



Exploring elitisation of participatory budgeting in a post-Soviet democracy: evidence from a Ukrainian municipality

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3 **Exploring elitisation of participatory budgeting in a post-Soviet democracy: evidence**
4 **from a Ukrainian municipality**
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8 **Abstract**
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10 **Purpose** – The purpose of this paper is to explore elites' prevalence in the process of
11 participatory budgeting (PB) in a Ukrainian municipality.
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15 **Design/methodology/approach** – The paper draws on the elite control and capture literature
16 to examine the occurrence of unintended consequences resulting from the process of PB. Data
17 for this case study are derived from document analysis and semi-structured interviews.
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22 **Findings** – This study demonstrates how the involvement of a non-governmental organisation
23 (NGO) promoted PB in a Ukrainian municipality. In the process of orienting politicians and
24 administrators to PB, its normative benefits tend to be prioritised, whilst very little attention has
25 been paid to making inhabitants aware of their role in the process of participatory decision-
26 making. Although PB is intended to propagate good governance and accountability, it has in
27 fact turned out to be a means of promoting corruption and furthering the personal interests of
28 rent-seeking actors.
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36 **Practical implications** – The paper demonstrates how elites can capture and control PB in the
37 context of emerging economies, thereby preventing its propagated benefits of ensuring equality,
38 justice and emancipation in local communities from being realised.
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43 **Originality/value** – Exploring PB in Ukraine, we urge that caution should be exercised with
44 regard to the wholesale adoption of externally/NGO-propagated ideas. Each emerging economy
45 context is distinct, and an appreciation of this uniqueness is key to the success of PB reforms
46 in different countries.
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51 **Keywords** - Participatory budgeting, Municipality, Elite capture and control, Emerging
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56 **Paper type** - Research paper
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Introduction

In recent decades, the public sector has experienced a range of reforms inspired by the ideas of 'New Public Management' (NPM) and 'New Public Governance' (NPG). Such reforms, which have resulted in the reinvention of the public sector through introducing new accounting and budgeting practices, are regarded as innovative. While accrual accounting and reporting, long-term budgeting and performance measurement were the main focus of earlier reforms, more recently, participatory budgeting (PB) has increasingly attracted attention from researchers. PB, which aims to give marginalised groups a voice and promote social justice, amongst other things, has become part of the nascent development logic of international organisations (Jayasinghe et al., 2020). Nevertheless, in developing countries, political patronage and corruption are often inherent within the system and may be accepted as part of everyday life, at least informally (Denhardt et al., 2009; Bartocci et al., 2022). Consequently, it may prove impossible to realise the intended benefits of PB in such contexts. Our study contributes to the emerging PB literature on this theme by investigating how elites' prevalence occurs during the process of PB, exploring a case of PB in one Ukrainian municipality, which we refer to as the Western Ukrainian Municipality (WUM) to maintain its anonymity. In so doing, the paper demonstrates how the prevalence of elites has resulted in PB deviating from its intended objectives.

As pinpointed by Kvartiuk (2016), the prevailing authoritative governance and lack of civic engagement in the post-Soviet context makes it particularly important to explore reforms in this context. PB has become an important tool that emerging economies (EEs) can use to improve governance and accountability at grassroots levels (Krenjova and Raudla, 2017; Aleksandrov et al., 2018; Volodin, 2019). International organisations such as the World Bank (WB) and bilateral aid agencies, mainly the Danish International Development Agency and the United States Agency for International Development (USAID), extol the benefits of adopting PB at the local level in EEs. These include, amongst others, political emancipation; promotion of a deliberative form of democracy (Baiocchi and Ganiza, 2014); eradication of corruption; and better governance and accountability (Goldfrank, 2012; Baiocchi, 2015). PB is also credited with strengthening the civic duties, skills and capacity of local participants, thereby enabling them to hold government officials accountable beyond merely being elected (Jayasinghe et al., 2020). However, it is argued that the designing of PB and the process involved in its adoption have a direct bearing on its success or failure in a particular context (Bartocci et al., 2022). Similarly, it is generally assumed that people have little experience of political participation

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3 and the culture of discharging political accountability is relatively weak in the post-Soviet
4 context (Aleksandrov and Timosenko, 2018). In such circumstances, PB may fail to uphold its
5 key principle of social justice (Baiocchi and Ganuza, 2014; Krenjova and Raudla, 2018) or to
6 resist elite capture and control in the budgeting process (Sheely, 2015; Saguin, 2018). With a
7 few exceptions (see e.g., Aleksandrov et al., 2018; Aleksandrov and Timoshenko, 2018),
8 accounting studies exploring how PB functions in the post-Soviet context are scarce, a research
9 gap which this study intends to address, unfolding the adoption of PB by a Ukrainian
10 municipality. Accounting tools such as PB are more important for Ukraine, as the process of
11 restoring democratic governance will dominate its post-war agenda (Grossi and Vakulenko,
12 2022).

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22 The remainder of the paper is divided into four sections. The second section describes a
23 perspective on elite capture and control, while the third section explains the research method.
24 The fourth section analyses the adoption of PB, before making some concluding remarks.

25 26 27 28 29 **A perspective on elite capture and control**

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31 Globalisation and the dissemination of NPM-related neoliberal policies across many countries
32 in the last few decades have deprived a significant number of citizens, primarily at grass-roots
33 levels, from accessing basic needs. Such policies, which emphasise private sector values and
34 practices, have also raised concerns in developed countries for their failure to instigate citizens'
35 active involvement in governance (Denhardt and Denhardt, 2000; Steccolini, 2019). These
36 policies and associated reforms are alleged to have popularised a managerial perspective that
37 treats citizens as customers of public services. As such, opportunities for citizens to discuss
38 solutions to wicked problems either do not arise (Roberts, 2004; Steccolini, 2019; Kuruppu et
39 al., 2021) or may be limited to satisfaction surveys. Curtailing budgetary provision, increasing
40 tax and suspending grassroots services are some of the wicked problems embedded in such
41 neoliberal policies and reforms. It is therefore necessary to introduce alternative approaches,
42 facilitating the authentic involvement of inhabitants in the process of making such decisions.
43 PB is claimed to be one such approach; its adoption can generate opportunities for inhabitants
44 to determine how local resources could be utilised effectively (Goldfrank, 2012; Goncalves,
45 2014, Ganuza et al., 2016; Cabannes and Lipietz, 2018; Luchmann et al., 2018; Cabannes,
46 2019).

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3 The way in which citizens become involved depends on context-specific factors (Sintomer et
4 al., 2008; Jayasinghe et al., 2020). Two dimensions, namely communication and empowerment,
5 are essential for the effective involvement of citizens (Baiocchi and Ganuza, 2014). The former
6 dimension refers to the budgeting processes being open, transparent and egalitarian, whereas
7 the latter is concerned with citizens' ability to define the terms of participatory procedures and
8 to distribute municipal resources in a way that adheres to social-justice criteria. In their seminal
9 work, Fung and Wright (2001) claim that expert command, market exchange or informal
10 circles-based approaches have often failed to address social problems. However, a participatory
11 approach like PB nurtures deliberative democracy (Fund and Wright, 2001) as the involvement
12 of citizens contributes to increasing accountability and capacity, and the narrowing of
13 information asymmetry (Baiocchi and Ganuza, 2014). Prior work has outlined that trust in
14 representative democracy is eroding and the gap between governments and citizens is becoming
15 wider (Arnstein, 1969). PB is envisaged as a means through which to rebuild trust between
16 citizens and politicians (Allegretti, 2014), and to avoid political patronage, clientelism and
17 corruption (Wampler and Avritzer, 2004; Ganuza and Baiocchi, 2012; Célérier and Botey,
18 2015).

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32 Sintomer et al. (2008) have identified the improvement of public service delivery, active
33 cooperation between individual administrative departments, improved efficiency in
34 administrative operations and more responsive administrative behaviour as the key benefits of
35 PB, in addition to greater transparency. International organisations promote PB as part of their
36 development agenda in emerging economies, predicating the following advantages – reduction
37 of poverty, good governance and an increase in public accountability (Goldfrank, 2012;
38 Baiocchi, 2015). In some contexts, political parties have also emphasised the role that PB can
39 play in facilitating decentralisation and demonstrating their commitment to localised
40 responsibility (Ganuza and Baiocchi, 2012). Hence, various rationales could therefore be
41 involved in the participatory decision-making process (Cabannes and Lipietz, 2018; Bartocci
42 et al., 2019). This also implies that even if a well-organised PB process is adopted, frictions at
43 an individual and organisational level are often unavoidable due to conflicting logics (Ganuza
44 and Baiocchi, 2012). For instance, bureaucrats may use their expert knowledge to change or
45 reject citizens' proposals (Orosz, 2002; Ganuza et al., 2016). However, concerns have been
46 raised about situations in which individuals could wield power and control the agenda or
47 outcomes of deliberative processes (Baiocchi and Ganuza, 2014), as alternative solutions for
48 wicked problems tend to be based on values, rather than science (Roberts, 2004).
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5 As underscored in the literature, social-justice criteria should prevail in the process of decision-
6 making in order to empower constituents (Baiocchi and Ganuza, 2014). However, communities
7 are distinguished by several aspects - caste, economic wealth, religion, profession, political
8 affiliation, gender, land ownership, education and tenure. Individuals' socioeconomic status is
9 determined by these aspects and some of them enjoy the privilege of being elites (Dasgupta and
10 Beard, 2007; John, 2009; Friendly, 2019). Prior work has shown that these elite groups aspire
11 to dominate participatory spaces (Arnstein, 1969; Wampler and Avritzer, 2004; Dasgupta and
12 Beard, 2007; John, 2009). However, ordinary people may fall into the trap of perceiving some
13 groups as superior and rally around these elites (Walker, 2016) due to their limited
14 understanding of the rights and roles involved in participatory governance (Waheduzzaman et
15 al., 2018). Therefore, a participatory governance approach such as PB could be vulnerable to
16 either elite control or capture, particularly in developing countries.
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27 Elite control refers to the ability of powerful stakeholders to dominate the process of decision-
28 making (Lund and Saito-Jensen, 2013; Saguin, 2018), whereas elite capture denotes the ability
29 of specific individuals to allocate public funds for their own benefit instead of the community
30 as a whole (Grillos, 2017; Waheduzzaman et al., 2018). Accordingly, elite capture impedes the
31 aims of participatory governance and discourages the involvement of poor and marginalised
32 citizens in realising their development aspirations (Waheduzzaman et al., 2018). It has been
33 argued that, in communities in which the economic domain is governed by patron-client
34 relationships, both elite control and capture are omnipresent (Dasgupta and Beard, 2007; Lund
35 and Saito-Jensen, 2013). As Sheely (2015) has highlighted, in the event of elite capture, project
36 proposals from ordinary constituents are either disregarded or deliberative meetings are
37 orchestrated to ensure that the elites' proposals prevail. In particular, those individuals who are
38 privileged by their high socioeconomic status determine what is requested as a member of a
39 network (John, 2009). For example, as described by Kuruppu et al. (2016), grassroots
40 politicians in a Sri Lankan municipality mobilised their party loyalists to prioritise one of their
41 predetermined projects. Kundu (2011) examined the case of India, where educated and wealthy
42 elites have mobilised their networks and skills to ensure that they receive municipal funds
43 through PB, which they then invest in the development of their own neighbourhoods, ignoring
44 the poorest strata of society. In Kenya, projects that had been prioritised by inhabitants were
45 replaced with those preferred by politicians or bureaucrats (Sheely, 2015). Even in Porto
46 Alegre, the birthplace of PB, and other municipalities in Brazil, interest in PB has declined in
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3 recent years, as political parties have increasingly exploited the participatory space in order to
4 gain political advantages and perpetuate their political tenure (Fedozzi and Martins, 2015;
5 Lüchmann et al., 2018).
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10 In a context where politicians, administrators and business elites rely upon clientelism and
11 patronage, their rent-seeking behaviour impacts on decisions (Friendly, 2019). In Brazil,
12 politicians and administrators in the municipality of Recife circumvented the PB process to
13 prioritise project proposals based on clientelism and political patronage (Wampler and Avritzer,
14 2004). Similarly, the bureaucracy in Porto Alegre used the threat of eviction against stallholders
15 to promote a shopping complex which was to be financed as a private-public partnership
16 (Walker, 2015). As a result, the leader of the stallholders opted to promote the project through
17 PB. Subsequently, some powerful entrepreneurs were offered commercially attractive venues
18 within this complex, whereas some of the stallholders were allocated much less attractive
19 locations, which resulted in them being put out of business. Ultimately, the private company,
20 as the partner responsible for managing the complex, earned one million dollars. Moreover, in
21 Porto Alegre, the wealthier residents' proposals were implemented, as opposed to the projects
22 selected by economically disadvantaged groups (Walker, 2016). The administration argued that
23 the latter proposals were subject to legal restrictions. Such bureaucratic behaviour has
24 contributed to undermining the involvement of inhabitants in some Brazilian municipalities
25 (Wampler and Avritzer, 2004; Lüchmann et al., 2018).
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39 A few cases explored in the literature have demonstrated that deliberative consultation has
40 occurred and resulting decisions have been endorsed, often without any major amendments
41 (Cabannes, 2004). When the PB process operates in this way, it authentically empowers
42 inhabitants (John, 2009; Baiocchi and Ganuza, 2014) and helps to improve their living
43 standards (Goncalves, 2014). Investigating the case of South Korean local governments, Jung
44 (2021) showed how genuine citizen participation has resulted in improving governments' fiscal
45 sustainability and administrative efficiency. However, the majority of cases, especially relating
46 to developing countries, have produced rather contradictory findings, as various actors have
47 dominated the participatory decision-making process by exploiting their knowledge,
48 capabilities and resources (Kundu, 2011; Célérier and Botey, 2015; Kuruppu et al., 2016;
49 Friendly, 2019). In particular, their socioeconomic background and networks have enabled
50 them to challenge or bend participatory procedures to further their own interests (Célérier and
51 Botey, 2015; Walker, 2015; Friendly, 2019). It has also been shown that, due to the involvement
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of multiple actors, the participatory process has become a power struggle (Kuruppu et al., 2016; Friendly, 2019) and hence transformed into something that was not intended at its inception (Aleksandrov and Timoshenko, 2018). Such findings demonstrate that the adoption of PB in a context where there is a democratic deficit could hamper its ability to empower. Ukraine constitutes a context in which the democratic deficit is particularly acute and visible, resulting in persistent political instability and social tension, and triggering rampant corruption. Our study contributes to the emerging stream of PB literature by demonstrating how elite capture and control prevail in a fragile post-Soviet democracy's PB process.

Research method

Ukraine is one of the poorest economies in Europe. Its population totals approximately 44 million. Although various types of initiatives have been instigated to mitigate corruption and to increase transparency in both central and local government since the early 2000s, the country was ranked 126th according to the corruption perception index in 2019. This study focuses on the diffusion of PB in a Ukrainian municipality with approximately 220,000 inhabitants that has adopted this budgeting practice with the intention of strengthening grassroots democracy. Due to the politically sensitive nature of this study and its findings, we have decided to keep the identity of the municipality and the interviewees anonymous.

Data for this study were derived from document analysis, informal discussions and semi-structured interviews, as well as observing the voting process for citizens' proposals. We started the data collection process by analysing the relevant Ukrainian laws and regulations relating to public sector accounting and budgeting at the central administrative level. While analysing these regulations, we noticed that there was no specific mention of PB. The regulations (i.e., Budget Code of Ukraine; Law on the Voluntary Amalgamation of Territorial Communities of; Constitution of Ukraine; Local Self-Government in Ukraine) consisted of general guidelines designed to enable local authorities to manage their income and expenditure, providing them with an opportunity to introduce PB. Having analysed the central government regulations, we then turned our attention to the local authority's official documents. It was discovered that the WUM council had approved the introduction of PB and the protocols of the meeting of the committee responsible for evaluating the citizens' projects were set out in a document. In addition, the general rules governing the operation of PB in the municipality, a timeline for submitting the selected projects, the voting procedures and other key aspects of PB were elaborated in the document. We also searched the web pages of the city council and the Institute

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3 for Budget and Socio-Economic Research (IBSER) – a non-governmental organisation, which
4 initiated the introduction of PB in the municipality under the title ‘Citizens’ Budget’. In
5 addition, the electronic system developed for citizens to submit the PB projects and the web
6 portals on which news about the PB process was made available were also viewed. By
7 reviewing these regulations and documents, we were able to generate an overview of PB in
8 Ukrainian local government in general and in the WUM specifically.
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15 Following the document analysis, we conducted 33 semi-structured interviews in four stages
16 from 2017 to 2019 (see Appendix-1). Our interviewees included the elected deputies of the
17 WUM, its administrators, and a director of the IBSEER, all of whom were directly involved in
18 the process of adopting and implementing PB. In addition, we interviewed residents whose
19 projects had been incorporated into the budget and who came to cast their votes for project
20 proposals. Therefore, we relied upon the purposive sampling approach to collect data. A co-
21 author of Ukrainian origin was involved in facilitating the interviews. The interviews were
22 conducted mainly in Ukrainian but were then translated into English so that the other co-authors
23 could discuss the findings. Most of the interviews lasted between 45 and 90 minutes and were
24 digitally recorded. In addition, one author had an informal discussion with four visiting
25 Ukrainian students, who had participated in the WUM’s PB process. Issues discussed during
26 the interviews and informal discussions included: awareness of PB; the PB process, including
27 the selection of and voting for the proposed projects; PB formulation and level of participation;
28 project implementation; and general perceptions about PB, particularly its benefits and
29 challenges. Therefore, our study covers the first budget cycle in 2016, 2017 and 2018, and the
30 second budget cycle in 2017 and 2018. The first budget cycle of PB spans from the political
31 decision to allocate funds for citizens’ projects to prioritising projects by residents, whilst the
32 second cycle of PB is about funding and implementing projects (Cabannes, 2019).
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48 We analysed our data by identifying key events/activities undertaken and this enabled us to
49 organise the findings into two main themes: how the decision to inaugurate PB was made and
50 how the municipality managed its adoption; and how elite capture and control occurred within
51 the implementation process. The data representing our themes was then clustered and matched
52 with evidence gathered through our literature review on elite capture and control. This enabled
53 us to establish a link between these themes and the narratives developed from our empirical
54 findings. In addition, to avoid the risk of over-dependence on the responses provided by a
55 handful of interviewees, we focused on representing the relevant views of as many informants
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3 as possible. In cases where the views of informants overlapped, we used quotations from those
4 informants whose views had not yet been cited.
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8 **Analysing the WUM's budgeting process**

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10 The next section first sheds light on decentralisation in Ukraine, while the remaining part of the
11 discussion focuses on the emergence of PB and elites' prevalence in the WUM's budgeting
12 process.
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15 ***Research Context: Municipal Reforms in Ukraine***

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17 Ukraine gained its independence in 1991. The country inherited a centralised state mechanism
18 comprised of 24 regions (oblasts), in addition to three special-status regions – Crimea, Kyiv
19 and Sevastopol – and 490 districts (rayons), including 458 towns, 783 smaller settlements and
20 10,279 villages (Jarábik and Yesmukhanova, 2017). Its administrative and territorial structure
21 has resulted in governance challenges (Zapysnyy, 2016). For instance, municipalities in cities,
22 towns and villages lack the necessary resources to deliver services and heavily depend on the
23 central government for their funding (Roberts and Oleksandr, 2014). The country's leadership
24 failed to embark on genuine decentralisation reforms until 2014 (Åslund, 2009; 2015a; 2015b).
25 The president, who was elected as a result of Euromaidan, signed an association agreement with
26 the EU in June 2014 (Åslund, 2015b; Iafinovych et al., 2019). The aspiration for liberal and
27 democratic reforms subsequently gained momentum across the country.
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39 The new government endorsed a plan to initiate the process of decentralisation. It proposed to
40 maintain the 24 regions and 3 special regions, about 100 districts and 1,000 communities
41 (hromadas) comprising settlements and villages (Jarábik and Yesmukhanova, 2017). Each of
42 these would have an elected council which could impose taxes and fees. When a law enacting
43 the voluntary amalgamation of territorial communities to create hromadas was approved in
44 February 2015 (Demchyshak et al., 2017), a methodology for founding sustainable territorial
45 communities was also endorsed (Romanova and Umland, 2019). The government reformed the
46 budgets and tax codes that municipalities could use to widen their sources of revenue.
47 Accordingly, they were granted more autonomy to decide on local taxes (Zapysnyy, 2016;
48 Demchyshak et al., 2017) and could receive their budgetary allocation directly from the
49 government. For example, an amalgamated municipality was entitled to receive 60% of income
50 tax, 100% of property tax and state custom tax, 10% of income tax from enterprises in its
51 respective locality, and 100% of fees and charges (Romanova and Umland, 2019). Such
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3 changes effectively made the municipalities independent and responsible for their own
4 spending (Iafinovych et al., 2019), whilst creating the background conditions for introducing a
5 new budgeting approach that facilitated inhabitants' participation in the grassroots decision-
6 making process.
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10 11 ***Background to adopting PB***

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13 Ukraine's Soviet legacy appears to have perpetuated an authoritarian regime that entices
14 politicians, oligarchs and administrators to become involved in rent-seeking networks, thereby
15 undermining transparency and good governance (Åslund, 2009; 2015b). As in many other
16 developing countries (see e.g., Kuruppu et al., 2016), a low level of accountability by grassroots
17 politicians and the elite domination of local governance processes have been accepted as a fact
18 of life since the country gained its independence. Therefore, residents' involvement in
19 grassroots governance is relatively limited (Kvartiuk, 2016), albeit that municipalities are
20 responsible for delivering public services that are crucial to their wellbeing. Politicians are often
21 accused of pursuing personal gain, and misusing and misappropriating public resources
22 (Libman, 2010). Governance in the WUM has thus been the subject of much criticism. The way
23 in which contracts are awarded serves as an example of corruption and the embezzlement of
24 public funds. Our interviewees described how the misuse of resource distribution affects public
25 welfare, as the following excerpt from a resident illustrates:
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36 *Street cleaning tasks were assigned to a company associated with the deputy mayor just before*
37 *the winter. As this company failed to cope with this task, rubbish was not collected for several*
38 *weeks, causing outrage amongst residents.*
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43 Another inhabitant described the situation as follows:

44 *The municipality could not clear up the snow during the winter. This has resulted in injuries to*
45 *many residents. The traffic comes to a complete halt during the winter months, restricting our*
46 *mobility.*
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51 In Ukraine, the level of trust in grassroots politicians and political institutions remains relatively
52 low, even after the revolution of 2014 (Volodin, 2019). As emphasised in the literature,
53 residents' involvement in budgeting has the effect of strengthening trust and good governance
54 (Ganuza and Baiocchi, 2012). However, inhabitants' participation in budgetary discussions
55 without any possibility of influencing decisions is a source of frustration. Arnstein (1969)
56 argued that, in such contexts, although the powerless constituents derive no benefits, the
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3 powerholders can nonetheless claim that the views of all sides were taken into account. All
4 Ukrainian municipalities have to seek suggestions from citizens or civic advisory councils.
5 However, these procedures are merely symbolic (Roberts and Fisun, 2014). A similar practice
6 prevails in the WUM. It has been accused of carrying out public hearings strategically. The
7 purpose of such hearings is to present a quarterly report to the public on how the budget has
8 been allocated. Similarly, notification of the planned budget hearing at the city council building
9 is issued just one day before it takes place. Although most Ukrainians rely on various TV
10 channels to obtain information (Kramer et al., 2011), as our findings revealed, despite the
11 municipality booking airtime on two local TV channels, information relating to the public
12 hearing of the budget is rarely broadcast.
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22 Ruling politicians in Ukraine strive to mitigate the publication of bad news, for fear that it might
23 tarnish their reputation (Åslund, 2015b). It emerged that a similar tendency is evident in the
24 WUM, as the city council has adopted a strategy of covert censorship. Its residents explained
25 that the municipality continues to buy airtime from local broadcasters, which the mayor
26 capitalises on to talk about the municipality's achievements. Thus, the purchase of airtime has
27 become a way of bribing the TV channels, which are expected not to broadcast any criticisms
28 of city officials or the political leadership in return. Instead, their news coverage blamed the
29 majority of residents for being politically passive, following a turnout of approximately 47% at
30 the last municipal council election. It is not surprising to witness this trend in a context where
31 politicians deploy the existing administrative mechanisms to threaten disloyal media channels
32 (see Åslund, 2009; 2015b; Kramer et al., 2011).
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43 Several donor organisations were keen to facilitate decentralisation and democratic governance
44 in Ukraine. As elaborated by Kvaruik (2016), the WB and the United Nations Development
45 Programme granted funds to facilitate inhabitants' involvement in infrastructure development
46 decisions in the early 2000s. However, only a relatively small number of inhabitants
47 participated in these processes. Hence, the USAID and the EU adopted a strategy of cooperating
48 with NGOs to strengthen grassroots democracy (Roberts and Fisun, 2014). The IBSER, an
49 NGO promoting comprehensive and sustainable socio-economic development in Ukraine,
50 received financial support from the USAID to introduce PB, as part of its Municipal Finance
51 Strengthening Initiative - II Rollout Project. Its initiative is not surprising given that NGOs are
52 often seen as experts and consultants both in designing and promoting PB (Bartocci et al.,
53 2021). In 2015, the IBSER disseminated information about PB. In addition, they accompanied
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3 grassroots politicians and administrators on visits to observe the PB process in Polish
4 municipalities (Khutkyy, 2019; Chorna-Bokhniak and Lepyoshkin, 2020), as elaborated on by
5 an administrator:
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8 *In Ukraine, there are a number of programmes for the implementation of e-democracy. We are*
9 *constantly appealing to various organisations that offer assistance to implement certain*
10 *activities. One of the proposals was the introduction of a budgeting approach enabling*
11 *residents' participation. This is a joint project idea between the USAID Ukraine, the IBSER*
12 *and Social Boost.*
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19 The term 'transparency' has been used strategically to foster positive attitudes towards PB in
20 Eastern European countries (Krenjova and Raudla, 2017; Aleksandrov et al., 2018). Volodin
21 (2014) identified the following as benefits that Ukrainian municipalities could derive from PB:
22 bringing diverse inhabitants together; enhancing their awareness of budgetary decision
23 processes; increasing cooperation amongst people, local politicians and administrators; and
24 empowering inhabitants. The IBSER promoted the benefits of PB at its seminars. Strengthening
25 legitimacy through dialogue and communication with residents, increasing the effectiveness of
26 distributing public funds, maintaining social cohesion and increasing the transparency in the
27 allocation of public funds have all been specifically emphasised in its discussions, as confirmed
28 by an administrator:
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36 *I believe that this (PB) is a positive budgeting practice, which in the first instance can increase*
37 *the trust of residents concerning the city council and the efficiency of our activities. Similarly,*
38 *this budgeting process can help to better identify the needs of the community.*
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43 As illustrated in previous studies (Krenjova and Raudla, 2017, Bartocci et al., 2022), the
44 availability of financial and technical assistance plays a central role in the process of introducing
45 PB. The IBSER dominated the adoption of PB by offering methodological and technical
46 assistance. For example, assistance with the procedures for inviting citizens' project proposals
47 and setting up an electronic system for the automation of PB processes, including proposal
48 submission, e-voting and reporting on project realisation, was promised. In addition, its
49 commitment was extended to organising an election during the first year of PB implementation.
50 A director of the IBSER commented that:
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56 *Our initiative was rather to offer assistance in initiating the PB process. Our task was to tell*
57 *administrators and representatives of municipalities about PB and provide them with technical*
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3 *assistance. We provided videos about PB and explained how the PB process could be*
4 *implemented. The decision about whether or not to adopt PB is made by the municipality.*
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9 In 2014, the Cabinet of Ministers approved a proposal for reforming local self-governments and
10 territorial organisations, thereby triggering the process of decentralisation in Ukraine (Åslund,
11 2015b). The aim of the proposal was to determine the directions, mechanisms and timings for
12 the formation of effective local self-government territorial organisations and to ensure a decent
13 living environment for Ukrainian citizens. The proposal was also intended to improve the
14 quality of public services and to strengthen grassroots democracy, whilst fulfilling the needs of
15 citizens in the territory and reconciling the interests of the state and local communities. As no
16 specific law was enacted to introduce PB in Ukraine (Kudlacz and Zhebchuk, 2019), local self-
17 government initiatives have provided a key trajectory for implementing PB reforms. In 2015, a
18 few municipalities adopted initiatives designed to introduce PB within the framework of the
19 Polish-Canadian democracy support programme (Sirenko et al., 2018; Khutkyy, 2019). By
20 2020, 238 local governments had distributed at least 1% of their funds through PB (Chorna-
21 Bokhniak and Lepyoshkin, 2020). In June 2016, the WUM's council endorsed the decision to
22 adopt PB, which became known as the 'citizens' budget'. The IBSER signed a memorandum
23 of understanding to facilitate this project.
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36 ***How did elites come to prevail in the PB process?***

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38 As there is neither coercive pressure nor any directives from the central government to introduce
39 PB in the municipalities, its introduction is a discretionary decision for each municipal council
40 (Kudlacz and Zhebchuk, 2019; Volodin, 2019). Therefore, NGOs played a pivotal role in filling
41 this void (Chorna-Bokhnaik and Lepyoshkin, 2020). After the WUM's decision to introduce
42 PB, the IBSER specialists provided training on compiling regulations about the process of
43 obtaining proposals from residents. A special group was formed to develop regulations for the
44 implementation of PB. These regulations specified that inhabitants should be able to allocate at
45 least 1% of their budgeted revenues to projects preferred by a majority of them. It was also
46 stipulated that proposed projects must be implemented within a year. The adoption of PB
47 rapidly ensued (see Appendix-2). In fact, the length of time between announcing a call for
48 citizens' proposals and submitting them was less than a month. The rapid adoption of PB meant
49 that there was a failure to consider issues that could emerge in the process of implementation.
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58 A deputy recalled that:
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3 *In Ukraine, a wave of developing the 'citizens' budget' occurred suddenly. In June 2016, the*
4 *city council approved the regulation on PB. Our municipality was to launch PB from September*
5 *2017. As the provisions were endorsed, the municipality and the IBSER agreed to implement*
6 *the PB project from September 2016 instead.*
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11 It needs to be emphasised that, in Ukraine, the introduction of PB was particularly instrumental
12 in the territorial decentralisation of power (Sirenko et al., 2018). When PB was implemented in
13 the WUM, there was one notable impediment. The administration was supposed to provide an
14 advisory service to help residents to develop their proposals, as per its regulatory provisions, a
15 practice that had originally been adopted by its Polish neighbour (Kudlacz and Zhebchuk, 2019;
16 Volodin, 2019). However, our interviews, as well as a search of the municipality's website,
17 revealed that the bureaucracy had failed to make residents aware of this opportunity. The
18 absence of technical assistance in the articulation of project proposals and cost estimates
19 deprived ordinary residents of the opportunity to develop their proposals, whilst enabling elites
20 to capitalise on their education and social position within this process, as highlighted in the
21 literature (see Kundu, 2011; Sheely, 2015). This shows that the empowerment which is crucial
22 for the effective involvement of residents was neglected at the point of inception (Baiocchi and
23 Ganuza, 2014). A citizen explained:
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34 *I learnt about the possibility of submitting citizens' proposals and implementing them at the*
35 *cost to the council's funds at a meeting with the deputy representing our neighbourhood. The*
36 *city administration did not give any assistance with preparing a project proposal and it was*
37 *not easy to estimate the cost. Thanks to my education and social connections, I managed to*
38 *overcome this challenge.*
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44 It was expected that ordinary citizens in Ukraine would be able to exert pressure on local elites
45 to distribute resources according to their preferences, having participated in grassroots decision-
46 making processes (Kvartiuk, 2016). However, Sirenko et al. (2018) warned that PB, which was
47 introduced to facilitate decentralisation efforts, could offer possibilities for the country's local
48 elites to ensure that their interests prevailed instead. In any context, it is crucial for the social-
49 justice criteria to be respected in the process of involving constituents in making budgetary
50 decisions (Baiocchi and Ganuza, 2014). In other words, ordinary members of the public should
51 have equal opportunities to those of privileged elites, in the participation process. However, the
52 political and bureaucratic leadership of the WUM failed to honour this principle, as a deputy of
53 the municipality explained:
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3 *In the first year, the call for project proposals for the budget was carried out hastily. According*
4 *to the results of the first year, it became clear that our approach was wrong and ordinary*
5 *citizens did not receive guidance on writing their proposals. This contravenes what is expected*
6 *from PB.*
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11 In the literature, PB is often credited with ensuring administrative efficiency and fiscal
12 sustainability (Jung, 2021). However, in reality, the implementation of PB and the realisation
13 of projects proved to be challenging, as the implementation of proposals was delayed, and
14 additional costs were incurred in dealing with controversial issues. To mitigate such
15 shortcomings, the administration published exemplar project estimates on its website.
16 Similarly, in 2017, a nomination committee with responsibility for coordinating the
17 organisation and implementation of the ‘citizens’ budget’, and scrutinising the initial review of
18 proposals, was founded. Moreover, the committee was tasked with inspecting their
19 implementation. The committee consists of representatives from NGOs, deputies and officials
20 of the municipality, clearly reflecting an elite capture scenario in which powerful groups wield
21 the decision-making authority (Wampler and Avritzer, 2004; Fedozzi and Martins, 2015;
22 Grillos, 2017; Lüchmann et al., 2018; Saguin, 2018). A deputy recalled that:

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24 *There were about two weeks in which those who intended to apply for the post of committee*
25 *member could do so. Unfortunately, there was no competition and enthusiasm. This was*
26 *perhaps due to the novelty of the new budgeting process. In the end, the nominated committee*
27 *members were influential individuals.*
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33 The committee presented a time schedule to the residents, highlighting that they should submit
34 their proposals for the ensuing year within the month of October. The administration was
35 requested to provide technical assistance to residents with writing proposals and budgeting their
36 costs, and to disseminate project information before the public voting took place. The WUM
37 initially allocated 5 million UAH, which represented 1% of its budgeted revenue, for PB.
38 Projects that could be classified as belonging to one of four categories, namely culture, sport,
39 social protection and education, were selected. Although PB is intended to be a democratic
40 practice, prior work provides evidence that influential individuals and groups tend to mobilise
41 their social privileges and networks in order to pursue their own interests (John, 2009; Kundu,
42 2011; Sheely, 2015; Kuruppu et al., 2016). The selection committee formed in the WUM
43 included several festivals of a commercial nature and an NGO project based at a rented complex
44 among those considered for public voting. Whilst the mayor’s advisor was involved in the
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3 former types of projects, a selection committee member was associated with the latter project.
4 The council regulations on PB prohibit to fund such projects. However, residents prioritised
5 both projects, thus facilitating elite capture and control in the budgeting process. A bureaucrat
6 justified the committee's decision as follows:
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10 *Now in Ukraine, the situation is such that the population has a low purchasing power. Prices*
11 *of tickets do not cover all expenses. At the same time, organising an event like an arts festival*
12 *helps us develop tourism in the city and increases its prestige, whilst allowing residents to*
13 *become familiar with both Ukrainian and foreign arts. Therefore, obtaining the help of the city*
14 *council is reasonable.*
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20 Sirenko et al. (2018) underscored the risk of conflicts escalating when resources are distributed
21 through the PB process in Ukraine. The presence of conflicts of interest, clientelism and
22 patronage undermines trust in the deliberative process, as is evident in extant work (Arnstein,
23 1969; Kuruppu et al., 2016, Friendly, 2019). One citizen, who was critical of funding being
24 provided for elites' commercial projects, commented:
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29 *There are some groups attempting to finance their commercial events through the council's*
30 *budget. It is not fair to utilise public funds for such activities. The promoters of the new*
31 *budgeting approach conceded that our city is a complicated place and they have encountered*
32 *a situation that they did not anticipate.*
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38 Many Ukrainian municipalities have no clear understanding of what constituents' participation
39 in budgeting actually entails (Kudlacz and Zhebchuk, 2019). Therefore, they may not aspire to
40 strengthen grassroots democracy. PB cannot yield positive outcomes in a context in which a
41 democratic deficit is evident (Baiocchi and Ganuza, 2014). Ukraine's Soviet legacy appears to
42 have generated rent-seeking networks of politicians, bureaucracy and oligarchs (Zimmer and
43 Haran, 2008; Åslund, 2009; 2015b). Such networks strive to circumvent the PB process, as has
44 also been the case in many local administrative units of Brazil (Wampler and Avritzer, 2004;
45 Walker, 2015; 2016; Lüchmann et al., 2018). A deputy provided the following account:
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50 *The nomination committee has been made up of an equal number of administrators and deputies*
51 *from 2018. It is noticeable that the committee overstepped the mark in exercising its authority.*
52 *The committee rejected some reasonable proposals, whilst approving some controversial*
53 *proposals for public voting. All the administrators are loyal to the mayor, and they collectively*
54 *made decisions.*
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3 A willing government and a sound civil society are necessary for robust participatory
4 governance (Baiocchi, 2015). However, the prevailing economic, political and societal
5 circumstances in Ukraine have cultivated a society in which parliamentary seats and electoral
6 franchises are being traded (Åslund, 2015b). It is therefore very important to make civil society
7 aware of their role in fostering good governance, but no reasonable discussion has yet been
8 initiated about this (Roberts and Fisun, 2014). Thus, in such circumstances, it is very difficult
9 for the benefits of PB to be fully realised, as in many other democratic countries (Jung, 2021).
10 Neither Volodin (2014) nor the ISBER anticipated a situation which could encourage bribery
11 and corruption in the process of PB. In fact, bribery and corruption came to proliferate in the
12 WUM, as residents were not only able to vote for those projects deemed important for their
13 well-being, but also for other projects which could result them in gaining financial benefits, as
14 an administrator explained:

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17 *PB ensures the implementation of projects that are important for our residents. It is not*
18 *acceptable that people vote for money. We are doing our best to bring the perpetrators to*
19 *justice. However, it is worth understanding that this is not just our problem. If there were no*
20 *people who were willing to sell their vote, this problem would not exist. We do not take*
21 *responsibility for solving such problems. We believe that it is important for every citizen to*
22 *behave responsibly to avoid it.*

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25 An author of a proposal described the situation as follows:

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28 *From my observations, serious malpractices occurred in the process of voting. In particular,*
29 *when voting personally in the centre where administrative services are provided, specific*
30 *organisations brought buses full of people to vote for predetermined projects. Local journalists*
31 *also noticed such behaviour and published news stories about this.*

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36 In an informal conversation with two students, the practice of accepting money to vote for
37 specific projects was echoed, as the following excerpt shows:

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42 *Some of our friends were paid 100 hryvnia to vote for projects. When they reached the voting*
43 *centre, they were given a duly completed form. They had to sign and submit the form. However,*
44 *in addition to the requested project, they voted for a project promoted by a physician for*
45 *children. This doctor promoted his project through Facebook.*

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58 In contrast to the findings from the literature which have demonstrated a more significant level
59 of citizen involvement in times of fiscal crisis (Burn-Martos and Lapsley, 2017), the turnout of
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3 WUM's residents to vote for the listed projects remained low between 2016 to 2019. Around
4 5,500 registered voters turned out to vote for projects every year.
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8 **Concluding remarks**

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10 Arnstein (1969) argued that nobody opposes the idea of citizen participation in grassroots
11 decision-making, as it is a little like consuming spinach, which is good for one's health. In the
12 last few decades, PB has evolved into part of the practice of good governance and its underlying
13 rhetoric of embedding 'pro-poor' measures, equality and emancipation is rarely resisted in any
14 countries. With a few exceptions, PB cases in the context of eastern Europe, where people's
15 aspirations to democracy, participation in politics, and emancipation, remain relatively under-
16 explored, a gap which this study has addressed by highlighting elite capture and control of PB
17 in the WUM. Therefore, this type of study is crucial at the present time, given that international
18 institutions are spending their valuable resources on the dissemination of PB, resources that
19 could otherwise have been utilised for pursuing other development activities and poverty
20 alleviation programmes in Ukraine and beyond. The WB alone has invested approximately \$85
21 billion over the last decade, as part of its development assistance to promote public participation
22 (Mansuri and Rao, 2021). NGOs in EEs have been offered funding to disseminate PB at grass-
23 roots levels by acting as intermediaries between governments and citizens (Bartocci et al, 2022).
24 As demonstrated in our study, PB was introduced in the WUM via an NGO's initiatives. The
25 seminars organised by the NGO and its practice of arranging for administrators and politicians
26 to accompany them on trips to Poland to observe how PB operates there mainly focused on the
27 normative benefits of PB. However, our findings show that this NGO appears to have paid little
28 attention to raising awareness and educating residents about their role in the PB process.
29 Consequently, the prevalence of elites in the process of PB has become commonplace in this
30 municipality.
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48 The involvement of international organisations and bilateral aid agencies in strengthening
49 institutional capabilities and grassroots democracy in EEs has been extensively discussed in
50 prior work (Uddin et al., 2011). Despite being aware of the mixed results and controversies
51 associated with adopting PB in EEs (Grillos, 2017; Aleksandrov and Timoshenko, 2018), the
52 USAID has continued to support and promote PB in Ukraine. In the WUM, the diffusion of PB
53 has not made significant differences to society and therefore the underlying benefits of PB have
54 remained unattainable. Voting for projects has been influenced by monetary benefits and
55 evidence of malpractices such as bribery has been ostensible in the process. These malpractices
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3 have occurred due to the excessive emphasis on educating politicians and administrators, while
4 limited attention has been paid to educating citizens about their role in promoting good
5 governance and accountability. Consequently, our study shows the importance of educating the
6 public about the importance of engaging in the PB process and encouraging and incentivising
7 them to participate in selecting and voting for the projects that have the potential to improve
8 their living standards and wellbeing, rather than those projects that could lead to short-term
9 financial benefits. This requires citizens to refrain from engaging in the politics of promoting
10 and pursuing self-interest. However, in Ukraine where the lives of citizens are politicised and
11 political patronage predominates at the expense of democratic values, it is challenging to
12 achieve this objective. Instead, PB in the WUM has served as a technical tool with which to
13 uphold individuals' interests and those of their patrons. It is therefore not surprising that PB has
14 contributed to creating a space for corruption and patronage to proliferate rather than increasing
15 efficiency and strengthening good governance. Our findings echo the view that each EE
16 represents a distinct context (Van Helden and Uddin, 2016) and that appreciating the
17 uniqueness inherent in EEs is of paramount importance for the successful implementation of
18 reforms like PB.
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32 Beyond Ukraine, the adoption of PB by Brazilian municipalities has helped many of them to
33 attain three important democratic values during the initial phase of its implementation –
34 legitimacy, justice and the effectiveness of public actions (Wampler and Avritzer, 2004),
35 although PB has lost some of its appeal in latter years due to political patronage and elite capture
36 (Fedozzi and Martins, 2015; Lüchmann et al., 2018). However, PB alone may not produce the
37 same results in other EE contexts, for instance post-Soviet bloc countries which have different
38 types of embedded socio-political and cultural structures (Sintomer et al., 2008). This is also
39 evident from recent work investigating PB in other EEs such as Sri Lanka and Indonesia
40 (Kuruppu et al., 2016; Jayasinghe et al., 2020). Our findings add to the knowledge gained from
41 these studies by showing how PB has failed to ensure equal opportunities for residents, as the
42 WUM's PB process requires them to be skilled at writing project proposals, including
43 estimating the costs. Despite assistance with estimating costs being offered from the second
44 year of implementation onwards, the limited education and under-privileged societal
45 backgrounds of ordinary citizens have prevented them from submitting project proposals and
46 led them to keep on voting for those proposals that have limited benefits for their livelihoods.
47 Therefore, well-educated residents connected with a network of elites have seized the
48 opportunity and used their privileged status to submit project proposals and influence the whole
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3 PB process in their favour. Ultimately, this has given professionals like the mayor's advisors
4 and NGO representatives the opportunity to select and finance their projects through PB.
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6 Therefore, PB has failed to live up to expectations and engender benefits to citizens by
7 promoting emancipation, equality and effectiveness. Our findings resonate with the argument
8 that the dissemination of PB in EEs may not necessarily contribute to ensuring social justice
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10 (Baiocchi and Ganuza, 2014; Baiocchi, 2015; O'Hagan et al., 2020), and that the elites could
11 either capture or control (Fedozzi and Martins, 2015; Sheely, 2015; Lüchmann et al., 2018;
12 Waheduzzaman et al., 2018) the PB process, by taking advantage of poor governance and
13 accountability mechanisms.
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21 Our study has demonstrated how the dissemination of PB has been facilitated at the local level
22 of EEs and what kinds of unintended consequences have emerged from this process. It has
23 important implications in terms of understanding the relationship between democracy and PB
24 in the former Soviet bloc countries and beyond in the wider context of developing countries.
25 We argue that it takes time to bring about effective changes in society and democracy building
26 is a lengthy and complex process. Indeed, approaches like PB, with its accompanying slogans
27 such as 'operationalising democracy at the grassroots level' could have a normative impact on
28 people's desire and aspirations to embed themselves in the political process and make their
29 voices heard. However, in the absence of a democratic culture and institutions such techniques
30 could easily fade away and fall victim to elite capture. In some contexts, PB could undermine
31 community cohesion (see e.g., Jayasinghe et al., 2020), while in other contexts it could trigger
32 political patronage (Kuruppu et al., 2016) and create a space for corruption to flourish, as our
33 case of the WUM serves to illustrate. PB could therefore have the effect of further alienating
34 citizens from the democratic process, extending political distrust and undermining social capital
35 at the grassroots level if it is disseminated without taking the local context into account.
36 International organisations and donors therefore need to focus more on creating a democratic
37 culture, traditions and institutions through education and knowledge creation and by
38 engendering livelihood opportunities for marginalised communities at the grassroots level
39 rather than continuing to promote PB with its rhetoric of emancipation, empowerment and
40 democracy in action. What is perhaps more important is to create the conditions and institutions
41 for incorporating wider stakeholders, including NGOs, which could support the use of
42 democratic tools such as PB and prevent the kind of unintended consequences discussed in this
43 study.
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3 Lastly, our findings highlight a number of directions for future research on PB in Ukraine and
4 beyond. For instance, further research is warranted into how corruption has come to prevail in
5 the process of selecting and endorsing PB projects in EEs. Our findings have also evidenced
6 that the WUM, the research setting for our study, has not publicised the projects approved by
7 the nomination committee, instead using other means than listing them on the 'citizens' budget'
8 web pages. As a result, individuals who have developed the project proposals have learned to
9 devise various strategies for promoting their projects and influencing the voting process. Our
10 study has not explored this aspect of PB in detail, and this topic deserves scholarly attention.
11 Such studies may also be helpful in comprehending what factors influence citizens and their
12 behaviour and decision-making in the process of campaigning for their projects. It would also
13 be useful to facilitate cross-national comparisons to further explore elite capture and control in
14 the PB process. Further studies investigating how contextual differences influence the
15 implementation of PB in post-Soviet economies and beyond are also warranted to understand
16 the extent to which the emancipation potential of PB varies across different contexts.
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Appendix 1: List of Interviewees

Interviewees	Sep. – Oct.	Jan. – Mar.	May – Jun.	Apr. – May	Total
	2017	2018	2018	2019	
Administrators	03	03	01	02	09
Elected Deputies	02	03	01		06
Project Authors	02		04	02	08
Residents		07		02	09
ISBER Officer				01	01
Total	07	13	06	07	33

Appendix-2: The Process of Adopting PB**Specific Event****Time of Occurrence**

Association agreement with EU	June 2014
Law on voluntary amalgamation of territorial communities	February 2015
Dissemination of information about PB by the IBSER	End of 2015
Endorsing the adoption of PB by the WUM's council	June 2016
Submission of project proposals by residents	01st – 31st October 2016
Evaluation of project proposals	01st – 07th November 2016
Voting for project proposals by residents	08th – 21st November 2016
Announcing the results of voting process	22nd – 30th November 2016

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