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## Advanced participatory budget: can linking participation and taxation impact local citizen engagement?

**Presupuesto participativo avanzado: ¿puede la vinculación de la participación y la tributación afectar a la participación ciudadana local?**

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**Resumen.** Lo que durante mucho tiempo se consideraba incompatible -la gestión de las finanzas públicas y la experiencia de los ciudadanos de a pie- se ha hecho posible con el desarrollo de presupuestos participativos, sobre todo en las ciudades, donde las inversiones públicas son más tangibles. ¿Puede reforzarse este vínculo reciente si la participación se adelanta a una etapa temprana del complicado proceso burocrático que convierte los pagos de impuestos de los ciudadanos en un lejano presupuesto municipal? En un mecanismo denominado «presupuesto participativo avanzado» proponemos añadir elementos antes de las etapas estándar del presupuesto participativo. Invitar a los ciudadanos a participar cuando rellenan su declaración fiscal o reciben su nómina de prestaciones sociales puede aumentar la visibilidad del impacto de sus impuestos en la distribución del gasto público. El mecanismo propuesto se basa en una serie de hipótesis que requieren pruebas empíricas y no se trata de una recomendación de políticas, sino de una orientación prometedora para futuras investigaciones que podrían informar a los encargados de formular políticas, los ciudadanos y los agentes de la sociedad civil.

**Palabras clave.** Presupuesto participativo; impuestos; participación ciudadana local; bienes públicos locales.

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**Abstract.** What for a long time had been thought incompatible - management of public finance and expertise of ordinary citizens - has become possible with the development of participatory budget, particularly in cities, where public investments are more tangible. Can this recent bond be strengthened if participation is advanced to an earlier stage of the complicated bureaucratic process that turns citizens' tax payments into a distant municipal budget? In a mechanism dubbed "advanced participatory budget" we propose to add elements in advance of the standard participatory budget stages. Inviting citizens to participate when they fill in their tax declaration or receive their social benefit pay slip, can increase the salience of the impact of their taxes on the distribution of public expenditures. The mechanism proposed here is based on a number of hypotheses requiring empirical proof and it is not a policy recommendation, but a promising direction for future research that could potentially inform policymakers, citizens, and the civil society actors.

**Keywords.** Participatory budget; taxation; local citizen participation, local public goods.

### Introduction

A rapidly growing percentage of urban population is one of the numerous reasons why cities are playing an ever-stronger role in the transitions our societies and economies are undergoing. Challenges such as climate change, social cohesion and wellbeing are more concentrated in cities, and it is in the cities where they can be addressed more efficiently. Cities also provide a bustling concentration of minds, diverse populations, public spaces, creativity, and collective intelligence. Providing both the fastest access to the globalised world and at the same time the local vicinity with a high diversity of individuals and communities, services and public spaces, cities are the hotspots for democratic expression, experimentations, serendipitous discoveries and cooperation. It is thus not a surprise to see the development of participatory budgets as a particular manifestation of «the globalisation of localism, <...> [as] the innovation of this process lies in the fact that it is triggered from local contexts» (Nelson, 2014, pp. 23, 26). More specifically, participatory budget enables citizens to propose projects of public interest and to vote on the allocation of a dedicated part of the budget of their territorial entity towards these projects. It is the tangibility of local public investments that enables sufficient confidence for bringing together what for a long time had been thought incompatible: management of public finance and expertise of ordinary citizens (Fung & Wright, 2003, p. 205).

Can this recent bond be strengthened by offering a voice to citizens at an earlier stage than it is done in participatory budgets? That is, can citizen engagement on local budgetary issues be facilitated if participation is advanced to an earlier stage of the complicated bureaucratic process that turns citizens' tax payments, a part of their revenue, into a distant municipal budget? Can citizen participation be made more seamless in case if citizens are invited to express their voice at the moment of paying their taxes or receiving their social benefits?

Even though the budget is composed of the total sum of collected taxes, budgetary procedures are typically carried out as the result of complex negotiations by political actors. While taxpayers are usually quite aware of the value of the part of their revenue that they cede to the government as taxes, budgets at various levels of the government in the hands of multiple state institutions and sub-contractors are much murkier<sup>1</sup> and citizens tend to misperceive the use of their taxes even when this information is publicly available (Giaccobasso, Nathan, Perez-Truglia, & Zentner, 2022). Moreover, it is possible that the link between tax collection and subsequent public investments and expenses is not particularly 'salient' to citizens due to their decoupling in time (Soman & Gourville, 2001) and in mental accounting (Thaler, 1999). Similarly, social benefit receivers might lack a clear visibility of the origin of the received resources and of the other destinations of budgetary expenditures. The resulting lack of visibility of the budgetary issues and of the processes of local public goods provision might impair engagement on related issues<sup>2</sup>.

To increase the salience of the connection between individual taxes, public budget, local amenities and citizen participation, we propose a mechanism dubbed 'advanced participatory budget', where, in comparison with the standard participatory budget procedure, the moment of participation is advanced in time prior to when individual tax payments are ceded to a complicated and opaque system of governmental financial flows. Inviting citizens to participate in the decision-making process on public goods provision at the moment when they are asked to fill in their tax declaration or when they receive their social benefit pay slip, can increase the salience of the impact of their taxes (or potential taxes, in case of social benefit receivers) on the distribution of public expenditures. Studies in economics and psychology (Casal, Kogler, Mittone, & Kirchler, 2016; Lambertson, De Neve, & Norton, 2018; Sjoberg, Mellon, Peixoto, Hemker, & Tsai, 2019), as well as literature on citizen participation (Cabannes, 2015; Fung & Wright, 2003; Touchton, Wampler, & Peixoto, 2019) show that expressing preferences on tax attribution can increase tax morale, which can be approximated to the trust towards the government and the willingness to be more engaged. Moreover, coupling of the communication on the participatory initiative with a regular administrative action like filing a tax declaration or receiving a social benefit pay slip can increase community outreach and representativity of the participatory procedure.

The mechanism proposed here is based on a number of hypotheses requiring empirical proof and it is not a policy recommendation, but a promising direction for future research that could potentially inform policymakers, citizens, and civil society actors. This blueprint lays out the proposed mechanism as a possible modification of the standard participatory budget mechanism that could potentially increase the rate of citizen participation in initiatives of this type.

We organize this article as follows. In the next section, we look shortly at the development of participatory budget and its implications for citizen engagement at the local level. Next, we describe the elements that could be added in advance of classic participatory budget stages to strengthen the connection between individual tax payment and public goods, thus encouraging citizen participation. The

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<sup>1</sup> For an example of a complicated municipal budget structure and barriers to access information on municipal expenditures in France, see CoDev Toulouse Métropole (2019).

<sup>2</sup> Schugurensky (2006) shows the mutually reinforcing causality between stronger civic engagement and knowledge acquired during participation, including knowledge of public budget expenditures. In this study, thanks to this knowledge an interviewee made "a

existing mechanisms of citizen participation in public finance involving taxation or donations are described in the subsequent section. This is followed by a short review of the literature proposing a stronger connection between taxation and participation. Finally, the limitations of the proposed model and the hypotheses to be tested in the future research are laid out in the last part.

### **Participatory budget and local citizen engagement**

In the city of Porto Alegre in Brazil in 1988-89, a specific local context and a strong political will brought about conditions to implement a participatory mechanism that was named ‘participatory budget’ (PB) developed by the locally ruling Labour Party (Goldfranck, 2006). This mechanism would allow any city inhabitant to participate in a process of deliberations and decision-making lasting over several months in relationship to a part of the municipal budget expenditures, revealing and addressing specific needs of the community in improving the urban infrastructure. This first successful participatory budget became a lighthouse innovation in the field of participatory democracy and in less than three decades it has spread to every region of the world (Dias, Enríquez, & Júlio, 2019) and has been adopted to territories of different scales from the neighbourhood level (neighbourhood funds can be seen as a form of PB) to the national level (e.g. in Portugal and South Korea (*idem*)). However, it has gained the highest popularity in cities.

The success of PBs in cities can be explained by the tangibility of results of public investments in local infrastructure, while territorial proximity plays in favour of the deliberative process (Fung & Wright, 2003, pp. 204–207; Talpin, 2012, p. xv). One can question the transparency of objectives, processes and outcomes of particular instances of PB that exploit this tangibility for quick political benefits, but it cannot be denied that as a double-edged knife, in a fully democratic PB, this tangibility of results can on the contrary encourage wider engagement of the population (Goldfranck, 2006; Talpin & Sintomer, 2011). Although confining citizen participation only to the local level and to urban infrastructure constitutes a limitation of the range of issues on which citizens can deliberate, impeding addressing less tangible but, nonetheless, far from less crucial or urgent topics like the use of national natural resources or protection of private data, in the context of the crisis of democracy (Barbier, 2005), participation on the questions that directly concern daily life in one’s city can constitute a springboard to citizen engagement on a wider range of issues and territorial scales (Abers, 2003, p. 207; Schugurensky, 2006; Talpin & Sintomer, 2011).

In spite of this, only an average of 5% of population takes part in participatory budgets in Europe<sup>3</sup>. We argue that increasing the salience of the connection between one’s taxes, municipal budget and local amenities, has a potential to decrease barriers for participation. We hereby propose a mechanism that allows citizens to voice out their preferences for budget expenditures at the moment of declaring their taxes or receiving their social transfer.

### **Advanced participatory budget**

We propose a modified mechanism of participatory budget: ‘advanced participatory budget’. In it, the moment of participation is ‘advanced’ or put forward in time prior to when an individual tax payment leaves one’s pocket to become part of the municipal budget (Fig. 1), thus increasing the salience of the impact of taxation on public amenities.

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mental connection between vandalising telephones and school lunches” in terms of expenses, which encouraged him to «translate [this knowledge] into taking better care of his community» (p. 178).

<sup>3</sup> From available data across France (Bzard, 2020) and six Italian Cities (Stortone & Cindio, 2015).

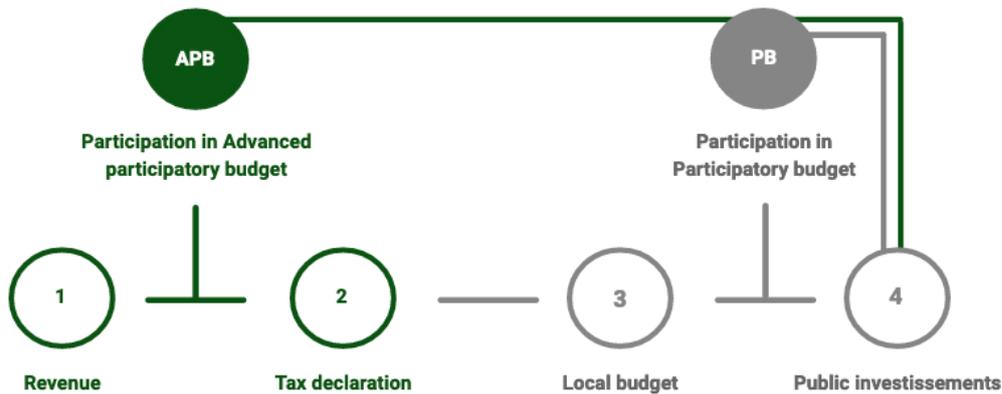


Figure 1: Advanced participatory budget, in which participation is ‘advanced’ or put forward in time when the individual taxes are not yet transferred to constitute the future public budget.

Moreover, the communication during such a regular obligatory administrative action would permit to inform a high percentage of the population about the initiative. The tangibility of these public investments at the local scale directly benefiting the city residents can further strengthen their adherence to the participatory process and provide an entry point to a more profound citizen engagement.

Advanced PB has four stages, two of which are the same as in the classic PB mechanism (idea proposal and voting, stages II and III). The difference of the advanced PB is marked by two elements (stages 0 and I in green, Fig. 2) that precede the standard PB stages (in grey). As in PB, the various stages of the advanced PB are open to all citizens independently of their participation in the previous stages.



Figure 2: Additional elements in the advanced participatory budget in advance of the standard participatory budget stages.

### Stage 0

The first proposed element is to use a regular administrative procedure such as tax declaration form, tax notifications, social benefit demand form and social benefit pay slips to inform the citizens about the participatory initiative, in addition to more traditional channels of communication. Graphic information on the current tax expenditures can also be included in the communication in stage 0, as well as in stage I, to encourage participation (see next section).

The use of such additional administrative communication channel would achieve two goals. First, a wider outreach of the initiative, which could lead to a better representativity of the participants. Second, the coupling of tax collection or social transfers to a mechanism of participatory democracy engaging citizens

on the matters of budget expenditures would enable to emphasize that as individual taxes contribute to the local budget, individual voice can contribute to better local public amenities.

Since a percentage of the population does not pay taxes (citizens with no revenue sources, asylum seekers, non-working students, pensioners, etc.), as a way to incorporate this population, we propose that the information on the advanced PB is also addressed to social benefit receivers with their pay slip. Furthermore, it should also be communicated through non-administrative channels in online and traditional sources of information (Cabannes, 2015, p. 279), as well as resorting to mediators like education and religious institutions, social workers and community associations (Sintomer et al., 2013, p. 45) to capture the population that neither pays taxes, nor receives social benefits, like non-working students or homemakers, as well as to complement the one single message transmitted to each tax payer and social benefit receiver through the administrative channel that can be simply left without attention or disregarded due to its institutional framing (see section Hypotheses and limitations).

### *Stage I*

Upon receiving the information through an administrative or another channel<sup>4</sup> and visiting the dedicated space for participation (physical or digital), the citizens are invited to assign the predefined part of their tax (on the definition of this amount see below in this section) to one or several priority areas of local public investment (education, road infrastructure, water supply, transport, community life, culture, security, etc.)<sup>5,6</sup>. The priority areas can be presented as topics, expenditure categories or departments in charge of issues that are open to participation<sup>7</sup>.

This is the second element that differs from a classic PB: if participatory prioritization of topics is included in some PBs, it is organized through an abstract voting mechanism and not through tax money allocation, as proposed here. Direct allocation of tax money to priority areas can emphasize the importance of each individual contribution, both in terms of budget revenue and collective intelligence. Moreover, this mechanism allows participants to get a broader perspective on the general objectives of the municipal budget as a whole before entering into the details of a specific amenity they would like to propose. In practical terms, this stage enables each person to signal several areas that according to them need more attention and public investment, while also considering at least some amount of public funding to areas that have less priority for them without the time-consuming task of thinking of and editing a specific proposal that would otherwise allow them to signal their interest only for one of those areas.

As a result of this stage, the sum of individual tax allocations per topic, expenditure category or department will define the participatory budget per area of public investment. The areas are, thus, prioritized by the importance of the size of each budget per area. Consequently, the number or the scale of projects that can be realized within the area that receives the highest total tax allocation from the participants would be more important than in the less prioritized areas with a smaller collectively allocated budget.

Providing information on the previous year(s) budget distribution per topic, expenditure category or department in a visualized and accessible format, potentially providing examples of projects per area, could be an additional element included in stage I. Information on prior projects and budget distribution would allow participants to get familiar with the range of possible ideas they could propose, comparing this knowledge of resource allocation with their personal experience of the city and, therefore, gaining

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<sup>4</sup> Stage I should start at the same time as citizens are asked to file their tax declarations and should end a few weeks after the end of this administrative procedure period to allow sufficient time for citizens to act on the information they receive through this channel.

<sup>5</sup> Such participatory tax allocation does not define expenditure areas of the whole municipal budget, but only of its part that is dedicated to PB.

<sup>6</sup> For citizen who do not pay taxes, the amount that can be allocated to priority areas can be represented as part of a hypothetical tax they would pay, if they had an average revenue among their countrymen or their fellow city inhabitants.

<sup>7</sup> For example, municipality's human resource department most probably should not be included in this list, as its issues cannot not be easily opened to public discussion.

insight and perhaps fostering ideas in the intersection between this knowledge and their user expertise. Namely, Lambertson, De Neve, & Norton (2018) show that providing information about current tax expenditures coupled with the opportunity to express preferences on this matter leads to higher tax compliance than in the case when preference expression is offered without providing such information, which can be attributed to better understanding of the use of the tax money. This holds even when the participant does not approve of the current tax spending.

To further encourage engagement, this stage may include the following element that is further referred to as *influence on the participatory budget size*: if a citizen participates in stage I, the dedicated part of her tax is added to the total amount of money in the participatory budget according to her allocation to priority areas; if she does not participate in stage I, the dedicated part of her tax is not included in the total amount of money in the participatory budget, but instead goes back to the main body of the municipal budget that is allocated to various expenditures within the standard procedures of representative democracy by government officials without the participation of citizens. The mechanism of influence on the participatory budget size would give direct power to each citizen to increase the amount of the budget that would be open to citizen participation. However, this hypothesis needs to be verified in different cultural contexts to avoid an adverse effect (see section Hypothesis and limitations).

We propose to assign to each citizen, no matter if he or she pays taxes or not, an absolute monetary amount of budget expenditure<sup>8</sup> that they have the right to allocate to various areas of local public investment as part of their tax (or hypothetical average tax for those who do not pay taxes), for example, 30 euro. To make this amount more tangible and relatable, this absolute amount can be presented as a percentage of the paid tax (or hypothetical average tax), for example, 5%. Thus, the percentage that this absolute amount represents in respect to one's tax will be higher for lower income groups, potentially increasing the perceived importance of the initiative for these groups. However, it must be clear that this difference in perceived importance does not translate to the real difference in voting power, as every citizen decides on the allocation of the same absolute amount. This could simply act as a nudge to engage participants from lower-income groups that are usually underrepresented in participatory democracy (Mazeaud & Talpin, 2010). As the percentage representation is less significant for higher-income groups, it can be excluded from the communication to avoid a possible negative nudge informing only of the absolute monetary amount. However, if additional voluntary contributions are accepted, the representation of the contribution as a small percentage of one's individual tax can in this case act as a positive nudge to contribute more<sup>9</sup>.

### *Stage II*

Stage II should be held after the results of stage I (the distribution of the participatory budget to expenditure areas and hence their prioritization) are aggregated and communicated to the public. With this information being provided, like in classic PB the participants are invited to propose ideas for projects, in this case within the areas of local public investment prioritized in stage I.

The fact of proposing a project idea does not imply that one's taxes are allocated to this project. Tax allocation is applied only to priority areas in stage I. In fact, the participants are not obliged to propose ideas within the areas they chose to fund the most in the previous stage. Moreover, if a citizen did not participate in stage I, they can participate in any further stage, including stage II.

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<sup>8</sup> This is superior to a contribution mechanism based on a percentage of one's tax, as in some existing mechanisms discussed below, that would give excessive power to rich individuals and discriminate against lower-income groups, who's tax percentage would amount to a lower absolute amount decreasing their voting power regarding the budget distribution.

This mechanism also avoids data privacy issues, since the amount of the tax payment is not transmitted to a third-party system outside of the tax administration. The percentage that the absolute contribution amounts to in respect to the participant's tax can be presented on an individually addressed tax notification or social benefit pay slip.

<sup>9</sup> If additional voluntary contributions are accepted, they should be attributed to the participatory budget as a whole without the ability to allocate to specific expenditure areas in order to avoid excessive voting power for higher-income groups. The total of the contributions that could not be allocated to specific areas (including the PB dedicated taxes of the citizens that did not participate in stage I, in case if this part of their taxes is not returned within the standard budget procedure) can be proportionally distributed among the expenditure areas according to the results of stage I.

### *Stage III*

After the technical and socio-ecological evaluation of the proposed ideas by the municipal departments, the accepted ideas are open for a vote in stage III<sup>10</sup>. The most popular projects in each area that can be funded by its budget allocated in stage I are to be implemented and reported on according to a specified schedule.

The communication efforts to remind about the beginning of stages II and III over a timeframe of a few months, as well as the reporting on the implementation of the winning projects, which is even more long term, probably would not have the benefit of using the administrative channel related to tax declaration period. Non-administrative, as well as subscription-based communication channels of the advanced PB initiative (local press, official web sites, newsletters, follower notifications) could, nonetheless, be more effective in the echo of the first widespread communication campaign coupled with the tax declaration period. Separate official notifications sent by the tax authorities and the social benefit institutions can also be used outside of the obligatory administrative procedures.

### **Other mechanisms that link participation and taxation or voluntary contributions**

This section looks at some differences between advanced PB and a few participatory initiatives in different territories that also aim at increasing citizen engagement by linking citizens' monetary contributions (taxes or donations) and their participation in the public goods provision.

#### *Voluntary contributions in initiative budgeting in Russian regions*

A scheme called 'initiative budgeting' in some Russian regions aims at creating participatory funds at municipal level co-funded from the regional budget and, obligatorily by law, from the local sources: contributions from the municipal budget, as well as from the population and local business sponsors. (Vagin, Gavrilova, & Shapovalova, 2015). Usually, individual and corporate donations can be done in the form of works and materials, as an additional mechanism of citizen engagement. One of the regions stopped accepting contributions in kind in 2015 (*idem*, p. 98), but the reviewed academic literature and documentation do not explain the reasons.

According to Derbeneva, Zakharchuk & Pasyukov (2020), the necessity to attract financial participation of the population is «dictated by the logic that projects that have special social significance [are indicated] by the willingness of the population to partially finance projects at their own expense» (p. 75; English translation by the author). However, this has a negative effect on the participation rate due to the low average income in the studied region of Sverdlovsk and the existence of other alternatives for the inhabitants to propose public amenities that do not require financial contribution (*idem*). Notably, in the capital of Sverdlovsk region, 1% of the municipal taxes are to be directed to the initiative budget in addition to the regional subsidies and the contribution from the population (p. 69).

The identified outcomes of initiative budgeting are «growing satisfaction with public service provision, minimization of dependant lifestyle positions within the population, engagement in the local development, strengthened mutual trust between the population and the local institutions» (Vagin, Gavrilova, & Shapovalova, 2015, p. 97). The authors observe that in regions with the longest history of initiative budgeting, there is a tendency of the objectives to evolve from higher budget efficiency and better financial literacy towards closer cooperation between local authorities and civil society on social issues and stronger civic engagement (*idem*, p. 102). Notably, initiative budgeting creates demand for

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<sup>10</sup> Various mechanisms of voting and different criteria of project selection are practiced in PBs. These choices should be transparent and context-sensitive, however, they can be considered independently, as they impact other factors than those addressed by the advanced PB.

information on public budgets of different territorial levels in accessible form for the general public (idem, p. 102).

#### *One percent of taxes towards NGOs in Japan and Hungary*

A mechanism of citizen participation in the budget attributions that most closely resembles the advanced PB is the ‘1% Support Scheme’ in the Japanese city of Ichikawa. It offers citizens to donate 1% of their resident tax to NGOs. Groups excluded by this tax contribution requirement, such as unemployed, university and school students have been since allowed to vote using money vouchers received in exchange of community service points earned for voluntary work (Röcke, Herzberg, Allegretti, & Sintomer, 2012). Apart from offering financial help to NGOs, the scheme was designed to improve citizens’ tax compliance, raise awareness and engagement in NGOs, as well as to strengthen the “sense of belonging” to Ichikawa.<sup>11</sup>

The idea for this initiative came from the national Hungarian tax return system that offers to donate 1% of one’s income tax to charities or churches (Sintomer et al., 2013). Although the procedure has recently been simplified through an online platform, the number of people opting to give a percent of their tax to NGOs instead of the government has been decreasing since 2015, unclear for which reasons, however, still amounting to one third of the tax payers in 2019<sup>12</sup>.

In the Japanese and Hungarian schemes, the use of a percentage of one’s tax leading to varying absolute amounts per person depending on their income does not directly translate to unequal voting power, since these amounts are given as donations to NGOs and are not used to prioritize the areas of public investments as in the advanced PB. However, research can be done to study if these schemes affect the way that NGOs present their objectives to attract 1% tax donations from wealthier citizens.

#### **Related literature**

Providing voice to citizens on the use of their taxes has been studied by researchers in other disciplines. The existing literature mainly deals with national taxation, rather than local, and does not specifically treat citizen engagement, but other factors such as tax compliance or transparency and efficiency. However, the following section shows that a number of potential research questions can be addressed in the intersection between related research in participatory democracy, taxation, behavioral economics and communications.

#### *Empirical evidence*

As acts of responsible citizenship, both tax compliance and citizen engagement are based on trust towards the government. In business and economics, Lambertson et al. (2018) ran three laboratory experiments in which they show that allowing subjects to express their preferences leads to a significant increase in tax compliance. This correlation might be «in part due to a decrease in decoupling between tax payments and benefit» (idem, p. 323). Separate experiments held by researchers in the same field, Casal et al. (2016) and Djawadi & Fahr (2021), confirm these findings. At the same time, researchers in political science (Touchton et al., 2019) showed a significant correlation between municipal tax outcomes and the introduction of PB in Brazilian cities through a statistical analysis.

The three experimental studies in behavioral taxation cited above provide insights into the impact of various factors, such as the percentage of the tax dedicated to participatory allocation and providing

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<sup>11</sup> <https://www.govint.org/good-practice/case-studies/the-1-support-scheme-in-ichikawa-city/objectives/>

<sup>12</sup> <https://hungarytoday.hu/hungary-donations-civil-organizations-churches/> ; <https://hungarytoday.hu/hungary-donations-hungarians-donation-tax-1-percent-charity/>

information on tax compliance and payment satisfaction. However, the authors fail to address the inequality of the voting power stemming from the revenue and tax difference.

The paper by Lambertson et al. (2018) provides evidence that even non-binding preference expression can result in higher tax compliance (pp. 312, 323). The authors did not run a control group with binding preference expression and accept that policymakers' responsiveness may influence the observed effect. Case studies of participatory budgets around the world show that «the merely consultative models of PB demonstrate a higher degree of fragility, due to the gap existing between the expectations they generate and the concrete results they foster» (Sintomer et al., 2013, pp. 17–18; also Nelson, 2014).

#### *Other related literature*

Researchers in informatics and communications, Kalikakis, Gouscos, & Georgiadis (2008) propose a network architecture of interactions between taxpayers, central authority, revenue services and the central e-service in what they call the 'Participatory Taxation and Budgeting Model'. The study presents a collection of online and offline mechanisms to enable citizens to discuss and give recommendations on tax allocation.

The authors do not mention if a part or the whole amount of one's tax can be allocated by the taxpayer. If citizens can have a say on the total amount of the collected taxes, moreover on the national level, the results of the participation cannot be binding and should be considered by the authorities as a recommendation. According to the authors, the model «is not always applicable to services and domains that do not have a measurable or tangible outcome (e.g., the military or infrastructure improvement projects) or in domains where maintenance funds are necessary (e.g., hospital maintenance)».

#### *Contribution to the literature*

First of all, to make the implementation of participatory tax allocation more feasible, the advanced PB is proposed on the local level, where the expenditures are more visible than national expenses, for example, on social protection that participants tend to overlook in favor of education and health (Abbiati, Antinyan, & Corazzini, 2020, p. 7). Second, in addition to participatory tax allocation within a limited list of expenditure categories studied in the reviewed literature, advanced PB includes the stage where specific project ideas are collected from citizens as in traditional PBs. First, these ideas are evaluated for feasibility before the final voting stage, where only realizable projects are proposed for voting, which insures the feasibility of binding preference expression. Second, research shows that lack of preferred option does not increase (Lamberton et al., 2018, pp. 322–323) or even decreases tax compliance (Jacquemet, Luchini, & Malézieux, 2021). Giving the opportunity to express particular needs for public goods provides flexibility of expression in addition to ensuring more down-to-the-ground results of the participatory process.

Regarding inequality in voting power due to the difference in tax percentage dedicated to participatory allocation, the solution proposed in advance PB is to set a unique absolute amount that can be allocated by each citizen, including those that do not pay taxes (see section Stage I).

### **Hypotheses and limitations**

The proposed mechanism of advanced participatory budget should not be considered as a policy recommendation, but as an exciting direction where we believe future research should focus. It needs to be tested before it can be implemented at the municipal level. A participation mechanism for national budget allocation has been tested in laboratory conditions. However, due the difficulty to control real motives of the participants in a laboratory experiment, real-world experimental studies need to be held in

various contexts: among members of an association invited to voice out their preference on allocating a part of their membership fees, among sponsors of an NGO regarding a part of their donation or in a university campus using student fees as an approximation to taxes. For example, in France, almost every student has to pay around 90 euros per year as a Contribution to Campus and Student Life (CVEC), which can be regarded as a flat tax<sup>13</sup>.

The main hypotheses that such experimental studies should verify from the point of view of citizen participation are regarding the impact (I) on the engagement in the participatory mechanism and (II) on the level of understanding of the budget issues and processes. Additional impacts can be measured regarding the level of the trust towards the government and towards the participatory mechanism, that could interest not only researchers and policy makers interested in citizen participation, but also in public economics: (III) the impact on the diligence of paying obligatory monetary contributions and (IV) the impact on the willingness to donate more if offered.

The proposed hypotheses to be tested in future research in respect to these four impacts:

1. Participants that are offered to take part and/or that take part in budget allocation *when paying their monetary contribution (tax, fee or donation) or receiving their social benefits* (I) are more likely to get engaged in the participatory mechanism / (II) report a better understanding of the budget issues and processes / (III) are less likely to avoid paying, delay or minimize their regular or obligatory monetary contribution / (IV) are more likely to donate more if offered in comparison to participants that were offered to take part in budget allocation *without any connection to their monetary contribution or social transfer*.

Experiments in different territorial scales can test the effect of proximity and tangibility of local public investments on citizen engagement:

2. Participants that take part in *municipal* budget allocation when paying their monetary contribution or receiving their social benefits (I) are more likely to get engaged in the participatory mechanism / (II) report a better understanding of the budget issues and processes / (III) are less likely to avoid paying, delay or minimize their monetary contribution / (IV) are more likely to donate more if offered, in comparison to participants that take part in *regional or national* budget allocation at the moment of paying their monetary contribution or receiving their social benefits.

Additionally, the following hypotheses on optional elements can be examined:

3. *Providing information about the budget distribution in the previous year(s)* leads to (I) higher rate of participation / (II) reported better understanding of the budget issues and processes / (III) lower rate of participants that avoid paying, delay or minimize their monetary contribution / (IV) higher level of donations if offered.
4. *Representing the absolute monetary value that can be dedicated to the participatory budget as a percentage of one's monetary contribution (tax, fee or donation), depending on the importance of the ratio between these two values,* has an impact on (I) the rate of participation / (II) reported understanding of the budget issues and processes / (III) rate of participants that avoid paying, delay or minimize their monetary contribution / (IV) rate of participants that donate more if offered.

The following hypothesis is proposed to assess the impact of the mechanism of influence on the

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<sup>13</sup> Of course, students or NGO donors are not representative of the whole population of a city, thus experimental studies are necessary in diverse contexts. At the same time, an experimentation at a university campus provides the local territorial dimension, as well as probably a more ambitious scale than in the framework of an organisation.

participatory budget size (see section Stage I). In fact, this mechanism can have a reverse effect if perceived by potential participants as putting disproportionate responsibility on their shoulders. If a citizen perceives him or herself to lack competence in respect to budgetary decisions that are traditionally a prerogative of the government, such direct power could, on the contrary, impair their participation.

5. Potential participants that are informed about their direct power to increase or decrease the amount of the participatory budget by the amount of the dedicated part of their tax depending on their participation or non-participation (I) are more likely to get engaged in the participatory mechanism / (II) report a better understanding of the budget issues and processes / (III) are less likely to avoid paying, delay or minimize their monetary contribution / (IV) are more likely to donate more if offered, in comparison to participants who's actions do not impact the size of the participatory budget to their knowledge.

A special attention should be paid to the way citizens perceive the communication on the participatory initiative through the notifications sent by tax authorities or welfare institutions. In fact, additional information in official tax notification or social benefit pay slip letters might be ignored by readers. Moreover, institutional nature of such communication source might deter some recipients to trust in the neutrality and transparency of the participatory process. The following hypotheses need to be verified in this respect:

6.1 Tax payers pay attention to the additional information contained in the communication of the tax authorities that is primarily aimed at reminding them to declare or pay their taxes.

6.2 Social benefit receivers pay attention to the additional information contained in the communication of the welfare institution that is primarily aimed at informing them of the payment of their social benefits.

7.1 Tax payers do not perceive that neutrality, fairness, transparency or accountability of a participatory initiative can be questionable, if they were informed of the initiative by the state tax authorities.

7.2 Social benefit receivers do not perceive that neutrality, fairness, transparency or accountability of a participatory initiative can be questionable, if they were informed of the initiative by the state welfare institution.

An important practical limitation is adaptation of legal and administrative budgetary and taxation rules and procedures across different territorial scales. In most developed countries, local taxes are collected by national tax authorities and social benefits are distributed by national welfare institutions, which means that a municipality, that wishes to notify its inhabitants about the local participatory initiative through their tax notifications or social benefit pay slips, needs to work with these national institutions to modify their standard letters for the residents of this city. A national legal and procedural framework can immensely facilitate such interinstitutional cooperation. However, for such a framework to be correctly established, previous experience of advanced PB in other contexts, on a smaller scale or with a reduced scope needs to be drafted.

Beyond the modification of the standard tax notification or social benefit pay slip letters, the necessary legal or administrative adaptations do not seem to go further than those required to put in place traditional PB.

## Conclusion

This blueprint puts forward a hypothesis that strengthening the salience of the link between individual tax payment and local public good provision can facilitate citizen participation, especially on the municipal level. The mechanism dubbed ‘advanced participatory budget’ includes two additional elements in advance of the traditional PB stages. This opens the possibility for participation at an earlier moment prior to when individual tax payments are ceded to a complicated and opaque system of governmental financial flows, thus increasing the salience of the impact of individual taxes on public goods and the impact of individual voice on the improvement of one’s city.

The first element implies using tax notifications and social benefit pay slips to inform citizens about the participatory initiative in addition to traditional communication sources, which can attract more attention and increase outreach. The second element provides the possibility to attribute a part of one’s tax, even hypothetical tax for those who do not pay taxes, to expenditure categories of the municipal budget. This can make the issues of local public investment less abstract and distant from the participants’ point of view. The next steps follow the standard participatory budget procedure, with the project ideas proposed and opened for a vote within the collectively prioritised expenditure categories.

The existing literature provides evidence of the beneficial impacts of coupling taxation with participation. Although the inequality of participants due to the difference in revenue and in the varying tax attribution capacity had not yet been addressed in previous research, the comparison of participatory setups proposed here and in related studies can provide ground for future research. Namely, the strength of citizen engagement in the intersection between taxation and participatory budget can be compared on the local and on the national levels, as well as under the influence of binding and non-binding results of citizen participation for the local authorities. We provide a number of initial hypotheses to be tested in various contexts, before the proposal of advanced PB can be considered as a policy recommendation.

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