as a process of learning**

As noted before, organizational learning is a broad and multidimensional topic. Inside this realm of theories and studies, the concept of learning organization can be found. As Örtenblad (2004) argues, this rather vague and ambiguous term has nevertheless the capacity to become the idea of tomorrow, since it constitutes the answer to a rapidly changeable world. Örtenblad (2004) tries to improve the concept’s clarity and presents the integrated model of the idea outlining the four aspects of learning organization: organizational learning, learning at work, learning climate and learning structure. These aspects include both cultural and structural variables that were also reflected in Moynihan and Landuyt work on how public organizations learn. Among other variables, they emphasize the importance of mission orientation, decision flexibility and learning forums, which fall under the learning climate and learning structure categories by Örtenblad (2004). Edmondson and Moingeon (1998) view the core competence of learning organization as the participants into the on-the-job researchers, i.e. the ability to examine and critically evaluate data. This is also the main aspect of the discursive institutionalism.

As already noted before, the idea of PB was first presented to the city of Tartu during seminar in December 2011. There was a strong political will among the members of City Government and City Council to pilot this initiative. In particular, the mayor of the city was very enthusiastic about integrating new participatory practices into the everyday governance of the city. During the first WG meetings of the PB preparatory phase he was building the shared vision about the purpose of PB. Despite the numerous statements about the vagueness of the idea, he insisted on the fact that this practice was going to be performed beyond pilot project and the WG members were the ones to shape the PB model that would suit Tartu (WG session I). According to Moynihan and Landuyt (2009) the mission orientation is positively related to organizational learning.

Next, learning forums, i.e. organizational routines, in which employees examine and discuss information focusing on goal-based problem solving, appeared to be the most influential independent variable in the study by Moynihan and Landuyt (2009). Several WG meetings as well as numerous discussions via e-mail can be regarded as learning forums, as these involved brainstorming activity on how the model should look like, arguments and debates on the different alternatives available. The scholars state that this variable represents “the marriage of the cultural and structural approaches”, since the nature of the dialogue depends on the cultural attributes of the
organization. Örtenblad (2004) likewise stresses the importance of a learning climate that permits the employees to experiment, i.e. an experiment is viewed as increasing organization’s knowledge even when it does not lead to favorable outcomes. This aspect was stressed at the first WG session during preparatory phase of the pilot project that was intended to be intensive and quick since the process of citizens’ engagement had to start in summer (Stenographic record).

The Expert Group meetings that took place from September to November 2013 can be also regarded as work groups with the characteristics of learning forums. Expert Group involved mostly city officials (16) that were dealing with the areas mentioned in citizens’ proposals. The purpose of this group was to analyze and consolidate the ideas gathered through citizens’ input stage. City officials evaluated the financial aspect of the idea (its feasibility along financial terms) and the nature of the proposal (the idea had to qualify as the object in public city space). These meetings constituted a new form of horizontal committee that involved representatives of different city government departments. The discussions that sometimes lasted for 3 hours contributed to the participants’ new knowledge regarding various problems and ideas sharing with their colleagues in terms of their solutions (Interview A).
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