

DETERMINANTS OF PARTICIPATORY BUDGETING IN SLOVENIAN MUNICIPALITIES

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Abstract

Participatory budgeting has become attractive in the last decades and is spread all over the globe. Usually, it is concentrated at the local level, but newest ideas promote it at the central level. Literature connected to participatory budgeting analyzes the positive and negative effects of participatory budgeting, determinants that influence the possibility of introducing it, financial/pandemic crisis or organizational elements, use of IT, etc.

The main objective of our research is to analyze possible determinants that influence the implementation of participatory budgeting. We present a conceptualization of the model that uses different factors, potentially influencing the introduction of participatory budgeting in Slovenian local government.

Points for practitioners:

- Presented models of participatory budgeting implementation
- Possible determinants of participatory budgeting
- Possible approach to evaluate factors that influence the introduction of participatory budgeting

Key words: participatory budgeting, citizens' participation, determinants, Slovenia

1. Introduction

Public administration literature presents several public administration traditions and developments, such as Weberian state, new public management, its further developments and modifications, and good governance in the last decade. At the same time, there are still different so-called public administration traditions inside Europe, such as Scandinavian, central Europe, southern Europe, etc. Traditions act differently in using/implementing principles of developments in the field of public administration. The Council of Europe has set twelve principles as summarization of good governance determinants. The principle "Fair conduct of Elections, Representation" determines that citizens can participate in decision-making and influence resource allocation. Since the principle "Sound Financial Management" includes public consultation (Council of Europe, Centre of Expertise, 2018), it also addresses citizens' participation in resource allocation. Similarly, the OECD emphasizes public participation in the policy-making process as one of the tools to promote good governance and to the stronger democratic government to be more open and responsive to citizens' needs (OECD 2001).

Participatory budgeting is a natural implementation of citizens' participation in resource allocation. With citizens' participation, policymakers' decisions become more legitimate. At the same time, accountability and confidence in public decisions become more visible. Activating citizens is not an easy job, especially if there are no experiences from the past or engagement was not wanted in the past. Empowerment of citizens is essential as it can build trust in decisions. Policymakers can be more confident that they are doing the right things and, at the same time, better understand their role and the importance of their active engagement in society. According to other researchers participating in the budget process has pros and cons. The most commonly mentioned positive effects are improved transparency, greater citizen satisfaction, and better service (e.g., Shah, 2007; Russon,

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2016; Wampler, 2000; Allegretti & Herzberg, 2004; Radu, 2019). The criticism of participation is mainly related to the reduced power of elected representatives in decision-making bodies (Memeti & Kreci, 2016; Allegretti & Herzberg, 2004). Moreover, the most common obstacles in introducing participatory budgeting in practice are the disinterested public, the lack of understanding of the overall financial framework, proposals focusing on fulfilling individual wishes, exploiting influential stakeholders to achieve their proposals, etc. (Klun and Benčina, 2021).

The paper's primary focus is to discuss possible determinants that influence the spreading of participatory budgeting in Slovenian local governments. Literature examines different determinants of participatory budgeting at the local (e.g. Ebdon, 2000; Zhang and Liao, 2011; Liao and Zhang, 2012; Mbithi, Ndambuki and Juma, 2019) or central level of government (e.g. Harrison and Sayogo, 2014; Rios, Benito and Bastida, 2016), or determinants of civic engagement as such (e.g. Arvanitidis, 2017).

Our primary objective was to provide a conceptual model and operational guidelines that define a framework for assessing determinants on municipalities' decisions to implement the participatory budgeting process.

The paper is structured as follows. A short literature review on participatory budgeting determinants is given after the introduction. Further, we present an elaboration of the model and conclusions.

2. Research on determinants of participatory budgeting

Several scholars have examined the importance and role of 'citizens' participation in public governance. They try to determine citizens' role, influence, and benefits of participation (i.e., Andersen & van Kempen, 2003; Bloomfield, Collins, Fry and Munton, 2001; Buček and Smith, 2000; Cooper, Bryer and Meek, 2006; Fung, 2006; Yang and Callahan, 2007). Arvanitidis (2017) states several determinants that influence civic engagement at the individual level and the systems. Among individual-level determinants are stated resources and values, demographic attributes such as age, region's size, education level, wealth, and trust. At a system level, the determinants mentioned are social structure and income disparities. Other researchers also stressed the importance of communication channels, mainly employment of ICT as a tool to involve citizens (i.e., Wellman, Boase, and Chen, 2002; Warren, Sulaiman, and Jaafar, 2014; Thomas and Streib, 2005; Saebø, Rose and Flak, 2008; Yetano, 2015).

In our paper, we focused on participatory budgeting as direct citizens' participation in the budgeting process. Miller et al. (2019) have stressed that researchers define participatory budgeting differently and consider various kinds of citizens' participation. We used the definition by Sintomer et al. (2012), where five criteria are determined. Criteria consider the process and implementation of citizens' participation in preparing budget documents. They determined: discussion of financial/budgetary processes, involvement of decentralized districts, repeating the process over the years, including public deliberation, and assurance of accountability on the process results. Since publishing local budget proposals in Slovenia is obligatory by law and proposals should be discussed during the confirmation process by 'municipalities' councils, one can conclude that all local budgets in Slovenia are participatory. If we follow all five criteria, then only a few Slovenian local governments implemented participatory budgeting initiatives.

Participatory budgeting literature usually analyzes effects, such as better transparency, 'citizens' satisfaction, better services, more equitable and efficient allocation, higher long-term fiscal stability, etc. (i.e., Shah, 2007; Russon, 2016; Wampler, 2000; Birskyte, 2013; Allegretti & Herzberg, 2004; Tanaka, 2007). Other research focuses on obstacles of participatory budgeting implementation (i.e., Birskyte, 2013; Švaljek, Rašić-Bakarić & Sumpor, 2019). Research on determinants that influence participatory budgeting is rare and, in most cases, based on case studies in different countries. Nevertheless, a comparative content analysis makes it possible to derive a general conceptual model as the basis for developing conceptual frameworks adapted to specific national or regional circumstances. Summarizing the findings of prior research, we can report several types of determinants discussed by different authors, i.e., political, sociodemographic, economic, and organizational (Ebdon, 2000; Zhang and Liao, 2009; Zhang and Liao, 2011; Liao and Zhang, 2012; Rios, Benito and Bastida, 2016).

Political factors include institutional structure, political heterogeneity, political culture, and other political variables (Ebdon, 2000; Zhang and Liao, 2011; Rios, Benito and Bastida, 2016; Harrison and Sayogo, 2014; Wang, 2001; Goetz and Gaventa, 2001). The previous research demonstrates that lower corruption and higher political competition positively affect participatory budgeting (i.e. Harrison and Sayogo, 2014; Mbithi, Ndambuki and Juma, 2019; Ebdon, 2000). The positive influence of budget transparency was determined in Rios, Benito and Bastida (2016) as well. Sociodemographic determinants are citizens' variables, such as population, education level, and average income (Harrison and Sayogo, 2014; Ebdon 2000; Zhang and Yang 2009; Liao and Zhang 2012; Halachmi and Holzer, 2010; Rios, Benito, and Bastida, 2016). Research showed different results, and no uniform conclusion about the influence of sociodemographic determinants can be taken from them. In most of the research, significant are economic determinants, which comprise factors, such as economic development and financial capacity, which depend on budget revenues, own resources, and budget flexibility (Liao and Zhang, 2012; Raich, 2005; Harrison and Sayogo, 2014; Rios, Benito and Bastida, 2016). Some researchers report a positive correlation between economic factors and participatory budgeting; however, the evidence is not confirmed uniformly.

Our research elaborates a conceptual model of determinants that influence participatory budgeting at the local level. It brings a model with four groups of determinants, including several variables, which have not been considered yet.

3. Conceptual model

Participatory budgeting is based on the broader concept of citizens' participation theory. Hence, the determinants of participatory budgeting reflect a more general concept of citizens' participation determinants. In preparation for the conceptual model, we have considered four determinants suggested by previous research: political, sociodemographic, economic, and administrative capability (Ebdon, 2000; Rios, Benito and Bastida, 2016). Each group comprises several variables. Considering the meaning of included variables, we have divided the economic determinant into the economic development level and financial capacity of a municipality and the administrative capacity of a municipality into financial and organizational capacity.

The research expectations, supported by the evidence of previous research, were to find the determinants influencing the behavior of the municipalities regarding the acceptance of participatory budgeting. The research aimed to build the conceptual model to provide evidence of the influence of determinants on the decision to implement the participatory budget process in Slovenian municipalities.

To measure the response/dependent variable, participatory budgeting behavior of municipalities, we decided to use a simple dummy variable with the value one for municipalities using the participatory budgeting approach and zero for others. We used the data from the available last year of budget preparation: 2020.

We devised operationalization of predictor variables measurement employing indicators available from public databases (Statistical Office of the Republic of Slovenia – SURS, Ministry of Finance of Slovenia, National institute of public health - NIJZ) and a private database that structured publicly available data in a specific way to make it possible to compare municipalities against different factors.

As the influence of determinants on participatory budgeting acceptance is less studied, we decided on the side of predictive/independent variables on two research approaches. We defined the first model as a data-driven search for uncorrelated determinants and employed exploratory factor analysis. In the model, we included all available indicators for all Slovenian municipalities and proceeded with steps of exploratory factor analysis. The procedure kept only variables that fit into the factor model. Hence, as a result, we got a partial list of possible determinants of participatory budgeting only. To grasp the underlying meaning of the determinants, we devised the second operational model, where we tried to illuminate the influence of individual determinants on participative budgeting behavior. Still, we followed the baseline four determinants concept of participatory

budgeting. To devise both conceptual models, we define the four determinants mentioned above with suitable variables.

Political determinant includes five variables: independency of the mayor (dummy variable 1 if the mayor is a member of political party and zero if not), incumbency (incumbent mayor was elected at least twice), share of votes, number of candidates and turnout at mayor elections. Since elections are every five years in Slovenia, the data from last election were used as variables. The selected variables are in line with the research that tested democracy as a determinant (Harrison and Sayogo, 2014; Mbithi, Ndambuki and Juma, 2019; Rios, Benito and Bastida, 2016).

Sociodemographic determinant includes sixteen variables, mostly connected with education level, brain drain, mortality, attractiveness for immigration, age, health, social care issues, and the natural increase of inhabitants. The content of sociodemographic determinants is somehow richer than political ones with five themes: knowledge, demography, health and fitness, and society. Many of the selected variables are not used in any research in such extent till now. Usually, the authors consider mainly education, diversity of population or income status (i.e. Rios, Benito and Bastida, 2016).

For economic development, there were plenty of indicators available. We chose three themes, growth, economic level, and development coefficient, similarly as other studies (Rios, Benito and Bastida, 2016; Harrison and Sayogo, 2014; Raich, 2005). Economic development determinant groups seven variables: growth of income and number of companies, economic growth, value-added, investments, number of companies, and specially constructed index of development ratio of the municipality.

The last determinant, namely administrative capacity, includes organizational and financial capacity with the number of employees, and online budget transparency index for organizational capacity and public expenditures and their growth, public revenues, public debt, index of financial independency and transparency index for financial capacity. It was hard to get the indicators of the organizational capacity of municipalities. Hence we covered the theme with two indicators only (number of employees in municipal administration and online budget transparency index).

4. Method for testing the conceptual model

With the choice of methodological approach, we adhered to the research objective to determine whether participatory budget implementation can be predicted based on variables defining four determinants of participatory budgeting.

Accordingly, we opted for binary logistic regression to predict a dichotomous independent variable from a set of predictor variables. For a binary logistic regression, the predicted variable was a function of the probability of taking one of the categories. It facilitated the use of categorical predictors and avoidance of the assumptions on the distribution of the predictor variables. In our case, we calculated the probability that a municipality, described by chosen predicting variables, would implement a participatory budget.

As already mentioned at the side of independent variables, we considered two models. A model derived from data using factor analysis for the definition of four latent (independent) variables, and a model derived from the manifest indicator including a set of non-correlated variables only. Hence, we proceeded with the analysis in two steps. Firstly we calculate four regression models for four latent variables representing four determinants. Secondly, we calculate the regression model for chosen non-correlated manifest variables.

5. Preliminary results

The conceptual models need to be tested according to the proposed model. Since some of the data are collected yearly with a time lag and some are similar for several years, it is difficult to measure influence for each year

separately. Nevertheless, collecting the data is a major challenge of the proposed model. Preliminary results demonstrate some statistically significant impact. At least one variable in each determinant influences the possibility of implementing participatory budgeting, in political determinant incumbency show significant influence. In sociodemographic determinant, several variables connected to education level seems significant. Variables that constructed economic determinant showed similar significance but not very high. Financial independence is tested as significant inside administrative capacity. All results are at the testing phase; therefore, the final results are not possible to present yet.

6. Conclusion

The preliminary research on the conceptual model can be essential background for further elaboration of the research. However, there are still several shortcomings of the research progress at the moment. We have to collect all data for several years, test the influence in different years and then test the model through statistical tests. In the last year, pandemic opened other issues that could influence a decision on introducing participatory budgeting. The critical question is how to incorporate qualitative variables. Research on determinants did not reach uniform conclusions, which indicates that other variables could be substantial. Statistical models need further testing as well. For significant results, we need to collect all necessary data and prepare statistical tests for the model. There are some other open questions and cons of the conceptual model we would like to evaluate as well.

Despite all limitations till now, we consider that using more variables, on the one hand, can cause weakness of regression model, but on the other hand, more variables are tested. This can add to current research, which usually uses a small group of variables. Including more variables can contribute to coming to more uniform conclusions on determinants.

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