



# Citizens and the city: the case for participatory budgeting in the City of Zagreb

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## Abstract

*Since there is constant concern that local government heads allocate budget resources in favour of various pressure groups, the paper investigates whether local participatory budgeting can be implemented in order to better align budget allocation with citizens' needs in the Croatian context. The paper analyses the results of the citizen survey intended to question whether the citizens of Zagreb could embrace the participatory budgeting, based on their interest in the way the money of Zagreb's taxpayers is spent and willingness to participate in the budget preparation process. The main determinants of the interest, awareness and participation of citizens in local budget processes are explored as well. The results of this study indicate a moderate level of citizen awareness and interest in local budget processes, but an extremely low level of participation. Since citizen participation is crucial for democratic decision-making and ensuring transparency and accountability, the identified factors should be addressed in a planned manner. Citizens' willingness and capacity can be increased through raising awareness and implementing measures intended to encourage spontaneous participation.*

*Keywords: participatory budgeting, citizen preference, local public services, City of Zagreb*

## 1 INTRODUCTION

Nowadays, participation of the public in governance processes, especially on the local level, is seen as desirable and beneficial by both scholars and professionals. It is also widely accepted that citizens should be involved in the budgetary process. Participatory budgeting is not merely a theoretical concept but has been tested and implemented in many ways and forms. After it was successfully inaugurated in Paulo Alto in Brazil in the late 1980s the attractiveness of participatory budgeting has been steadily growing and as an example of good governance practice has been implemented in many jurisdictions in all parts of the globe (Dias, 2015). According to some studies, in 2013 there were between 1,269 and 2,778 participatory budgets in the world and more than 200 cases of participatory budgets in Europe (Sintomer, Herzberg and Röcke, 2015).

In Croatia, too, the idea of public participation has found supporters, appearing as an element of the budgetary process since the beginning of the 2000s. Currently, a handful of Croatian mid-sized cities are applying some kind of active participation of citizens in deciding upon at least a fraction of the budget allocations. However, in the city of Zagreb, the Croatian capital and the biggest urban municipality in the country, there is still little enthusiasm for this political innovation. Since there is already sufficient experience with participatory budgeting in Croatian cities, lack of acquaintance with the concept cannot explain the hesitance to implement participatory budgeting in Zagreb. This reluctance to involve citizens actively in the budgetary procedure could be explained either by barriers pertaining to the city administration or by barriers related to citizens themselves.

The primary aim of this paper concentrates on the latter, as it tries to find out whether the citizens are willing to be involved and interested in participatory budgeting, as well as to identify factors determining the level of their willingness to participate in budgetary processes.

This paper studies the specific case of the city of Zagreb and enables the understanding of citizens' attitude towards the city budget, and to recognize those aspects of that attitude that could trigger their higher participation in budgetary decision-making, once the preconditions existed.

The first section of the paper gives an overview of the literature on participatory budgeting, indicating the pros and cons of as well as possible barriers to its implementation. The second section presents the experience of Croatian cities with participatory budgeting and describes budgetary practice in the city of Zagreb. The third section is dedicated to the explanation of the survey presented in the paper, the data obtained through that survey and the results of the analysis carried out using these data. The final section concludes and gives some policy advice based on the research results.

## 2 LITERATURE REVIEW

Citizen involvement is nowadays seen as an important and unquestionable ingredient of modern, functioning and democratic local governance. Scholars and professionals emphasize various benefits brought about by citizen participation, such as enhancement of public accountability, better public services, higher government responsiveness to the needs of the community including various groups of society leading to more satisfactory and more efficient solutions, enhanced public confidence in government, etc. (Esenaliev and Kisunko, 2015; Enshassi and Kullab, 2014; Im et al., 2014; He, 2012; Irvin and Stansbury, 2004). Further, according to Michels and De Graaf (2010) citizen participation contributes to a number of democratic goods. They identified several arguments in favour of more direct forms of citizen participation: that it gives citizens the opportunity to influence decision making; it allows the inclusion of individual citizens in the policy process, it leads to decision-making based on public reasoning and increases the legitimacy of decisions (Michels and De Graaf, 2010). Public engagement improves social capital and the relationships between citizens and government (Arnstein, 1969; Delli et al., 2004).

Citizen involvement is a broader concept that entails different areas and levels of participation. Participation in budgetary processes, on which we focus in this paper, is one of the areas of public participation in governance. According to Ott and Bronić (2015), "public participation in government fiscal policy and budget processes refers to the variety of ways in which citizens, civil society organisations, businesses and other nonstate actors interact directly with public authorities on issues relating to government taxation and revenue collection, resource allocation, spending and the management of public assets and liabilities". Budget

engagement specifically may increase accountability and transparency for public funds, which in turn may improve residents' trust in local government (Kim and Schachter, 2013). In times of austerity or other resource-scarce settings, public participation in local decision-making also proves to be a viable cost-saving strategy (Enshassi and Kullab, 2014).

Although the involvement of citizens in the budget process comes in various intensities ranging from the only formal and symbolic to tight cooperation between the authorities and various stakeholders, it is usually taken that there are three levels of participation – information disclosure, consultation and active participation of citizens (Enshassi and Kullab, 2014; Im et al., 2014). Information disclosure entails only one-way communication between government and citizens, in which government provides data and information on the planned and adopted policy decisions to the citizens. Consultations comprise asymmetrical relationships in which citizens can give recommendations and suggestions or express criticism on policy decisions, but the authorities do not have the obligation to incorporate this feedback into policy formulation. Active participation supposes a partnership between citizens and government, i.e. the actual influence of citizens on the budget (Im et al., 2014).

Although its merits are generally accepted, communities are confronted with various obstacles hampering the implementation of participatory budgeting. Barriers to the implementation of this kind of instrument can be found on both sides – on the side of the government itself, and on the side of the citizens. In addition, sometimes the regulatory framework can also limit the depth of citizen involvement in the budget procedure. The barriers pertaining to the government could be its limited institutional capacity or inadequate institutional behaviour, but also the fear of the bureaucrats and politicians that participation will diminish their role and their control of budget resources. Zhang and Yang (2009) examined how the adoption of citizen participation in the budget process is associated with city managers' professional factors, institutional environment, and willingness to represent citizens. They found out that managers' professionalism, perceived political environment, and attitude toward citizen input are important factors explaining local governments' adoption of participatory budgeting.

On the other hand, citizens may be reluctant to participate in the budget procedure if they are not educated about the advantages of civic participation and not interested in public life. One of the major barriers to participation is citizen apathy and the perception that involvement would be a waste of time since the authorities would ignore their opinion and allocate budgetary resources according to their own interests (Enshassi and Kullab, 2014; Birskyte, 2013).

Lack of knowledge about the process is recognized as one of the factors limiting wider citizen participation in budgeting (Beckett and King, 2002; Franklin and Ebdon, 2004). Additionally, participation is costly and time-consuming (Callahan,

2002; Franklin and Ebdon, 2004). Local government, representatives and citizens often perceive public budgeting as a difficult administrative task that should be handled by experts who have specialized knowledge, technical skills, and experience. Franklin and Ebdon (2004) point out that the timing of citizen participation is very important, because input that is received late in the process is less likely to have an effect on outcomes. If citizens are involved early in the local budget process, they gain more knowledge about fiscal situations, which allows them to make informed decisions when casting votes on fiscal matters (Beckett and King, 2002; Franklin and Ebdon, 2004). Beckett and King (2002) showed that uninformed citizens are more focused on short-term private gain instead of long-term public benefit.

Fung (2015) identified three challenges to the creation of successful participatory governance: the absence of systematic leadership, the lack of popular or elite consensus on the place of direct citizen participation, and the limited scope and powers of participatory innovations.

In our paper we concentrate on exploring whether there are barriers on the side of citizens such as to prevent successful implementation of participatory budgeting in the city of Zagreb. The relationship between citizens' participation and demographic factors, proximate socio-economic factors, and endogenous psychological factors has been the topic of extensive academic discussion. There have been a number of research works into the factors that are associated with different forms of participation. According to previous studies demographic factors, including socioeconomic status, gender, and psychological factors are systematically linked to patterns of participation.

Regarding gender differences, the studies found out differences in political opinions and attitudes, participation in elections, political activity and participation (Galligan, 2012). A wide range of sociocultural forces contribute to gendered patterns of participation – including education and labour force participation. Men are more likely to be highly educated and to have higher levels of employment than women, which means that they are more likely to acquire the necessary resources and social capital required for participation (Conway, 1999; Inglehart and Norris, 2003). In line with that, research showed that men are more likely to have an interest in economic issues and policy, while women have more interest in social and environmental issues. Galligan (2012) argues that to understand these gendered patterns of participation, it is important to also take into account the cultural, social, and religious norms that determine gender roles within a society, and the differential opportunities to engage that are made available to women and to men. He also argues that women in more developed countries are more active in politics and participate to a greater extent than women in less well-developed countries. Also, studies suggest that women in countries with predominantly Catholic traditions have lower levels of political interest, political knowledge, and political participation than women in countries with Protestant traditions (Inglehart and Norris, 2003).

Various studies showed that citizens with higher socio-economic status have higher levels of political knowledge (Delli Carpini and Keeter, 1996; Niemi and Junn, 1998; Hart and Atkins, 2002; Delli Carpini, Cook and Jacobs, 2004; Schulz et al., 2010) and higher levels of political participation (Hart, Atkins and Ford, 1998; Lopez and Marcelo, 2008; Zukin et al., 2006).

Another important determinant of citizen participation is trust (Carreira, Machado and Vasconcelos, 2016). In social sciences, trust is defined as “a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another” (Rousseau et al., 1998). In other words, the level and quality of citizen participation in public policy may be influenced by the level of trust in politicians and public institutions (Lopes et. al, 2004; Inglehart, Norris and Welzel, 2002). Berman (1997) showed that city governments enjoy more trust if they use strategies of participation, information, and reputation. Kweit and Kweit (1981) argued that participation in government increased the trust of citizens. Norris argues that communities with low levels of trust in the government have a lower perception of the effectiveness of political participation, and the voting behaviour is not very positive either (Norris, 1999). Citizens’ involvement in public policy is related to individual experience with politicians and public institutions; when individuals feel negative about their contribution to public policy, they will be unlikely to participate in public policy issues (Lopes et al., 2004).

Conversely, part of the literature suggests that trust can have a different impact on political participation, depending on whether the participation process is bottom up or top-down. Therefore, several authors argue that when it comes to bottom-up processes of political participation it is distrust, not trust in the government, that encourages participatory behaviour (Easton, 1967; Gamson, 1971). According to research on collective action, due to mistrust, the government itself often becomes a target of the social movement (van Zomeren and Spears, 2009; De Cremer and Van Vugt, 1999; Tyler, Degoey and Smith, 1996). Citizens’ dissatisfaction with their government can be an antecedent of some collective behaviour (Gamson, 1971).

However, several studies suggest that greater participation in public policy is not related to public trust (Wang and Berman, 2001; Mckenna, 2011; Carr, 2015; Rowe and Frewer; 2000).

Some researchers argue that a positive attitude toward local government encourages citizens’ participation in local government matters (Kosecik and Sagbas, 2004; Piotrovski and Van Ryzin, 2007; Stevenson, 2007). According to Rishi (2003) citizens’ social actions are determined by their attitudes. Rishi claims that if people’s attitude toward an event or an action is positive, it is more likely that they will direct their behaviour in more meaningful ways (Rishi, 2003). In line with that, if people have positive attitudes towards their local government, it is more likely that they will both be supportive of the local government and also participate more in local government issues.

### 3 PUBLIC PARTICIPATION IN LOCAL BUDGETS IN CROATIA AND IN ZAGREB

In the last 25 years Croatia has set up a legal framework and other instruments that provided the citizens with necessary rights for participation in governance (right to be informed, right to be consulted, right of initiative, right to be involved and partnership right) thus enabling their participation in the budgetary process as well (Struić and Bratić, 2018). In addition, there were several information campaigns and projects financed by international donors, aimed at fostering fiscal transparency and empowering citizens to involve themselves in budgetary decision-making (Ott and Bronić, 2015). The Institute of Public Finance also made a contribution to greater openness of local budgets by conducting analyses of budget transparency in Croatian counties, cities and municipalities, by informing the general public on the development of budget transparency on the local level through different communication channels, and by emphasizing examples of good practice in participatory budgeting (Ott et al., 2018).

However, there are still only a few cities that have embraced some form of participatory budgeting in Croatia. Among them, one should mention Crikvenica as a city conducting public hearings on budget allocation since 2002, Pazin, which through its website provides an opportunity for its citizens to actively participate in the city's budget process, and Rijeka, which has designed an educational budget game and offers its citizens an e-form to assess the current budget and submit their own substantiated proposals and projects for the next fiscal year. There are also a few other cities that have enhanced the accessibility of budgetary data to their citizens and that provide some form of participatory budgeting, such as Pula, Slavonski Brod, Osijek, Mali Lošinj and Labin (Ott et al., 2018; Džinić, Svidroňová and Markowska-Bzducha, 2016).

However, the efforts to introduce participatory budgeting in Croatia are still quite marginal. Even the cities that are already using this instrument allocate only a relatively small proportion of the budget to projects upon which the citizens are able to decide. The largest cities apart from Rijeka but including Zagreb do not consider involving citizens in budgetary procedure at all.

The city of Zagreb administrative structure consists of three administrative self-governance levels including the central capital city and county level, the 17 city districts and 218 local boards. Citizens can participate in budgetary decision-making only as district councillors or local board members through the formulation of local communal action plans.<sup>1</sup> Local communal action plans adopted by the district and municipal board councils have to be approved at a higher level, and the implementation of communal activities is almost exclusively managed by the respective city departments and city utility companies. This in turn shows that in reality the city governance system is heavily centralised and in fact does not allow for broader citizen participation in budgetary processes.

<sup>1</sup> For more information see: <https://www.zagreb.hr/en/city-administrative-bodies/1994>.

If we reflect on the mentioned three levels of participation (Enshassi and Kullab, 2014; Im et al., 2014), information disclosure does formally flow between the city of Zagreb government and the citizens, but only one-way. Budgetary acts, data and information on planned and adopted policy decisions are publicly available to the public. This provision of information and data is enhanced by the ease with which information technology can be employed. All fiscal reports are regularly published on the website of city of Zagreb and its Assembly. The Zagreb city district councils and municipal board meetings are used for the process of formal consultations. However, these comprise asymmetrical relationships in which elected citizens can only give recommendations and suggestions while the authorities do not actually have the obligation to incorporate this feedback into policy formulation.

#### 4 SURVEY, DATA AND RESULTS

Our research involves a survey designed and carried out in order to get insights into perceptions of the citizens of City of Zagreb about awareness of and participation in local budgetary processes (see appendix). The respondents to the survey were citizens of Zagreb, 18 years of age and older who have lived in Zagreb for one year or longer. The sample was stratified by age and gender and by the districts of the city.

Data were collected by telephone survey method where households and individuals within the household were sampled by a stratified random sampling method. The sample obtained is age-, gender- and city district-representative. The sample is representative of the last census of the Republic of Croatia, that of 2011. Data analysis and cross-tabulation have been conducted using SPSS software. The average time to complete the 2017 survey was 20 minutes.

The survey instrument was a combination of open- and (mainly) close-ended questions. As a random telephone survey, the margin of error is  $\pm 4.9$  percentage. The field work was outsourced to a market research agency and was carried out between 10<sup>th</sup> and 15<sup>th</sup> September 2018, conducted by computer-assisted telephone interviewing (CATI) method. Telephone survey response rate calculations are more complicated due to the great number of dispositions possible. That type of survey enables researchers to obtain data for any desired number of respondents because an unwilling participant can be replaced by someone willing to respond.

Strictly speaking, the response rate calculated as the number of completed surveys (700) divided by the total number of calls of all eligible respondents (14,990), is low and comes to 4.5 percent. However, such a low response rate should not be taken as a threat to data integrity as long as the final sample of respondents is representative of the entire population. It is important to note that response rates themselves are not a measure of survey quality. Namely, researchers have demonstrated that telephone surveys with low response rates are still able to represent the entire population accurately (Curtin, Presser and Singer, 2000; Keeter et al., 2000).



Table 2 presents the characteristics of the study sample. The mean age was 48.4 years, the median age 48 years (min=18, max=92 years), and 54.3% of subjects were women. On average, the respondents had lived in Zagreb for 39.5 years (Me=40, min=2 and max=87 years). An overview of individual characteristics reveals some interesting and statistically significant differences along the spatial and gender lines. Compared with data for male respondents, a significantly fewer women completed higher education and were employed. Except for gender, socio-demographic differences between participants who reported from peripheral parts of the city and participants who live in other parts of the city were observed (table 2).

Since trust in public institutions is considered an essential factor for strong citizen participation in local budget processes, it could be assumed that a lower level of trust leads to less citizen interest and participation (Lopes et al., 2004; Inglehart and Baker, 2000; Inglehart, Welzel and Klingemann, 2003). The survey data reveal an interesting fact: respondents in general reported greater trust in people in their community and in the police than in local and central government (table 2). There is no difference in level of trust between individuals in peripheral and non-peripheral city districts. However, it is interesting that the level of trust in the local community and in police is significantly higher for female than for male respondents (t-test,  $p < 0.1$ ).

As expected, risk-taking attitudes (e.g. establishing own business, etc.) are higher for males than females (table 2). This is in line with the wide agreement that females are more risk-averse than males (Croson and Gneezy, 2009; Powell and Ansic, 1997; Borghans et al., 2009).

Apart from trust, political attitudes and voicing political opinions may also have a strong impact when they shape political participation. In this regard, respondents' political system preferences and participation in the next presidential and local elections was considered (table 1). Evidently, both current local and state political systems have low popularity (25 percent of respondents support the system). Among the political attitudes, distinct differences between men and women are observed. Lower support for the current local political system is observed among male (22% support the system) than female respondents (28% support the system). Future participation (or intention to participate) in both types of elections was high at about 87 and 85 percent of all respondents in the parliamentary and local elections, respectively (table 1).

It is interesting that current state political system is significantly less supported in peripheral quarters of the city of Zagreb (table 1). Also that particular subpopulation reported a lower intention to vote in next elections.

**TABLE 1**  
*Individual, household and community characteristics*

	Average	Female	Male	City	Periphery
<b>Personal characteristics</b>					
Age	48.4	48.3	48.6	49.3	40.7*
Number of years with residence in Zagreb	39.52	39.7	39.4	40.1	34.3*
Without school	0.00	0.00	0.01	0.00	0.00
Primary school	0.02	0.02	0.02	0.02	0.01
Secondary school	0.44	0.48	0.39***	0.43	0.49
Collage, BA, MA, MS, PHD	0.53	0.49	0.57***	0.53	0.50
No answer	0.01	0.01	0.01	0.01	0.00
Risk attitude, 0-10 scale	4.8	4.6	5.0	4.8	4.9
<b>Labour market status</b>					
Employed	0.52	0.48	0.57**	0.51	0.60*
Unemployed	0.07	0.09	0.05**	0.07	0.12
Retired	0.30	0.32	0.28**	0.32	0.14*
Housekeeper	0.02	0.02	0.00**	0.01	0.05*
Inactive (student)	0.08	0.07	0.08	0.07	0.08
<b>Trust, in scale from 1-4</b>					
Trust in people in community	2.6	2.6	2.6	2.61	2.59
Trust in local government	1.8	1.9	1.8***	1.84	1.93
Trust in central government	1.7	1.7	1.7	1.73	1.65
Trust in police	2.8	2.9	2.6***	2.76	2.77
<b>Political attitudes (proportion of respondents "Yes")</b>					
Supports current political system (state level)	0.25	0.27	0.23	0.26	0.16
Supports current local political system	0.25	0.28	0.22**	0.26	0.25
Is going to vote in last parliamentary elections	0.87	0.86	0.88	0.88	0.81
Is going to vote in local elections (yes)	0.85	0.83	0.87	0.86	0.81
<b>Household demographics</b>					
Household size, people	2.99	2.99	2.99	2.9	3.9*
Household income, '000 kuna/month	5.3	5.09	5.53	5.2	5.8
<b>Household size</b>					
Live alone	0.13	0.15	0.11	0.15	0.0*
2 members	0.27	0.26	0.28	0.29	0.11*
3 members	0.26	0.24	0.28	0.25	0.32
4 members	0.19	0.19	0.19	0.18	0.27
5 members	0.09	0.09	0.10	0.09	0.15
More than 5	0.05	0.06	0.04	0.04	0.15*
<b>Household income per member (in kuna)</b>					
2,000 kuna and less	0.01	0.01	0.01	0.01	0.01
2,001-3,500	0.05	0.07	0.02**	0.05	0.01

	Average	Female	Male	City	Periphery
3,501-5,000	0.10	0.11	0.10	0.11	0.05
5,001-6,500	0.10	0.10	0.10	0.10	0.12
6,501-8,000	0.12	0.12	0.12	0.12	0.11
8,001-10,000	0.14	0.14	0.14	0.13	0.17
More than 10,000	0.30	0.27	0.35**	0.29	0.41

Note: the mean differences for female/male, city/periphery are tested using *t*-test (for quantitative variables) and using *Chi-square* test for qualitative variables. Significant differences are indicated by \* $p < 0.01$ , \*\* $p < 0.05$ , \*\*\* $p < 0.1$ .

Source: authors' calculation.

The responses to questions in the city budget module indicated a moderate level of awareness of and interest in local budget processes, but an extremely low level of participation (see table 2). Only 41 percent of respondents think that they are informed about the city budget, while almost two thirds of respondents think that they are not informed at all. However, the great majority of respondents (84 percent) expressed an interest in being informed on how the local budget funds are being spent, and only 8.1 percent indicated no interest and 8.3 percent little interest. Interestingly, 53.4 percent of respondents do not know that the city government has the legal obligation to inform the citizens about the city budget, with the majority of them having limited information (32.7 percent of respondents indicated that the information on the city budget was inaccessible to them and 29.9 percent of respondents indicated that the information was accessible with difficulty). The low degree of civic participation in local budget processes could be caused by a lack of confidence in the effectiveness of citizen participation. Only about 27.4 percent of respondents believe that “an ordinary citizen can influence budget processes”. Positive responses on whether “anyone from your household tried to influence budget process” constitute only 8.5 percent of the total. However, even 87.9 percent of respondents think that the government of the city of Zagreb should allow the participation of citizens in drafting the city budget. The respondents were also asked whether they would participate in a public hearing on the budget of Zagreb if it were possible. Almost 70 percent of respondents indicated that they would participate in that process. Out of the total number of respondents who would not participate in public hearings, 14.2 percent do not believe that their opinion could have any influence on allocation of budget resources, while 10 percent are not interested in participating in public hearings, and only 5.8 percent of them think that the city government can assess better than them how the city budget resources should be spent.

TABLE 2

*Awareness about and participation in local budget processes*

Indicator	No	Yes	Yes sub-categories		
			Little	Fair	Very
Informed about the city budget	0.59	0.41	0.29	0.09	0.03
Interest in how the city government spends the city budget	0.16	0.84	0.19	0.22	0.43
Knows that the city government has the obligation to inform you about the city budget	0.53	0.47			
Information on the city budget is accessible	0.63	0.37	0.27	0.07	0.03
An ordinary citizen can influence the budgetary process in the city of Zagreb	0.72	0.28			
Some members of my household have tried to influence the budgetary process in the city of Zagreb in last 12 months	0.91	0.09			
The government of the city of Zagreb should allow the participation of citizens in drafting the city budget	0.12	0.88			
I would participate in a public hearing on the budget of the city of Zagreb	0.31	0.69			

*Source: authors' calculation.*

## 5 RESULTS

The analysis of survey results focuses on the identification of determinants of the barriers to the citizens' participation in local governance through getting information about the budget and local government actions, or through participating in local budget decision-making.

### 5.1 INTEREST IN AND KNOWLEDGE AND AWARENESS OF LOCAL BUDGET ISSUES

The first part of the analysis focuses on what determines the barriers to citizens' participation in the local budget process. The most obvious barrier is getting information about the budget and local government actions. We hypothesize that citizens' knowledge and interest in local budget process is determined by individual socio-economic and demographic characteristics, household characteristics, and by behavioural factors such as political attitudes and level of trust (H1). Thus, we would expect, for instance, that a lower level of trust would lead to less citizen interest and participation.

Second, we hypothesize that citizens' awareness of the possibility of participating in budget formulation is also determined by individual socio-economic and demographic characteristics, household characteristics, political attitudes and the level of trust (H2). For instance, we would expect that economically advantaged households are more interested and more willing to participate in local budgets in order to address communal and private issues.

Results show that personal characteristics, education and labour market status play a significant role in familiarity with and in an interest in local budget processes (table 3). The individuals who are informed and interested tend to be 2-7 years younger than those who responded “No”. Females tend to know less about local budget issues than males ( $p < 0.05$ ). Level of education seems to be an important factor in the case of interest in city budget spending and in the case of awareness that the city government has to provide open and transparent financial information to the citizens. A larger proportion of the respondents who self-reported as being interested in budget spending have completed higher education (55% against 44%,  $p < 0.05$ ). Also, highly educated individuals make up a full 60 percent of individuals who are familiar with the fact that the city authority is obliged to inform the citizens about the budget (against 47%,  $p < 0.01$ ). It is also worth noticing that there is a difference in subjective risk-taking attitudes: the individuals who are knowledgeable and interested tend to be more risk-taking.

Labour market status seems to have a considerable impact on interest in how the local budget is spent. Students and pupils (aged 18 and more) are more likely to have an interest in local budget processes; while retired persons are more likely to be not interested. Proactive individual attitudes, including interest and participation in community issues, are observed among students and housekeepers. That can be explained by this sub-population being able to devote more time to such issues (Jennings and Niemi, 1974).

With the context of peripheral and non-peripheral city areas, there seems to be a larger proportion of individuals from peripheral city districts than from non-peripheral that self-reported as interested in the process of spending the city budget (92% against 83%).

According to the results political attitudes are associated with the interest in how the local budget is spent. The individuals who support the current state or local political system are likely to report themselves as not interested in how the local budget is spent. On the other hand, those who are going to vote in the next presidential or local elections are more likely to have an interest in local budgets.

Household characteristics indicate that interest in how the city budget is spent may be driven very much by household economic status. The proportion of the respondents coming from households with higher incomes is higher for those who self-reported as interested in budget spending (39%) than for not interested (28%) ( $p < 0.1$ ). Respondents who live in households with lower incomes (between 3,501 and 5,000 kuna) make up 23% of those who are not interested in budget spending, as compared to 10% of the respondents who are interested in budget spending ( $p < 0.1$ ).

On the basis on the above it can be concluded that citizens' knowledge and interest in local budget process is determined by individual socio-economic and demo-

graphic characteristics, economic household characteristics and political attitudes. The individuals who are knowledgeable and interested tend to be younger, more educated, and more risk-taking. We also confirmed the assumption that economically advantaged households are more interested in local budgets, but more related to communal and private issues.

Regarding political attitudes, the individuals who do not support the current state or local political arrangement and who intend to vote in the next elections are more likely to report themselves as being informed about the actions of local governance. In contrast to the first hypothesis, trust did not prove to be a significant determinant of citizens' participation at the level of being interested and informed about the local budget issues.

Secondly, we examine the factors determining the awareness of the average citizen that he or she can influence the budgetary process. According to the results, greater awareness is associated with age, length of residence in Zagreb, labour status, and trust. In general, younger individuals and students are more aware that they can effectively participate in budgetary process.

According to our expectations, the proactive individuals who agree with the statement that an ordinary citizen can influence the budgetary process on average expressed a higher level of trust. The results suggest that proactive individuals who support the statement that an ordinary citizen can influence the budgetary process on average expressed higher levels of trust in community, local and central government ( $p < 0.01$ ) as well as in police ( $p < 0.1$ ). Interestingly, those who are supportive of the current state and local political systems are more likely to have a proactive attitude. Results suggest that those individuals have more interest in how the city budget is spent and they are aware about the fact that a citizen can influence the budgetary process in Zagreb. In contrast to what was expected, awareness is not driven very much by either education level of individuals or economic and demographic household characteristics.

**TABLE 3**

*Awareness about and interest in local budget processes*

Indicator (in ratio, if not indicated otherwise)	Informed about the city budget		Interested in how the city budget is spent		Knows that the local government should inform citizens about the budget		A citizen can influence the budgetary process in Zagreb	
	No	Yes	No	Yes	No	Yes	No	Yes
<b>Personal characteristics</b>								
Age, years	49.4	47.0***	53.7	47.4*	47.9	48.9	49.5	45.7**
Female	0.57	0.50**	0.59	0.53	0.59	0.49*	0.53	0.58
Periphery	0.56	0.44	0.08	0.92**	0.62	0.38	0.73	0.27
Centre	0.59	0.41	0.17	0.83**	0.52	0.48	0.72	0.28
Risk attitude, 0-10 scale	4.7	5.0***	4.1	4.9*	4.7	4.9	4.8	4.8

Indicator (in ratio, if not indicated otherwise)	Informed about the city budget		Interested in how the city budget is spent		Knows that the local government should inform citizens about the budget		A citizen can influence the budgetary process in Zagreb	
	No	Yes	No	Yes	No	Yes	No	Yes
Number of years with residence in Zagreb	39.5	39.5	41.0	39.2	39.3	39.8	40.8	36.1*
<b>Education level</b>								
Without school	0.05	0.00	0.01	0.00	0.00	0.00	0.00	0.01
Primary school	0.02	0.03	0.04	0.02	0.02	0.02	0.02	0.04
Secondary school	0.45	0.43	0.51	0.43	0.51	0.37*	0.44	0.47
College, BA, MA, MS, PHD	0.53	0.54	0.44	0.55**	0.47	0.60*	0.55	0.49
<b>Labour market status</b>								
Employed	0.51	0.55	0.48	0.53	0.48	0.57	0.54	0.49
Unemployed	0.07	0.08	0.08	0.08	0.09	0.07	0.07	0.08
Retired	0.32	0.29	0.40	0.29***	0.33	0.28	0.32	0.28
Housekeeper	0.02	0.01	0.02	0.01	0.02	0.01	0.01	0.04*
Inactive (student)	0.08	0.07	0.03	0.09***	0.08	0.07	0.06	0.11*
<b>Trust, in scale from 1-4</b>								
Trust in people in community (Yes)	2.56	2.58	2.48	2.58	2.59	2.54	2.5	2.8*
Trust in local government (Yes)	1.82	1.84	1.97	1.81	1.83	1.82	1.7	2.1*
Trust in central government (Yes)	1.72	1.70	1.77	1.7	1.73	1.70	1.6	2.0*
Trust in police (Yes)	2.78	2.72	2.87	2.73	2.71	2.79	2.7	2.8***
<b>Political attitudes (proportion of respondents answered "Yes")</b>								
Supports current political system (state level)	0.26	0.24	0.31	0.24***	0.27	0.22	0.22	0.32**
Supports current local political system	0.26	0.24	0.33	0.24**	0.26	0.25	0.22	0.35*
Is going to vote in last parliamentary elections	0.85	0.91*	0.75	0.95*	0.84	0.91*	0.86	0.90
Is going to vote in local elections	0.82	0.90*	0.72	0.88*	0.81	0.89*	0.84	0.87
<b>Household demographics</b>								
Household size, people	2.96	3.03	2.9	3.0	2.9	3.1	2.98	3.02
Household income, '000 kuna/month, N=578								
2,000 kn and less	0.01	0.02	0.00	0.02***	0.02	0.01	0.01	0.03
2,001-3,500 kn	0.06	0.06	0.05	0.06***	0.07	0.05	0.06	0.06
3,501-5,000 kn	0.14	0.11	0.23	0.10***	0.15	0.10	0.13	0.11
5,001-6,500 kn	0.11	0.14	0.17	0.11***	0.13	0.11	0.11	0.14
6,501-8,000 kn	0.15	0.13	0.13	0.15***	0.14	0.15	0.15	0.13
8,001-10,000 kn	0.19	0.14	0.13	0.17***	0.17	0.16	0.17	0.16
More than 10,000 kn	0.34	0.40	0.28	0.39***	0.32	0.42	0.37	0.37

Note: the mean differences for female/male, city/periphery are tested using t-test (for quantitative variables) and using Chi-square test for qualitative variables. Significant differences are indicated by \* $p < 0.01$ , \*\* $p < 0.05$ , \*\*\* $p < 0.1$ .

Source: authors' calculation.

## 5.2 PARTICIPATION IN LOCAL BUDGET DECISION-MAKING

This part of the analysis focuses on the identification of determinants of the barriers to citizen participation in local budget decision-making. We tried to investigate how the level of citizens' past engagement and their readiness for participation in the local budgeting process were related to their personal socio-demographic characteristics, household characteristics, political attitudes and level of trust. We look at whether an individual attempted to influence local budget process in the last 12 months, whether an individual supported the statement that the government of the city of Zagreb should allow the participation of citizens in drafting the city budget and whether he or she is ready to participate in public hearings. Therefore, we assume that these three aspects of citizens' participation in budgetary process are determined by individual socio-economic and demographic characteristics, household characteristics, political attitudes and the level of trust of individuals.

As illustrated in table 3, the proportion of respondents who participated in drafting the city budget in the last 12 months is considerably lower than the proportion of respondents who are informed and interested in budget issues. Only 8.5 of respondents indicated that at least one member of their household tried to influence the budget process. According to the results the level of trust in community and police is recognized as main driver of citizens' participation. Individuals who participated in local budget processes on average expressed higher level of trust in community ( $p < 0.1$ ) and police ( $p < 0.1$ ). Contrary to our assumption, individual socio-economic and household characteristics did not play a significant role in active participation of citizens in the recent past.

Most of the respondents (87.9 percent) agree with the statement that the government of Zagreb should allow the participation of citizens in drafting the city budget. Results indicate that a positive attitude towards this issue may be driven very much by household economic status, political attitudes and level of trust. Household characteristics, political opinions and trust thereby play a more prominent role than the individual and socio-economic characteristics of citizens. Interestingly, a lower level of trust is recognized as the main driver of future participation. It is more likely that an individual who expressed lower level of trust who is not supportive of the current political system, and who is not going to vote in the next local elections will agree with the statement that the government of Zagreb should allow the participation of citizens in drafting the city budget. Respondents who live in households with lower incomes (between 3,501 and 5,000 kuna) make up 23% of those who indicated that the city of Zagreb should not allow the participation of citizens in drafting the city budget compared to 11% of the respondents who gave positive response to this question ( $p < 0.05$ ). Also, the proportion of respondents coming from households with income between 5,001 and 6,500 kuna, between 6,501 and 8,000 and more than 10,000 kuna is higher for those who gave positive response to this question ( $p < 0.05$ ).

Regarding the readiness of citizens to participate in public hearings, as many as 70 percent of respondents would participate in that process. Individuals who reported



themselves as interested in participating in public hearings on average tend to be more risk-taking ( $p < 0.01$ ), have lower level of trust in government and the police ( $p < 0.05$ ), and they are more likely not to support the current political system and not to vote in the next elections ( $p < 0.01$ ). In general, less interested in participation in public hearing are females ( $p < 0.01$ ) and retired persons, while unemployed persons are more likely to take part in public hearings.

TABLE 4

*Interest in participation in local budget decision-making*

Indicator (in ratio, if not indicated otherwise)	Have you or members of your household tried to influence the budgetary process in the city of Zagreb in last 12 months?		The Government of the city of Zagreb should allow the participation of citizens in drafting the city Budget?		Would you participate in public hearing on the Budget of the city of Zagreb?	
	No	Yes	No	Yes	No	Yes
Age, years	49.4	48.3	50.1	48.2	50.6	47.4**
Female	0.55	0.46	0.53	0.55	0.67	0.49*
Periphery	0.88	0.12	0.12	0.88	0.27	0.73
Centre	0.90	0.10	0.12	0.88	0.32	0.68
Risk attitude, 0-10 scale	5.0	4.8	4.7	4.8	4.4	4.9*
Number of years with residence in Zagreb	40.9	39.4	39.2	39.6	40.2	39.2
Without school	0.002	0.02	0.00	0.00	0.00	0.00
Primary school	0.02	0.02	0.02	0.02	0.03	0.02
Secondary school	0.45	0.37	0.37	0.46	0.48	0.43
College, BA, MA, MS, PHD	0.53	0.59	0.61	0.52	0.48	0.55
Employed	0.52	0.54	0.56	0.52	0.50	0.54
Unemployed	0.08	0.05	0.05	0.08	0.05	0.09***
Retired	0.31	0.31	0.33	0.30	0.37	0.28***
Housekeeper	0.01	0.02	0.00	0.02	0.01	0.02
Inactive (student)	0.07	0.08	0.06	0.08	0.07	0.08
<b>Trust, in scale from 1-4</b>						
Trust in people in community (Yes)	2.54	2.76***	2.76	2.54**	2.58	2.55
Trust in local government (Yes)	1.83	1.79	2.06	1.79*	1.92	1.78**
Trust in central government (Yes)	1.69	1.72	1.97	1.68*	1.82	1.67**
Trust in police (Yes)	2.78	2.41*	2.94	2.73**	2.90	2.69*
Supports current political system (state level)	0.25	0.25	0.47	0.22*	0.30	0.23**
Supports current local political system	0.25	0.26	0.43	0.23*	0.30	0.23**
Is going to vote in parliamentary elections	0.87	0.92	0.91	0.88	0.84	0.91*
Is going to vote in local elections	0.85	0.89	0.91	0.87*	0.81	0.87*
<b>Household demographics</b>						
Household size, people	3.0	3.1	3.0	3.3***	3.0	3.0
Household income, 000 kuna/month	5.26	5.34	5.3	5.3	5.06	5.4**
2,000 kn and less	0.02	0.02	0.00	0.02**	0.02	0.01
2,001-3,500 kn	0.06	0.10	0.04	0.06**	0.07	0.06
3,501-5,000 kn	0.13	0.08	<b>0.23</b>	<b>0.11**</b>	0.16	0.11
5,001-6,500 kn	0.12	0.16	<b>0.05</b>	<b>0.13**</b>	0.15	0.11
6,501-8,000 kn	0.15	0.12	<b>0.08</b>	<b>0.15**</b>	0.12	0.15
8,001-10,000 kn	0.17	0.16	0.14	0.17**	0.29	0.40
More than 10,000 kn	0.37	0.37	<b>0.45</b>	<b>0.36**</b>	0.02	0.01

## 6 CONCLUSIONS AND POLICY RECOMMENDATIONS

The analysis of participation in budgetary processes in the City of Zagreb showed that there was a general understanding among citizens that involvement could improve the democratic process and the quality of life. The results of this study indicate that demographics pose to some extent a barrier to the successful implementation of participatory budgeting in Zagreb. The level of awareness of and interest in local budgetary process is moderate, but the level of active participation in budgetary process is extremely low. As shown by prior research, greater citizen engagement is related to positive attitudes about making a contribution to public policy (Lopes et al., 2004). In line with that it can be argued that low participation of Zagreb citizens in the past results from the perception of citizens that their involvement in the current political setting would be a waste of time, because the authorities would ignore their opinion.

Regarding Zagreb citizens' knowledge about local budget process the research reveals that it is determined by demographic, socio-economic, and household characteristics, as well as political attitudes. Results clearly suggest that citizens of Zagreb with higher socio-economic status seem to have higher levels of political knowledge, as already established in other environments (Delli Carpini and Keeter, 1996; Niemi and Junn, 1998; Hart and Atkins, 2002). The results in this paper also reveal that individuals who are not supportive of the current state or the local political system, and who intend to turn out at the next election, are more likely to consider themselves informed about actions of the local government. Although trust did not prove to be a significant driver of citizens' level of knowledge about the local budget issues (Wang and Berman, 2001; McKenna, 2011; Rowe and Frewer, 2000), it seems to affect awareness of the average citizen that he or she can influence the budgetary process. In other words, higher trust and support for the state and local political system are positively correlated with citizens' awareness of the possibility of influencing the local budget process (Norris, 1999). Hence, H1 has to be partly confirmed.

Our second hypothesis was that citizens' positive attitudes towards active participation in local budget process are determined by individual socio-economic, demographic characteristics and household characteristics, as well as by political attitudes and the level of trust. Results show that the main driver of the past citizen participation is the level of trust in community and police. The small proportion of respondents who participated in local budget processes on average expressed higher level of trust in community and police. Conversely, regarding future participation, higher economic status, lower level of trust and lack of support for the political system are recognized as the main drivers of future participation. It is more likely that an individual who expressed a lower level of trust, who is not supportive of the current political system, and who is not going to vote in next local elections will agree with the statement that the government of the city of Zagreb should allow the participation of citizens in drafting the city budget. Similarly, individuals who reported themselves as interested in participating in public

hearings on average tend to be more risk-taking ( $p < 0.01$ ), have a lower level of trust in government and the police ( $p < 0.05$ ), and they are more likely not to support the current political system and not to vote in the next elections ( $p < 0.01$ ). In general, less interested in participation in public hearing are females ( $p < 0.01$ ) and retired persons, while unemployed persons are more likely to take part in public hearings. Hence, H2 is been partly confirmed. These findings are similar to the findings of the collective-action literature, according to which citizens' mistrust in government is a basic motivation for citizens' political participation (van Zomeren and Spears, 2009; De Cremer and Van Vugt, 1999; Tyler, DeGoey and Smith, 1996).

Citizen participation in the budget process is crucial for ensuring that decision-making in public finance is done in a democratic, transparent and politically accountable way. Against this backdrop, one implication of our findings would be that public policy needs to focus on raising awareness among citizens of the ways they could influence the budget process. One example would be measures aimed at encouraging spontaneous participation in that process, discussed for instance in Im et al. (2014). These authors suggested that more active participation could evolve in the form of specific partnerships between the citizenry and the city government, so as to allow an effective influence of citizens on the budget. Allowing and organizing participation at the local board level could be the first step in enhancing participative budgetary practices in the city of Zagreb, so as to foster familiarity of the municipal board members with the role they can play in shaping the city budget and ways they can interact with citizens in that process. At this level, which is the closest to the citizens they can best see how their own problems can be resolved through their influence on the budget allocations.

### **Disclosure statement**

No potential conflict of interest was reported by the authors.

## QUESTIONNAIRE USED FOR THE SURVEY ON CITIZEN'S WILLINGNESS TO PARTICIPATE IN BUDGETARY PROCESS IN ZAGREB

### Questionnaire

#### A. Personal characteristics of the respondent

1. Age in full years: \_\_\_\_\_

#### 2. Sex:

1	Male
2	Female

#### 3. City district:

1	Brezovica
2	Čnomerec
3	Donja Dubrava
4	Donji Grad
5	Gornja Dubrava
6	Gornji grad – Medveščak
7	Maksimir
8	Novi Zagreb – istok
9	Novi Zagreb – zapad
10	Peščenica-Žitnjak
11	Podsljeme
12	Podsused-Vrapče
13	Sesvete
14	Stenjevec
15	Trešnjevka-Jug
16	Trešnjevka-Sjever
17	Trnje
18	None

4. Number of years with residence in Zagreb (full years): \_\_\_\_\_

#### 5. Risk attitude:

Please assess your risk-taking attitude in a scale from 1 to 10, 1 being the lowest and 10 the highest level of risk-taking attitude!

1	2	3	4	5	6	7	8	9	10
The lowest level of risk-taking attitude									The highest level of risk-taking attitude

**6. Trust in institutions:**

Please, assess your trust in institutions on a scale from 1 to 4, where 1 means that you do not trust at all, and 4 that you completely trust them.

	Don't trust at all	Mostly, I don't believe them	Mostly, I believe them	I completely trust them	I don't know
1 Trust in people in community	1	2	3	4	99
2 Trust in local government	1	2	3	4	99
3 Trust in central government	1	2	3	4	99
4 Trust in police	1	2	3	4	99

**7. Political attitudes:**

Does one of the following statements apply to you?

	Yes	No
Supports current central government	1	2
Supports current local government	1	2
Is going to vote in next parliamentary elections	1	2
Is going to vote in next local elections	1	2

**B. Involvement in the process of local budget decision-making**

**8. In your opinion, how well are you informed about the Budget of the city of Zagreb?**

1	2	3	4	5
Absolutely not informed				Fully informed

**9. Please estimate your interest in the way the city government spends money from taxes, surcharges and fees.**

1	2	3	4	5
Not interested at all				Fully interested

**10. Do you know that the city government has the obligation to inform you about the city budget?**

1	Yes
2	No

**11. Please estimate to what extent information on the city budget is accessible to you!**

1	2	3	4	5
Inaccessible				Easily accessible

**12. In your opinion, can an ordinary citizen influence the budgetary process in the city of Zagreb?**

1	Yes
2	No

**13. Have you or members of your household tried to influence the budgetary process in the city of Zagreb in last 12 months?**

1	Yes
2	No

**14. In your opinion, should the government of the city of Zagreb allow the participation of citizens in drafting the city budget?**

1	Yes
2	No

**15. If that would be possible, would you participate in a public hearing on the budget of the city of Zagreb?**

1	Yes
2	No

**16. If you would not participate in public hearing on the city budget, please indicate the reasons:**

1	I do not believe that my opinion could have any influence on allocation of budget resources
2	City government can assess better how the city budget resources should be spent
3	I am not interested in participating in a public hearing
4	Something else, indicate what _____

### C. Demographic questions

**17. Completed degree of education**

1	Without school
2	Primary school
3	Secondary school
4	College, Diploma, Master's degree, doctorate
99	Don't want to answer

**18. What is your labour market status?**

1	Employed
2	Unemployed
3	Retired
4	Housekeeper
5	Student, pupil
99	Don't want to answer

**19. How many people live in your household currently?**

1	1 – live alone
2	2
3	3
4	4
5	5
6	More than 5
99	Don't want to answer

## 20. What is your family's household monthly income?

1	2,000 kuna and less
2	2,001-3,500 kuna
3	3,501-5,000 kuna
4	5,001-6,500 kuna
5	6,501-8,000 kuna
6	8,001-10,000 kuna
7	More than 10,000 kuna
99	Don't want to answer

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