Challenges and perspectives of municipal participatory budgeting in Georgia

Vanishvili Merab¹,  
Chelidze Medea²,  
Gelishvili Goga³

¹ Doctor of Economics, Professor;  
Georgian Technical University; Republic of Georgia 

² Doctor of Economics, Professor;  
Georgian Technical University; Republic of Georgia 

³ PhD Student;  
Georgian Technical University; Republic of Georgia

Abstract.  
The article explores, based on the latest literary sources, an important issue in financial theory and economic practice, namely the problems and prospects of municipal participatory budgeting in Georgia. It emphasizes that the process of participatory budgeting is an innovative model for proper governance that promotes inclusive democracy, leads to the modernization of the public sector, increases accountability of the executive branch to the public, and represents an effective process of democratic dialogue and decision-making between the government and the population. It is shown that municipal participatory budgeting has been introduced in Georgia in two forms: the "Civil Budget" participatory budgeting project and the VOICE participatory budgeting project. Each has its strengths, weaknesses, and challenges. Conclusions and recommendations are drawn regarding the ways of developing participatory budgeting models implemented in Georgia.

Keywords:  
inclusive democracy  
participatory budgeting  
civil budget  
participatory democracy  
participatory modernization model
1. Introduction

Since the 1990s, the formulation "participatory budgeting model" or "participatory budgeting process" has increasingly appeared in scientific discourse, which was more closely associated with the activities of local government bodies, although later it was associated with other spheres, such as educational and/or social service organizations. As a result, we have the reality that various models of participatory budgeting are being actively implemented in an increasing number of cities, municipalities, and organizations around the world, more and more people are involved in the processes, and both the population and the state benefit more.

The participatory budget process is one model of participatory democracy in which the population decides what to allocate municipal and state budget funds and then checks the effectiveness of the use of the allocated resources.

This approach to the state budgeting process allows citizens to identify, discuss, and prioritize projects to be funded by public spending and empowers them effectively to make real decisions about how money is spent. [1].

The local specifics of a particular municipality, the combination of goals and objectives declared by its executive and representative authorities, provide the diversity that currently characterizes the models of participatory budgeting. As a result of their systematization, a typology of participatory budgeting was developed in 2012 [2], through which all the existing models were described and the following six models of participatory budgeting were identified:
- Participatory Democracy Model;
- Proximity Democracy Model;
- Participatory Modernization Model;
- Multi-Stakeholder Participation Model;
- Neo-Corporatism Model;
- Community Development Model.

All six practical models differ in territorial and thematic characteristics, as well as the subjects of the process and the levels of their involvement, and each of them reflects the features or legislative environment characterizing a particular municipality, where the model was developed and implemented.
On the basis of the study of existing practice, it has been established that out of 6 practical models of participatory budgeting, the most widespread in the world are Participatory Democracy Model, Proximity Democracy Model, and Community Development Model, which is due to a greater focus on social justice; with a certain uniformity of legislation defining the powers of local government; extensive use of formal and informal instruments of direct democracy in the processes.

The diversity of types of participatory budgeting models in the world is due to the following main characteristics:

Territorial characteristic - participatory budgeting is primarily understood as a financial and management tool tied to a specific territory. In the context of local self-government, the territorial base includes a micro district, district, city, or at least a regional scale.

Thematic characteristic - an alternative to the territorial model is a thematic model of participatory budgeting, which is based on the context of priority issues, such as transportation, environment, housing, education, local economic development, and others. Issues and topics within the thematic model of participatory budgeting can change over time.

Characteristic of the process actor -- within the framework of the participatory budgeting model based on the actor of the process (specific strata of society), budget resources are intended for the unprotected and vulnerable, or at least for some social groups (for example, youth, women, elderly, migrants, sexual and religious minorities, etc.).

In real practice, participatory budgeting models with a combination of territorial and thematic types are most often used.

It is indicative that the success or failure of implementation of participatory budgeting does not depend on the number of population in the settlement, nor on the size of its budget.

Global practice shows that participatory budgeting can be integrated into any size of residential area. For example (a) in a village where a few hundred residents live - Curahuara de Carangas (Bolivia); (b) in one of the urban districts of
a city - 49th Ward of Chicago (USA); (c) in average-sized cities with a population of less than 100,000 - Ilo (Peru); (d) in million-strong cities - Rosario (Argentina); (e) in very large (several million-strong) cities - Paris, Berlin, London.

The practice also shows that the success or failure of participatory budgeting is not necessarily dependent on the magnitude of municipal budgets. Its implementation may be successful in very poor cities/settlements where public resources are severely limited, as well as in very wealthy municipalities1.

Porto Alegre was the first city in the world to introduce participatory budgeting in 1989, and it still functions effectively today. The implemented model represents one form of hybrid democracy, combining the processes of direct and participatory democracy. In other existing models, the combination of these and other factors also provide the existing diversity of participatory budgeting models, which is so attractive to a government oriented towards modernization and effective change when it makes the political decision to offer this management model to its fellow citizens.

Since then, 33 years have passed. During this time, a number of large and small towns and municipalities have attempted to use citizen engagement methods. As a result, today, in 1500 cities and towns around the world, local budget planning is based on participatory budgeting principles. This method has found particularly wide use in Latin America (Brazil and Peru) and Europe (Spain and Scandinavian countries).

2. Research Results

The global trend of implementing participatory budgeting could not pass by Georgia unnoticed. Its use as one of the models of citizen engagement at the local self-government level began in 2015 in the Marneuli Municipality in the form of a civic (participatory) budget project. The Polish fund "Another Space" provided technical and methodological support

---

1 For example, participatory budgeting has been introduced in a number of African cities, whose annual budget per capita is 3 US dollars, as well as in European and Brazilian cities, where the same characteristic ranges from 500 to 1000 US dollars [3, p. 20].
for this project. The project was implemented in partnership with the local organization "Unified Caucasus" and the Marneuli Municipality.

As part of the project, 1.5 million laris were allocated from the municipality budget for the purposes of the civic budget. The municipality was divided into 6 zones, civic support councils were created, and the population was informed about the topics and forms in which applications should be submitted. The winning project proposal was reflected in the budgets of the following year as a result of the selection of applications. Throughout all three years, the activity of the population was high, and the number of submitted project proposals was growing. However, in 2018, the implementation of the specified project was halted by Marneuli Municipality.

Since 2016, the mentioned model has also been implemented in Gori Municipality, and here the Ministry of Foreign Affairs of the Republic of Poland provided technical and methodological assistance. This program was implemented in Gori Municipality until the merger of the city of Gori and the Gori community in 2017. However, since 2018, the civic budgeting project was revived in Gori Municipality, and since 2019, budget planning is carried out using the model introduced in previous years.

In 2016-2017, as part of the "Supporting Democracy" program, the implementation of the same model of participatory budgeting was also planned in the municipalities of Haragauli and Tetritskaro self-governing communities, but for a number of reasons, the planned work was not carried out.

At the same time, in March 2016, Rustavi Municipality City Hall started implementing the EU-funded project - "Participatory Budgeting in the City of Rustavi". To this end, it was planned to conduct information campaigns, surveys of the population, pieces of training for the training of employees of the mayor's office, and informative meetings with the population, necessary to establish the principles of participatory budgeting.

Since 2018, the implementation of a different model of
participatory budgeting in the city began in three municipalities. As part of the "Open Government" initiative supported by the USAID project "Governance for Georgia's Inclusive Development (GGI)" in Kutaisi, Batumi, and Akhaltsikhe, a proven model of participatory budgeting is being implemented in Estonia, which is based on the use of Internet technologies and the VOLIS voting system (a local system of democratic procedures) developed by the Estonian Academy of Electronic Governance3.

In the same year 2018, the Tbilisi City Hall proposed its own model of participatory budgeting to citizens, launching the project "Your Idea to the City Mayor" [4]. This project is also based on internet technologies and represents another attempt by the Tbilisi City Hall to implement an innovative idea bank. Any citizen could submit their projects electronically, and after technical expertise, they were put up for voting on the website. In case of receiving a sufficient number of votes (2500 votes from registered voters in Tbilisi) within 60 calendar days, it would be sent to the city mayor for a final decision.

Kedi Municipality will begin implementing participatory budgeting tools in 2020, but as of yet, they have been working with partner organizations since 2019 to develop a methodology/model based on participatory principles, with input and agreement from interested parties from various sectors (local residents, civic organizations, the business community, etc.).

In this model, the participation of the City Council in the planning of the participatory budgeting process has been increased, as well as the rules for the creation and activity of the Participatory Budgeting Council of Kedi Municipality are described in detail. [5].

Now we will discuss in more detail and evaluate two options of participatory budgeting introduced in the municipalities of Georgia; (1) Participatory Budgeting Project "Civil Budget"; (2) Participatory Budgeting Project VOLIS.

In 2015, the "Civil Budget" joint budgeting project was

---

implemented in Marneuli Municipality, followed by Gori Municipality in 2016. The project aimed to involve citizens in the decision-making process at the local government level, taking into account their interest in the distribution and expenditure of municipal budget funds.

In Gori Municipality, as part of the Civil Budget project for 2018-2019, the Civil Budget Council considered 167 project initiatives submitted by the population. Out of those, 75 project initiatives were approved by the Civil Budget Council and then selected by the Representative Council for solving various tasks in the municipal area.

The process of planning the Civil Budget consists of several stages:

1. The preparatory stage of the project - the preparatory stage of the project is divided into 3 main subprocesses:
   
   (a) Definition of the geographic area of the project - the project's scope includes the grouping and integration of all named points within the municipality into geographic zones, which in Marneuli Municipality were referred to as zones, while in Gori it corresponds to an administrative unit and which corresponds to the existing internal administrative division of the municipality. This approach was necessary to better manage and distribute available resources more efficiently and equitably.

   (b) Definition of financial resources and project rules - within the project, the city hall allocates a certain amount of financial resources from the municipal budget forecast for the next year, the amount of which is determined based on the size of the geographical zone. The same amount of financial resources is allocated to all zones, regardless of the number of residents in that zone. It also determines how many projects can be financed in one zone. Within the participatory budget, project proposals of various themes are possible, including infrastructure, youth, educational or cultural, social, sports, and others.

   (c) Consolidation of project management structures - Effective project management of the municipal budget project will be carried out through the consolidation of three
management structures: an administrative unit coordinator\(^4\), a representative body of the administrative unit\(^5\), and a municipal budget committee\(^6\).

2. *Stage of submission of project proposals*—citizens who have reached the age of 18 and reside in the territory of the municipal entity have the right to participate in the civic budget program.

Citizens submit application forms for project initiatives within the civic budget program to the municipality. The proposal can be submitted both individually and in groups.

Residents can present projects that fall within the competence of the municipality's self-government, which does not exceed a specific amount allocated for a particular administrative unit, and serve the public good.

The project should be presented in a special application form. In addition to the author, at least 10 stakeholders living in the same territorial unit where the project will be implemented must sign the form.

The coordinator in the administrative unit assists the residents in filling out an application form for the municipal budget project initiative as needed. During the application period, the authorized person (the main coordinator) of the municipality checks the technical accuracy of the declared project initiatives. Based on the budget allocation, in the final stage, it is possible to negotiate changes in funding for declared projects with the author of the initiative.

3. *Stage of selection of project proposals*—the authorized person of the municipality (chief coordinator) submits applications for project initiatives to the Civil Budget Council for consideration according to the following

\(^4\) The coordinator is designated by the mayor of the municipality to communicate, inform, and coordinate with the residents of each administrative unit within the municipality. According to regulations, the coordinator's function is performed by the representative of the mayor of the municipality.

\(^5\) The coordinator is designated by the mayor of the municipality to communicate, inform, and coordinate with the residents of each administrative unit within the municipality. According to regulations, the coordinator's function is performed by the representative of the mayor of the municipality.

\(^6\) According to the mayor's instructions, the municipal budget will be created by the employees of the structural units of the municipality, whose responsibility it is to implement technical, financial, and administrative tasks related to the projects identified by the population. The purpose of their work is to assess the technical and financial feasibility, deadlines, and relevance of the proposed projects, as well as to conduct expert evaluations based on the verification of their actuality.
FINANCE AND CREDIT

criteria:
   a) legal aspects (whether the municipality is authorized to implement the submitted project initiatives);
   b) technical aspects (technically, how far is it possible to implement project initiatives);
   c) Technical aspects (how technically feasible are the project initiatives for implementation);
   d) Project implementation timeline (compliance with proposed project timelines within feasible limits);
   e) Does the implementation of the project serve the public interest (how relevant are the proposed project initiatives for the administrators in charge).

As a result of the verification, the approved project initiatives will be submitted to the municipal budget for further discussion with the aim of allocating funds through the representation of the administrative units.

Based on the prioritization of projects identified in the initial stages of the program, the consensus will be reached on specific project initiatives, which will be represented in the municipal and municipal budgets, taking into account the allocations from the public budget for the city. These initiatives will be selected based on the priorities identified in the public budget and will be included in the municipal budget for the following year at the request of the mayor of the municipality.

The "City Budget" project, based on the participation of the municipality, represents the main initiative aimed at implementing an 8-year test of a model based on urban specificity in municipalities of a similar type, which was identified in Georgia as a city, as well as in urban-type municipalities.

The positive aspects of the model are as follows: (1) to ensure high citizen engagement in the project, a formal structure defined by the Local Self-Government Code is used - the Advisory Council under the mayor, as well as an informal tool - representative councils of the administrative unit; (2) theoretically, the population can submit project proposals taking into account the requirements of various topics and specific themes; (3) the municipality's website ensures maximum transparency of project implementation and unlimited access to information; (4) The interest of the
population in the project is quite high.

The accuracy of the model represents the following features: (1) The project does not utilize formal and informal forms of citizen engagement, including among them collective initiatives, community-based organizations (CBOs), Local Action Groups (LAGs), and the common interest of homeowners; (2) The involvement of the local population in the processes is low; (3) The presented results indicate the ineffective protection by the local authorities responsible for the municipality's name, with a lack of support provided for the housing and thematic interests of the residents; (4) Only citizens registered in the municipality's territory can participate in project proposals and voting within the model. Direct participation in participatory budgeting procedures by residents of another country or municipality is not allowed; (5) The model does not provide for additional procedures to monitor the author's (group members') implementation of the project works planned by the participatory budgeting process; (6) The funds allocated within the project are tied to internal administrative units of the municipality, settlements, communities, and depend on the population of a particular settlement.

The main challenges of the model are: (1) correctly informing the population about the initiated projects; (2) low trust and indifferent attitude of the population; (3) implementation of selected project proposals of improper quality; (4) effective display of the results of the project.

If we evaluate the participatory budgeting project of the municipality’s "Civil Budget" on the spectrum of public participation and the Arnstein scale of citizen participation, then it corresponds to the level of "consultation" according to both standards.

As previously mentioned, since 2018 the Open Government Partnership (OGP) initiative has been implementing a participatory budgeting project in the municipalities of Batumi, Kutaisi, and Akhaltsikhe, which was based on the participatory budgeting model implemented in Estonia, and uses the internet platform VOLIS (Local Democracy Agency)32
developed by the e-Governance Academy⁷.

The objectives of the mentioned model are: (a) to enable local government bodies to make efficient decisions quickly, easily, and with less financial costs, for which computer software is used; (b) full information about the decisions of local government bodies should be made available to the public, and the population should be encouraged to participate in the aforementioned processes.

The mentioned model aims to provide innovative ideas and necessary project proposals for resolving problems existing in the municipality's territory, quickly, easily, and with less financial cost, using computer software. The full information on the decisions made by the local self-government bodies should be conveyed to the public, and the population should be encouraged to participate in the aforementioned processes. The implementation of the best projects through electronic voting by registered voters on the municipality's territory, which will be reflected in the budget of the following year, is the main objective of this model.

VOLIS is a working environment for members of the City Council and City Hall based on modern digital and communication technologies. It provides information to all interested parties about what information and by whom the project proposal was submitted, and how and by whom a specific proposal was received. Agendas and voting results are available and meeting reports are automatically generated.

The main characteristics of the information system are: managing the procedure of electronic submission of project applications and supporting documentation; managing all types of projects, including multi-format electronic documentation; providing various informational support for participating in meetings, including virtual participation; providing electronic voting with identity verification; automatic generation of session reports; conducting webcasting of sessions and maintaining an archive of recordings; other digital functions.

The participatory budgeting process consists of several stages that ensure public awareness and active involvement in

⁷ Internet platform Volis website, https://www.volis.ee/
the processes. The works defined by the Regulations on Participatory Budgeting of Batumi Municipality were taken as a description of the tasks. The cities of Akhaltsikhe and Kutaisi have slightly different procedures, but the general approaches are the same:

1. **Preparatory stage** - in the preparatory stage, the Civil Budgeting Council of Batumi Municipality City Hall carries out the following types of work: (a) Specifies the financial resources to be allocated in the municipal budget for the next year to finance the best project proposals identified through the participatory budgeting process; (b) Determines the thematic areas, evaluation criteria, and the number of project proposals to be financed within the framework of the participatory budgeting process; (c) Plans and actively carries out an information campaign on the project.

2. **The stage of identifying and analyzing project proposals** is divided into 3 sub-processes:
   
   (a) **Submission of project proposals by citizens** - as part of the participatory budgeting process, all citizens of Georgia (or groups of citizens) registered in the municipality can submit project proposals. Citizens can submit project proposals in the form established by the municipality mayor not only through the VOLIS electronic platform but also in Batumi municipality service centers. Additionally, all applicants have the opportunity to express their opinions and comments on project applications published through VOLIS.

   (b) **Technical analysis of project proposals** - the relevant departments of the municipality will study the submitted projects and make a selection based on the following pre-determined criteria: they reflect the creation of a public good; the projects must be implemented within the geographical area of the municipality; the measures provided in the project proposal must fall within the municipality's competence; the budget of the project proposal should not exceed the maximum amount of project financing determined within the framework of participatory budgeting; in case the activities planned in the project proposal include infrastructure works, the property must be owned by the municipality.

   Applications for projects that meet the established technical requirements and whose activities specified in the
application can be implemented within the next year will be presented to the Mayor's Advisory Council of the municipality for feasibility assessment. However, a project application that does not meet the established requirements will be excluded with a detailed reason for why the project was not selected for the next stage. At the time of the development of this study, the aforementioned model began to function in the municipalities of Kutaisi and Akhaltsikhe, where the stage of submitting project proposals took place. In the case of Akhaltsikhe, it can be seen that project initiatives mainly related to the construction and rehabilitation of roads, restoration and reconstruction of ritual structures, and support for sports development.

There is a slightly different picture in the Kutaisi Municipality. Here, more attention was paid to the popularization of culture, city improvement, and construction/restoration of infrastructure objects, which fully reflects the main distinguishing features of these municipalities. Kutaisi is a large, urbanized, well-maintained city that pays great attention to the development of culture. However, both examples also reflect the fact that these two municipalities face similar problems, the solutions to which require unequivocal involvement of the population.

(c) Final analysis of project proposals - the Advisory Council of the Mayor of the Municipality, in collaboration with the relevant departments of the municipality, conducts a final analysis of the projects and selects the best proposals to participate in the public voting procedure.

When selecting project applications, attention should be paid to the following circumstances: the size of operating costs after project implementation; long-term consequences of project results; connection or duplication of activities provided in the project application with municipal programs; gender aspect of activities provided in the project application; correspondence of the purpose and tasks of the project application to the development strategy of the municipal entity; the number of people involved in the project and/or using the project results; the number of expenses for project implementation; the geographic area of project implementation. Project applications are selected by the
Advisory Council by voting. The project application that collects the most votes based on the voting procedure will be recommended for participation in the public voting procedure.

3. Decision-making stage - projects to be considered in the next year’s budget will be identified by the citizens from the project applications selected by the Advisory Council using the VOLIS electronic platform and on the basis of the direct voting procedure.

All citizens with electoral rights registered in the territory of the municipality can participate in the voting.

The results of the voting to identify the best projects are approved by the Mayor's Office Advisory Council and sent to the mayor for inclusion in the next year's budget.

The main difficulty in evaluating the participatory budgeting project VOLIS is the fact that the projects in Georgia are being implemented in a test mode and the entire cycle determined by the procedure has not yet been completed. Accordingly, based on the Georgian reality, the difficulties and challenges that may arise when implementing this model are not yet visible.

The positive aspects of the model are as follows: (1) to ensure high citizen engagement in the project, both a formal structure defined by the Local Self-Government Code - the Mayor's Advisory Council, and an informal tool from a legislative point of view - universal electronic voting of municipal residents, which is provided by the VOILS internet platform, are used. (2) The funds allocated within the project are not tied to internal administrative units of the municipality, the work in settlements and districts, as well as the number of residents in a particular settlement. (3) In theory, residents can submit project proposals on various topics; (4) The results regarding the selected project proposals reflect a clearly expressed will of the entire municipal entity through voting, rather than the interests of the population of any particular settlement or district, or supporters of a particular topic. (5) Internet platform VOLIS ensures the maximum ease of implementation of the project and

8 In the case of the Akhaltsikhe municipality, there are 3 project proposals, and in the case of the Batumi municipality, there are 10 project proposals.

9 Participation in voting in the Batumi municipality is allowed from the age of 16.
A weakness of the model is the following: (1) in order to ensure greater citizen engagement and effective communication in the project, formal and informal forms of citizen involvement such as general settlement assemblies, local action groups (LAG), community-based organizations (CBO), and condominium associations are not used; (2) low involvement of civil society in the processes; (3) The model does not take into account additional procedures for monitoring the implementation of the works planned through participatory budgeting process by the author of the project proposal (group members); (4) only citizens registered in the municipality can participate in project proposals and voting within the framework of the model. Direct participation in participatory budgeting procedures is not allowed for residents of other countries or municipalities; (5) The model relies entirely on the internet platform VOLIS, which requires access to the internet in municipal areas and familiarity with information technology from citizens. Furthermore, despite high mobile internet usage in Georgia, the system is not adapted for use on smartphones and tablets, which reduces the participation of residents in the participatory budgeting process; (6) The electronic signature system attached to the electronic identity card of Georgian citizens is currently not being used for reliable and secure voting using the VOLIS internet platform. The use of the latter is associated with significant difficulties, as it has not yet gained wide acceptance, and there is no tradition of its use among the population. Additionally, the use of electronic signatures requires additional investments in setting up technical support (card readers).

The main challenge of the model is the following: (1) proper informing of the population about the initiated projects; (2) low trust and indifferent attitude of the population; (3) implementation of selected project proposals of inadequate quality; (4) effective reflection of the results of project implementation.

If we evaluate the participatory budgeting project of the municipality, according to the spectrum of public participation it corresponds to the "consulting" level, and
according to Arnstein's scale of citizens' participation, it corresponds to the "heart winning" level.

3. Conclusions and recommendations

Based on the conducted research, it is possible to draw conclusions and recommendations on how the participatory budgeting models introduced in Georgia can be developed:

(1) Various vulnerable groups should be actively involved in the budget process, and it is particularly important to ensure the participation of young people by defining thematic priorities and developing relevant project proposals.

(2) It is extremely important to conduct an information and awareness-raising campaign before making a decision, where the population is provided with information about the basic principles of budgeting, the socio-economic situation in the municipality, and thematic priorities are developed along with project proposals.

(3) High involvement of civil society and giving it a controlling function is often perceived as a risk of politicizing processes. However, this is the only way to conduct effective and fruitful dialogue in society, and direct involvement of the population, in turn, will contribute to slowing down confrontations in society.

(4) In order to increase the legitimacy of project proposals, acceptable forms of direct public participation in voting should be selected: this can either be done using electronic systems or through the traditional voting process. However, when using the latter, it is important to ensure maximum openness of polling stations in settlements, so that the population can participate in the process.

(5) The lack of an accountability process cannot ensure an increase in public trust in participatory budgeting, as they may not know what the outcome was. It is even more important to engage project proposal authors in evaluating implemented projects.

(6) Finally, it is desirable to include a mechanism for the involvement of donors in the implementation of the project budget, including financial contributions to project activities and the revitalization of community engagement in planned activities.
REFERENCES:


[4] The project "Your idea for the mayor of the city" of the Tbilisi City Hall. https://idea.tbilisi.gov.ge/home


FINANCE AND CREDIT


