

Shaping Financial Accountability Via Participatory Budgeting – Theoretical Framework for Axiological and Legal Analysis¹

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Abstract

Despite the potential of participatory budgeting, its possibilities to strengthen the common good principle are not fully implemented, due to the insufficient accountability for the local expenditure. Thus, the main purpose of this article is to propose the theoretical framework for shaping financial accountability via participatory budgeting. We will understand financial accountability as the social mechanism enabling significant enhancement via participatory budgeting of the cities inhabitants' influence on the executive and decision-making bodies in the field of the allocation of local budget's funds, to enhance the principle of common good due to the double-loop feedback of public values and the legal norm.

Keywords

public accountability; participatory budgeting; public values; moral norm; legal norms

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1 Introduction

Local governance that – in contrast to the previously dominant concept of local government – includes the citizens and the residents of local communities to decision-making process without limitation of their role (so far as the concept of local government is concerned) at most to the choosing their representatives in the local elections. Participatory budgeting (PB) is a part of the concept of public governance which assumes the citizens' participation in the decision-making process. This concept constitutes the extension of the New Public Management which began to dominate in the public administration in the eighties of the previous century as the result of the final collapse of the belief in the effectiveness of Weber's model of bureaucratic administration (Zawadzka-Pąk and Lotko, 2018).

Participatory budgeting means a year-long decision-making process through which citizens negotiate among themselves and with local government officials in organised meeting and then vote over the allocation of local spending (Wampler, 2008). The decisions taken in such a way are incorporated to the local budgets. The introduction of the PB to the traditional local budgetary procedure reduces (but does not eliminate until covering all local government expenditures by the BP) the discretionary decisions of bureaucrats and officials about the allocation of public expenditures.

Despite the potential of a PB, its possibilities to strengthen the common good principle are not fully implemented, due to the insufficient accountability for local expenditure. Economic and political sciences provide arguments that public accountability is easier to achieve at the local level rather than at the central one, especially due to the territorial proximity of residents and local authorities (Yilmaz et al., 2012).

Thus, the main purpose of this article is to propose the theoretical framework for shaping financial accountability via participatory budgeting. We will understand financial accountability as the social mechanism enabling significant enhancement via participatory budgeting of the cities inhabitants' influence on the executive and decision-making bodies in the field of the allocation of local budget's funds, to enhance the principle of common good due to the double-loop feedback of public values and the legal norm.

The paper focuses on a central research question in public administration research and practice: Is it possible to enhance financial accountability via participatory budgeting? Our hypothesis is as follows: Shaping financial accountability via participatory budgeting requires the existence of certain public values.

As the article is theoretical, it does not present the results of the empirical research, the non-obstructive method to analyse the foreign and Polish literature presenting the results of both theoretical and empirical research.

In the article, having presented in the introduction the methodological issues, first, the constitutional value and principle of common good (sec. 2), the problems of representative democracy (sec. 3), and the financial accountability (sec. 4) were

first explained. Next, the participatory approach to financial accountability (sec. 5) and the need to enhance public accountability via public values and legal norms (sec. 6) were presented. We conclude that the enhancement of public values should increase the financial accountability to strengthen the constitutional principle of a common good.

2 Constitutional Principle and the Value of Common Good

According to Art. 1 of the Constitution of the Republic of Poland of April 2, 1997, the Republic of Poland is the common good of all citizens. On the grounds of the Polish legislation, common good is the constitutional value as well as the constitutional principle. On the grounds of the financial law, the public financial funds and an appropriate way of spending them should be the basic, though obviously not the only one instrument of the realisation of the common good value (principle). This was confirmed by the Constitutional Tribunal recognising a properly constructed (and balanced) budget as a necessary condition for the state to realise the goal of caring for the common good (PL: Constitutional Tribunal: SK 36/07, III. 4).

3 Democracy in Deficit

The main characteristic of the democratic system consists in electing the citizens' representatives to make public decisions, including the financial ones, in the public interest, which is valid at both central and local level. However, the problem arises as the citizens' activity is mainly limited to the participation in the elections. Using Tocqueville's words (De Tocqueville, 2010) each individual endures being bound because he sees that it is not a man or a class, but the citizens emerge for a moment from dependency in order to indicate their master and return to it. In consequence, the contemporary societies are struggling with "a participation pathology" (i.e. the lack of citizens' conviction that participation can help to solve public problems) and with "a representation pathology" (i.e. the reduced citizens' sense of being represented by those they had elected) (Allegretti, 2014). In such circumstances, public spending in the public interest is limited by the principal-agent problem (Jensen and Meckling, 1976). The separation of ownership and control causes serious conflicts of interests, as the politicians (agents) chosen (employed) by the citizens (principal) do not always act in the interests of the latter, but seek to realise their own needs, thus the principal' moral hazard problem appears (Miller and Whitford, 2006).

4 Financial Accountability as a Sort of Public Accountability

Thus, to ensure public spending in the public interest, there is a need for an effective form of financial accountability. Although the concepts of accountability among the researchers are not fully consistent, T. Schillemans, having analysed 210 academic papers, argues that the minimal consensus on accountability consists of the following observations.

- Accountability is about providing answers, about answerability, towards others with a legitimate claim in some agents' work.
- Accountability is furthermore a relational concept, as it focuses the attention on agents who perform tasks for others and thus may be held accountable by others.
- Accountability is retrospective and focuses on the behaviour of some agent in general, ranging from performance and results to financial management, regularity or normative and professional standards.
- Accountability is not a singular moment or situation, but rather refers to a layered process (Schillemans, 2013).

However, the problem of contemporary democracy consists in remoting the voters from the representatives elected by them. Due to the illusory contacts between principals and agents, the politicians are becoming less and less accountable to the citizens (Toffler, 1998). That is the consequence of the fact, that in the traditional, representative democracy, two traditional types of public accountability took place, i.e. the vertical accountability and the horizontal one. The vertical accountability is realised by the citizens (society) towards public officials, the elected ones and expansively to the administration subordinated to them (O'Donnell, 1998), using its basic instrument (the election), during which voters can, at least in theory, hold accountable for decisions realised in the public interest. The main disadvantage of this approach is limiting the role of citizens to the only role of a voter, while the rulers make countless decisions affecting the well-being of each of them. The extension of the vertical accountability is the horizontal one, based on the distribution of authority among different departments or branches of government and the system of checks and balances (Przeworski, 1999).

5 Participatory Approach to Financial Accountability

To resolve these democracy's deficits, political science proposes the concept of the participatory democracy (Pateman, 1970); deliberative democracy (Bohman, 1998), or direct democracy (Saward, 1998), whereas the public management science tries to solve the problem via the similar governance concept (Kooiman, 2002).

Theoretical grounds to shape the financial accountability via public participation were laid out by S. Arnstein³ and B. Damgaard and J. M. Lewis. S. Arnstein argues that the citizens' participation and involvement in public affairs play an important role in increasing their control powers conceived the ladder of citizen participation. Using the implications of her findings, B. Damgaard and J. M. Lewis proposed the use of particular levels of participation to build five levels of participation in accountability (Table 1).

Table 1. Shaping Public Accountability via Public Participation

Levels of participation as presented by S. R. Arnstein (Arnstein, 1969)		Levels of accountability as presented by B. Damgaard and J. M. Lewis (Damgaard and Lewis, 2014)	
Citizen power	Citizen control	Joint ownership	Set the agenda (policy-making) Define correction/innovation to ensure effectiveness and responsiveness <ul style="list-style-type: none"> ▪ Define and apply consequences ▪ Pass judgment (full range) ▪ Pose specific questions
	Delegated power	Collaboration	Impact the agenda (services delivered) <ul style="list-style-type: none"> ▪ Pass judgment (full range) ▪ Pose specific questions
	Partnership	Advice	Impact the setting or change the standards monitored <ul style="list-style-type: none"> ▪ Pass judgment (limited range) ▪ Pose specific questions
Tokenism (illusion of participation)	Placation	Involvement	Monitor the processes <ul style="list-style-type: none"> ▪ Pose specific questions
	Consultation		Discuss the issues (place at the table) <ul style="list-style-type: none"> ▪ Pose general questions
	Informing	“Education”	Receive information <ul style="list-style-type: none"> ▪ One-way communication
Non-participation	Therapy		Subjects of persuasion <ul style="list-style-type: none"> ▪ Non-participation
	Manipulation		Subjects of misinformation <ul style="list-style-type: none"> ▪ Non-participation

Source: Damgaard and Lewis, 2014

Climbing the consecutive ladder's steps increases the awareness and control of citizens and enables the creation of the civil society and climbing the last ladder's participation, i.e. joint ownership. The latter seems to constitute an important factor shaping the agent's accountability and reduce the negative effects of lack of the real ownership relation in the public sector, as they exist in business between shareholders and managers. In consequence, the forms of the “participation by invitation” appearing when the public institutions officially open the social dialogue and “admit” the presence of citizens in moments of public debate and decision-making (Allegretti, 2014) have the potential

³ The theory presented by S. R. Arnstein is currently one of the classics of social participation, her article in English-language journals has been cited more than 3,000 times.

to strengthen the financial accountability, and in consequence, reduce the problem of separation of ownership between citizens and politicians.

With the emergence of PB based on the participatory approach, a new form of financial accountability took shape. PB cuts across vertical, horizontal, and societal accountability (Wampler, 2004), and it is better viewed mainly as a form of societal accountability (Ma, 2009) because the control mechanism that it relies on is societal (citizen) control. In consequence, three forms of financial accountability should be taken into consideration, i.e. bureaucratic, horizontal, and societal – each associated with three types of budgetary controls – administrative, legislative and societal (Ma and Hou, 2009). First, participatory institutions have the potential to allow citizens to vote for representatives and specific policies (vertical), second, to act as a check on the prerogatives and actions of mayoral administrations, and third to rely on the mobilisation of citizens into political processes as a means to legitimate the new policymaking process (societal) (Wampler, 2004). These three types of public accountability were distinguished using the criterion of actors toward whom public authorities are accountable. In case of the horizontal one, accountability is realised towards the hierarchically superior public officials, whereas vertical accountability, analogically as the societal accountability, is strongly rooted in the society, even if the strength and scope of citizens' influence in the two cases are different.

All three forms of accountability are essential to ensuring financial accountability. However, as in reality, no country seems to have all of them in place at the beginning of the search for accountability (Ma and Hou, 2009), there is a strong need to continue the research. B. Wampler has observed that PB only partly helped to extend accountability in some Brazilian cities, whereas in the others, PB had a negligible impact on this outcome. “While PB does offer new opportunities for participation and decision-making, it continues to bear the risk that authority will be concentrated in the mayor's office, which has the potential to undercut efforts to establish a system of checks and balances at Brazil's local level of government” (Wampler, 2004).

6 The Need to Enhance Public Accountability via Public Values and Legal Norms

However, to effectively weaken the moral hazard related to the public-agent problem using the societal accountability, public values as a solid base are needed. Then, by climbing the particular level of participation and accountability, getting closer to the joint-ownership sought to be possible, and by that, overcoming the facet of principal-agent problem related to the separation of ownership and control between citizens and politicians.

Although some previous researchers have explored the question of the link between PB and social accountability (Ma and Hou, 2009; Wampler, 2004) little attention was paid to public values as the instrument of the reduction of the moral hazard problem

resulting from the separation of the ownership and power between the citizens and local politicians. Therefore, to fill the existing research gap, we rely on the existing catalogue of public values, reconstructed by T. B. Jørgensen and B. Bozeman from approximately 230 studies dealing with public values (Table 2).

Table 2. Catalogue of Public Values

Accountability, adaptability, advocacy, altruism
Balancing interests, benevolence, businesslike approach
Citizen involvement, citizens' self-development, collective choice, common good, competitiveness, compromise, continuity, cooperativeness
Democracy, dialogue
Effectiveness, efficiency, employees' self-development, enthusiasm, equal treatment, equity, ethical consciousness
Fairness, friendliness
Good working environment
Honesty, human dignity
Impartiality, innovation, integrity
Justice
Legality, listening to public opinion, local governance
Majority rule, moral standards
Neutrality
Openness
Parsimony, political loyalty, professionalism, protection of individual rights, protection of minorities, productivity, public interest
Reasonableness, regime dignity, regime loyalty, regime stability, reliability, responsiveness, risk readiness, robustness, rule of law
Secrecy, shareholder value, social cohesion, stability, sustainability
Timeliness
User democracy, user orientation
Voice of the future
Will of the people

Source: Jørgensen and Bozeman, 2007

Traditionally, the values are divided into terminal values and the instrumental ones (Rokeach, 1973). In our paper, accountability is understood as the terminal value, whereas the catalogue of instrumental values aiming to shape it can be reconstructed from the catalogue of public values. The preliminary theoretical reflections on the essence of the PB process and the financial accountability lead to the conclusions that eight public values presented in Figure 1 are significant for shaping financial accountability within the PB process.

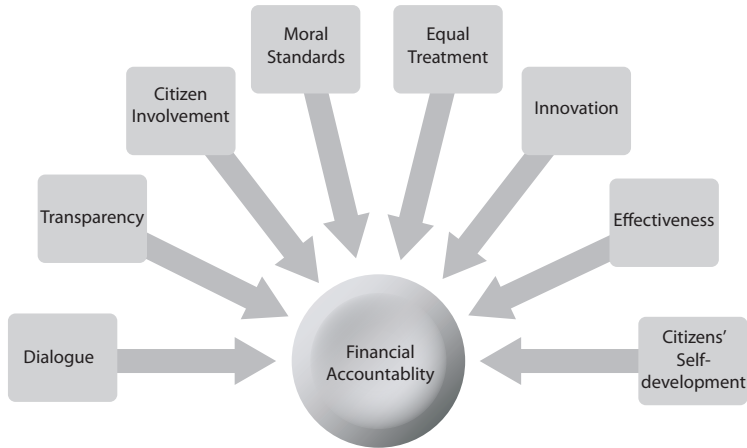


Figure 1. Public values significant for shaping financial accountability via PB (preliminary catalogue)

Source: Compiled by the author.

All these public values can be shaped by legal provisions resulting from central and local legal regulations on public participation (consultations) and PB, as – according to L. Petrażycki⁴ – the law seems to be a necessary factor complementing and strengthening moral motivation. It contributes to shaping moral attitudes and moral awareness of society. It plays the role of a specific catalyst in the process of forming moral judgments (Breczko et al., 1999). In this context, and in reference to the educational aspect of the function of law, it is worth paying attention to L. Petrażycki’s emphasis on the feedback of the development processes of the psyche and the development of law and morality. In his theory of social action of law and morality, discussing the problems of their educational and motivational impact, he showed the influence of both standard systems on the development of the human psyche and change of people’s character towards their ever better adaptation to social life, on the “civilizing” properties of law (Borucka-Arctowa and Skąpska, 1993). At the same time, however, the Author stated that these processes are of a reciprocal character, and the development of human psyche and the development of law are mutually conditional. The human psyche, also by the power of its internal dynamics, develops in the direction of ever better adaptation to social life, which is expressed in the gradual elimination of egoistic traits and the development of altruistic features. Law and morality (public values) in the process of its development, therefore adapt to the increasingly higher level of human development (Petrażycki, 1960).

⁴ Leon Petrażycki is the father of the psychological direction in the theory of law. Cf. Petrażycki, 1959.

7 Conclusion

As the purpose of the paper was to propose the theoretical framework of shaping financial accountability via PB, the presented theoretical considerations lead to the conclusion that financial accountability in the PB process could be enhanced via selected public values. In this way, the research hypothesis seems to be confirmed; however, the proposed catalogue of public values need to be verified in the process of empirical (qualitative) research on the role of public values in the process of enhancement of financial accountability in selected case studies, i.e. cities that have implemented PB.

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