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Article

PUBLIC FINANCE AND POLICY EFFECTIVENESS A REVIEW OF PARTICIPATORY BUDGETING IN LOCAL GOVERNANCE SYSTEMS

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ABSTRACT

This systematic review explores the role of participatory budgeting (PB) in enhancing public finance systems and improving policy effectiveness within local governance contexts. Drawing upon the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) 2020 framework, this study synthesizes findings from 92 peer-reviewed articles and high-quality institutional reports published between 2000 and 2024. The review investigates how PB contributes to fiscal decentralization, budget transparency, equitable public expenditure, service delivery, social inclusion, and civic engagement. Through a rigorous analysis of empirical and theoretical contributions, the review highlights the multidimensional value of PB in realigning public spending with local needs and promoting democratic accountability. Key findings indicate that PB strengthens the alignment between public resource allocation and community-defined priorities, reduces corruption through participatory oversight mechanisms, and fosters institutional trust by enhancing transparency and inclusiveness. The evidence shows that PB not only empowers marginalized populations—such as women, youth, and ethnic minorities—but also encourages sustained civic learning, social cohesion, and citizen-state collaboration. However, successful implementation of PB is contingent upon several enabling conditions, including strong political commitment, sufficient administrative capacity, legal frameworks that institutionalize participatory practices, and the presence of an active and organized civil society. Comparative analysis across Latin America, Europe, Africa, Asia, and North America reveals that while PB principles are globally adaptable, their effectiveness varies depending on local political culture, institutional maturity, and infrastructural readiness. The review also underscores the potential of digital PB platforms in expanding access and participation, though challenges remain regarding inclusivity and the digital divide. Despite promising impacts, the review identifies notable research gaps, such as the absence of longitudinal impact assessments, limited integration of intersectional frameworks, and the underrepresentation of PB practices in fragile, post-conflict, or authoritarian contexts. Furthermore, most evaluations focus on output measures (e.g., number of projects funded) rather than long-term governance or developmental outcomes.By consolidating diverse strands of literature, this review underscores PB's transformative potential as both a governance mechanism and a fiscal tool. It calls for more context-sensitive, interdisciplinary research to fully understand PB's long-term contributions to inclusive development, democratic renewal, and sustainable public finance reform.

KEYWORDS
Participatory Budgeting; Public Finance; Local Governance; Policy Effectiveness; Civic Engagement;

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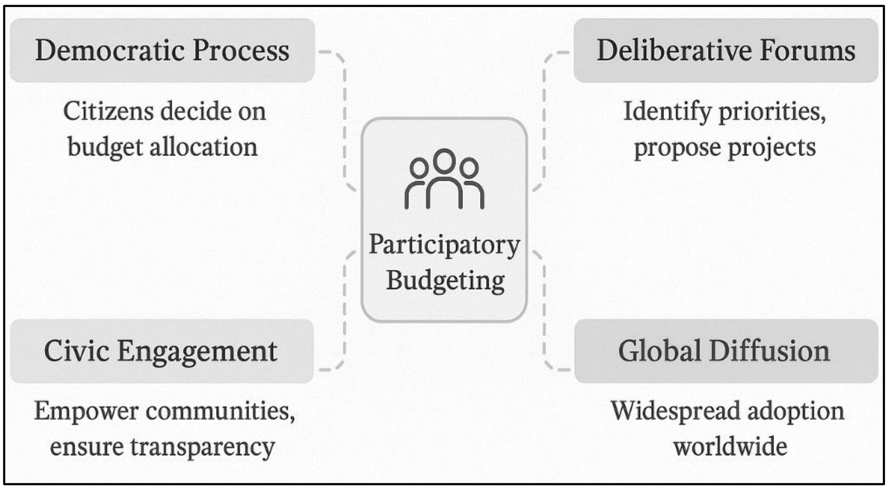
INTRODUCTION

Public finance refers to the study and management of revenue generation, expenditure, and debt load of government entities, particularly in terms of their impact on resource allocation, income distribution, and economic stabilization (Biondi, 2023). As a core domain within economics, public finance addresses the financial activities of government and their influence on the economy and society. It encompasses budgeting, taxation, public debt, intergovernmental fiscal relations, and public sector economics. These functions serve as fundamental tools for shaping development trajectories, ensuring the provision of public goods, and enabling effective governance (Sarmento, 2018). The concept of fiscal decentralization, a subset of public finance, relates to the delegation of budgeting and financial decision-making power from central to local governments to enhance accountability and responsiveness (Plaček, Ochrana, Půček, & Nemec, 2020). Local governance systems are thus pivotal in translating national priorities into tangible public services. In this framework, public budgeting stands as a primary instrument for articulating policy priorities and allocating resources accordingly. Budget processes, therefore, reflect the government's commitment to efficiency, equity, transparency, and participation (Bennett & Dearden, 2014). The modern emphasis on democratic governance has led to increasing demands for participatory mechanisms that allow citizens to engage directly with budgeting processes, potentially reshaping the relationship between state and society (Isufaj, 2014). As such, public finance extends beyond technical administration to encompass normative concerns about legitimacy, inclusivity, and public trust in institutions. Understanding how participatory approaches are integrated into budgetary frameworks helps illuminate the evolving architecture of public sector accountability. These conceptual developments position participatory budgeting (PB) as a transformative practice within local governance systems worldwide, aiming to reconcile policy effectiveness with democratic legitimacy (Martinez - Vazquez et al., 2017).

Figure 1: Key Dimensions of Participatory Budgeting in Local Governance



Participatory budgeting (PB) is defined as a democratic process in which ordinary citizens directly decide how to allocate part of a municipal or public budget. Originating in Porto Alegre, Brazil, in the late 1980s, PB has since spread to various parts of the world, becoming a symbol of participatory democracy in action. At its core, PB involves inclusive deliberative forums where community members identify spending priorities, propose projects, and vote on budget allocations, thereby fostering civic engagement and fiscal transparency (Dick-Sagoe, 2020). This process seeks to democratize the allocation of public resources and to empower marginalized communities that are often excluded from traditional political decision-making structures. PB challenges the conventional technocratic model of budgeting by foregrounding deliberation, equality, and accountability, aligning closely with broader theories of deliberative democracy. Rather than being merely consultative, effective PB processes institutionalize citizen input through formal mechanisms that influence tangible fiscal outcomes (Abbott & Bernstein, 2015). The theoretical foundations of PB also draw from participatory governance paradigms, which advocate for devolved authority, community mobilization, and co-production of public goods. In addition to its normative appeal, PB

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is positioned as a pragmatic response to the challenges of budget mismanagement, elite capture, and service delivery failures at the local level (Bartocci, 2023). By enabling more inclusive and transparent fiscal decisions, PB offers a corrective to top-down, opaque bureaucracies, aligning with goals of good governance and sustainable development. Its institutionalization in diverse contexts ranging from urban municipalities to rural districts underscores its adaptability and relevance across varied governance settings. As such, participatory budgeting constitutes a significant innovation in public administration with wide-reaching implications for equity and efficiency in local finance systems (Keenan et al., 2019).

Since its inception in Brazil, participatory budgeting has experienced a remarkable global diffusion, with implementations recorded in over 7,000 localities worldwide by the early 2020s (Yanes et al., 2019). The adoption of PB has been supported by transnational networks, international development agencies, and civil society coalitions seeking to promote democratic innovations. International organizations such as the World Bank and United Nations Development Programme (UNDP) have actively supported PB initiatives, framing them as tools for improving governance, enhancing service delivery, and reducing poverty (Prabhakar et al., 2024). The European Union, for instance, has encouraged the incorporation of PB into local governance structures through policy guidance and financial incentives. In Africa and Asia, PB has gained traction as part of decentralization reforms aimed at promoting bottom-up development planning. These initiatives often rely on donor funding and technical assistance, raising questions about their sustainability and local ownership (Xiang Li et al., 2024). Nevertheless, many cities including New York, Paris, Seoul, and Johannesburg have adopted PB as a means to enhance community engagement and governmental legitimacy. The institutionalization of PB varies significantly across countries and municipalities, shaped by factors such as political will, civil society capacity, and administrative support (Shum, 2024). In some contexts, PB has been embedded into legal frameworks and integrated into broader participatory governance strategies. In others, it remains a pilot project or symbolic gesture with limited influence over actual budgets. Despite these variations, the global spread of PB reflects a growing consensus about the value of inclusive fiscal governance in strengthening local democracy and development outcomes (Oliveira, 2017).

Local governance refers to the mechanisms, processes, and institutions through which local populations articulate their interests, exercise their legal rights, and meet their obligations and resolve their differences (Kiss et al., 2022). In this context, PB functions as a governance innovation that fosters civic empowerment and redistributes political power at the local level. By embedding citizen deliberation into budgetary decision-making, PB enhances the responsiveness and accountability of local authorities (Wampler et al., 2022). The institutional design of PB including rules for participation, selection of delegates, and mechanisms for monitoring implementation determines the extent to which it transforms local power relations. Studies have shown that PB can improve public service delivery by aligning government spending with community needs and priorities, particularly in sectors such as health, education, and infrastructure (Smoke, 2015). Moreover, PB can enhance social cohesion by fostering dialogue across diverse groups and reducing tensions associated with unequal resource distribution. However, effective PB depends on supportive institutional environments, including capable local administrations, strong civil society networks, and political commitment to democratic principles. The integration of PB into local governance systems also requires legal mandates, technical guidance, and administrative coordination to ensure consistency and sustainability (Brinkerhoff & Wetterberg, 2016). As such, PB should be viewed not merely as a participatory technique but as a broader institutional reform with significant implications for public finance management and democratic governance at the subnational level (Escobar, 2020).

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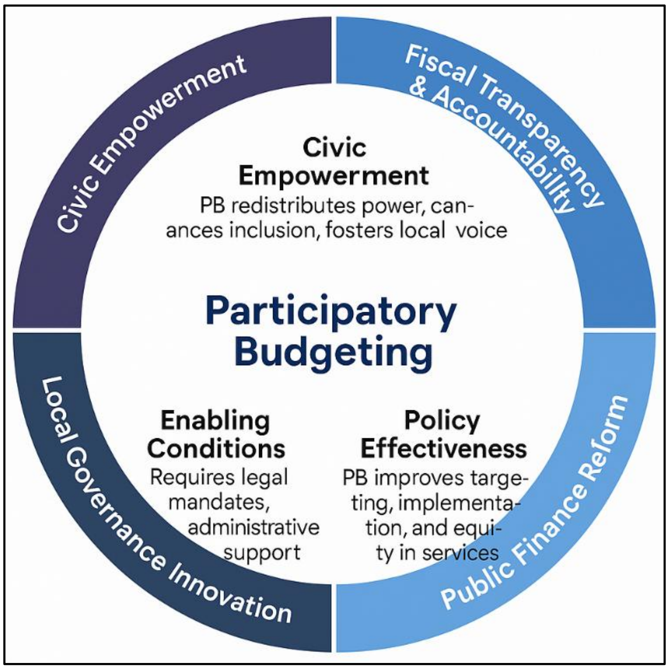
Participatory budgeting contributes significantly to enhancing fiscal transparency and accountability in local governance by institutionalizing mechanisms for citizen oversight of public spending. Fiscal transparency refers to the openness of government about its fiscal operations and policies, while accountability implies the obligation of government officials to justify their actions and decisions (Bua & Bussu, 2021). In traditional budgeting systems, decisions are often opaque, technocratic, and insulated from public scrutiny, which can foster inefficiencies and corruption. PB seeks to counter these deficits by enabling community members to access budget information, participate in deliberations, and monitor project implementation. This democratization of fiscal processes reinforces the credibility of public institutions and builds trust in government (Wu et al., 2017). Research has shown that municipalities adopting PB experience improved fiscal performance, reduced irregularities, and greater alignment between budget allocations and citizen priorities. In Brazil, for instance, PB cities exhibited higher tax collection rates and more equitable service delivery than non-PB counterparts. Moreover, PB can lead to institutional learning, as public officials develop new capacities to engage with constituents and manage participatory processes (Anguelovski et al., 2014). International experiences from countries such as Indonesia, the Philippines, and South Africa reveal similar outcomes, indicating that PB is adaptable to various fiscal and administrative contexts. However, sustaining transparency gains requires continuous commitment to open data, feedback loops, and mechanisms for grievance redressal. Ultimately, participatory budgeting enhances the legitimacy and effectiveness of public finance systems by aligning them with democratic values and community needs (Wu et al., 2017).

Figure 2: Core Functions of Participatory Budgeting in Advancing Local Governance and Public Finance Reform



The linkage between participatory budgeting and policy effectiveness is increasingly supported by empirical evidence demonstrating improvements in service delivery, targeting of social expenditures, and developmental outcomes. Policy effectiveness refers to the extent to which public interventions achieve their intended goals, including efficiency, equity, and responsiveness to societal needs (Toshkov et al., 2022). PB processes enhance policy effectiveness by leveraging local knowledge to inform budget priorities, thereby ensuring that public investments are better aligned with actual community demands. For instance, several studies in Latin America show that PB has led to increased investments in health, education, and sanitation, especially in under-served neighborhoods (Sui et al., 2019). In Peru and the Dominican Republic, PB initiatives contributed to more equitable infrastructure development and the reduction of social disparities. Additionally, by engaging citizens in monitoring and evaluation, PB promotes better project implementation and outcomes. In South Africa's eThekwini municipality, PB forums helped to prioritize water and electricity access for informal settlements, resulting in measurable service expansion. Furthermore, PB has been shown to foster inclusive policymaking by integrating the perspectives of marginalized groups, including women, youth, and ethnic minorities (Sun, 2025). This inclusive approach improves the distributive fairness of public spending and strengthens social cohesion. Studies from Europe, such as in Paris and Lisbon, show that PB mechanisms can even drive environmental and cultural policy innovations, reflecting the evolving diversity of citizen priorities (Williamson, 2019). Thus, PB not only democratizes budget decisions but also enhances the substantive performance of government by embedding community participation into the policy cycle, from formulation to execution and review.

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Despite its transformative potential, the integration of participatory budgeting into local governance systems faces multiple challenges that necessitate enabling conditions for effective implementation (Robertson, 2012). Key barriers include political resistance, limited administrative capacity, low public awareness, and procedural complexity. Political elites may perceive PB as a threat to their discretion over budgetary decisions, leading to superficial or symbolic adoption without genuine power-sharing (Voorhees et al., 2017). Administrative challenges include the lack of trained personnel, insufficient financial data transparency, and inadequate coordination between departments, all of which can hinder the functioning of PB processes. Additionally, achieving meaningful participation requires deliberate outreach to underrepresented groups and the creation of accessible forums for deliberation (Bishop et al., 2019). Civil society strength is another critical factor; where community organizations are weak or fragmented, citizen engagement may be limited or dominated by local elites. Successful PB implementation depends on a combination of political will, institutional design, and civic capacity (Jiménez et al., 2019). Enabling conditions include legal frameworks that mandate participatory processes, financial resources dedicated to capacity building, and support from intermediary organizations such as NGOs and academia. Technological innovations, such as digital PB platforms, have also emerged as tools for expanding access and improving efficiency, particularly in urban contexts. However, technology must complement not replace face-to-face deliberation to ensure inclusion and deliberative quality (Hamann & April, 2013). A conducive policy environment that recognizes the value of participatory governance, coupled with sustained citizen demand for engagement, provides the foundation for institutionalizing PB within public finance systems. As such, participatory budgeting is best understood not as a standalone intervention, but as part of a broader ecosystem of democratic and fiscal reforms aimed at enhancing governance quality (Cheng & Sturtevant, 2012).

LITERATURE REVIEW

The relationship between public finance and policy effectiveness has been a cornerstone of academic discourse on governance, decentralization, and fiscal responsibility. Within this broader framework, participatory budgeting (PB) emerges as a unique innovation that intertwines citizen engagement with financial decision-making at the local level (Miranda-Lescano et al., 2024). This literature review aims to critically synthesize scholarly contributions surrounding PB, particularly as it relates to enhancing public finance practices and improving policy outcomes in local governance systems. Over the past three decades, academic interest in PB has expanded across disciplines, including political science, public administration, development studies, and economics. Early studies focused on its democratic value and origins in Latin America, while more recent contributions examine its effects on transparency, equity, fiscal performance, and service delivery (Martinez - Vazquez et al., 2017). Despite these developments, literature varies significantly in methodological approach, geographical scope, and theoretical underpinnings, necessitating a structured and comprehensive review. This literature review section is organized thematically to cover five key domains: conceptual foundations of participatory budgeting; its integration into public finance mechanisms; its impact on policy effectiveness; institutional factors influencing success or failure; and comparative cross-national implementations (Dahan & Strawczynski, 2020). Each thematic section presents detailed insights, identifies empirical findings, explores theoretical debates, and highlights knowledge gaps for future inquiry.

Theoretical and Conceptual Foundations of Participatory Budgeting

Participatory budgeting (PB) emerged in Porto Alegre, Brazil, in 1989 as a grassroots response to socio-economic inequality, opaque governance, and centralized decision-making. Initially implemented by the Workers' Party (Partido dos Trabalhadores), PB aimed to empower citizens, especially those marginalized by traditional political systems, to actively engage in the allocation of public resources. The model was grounded in three key ideological principles: democratization of public administration, redistribution of municipal funds to historically neglected areas, and citizen empowerment through deliberative participation (Cepiku & Mastrodascio, 2021). Over time, the success of PB in Porto Alegre evidenced by increased access to sanitation, health, and education services in low-income neighborhoods attracted international attention. It was embraced not only across Brazil but also by governments in Latin America, Europe, Asia, and Africa. Transnational networks, including the World Bank and UN-Habitat, facilitated its diffusion by framing PB as a tool for governance reform and development. (Capano, 2011) notes that PB spread through normative, functional, and coercive mechanisms, with donors often incentivizing its adoption as part of

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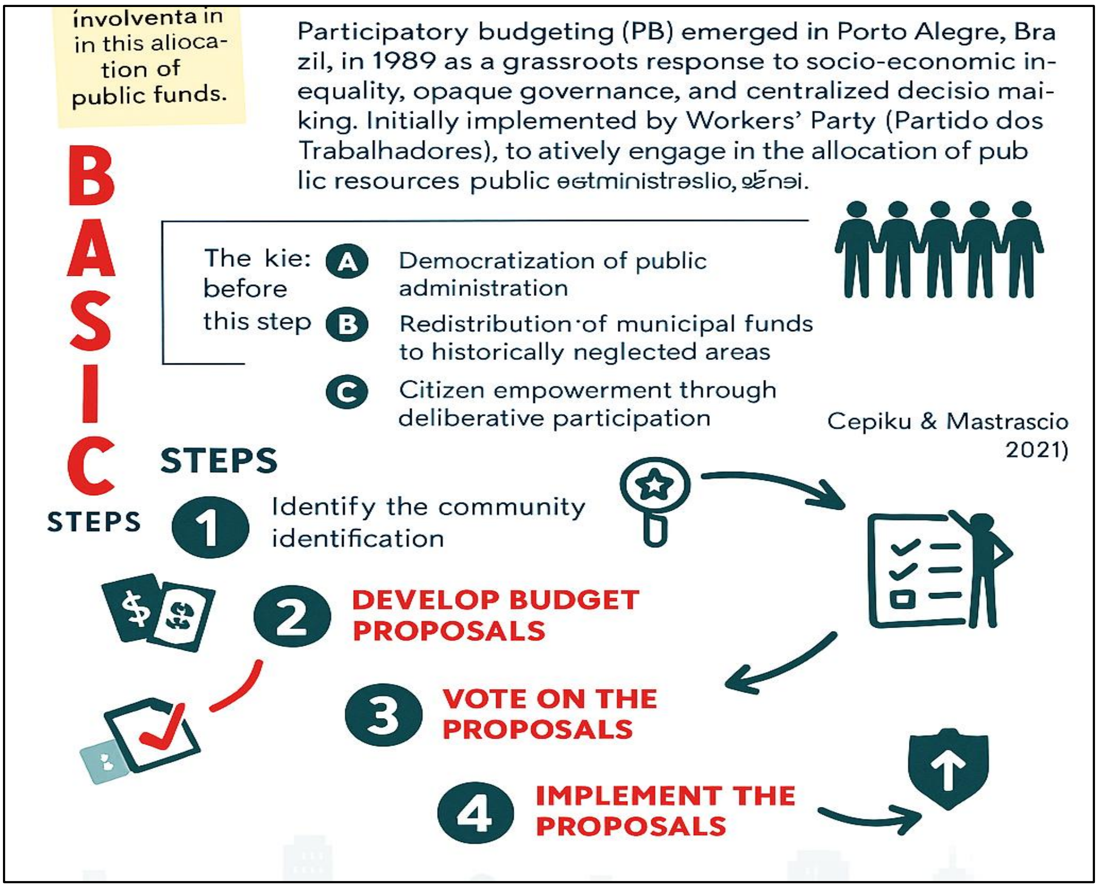
decentralization agendas. The model evolved through various phases from grassroots experiment to institutionalized practice acquiring distinct characteristics depending on political context, civic capacity, and administrative structures (Kenno et al., 2021). For instance, while Latin American implementations emphasized redistribution and empowerment, European adaptations leaned toward digital participation and consensus-building. The global proliferation of PB underscores its relevance as a flexible, context-sensitive innovation that integrates financial governance with democratic engagement. Yet, as argue, this diffusion has also led to a diversification and in some cases, dilution of its transformative intent, as PB moves from radical experiment to mainstream governance tool (Ajam & Fourie, 2016).

Figure 3: Basic Steps and Foundational Principles of Participatory Budgeting



The literature presents a range of definitions for participatory budgeting, though all converge on the principle that it entails direct citizen involvement in the allocation of public funds. Boufounou et al., (2024) defined PB as "a decision-making process through which citizens deliberate and negotiate over the distribution of public resources." This definition emphasizes the participatory and deliberative nature of the process. According to Purwanto and Pramusinto (2018), the core elements of PB include open meetings, identification of community priorities, voting on investment projects, and public monitoring of budget execution. Dwicaksono and Fox (2018) argue that PB processes must meet five minimum criteria to qualify as genuine: (1) financial deliberation, (2) repeated cycles, (3) voluntary participation, (4) public deliberation, and (5) accountability mechanisms. Based on these elements, scholars have developed typologies that reflect varying degrees of citizen influence and institutional integration. The "Porto Alegre model," for example, is characterized by high levels of deliberation and redistribution, while the "consultative model" limits citizen input to advisory roles. The "redistributive model" focuses on reallocating resources toward marginalized groups, whereas "proximity PB" emphasizes local-level planning in urban districts (Garschagen, 2016). These typologies reveal significant variation in the structure and function of PB processes across contexts. For example, PB in New York City is driven by district-level councils with support from city legislators,

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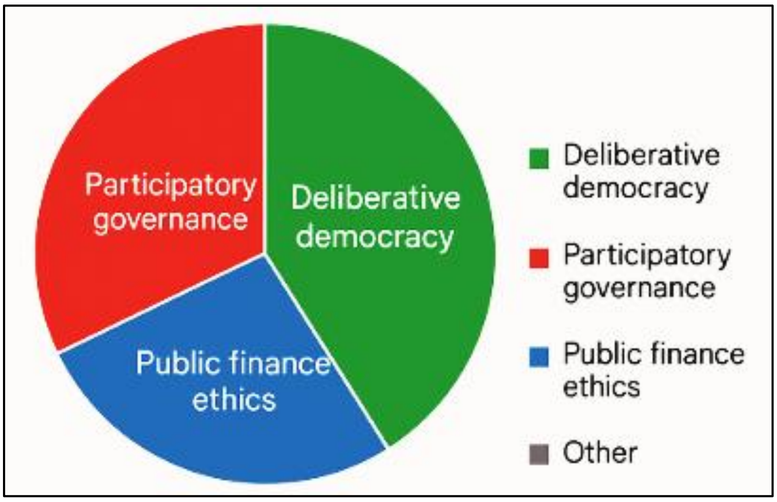
while in Paris, digital platforms enable online submission and voting for proposals (Xiaomei Li et al., 2024). The flexibility of PB's design makes it both adaptable and prone to instrumentalization; some governments adopt minimal forms of PB for legitimacy rather than transformation (Xiaomei Li et al., 2024). Thus, understanding the typological variations and definitional boundaries of PB is crucial for assessing its true impact on public finance and policy outcomes.

Figure 4: Intersecting Dimensions of Participatory Budgeting: Governance, Democracy, and Fiscal Ethics



Participatory budgeting is anchored in multiple theoretical traditions that frame its normative and functional significance within public administration. First, deliberative democracy provides a key foundation, emphasizing rational discourse, inclusivity, and communicative action as means to legitimate public decisions (Haveri, 2015). PB institutionalizes these ideals by creating structured forums for dialogue, compromise, and consensus among diverse community members. In such spaces, the legitimacy of budgetary outcomes stems not merely from electoral representation but from active civic deliberation. Second, PB aligns with the theory of participatory governance, which advocates for devolving state power to civil society actors and co-producing public policies. This approach challenges top-down governance by embedding decision-making authority in communities, thereby enhancing public accountability and responsiveness. Chamusca (2025) argued that PB exemplifies empowered participatory governance by combining transparency with tangible authority over budget allocations. Third, the ethical dimension of public finance also informs PB. Scholars such as Harrison and Sayogo (2014) emphasize that fiscal policy must not only be efficient but also equitable and participatory. PB represents a shift from bureaucratic to moral reasoning in budgeting, where fairness and voice matter as much as economic logic. Through community prioritization, PB fosters fiscal justice by reallocating resources to neglected areas and underrepresented populations. The interplay of these theories provides a robust analytical lens for understanding the multi-dimensional value of PB not merely as a procedural reform, but as a redefinition of the public sphere, rooted in civic agency, institutional trust, and democratic accountability.The foundational literature on participatory budgeting reveals a dynamic interplay between normative aspirations and empirical adaptations, shaping its evolution as both a democratic ideal and a governance tool. Studies consistently demonstrate that PB represents a paradigmatic shift in how governments relate to citizens in fiscal decision-making. Its emphasis on inclusion, deliberation, and redistribution has challenged traditional public finance frameworks that prioritize economic rationality over participatory justice. However, critical scholars such as caution that PB's conceptual clarity is often muddled by instrumental uses and symbolic adoption. For example, some municipalities adopt PB processes with minimal public influence, using them as performative exercises rather than vehicles for real empowerment (Williams, 2017). The literature also reveals tensions between technical efficiency and democratic participation; while PB enhances accountability and equity, it often requires substantial administrative support and political will to sustain. Comparative studies further highlight that context matters PB thrives in environments with strong civil society, legal frameworks, and civic education, but struggles where institutions are weak or authoritarian tendencies persist. Ultimately, the theoretical foundations and early empirical literature underscore that PB is not a singular or static model, but a fluid, evolving practice. It must be interpreted within broader debates about state reform, democratic deepening, and fiscal justice. These conceptual insights set the stage for deeper inquiries into how PB operates within specific public finance systems and whether it delivers on its promise of improved policy effectiveness and citizen empowerment.

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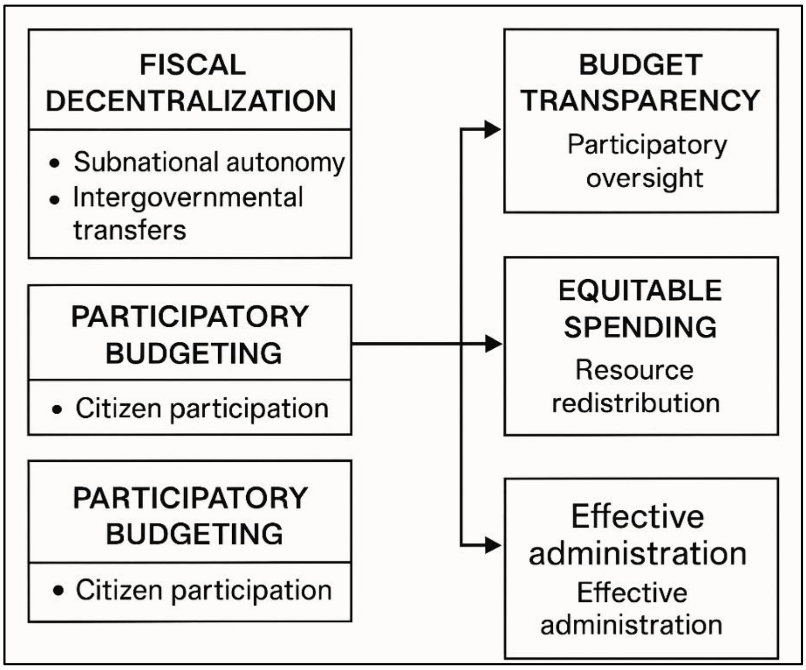
Participatory Budgeting within Public Finance Systems

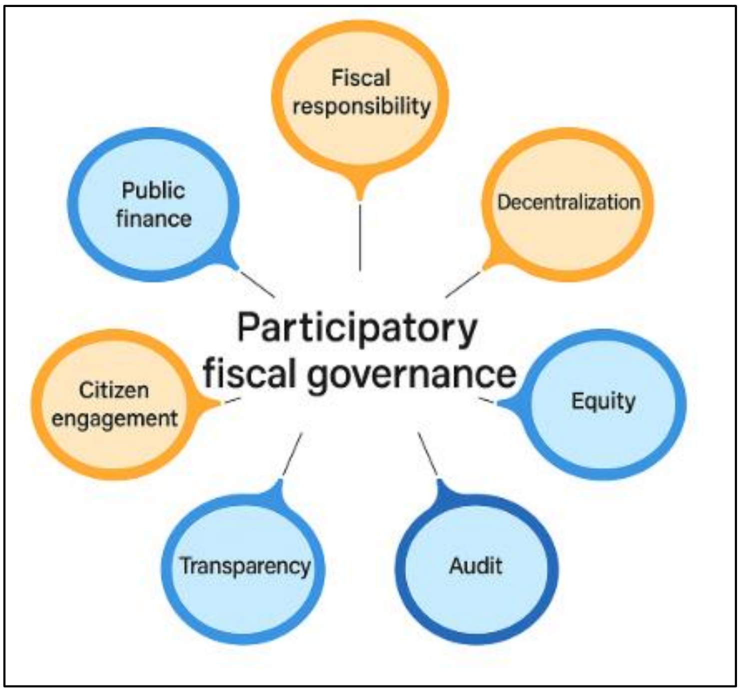
Participatory budgeting (PB) has increasingly been conceptualized as a practical instrument within fiscal decentralization frameworks, contributing to both subnational autonomy and more responsive public finance systems. Fiscal decentralization, rooted in the theory of fiscal federalism, advocates for the transfer of budgetary authority and financial resources to local governments in order to better align service delivery with local needs (Akapelwa & Mwange, 2023; Jahan et al., 2022). PB complements this paradigm by operationalizing decentralization through inclusive and transparent budgeting processes at the municipal level. Local governments adopting PB often integrate citizen input directly into the formulation of capital investment plans, enabling participatory deliberation on infrastructure, health, sanitation, and education spending (Masud, 2022; Plaček, Ochrana, Půček, Nemec, et al., 2020). In Brazil, municipalities implementing PB demonstrate higher levels of public investment and improved socio-economic outcomes, a trend attributed to empowered fiscal decision-making at the local level. Furthermore, PB interacts with systems of intergovernmental transfers by allowing communities to influence how these transfers are allocated within their jurisdictions, increasing the legitimacy of spending decisions (Hossen & Atiqur, 2022; Plaček, Ochrana, Půček, & Nemec, 2020). Scholars have emphasized that PB can mitigate the vertical imbalance often found in centralized systems by enabling communities to participate in allocating both own-source revenues and shared transfers. In South Africa and the Philippines, PB has been used to support decentralized development planning processes, ensuring that citizen voice is embedded in resource allocation at the grassroots level. However, successful implementation of PB within decentralized systems requires institutional support, political will, and fiscal literacy among participants to bridge technical and participatory components (Smith & Revell, 2016; Akter & Razzak, 2022). When effectively designed, PB strengthens the democratic potential of fiscal decentralization by merging autonomy with accountability and empowering communities to shape their development trajectories.

Figure 5: Mechanisms of Participatory Budgeting in Advancing Fiscal Decentralization and Budget Transparency



A significant contribution of participatory budgeting lies in its capacity to enhance budget transparency and enable participatory oversight, thereby addressing core deficiencies in traditional public finance systems. Budget transparency refers to the public's ability to access and understand government fiscal information, and it is crucial for accountability, efficiency, and public trust. PB fosters transparency by mandating open forums, public deliberation, and published budget proposals, thus demystifying financial data for ordinary citizens (Hossen et al., 2023; Muldoon-Smith & Sandford, 2023). In this respect, PB aligns closely with international fiscal governance standards such as the Open Budget Index and UNDP's good governance benchmarks (Alam et al., 2023). Studies across Latin America, Europe, and Sub-Saharan Africa have shown that municipalities implementing PB report lower corruption perceptions, higher civic confidence, and improved budget compliance(Rajesh et al., 2023; Roksana, 2023). Participatory oversight extends beyond the budget formulation stage to include monitoring and evaluation of public expenditures, thereby closing the accountability loop. This oversight enhances fiscal integrity by exposing inefficiencies, leakages, and discretionary spending. Legal frameworks also play a crucial role in institutionalizing budget transparency; countries such as Portugal and South Korea have passed legislation to embed PB within municipal law, ensuring standardized procedures and reporting obligations (Tonmoy & Arifur, 2023; Turner, 2019). In Indonesia, community-based audits facilitated through PB mechanisms have led to improved infrastructure quality and reduced project costs. Furthermore, digital innovations like open budget portals and mobile apps have expanded the accessibility of fiscal data, allowing real-time citizen feedback. Despite technological advancements, scholars caution that transparency must be accompanied by accessible communication and civic education to translate awareness into action (Faguet, 2014; Tonoy & Khan, 2023). Ultimately, PB serves as a dual mechanism both procedural and institutional for enhancing the transparency and accountability of public financial systems.

Figure 6: Key Pillars of Participatory Fiscal Governance in Local Public Finance Systems



Participatory budgeting has emerged as a critical instrument for promoting equitable public expenditure prioritization by redistributing financial resources toward marginalized and underserved populations. Traditional budgeting mechanisms often perpetuate elite bias, whereby resource allocation favors politically connected or affluent constituencies, exacerbating socio-economic disparities (Ammar et al., 2024; Grant et al., 2017). PB disrupts this dynamic by institutionalizing community-driven deliberation, thereby making budgetary decisions more responsive to the priorities of disadvantaged groups. Empirical studies from Brazil reveal that PB municipalities invest significantly more in sanitation, education, and housing in poorer neighborhoods, leading to measurable improvements in health and social indicators. In Porto Alegre, for instance, the implementation of PB resulted in a 30% increase in infrastructure investment in low-income areas over a decade. PB's contribution to equity is also reflected in its potential to address gender and generational imbalances, with cities such as Rosario (Argentina) and Paris incorporating women- and youth-specific participatory frameworks (Grant et al., 2017; Hossain et al., 2024). Furthermore, prioritization through PB enhances what scholars' term "budget justice" a normative principle advocating for fairness and inclusion in public spending. It also positively influences tax morale by making citizens more willing to contribute when they perceive public expenditures as fair and community-driven. This participatory ethos transforms the social contract between state and citizen, replacing opaque technocratic allocations with transparent, needs-based planning. Nonetheless, the extent to which PB leads to equitable outcomes depends on institutional design, including mechanisms to ensure representation, equitable voting rights, and follow-up implementation (Doberstein, 2019; Roksana et al., 2024). Hence, PB is not only a budgetary innovation but also a tool for advancing distributive justice through democratic governance.

The integration of participatory budgeting into public finance systems signals a broader shift toward participatory fiscal governance, marked by decentralization, transparency, and equity. Across the literature, PB is portrayed as a functional and normative response to longstanding governance challenges such as elite capture, inefficiency, and public disillusionment with state institutions (Hanif et al., 2023; Zaman, 2024). By embedding PB in municipal finance systems, local governments operationalize democratic values in budget cycles, reshaping fiscal priorities to reflect community-defined needs. The ability of PB to serve as a bridge between fiscal decentralization and policy responsiveness is especially evident in comparative studies where municipalities report enhanced service delivery, improved citizen satisfaction, and increased compliance with tax obligations (Bhuiyan et al., 2025; Saguin, 2018). Equally, its impact on fiscal transparency is corroborated by lower

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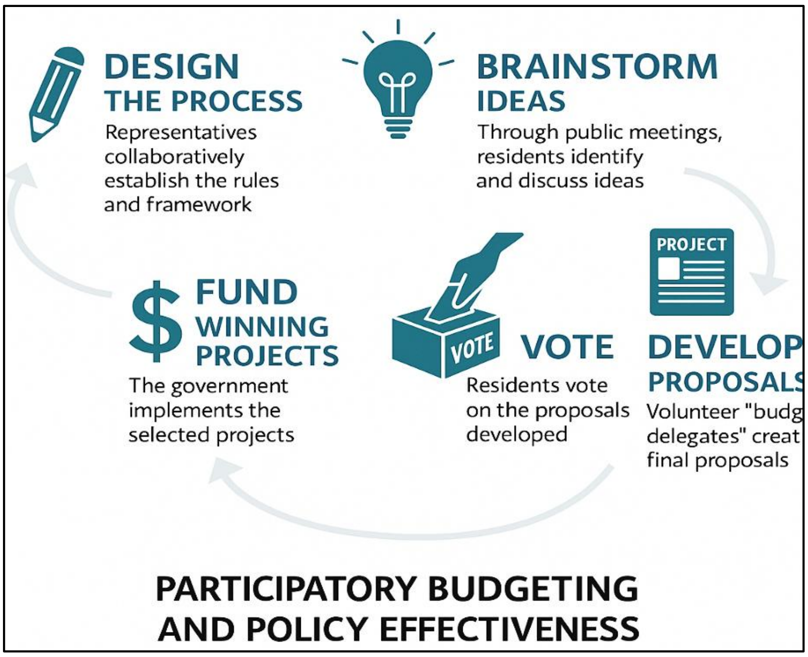
instances of misappropriation and greater alignment between planned and actual expenditures. These outcomes contribute to Menon and Hartz-Karp (2019) call "empowered participation," where citizen input is not symbolic but structurally embedded in financial decisions. Moreover, PB's equity-oriented framework aligns with modern principles of inclusive growth and human-centered development. However, the literature also reveals contextual variation what works in participatory-rich environments like Brazil or Portugal may not be easily replicable in settings with low civic capacity or authoritarian legacies. Therefore, PB must be understood not only as a budgeting mechanism but as a transformative institutional reform rooted in fiscal ethics, democratic legitimacy, and participatory culture (Ishtiaque, 2025; McCarthy et al., 2017). Synthesizing these insights affirms that PB holds significant promise for reconfiguring public finance systems in ways that are more inclusive, transparent, and aligned with societal priorities.

Participatory Budgeting and Policy Effectiveness

Participatory budgeting (PB) strengthens policy effectiveness by improving the alignment between public spending and community-identified priorities. Unlike traditional budgeting, where decisions are often top-down and disconnected from citizens' lived experiences, PB creates direct pathways for citizens to influence budgetary inputs and shape service delivery outcomes (Jahan et al., 2022; Schneider & Busse, 2019). The participatory design of PB fosters a more precise targeting of resources toward urgent local needs, especially in education, health, housing, and infrastructure. In Brazil, municipalities implementing PB processes have been shown to invest significantly more in sanitation, schools, and healthcare in underserved communities compared to non-PB municipalities. For example, Campbell et al. (2018) provide quantitative evidence that PB leads to reductions in infant mortality and increased school enrollment. Similarly, PB-participating cities allocate a greater share of capital expenditure to sectors prioritized by residents, leading to tangible service improvements. In Peru and the Dominican Republic, PB has also been linked to enhanced infrastructure delivery and better maintenance of public assets. The causal link between budget inputs and improved development performance is strengthened through citizen-led monitoring, which helps ensure that funds are used effectively and projects are completed on time (Khan, 2025; Touchton et al., 2024). Moreover, PB mechanisms often incorporate evaluation committees or forums where participants assess project implementation, thereby reinforcing transparency and responsiveness. These institutional practices have been replicated in cities such as Rosario, Medellín, and Porto Alegre, contributing to improved access to essential services and reduced urban inequalities (Bassoli, 2012; Siddiqui, 2025). In essence, PB enables a feedback loop where participatory deliberation directly influences how governments allocate resources, monitor outputs, and respond to evolving community demands.

A central pillar of participatory budgeting (PB) is its capacity to institutionalize citizen engagement and create sustainable feedback loops that enhance governance quality. Traditional policymaking often suffers from limited citizen input and inadequate channels for feedback and correction, leading to misaligned public services and policy alienation. PB addresses this governance gap by enabling structured spaces for civic voice, allowing citizens to propose projects, deliberate on priorities, and hold public officials accountable for implementation (Filipiak & Dylewski, 2018; Sohel, 2025). These mechanisms promote inclusivity and facilitate adaptive learning, where policymakers iteratively adjust policies based on

Figure 7: Stages of Participatory Budgeting and Their Role in Enhancing Policy Effectiveness



community responses. In cities such as Paris, New York, and Seoul, PB has been used not only to allocate capital budgets but also to crowdsource innovative public policy ideas from residents. The participatory process strengthens policy legitimacy and increases civic satisfaction, which in turn enhances compliance and cooperation with public initiatives (Kasdan & Markman, 2017). Monitoring and evaluation are integral to this dynamic. In Porto Alegre, citizen committees track project implementation, conduct audits, and publicly report on progress, ensuring accountability and performance-based budgeting. These iterative loops between citizen input and government action serve as a form of institutional learning, where policies evolve to better reflect community needs. Moreover, such feedback mechanisms create an empowered public sphere in which deliberation becomes a sustained civic habit rather than an episodic activity (Oh et al., 2019). The literature suggests that PB enhances governance not simply by increasing participation but by embedding responsiveness, transparency, and continuous learning into the policy cycle, resulting in more effective and accountable public administration (Schugurensky & Mook, 2024).

Participatory budgeting (PB) has demonstrated remarkable potential to foster social inclusion and correct systemic inequities in resource distribution. Traditionally, public budgets have reflected entrenched power asymmetries, often excluding marginalized populations such as women, youth, ethnic minorities, and low-income groups from meaningful participation (Bartocci, 2023). PB challenges this paradigm by explicitly designing forums and deliberative spaces that aim to empower underrepresented voices and ensure equitable influence over public spending. For example, cities such as Rosario (Argentina) and Paris (France) have institutionalized PB sub-processes focused on gender equity and youth priorities, thereby expanding the scope of participatory justice (Sinervo et al., 2024). Empirical studies confirm that PB can reduce disparities in access to services and increase investments in historically neglected communities. In Brazil, PB has led to disproportionate improvements in infrastructure and social services in favelas and low-income districts. Social inclusion in PB also mitigates elite capture a pervasive challenge in decentralized systems by ensuring that community priorities override bureaucratic or political interests (Lim & Oh, 2016). Furthermore, inclusive PB processes strengthen social capital by fostering intergroup dialogue, trust-building, and collaborative problem-solving. This trust is not only horizontal among citizens but also vertical, reinforcing citizen-state relationships based on responsiveness and legitimacy. The participatory ethos of PB fosters a sense of shared ownership over public resources, translating into higher levels of civic engagement and democratic resilience (Grillos, 2017). Thus, PB not only redistributes resources more fairly but also transforms marginalized citizens into active co-producers of public policy, contributing to more equitable and just governance systems.

The intersection of participatory budgeting and policy effectiveness is multifaceted, encompassing fiscal alignment, civic accountability, service delivery, and social equity. Across empirical studies, PB emerges as a mechanism that enhances the efficiency and responsiveness of government spending by embedding citizen preferences directly into budgetary processes (Gatto & Sadik - Zada, 2022). These preferences often prioritize underfunded sectors such as primary education, healthcare, and local infrastructure, translating community knowledge into targeted investments. The enhanced service delivery outcomes linked to PB are not coincidental but stem from its structural design, which supports monitoring, transparency, and feedback loops that keep government accountable. Moreover, PB improves policy legitimacy through deliberative and inclusive processes that deepen democracy and create space for marginalized groups to participate in public decision-making (Aziz & Shah, 2020). This inclusion reduces socio-political exclusion and builds long-term institutional trust, an essential ingredient for democratic consolidation. The iterative feedback loops facilitated by PB promote adaptive governance, allowing policymakers to recalibrate their actions based on community inputs and project assessments. In sum, PB does not merely change the format of budget meetings; it redefines the core functions of public policy from formulation and implementation to evaluation grounding them in democratic values and collective intelligence. This synthesis of the literature affirms that PB enhances policy effectiveness through its procedural integrity and distributive justice, making it a compelling model for participatory governance in diverse socio-political contexts (Musadat, 2023).

Institutional Conditions for PB Effectiveness

The effectiveness of participatory budgeting (PB) is heavily contingent upon political will and the commitment of leadership to democratize fiscal governance. Political leadership plays a crucial role in initiating, institutionalizing, and sustaining PB practices. Enabling champions whether mayors,

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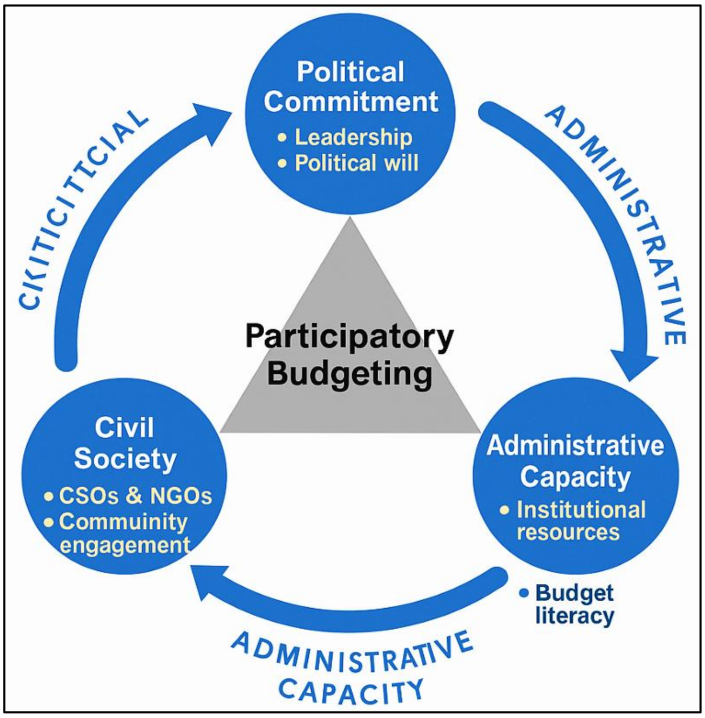
legislators, or municipal executives often act as catalysts for PB adoption, providing the legitimacy and authority needed to embed participation in formal budgetary processes (Lubell et al., 2017). In Porto Alegre, the support of the Workers' Party was instrumental in legitimizing PB and allocating substantial portions of the city's investment budget to community decision-making. Similarly, in Seville and Belo Horizonte, mayoral leadership was pivotal in expanding the scope and scale of PB. However, political will is not always synonymous with democratic intent. Several scholars have warned against the risks of politicization, where PB is co-opted for electoral gain or implemented as a symbolic gesture to appease donors or civil society without actual power transfer (Cellini & Antonucci, 2022). In such instances, citizen input is marginalized, and the process becomes performative rather than transformative. The institutionalization of PB requires not only initial political endorsement but sustained bureaucratic support to withstand leadership transitions and shifting political agendas. Evidence from France and South Korea suggests that PB thrives when embedded in legal mandates and when cross-party coalitions commit to long-term democratic engagement (Cellini & Antonucci, 2022). Therefore, genuine political commitment manifested through budgetary allocations, administrative resources, and legislative backing is fundamental to ensuring the integrity, continuity, and impact of PB processes across different governance contexts (Christopher et al., 2017).

Figure 8: Critical Conditions for Effective Participatory Budgeting: A Governance Capacity Framework



The success of participatory budgeting (PB) is not solely determined by political factors but also hinges on the administrative and technical capacity of implementing institutions. Effective PB requires a competent bureaucracy capable of facilitating deliberation, managing logistics, processing inputs, and integrating citizen proposals into formal budgeting structures (Nguyen et al., 2020). Budget literacy is particularly critical; when citizens lack basic understanding of public finance, they are less likely to contribute meaningfully to decision-making processes. To address this, successful PB initiatives often incorporate civic education and participatory training sessions prior to deliberations, as seen in Porto Alegre, Montevideo, and Paris. Institutional design also plays a key role in structuring PB cycles. These include mechanisms for proposal submission, deliberative assemblies, technical vetting, voting, and feedback loops (Bhui et al., 2016). Municipal staff and facilitators are instrumental in these stages, often serving as the interface between citizens and state agencies. Their neutrality, competence, and coordination capacities significantly influence both citizen satisfaction and the quality of proposals implemented (Sapkota et al., 2019). In cities like New York and Seoul, specialized PB units within municipal governments provide administrative continuity and data systems to track project progress and outcomes (Gao et al., 2020). However, weak technical capacity can derail PB efforts. In several African and South Asian cities, limited staff training, poor data systems, and fragmented departmental coordination have undermined PB implementation. Moreover, the absence of formalized guidelines can result in inconsistent processes and citizen frustration (Meng et al., 2018). Thus, institutional capacity-building is an essential condition for PB effectiveness. It ensures that participatory spaces are not only accessible but also functionally embedded within the bureaucratic machinery of local governance (Yılmaz et al., 2019).

A robust civil society is foundational to the sustainability and inclusiveness of participatory budgeting (PB), acting as both a mobilizer of citizen participation and a watchdog over implementation. Civil society organizations (CSOs), non-governmental organizations (NGOs), grassroots associations, and neighborhood councils have all been pivotal in facilitating community outreach and ensuring broad-based participation (Inayat et al., 2024). In Porto Alegre and Belo Horizonte, for example, local associations played a key role in disseminating budget information, organizing community meetings, and articulating residents' demands. CSOs often provide technical support and capacity-building, enabling marginalized groups to effectively participate in deliberations. The role of civil society becomes even more critical in post-authoritarian or post-conflict societies, where institutional trust is low and citizens may be reluctant to engage with state-led processes (Ge et al., 2020). In contexts such as South Africa and the Philippines, PB initiatives supported by coalitions of civic actors have helped rebuild trust, foster inclusive dialogue, and enhance public accountability. However, the strength and independence of civil society vary significantly across regions. In fragile states, weak organizational capacity, political repression, and resource constraints can severely limit civil society's ability to support PB (Escobar, 2020). Moreover, elite capture within community organizations can replicate exclusionary patterns, necessitating vigilance in design and facilitation. Nevertheless, when effectively mobilized, civil society serves as a critical intermediary that not only amplifies citizen voice but also holds local governments accountable for their budgetary commitments (Gitipour et al., 2025). The literature consistently affirms that the presence of an active, informed, and organized civil society enhances the legitimacy, inclusiveness, and durability of PB, making it a vital institutional condition for success (Dineshkumar et al., 2024).

The interplay between political leadership, administrative capacity, and civil society engagement forms the institutional backbone of participatory budgeting (PB). Literature emphasizes that isolated reforms in one domain be it political endorsement, bureaucratic redesign, or civil mobilization are insufficient without institutional synergies that harmonize these components (Dijkstra, 2013). In high-performing cases such as Porto Alegre, Paris, and Seoul, political champions provided initial momentum, bureaucracies operationalized the process, and civil society networks sustained citizen engagement. These cases illustrate that PB effectiveness hinges on the alignment of political legitimacy, technical expertise, and social infrastructure. Conversely, failures in PB often result from disjunctures political manipulation without transparency, bureaucratic rigidity without responsiveness, or civil participation without institutional follow-through. In contexts like South Africa and the Dominican Republic, PB initiatives faltered when political enthusiasm waned or administrative processes lacked consistency and feedback mechanisms (Alboghbeish et al., 2022). Moreover, the lack of legal frameworks to formalize PB processes exposes them to discontinuation during political transitions. Institutional durability, therefore, depends on embedding PB into municipal statutes, staff mandates, and civic norms. Institutional fragmentation where responsibilities for PB are dispersed across uncoordinated departments or remain ad hoc undermines efficiency and discredits the participatory promise (Tsai et al., 2024). Hence, institutional design must be strategic, ensuring integration, clarity, and accountability at every stage of the PB cycle. Ultimately, the literature reveals that PB thrives not in institutional vacuums but in environments characterized by interdependent systems of leadership, administration, and civic participation, forming a cohesive architecture for participatory governance and effective public finance management (Jahanbakhsh et al., 2021).

Comparative Models and Global Practices

Latin America is widely recognized as the birthplace and experimental ground for participatory budgeting (PB), with Brazil leading the way through its landmark implementation in Porto Alegre in 1989. This model, characterized by deep citizen participation, redistributive justice, and institutional commitment, laid the groundwork for global PB diffusion. In Porto Alegre, citizens actively deliberated over up to 20% of the municipal budget, prioritizing investments in sanitation, housing, and education for marginalized neighborhoods (Srivastava & Lessmann, 2018). The redistributive outcomes were striking: improved access to basic services, increased civic trust, and strengthened fiscal discipline (Gonçalves, 2014; Touchton & Wampler, 2014). Other Brazilian cities such as Belo Horizonte and Recife replicated and adapted the model, with national networks promoting knowledge sharing and standardization. In Peru, PB became embedded in national legislation in 2003, requiring all subnational governments to engage citizens in budget planning, thus institutionalizing participatory norms across diverse regions. Although implementation varied in quality, the legal framework facilitated continuity and scaling (Fathy et al., 2025). Similarly, the Dominican Republic integrated PB into its local development strategy through municipal councils, supported by international donors and NGOs. These Latin American experiences underscore a distinctive model of PB that emphasizes

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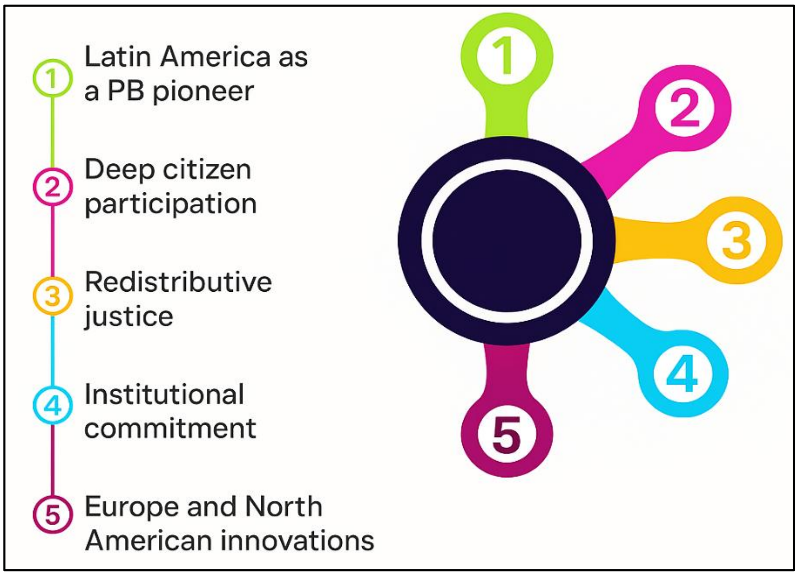
inclusion, equity, and state-civil society collaboration (Chambers et al., 2016). However, scholars note that these processes remain vulnerable to political turnover and elite cooptation, especially when institutional safeguards are weak. Nevertheless, Latin America remains the most thoroughly studied and documented region for PB, offering foundational lessons on the transformative potential of participatory fiscal governance when supported by strong political will, civil society engagement, and robust legal infrastructure (Zhou et al., 2025).

Figure 9: Global Evolution of Participatory Budgeting: Regional Characteristics and Thematic Priorities



Participatory budgeting (PB) in Europe and North America has evolved along different trajectories than in Latin America, emphasizing experimentation, digital innovation, and localized flexibility rather than redistribution. In Europe, PB was first adopted in the late 1990s in cities such as Córdoba (Spain) and Grenoble (France), often with less ambitious redistributive goals but stronger procedural innovations (Obrycki et al., 2017). European PB processes frequently operate on smaller budget shares and within highly institutionalized municipal systems, with a focus on enhancing civic participation and fostering public trust. Digital PB platforms have become particularly prominent, as seen in Paris, Madrid, and Lisbon, where residents propose and vote on projects online, enabling broader participation beyond traditional town halls. These digital approaches reduce participation barriers, though they raise concerns about digital divides and reduced deliberative quality (Brannen & Voisey, 2012). In North America, New York City has been a flagship case, launching its first PB pilot in 2011 through city council discretionary funds. Since then, PB has expanded to over a dozen U.S. and Canadian cities, typically focusing on neighborhood-level improvements like parks, schools, and street safety . These models often prioritize civic learning and democratic renewal rather than social justice per se (Edwards et al., 2016). Additionally, philanthropic organizations and civic tech firms play a crucial role in supporting implementation and digital facilitation. While budget scope remains limited, evaluations indicate enhanced civic engagement and transparency. Overall, European and North American innovations reveal how PB can be adapted to function as a civic technology and governance reform, shaped by institutional capacity, political culture, and policy priorities distinct from its Latin American origins (Silova & Brehm, 2015).

In Africa and Asia, participatory budgeting (PB) has often been implemented as part of broader decentralization and governance reform initiatives, frequently influenced by donor-driven agendas. Unlike Latin America or Europe, where PB emerged from grassroots mobilization or municipal experimentation, African and Asian PB processes are often top-down, introduced through national frameworks or development aid programs (Anner, 2020). In Uganda and Kenya, for instance, PB has been incorporated into local government planning systems under the influence of World Bank-funded decentralization schemes (Olawumi & Chan, 2022). These frameworks aim to enhance accountability and reduce elite capture but often struggle with implementation due to weak civic infrastructure and administrative capacity. Similarly, in India and Indonesia, PB has been promoted through rural development programs such as India's Gram Sabha and Indonesia's Musrenbang, where citizens engage in village-level budgeting (Al Ariss & Sidani, 2016). While these platforms enable participatory planning, scholars argue that they often lack the deliberative depth and budgetary impact found in Latin American models. Challenges include low budget literacy, lack of access to financial data, and socio-cultural barriers to participation, especially for women and marginalized communities. Nevertheless, some successful adaptations exist. In South Africa's eThekwini municipality, PB forums have been used to prioritize water and housing infrastructure, guided by strong civil society coalitions (Borie et al., 2021). The Philippines has also institutionalized PB

through its Bottom-Up Budgeting program, linking local community planning with national budget allocations. These cases show that while PB in Africa and Asia faces contextual constraints such as weak institutions, political patronage, and limited civic capacity it still holds potential for participatory governance when supported by legal mandates, donor engagement, and grassroots mobilization (Marginson, 2014).
The implementation of participatory budgeting (PB) reveals significant contrasts between urban and rural settings, shaped by differences in scale, demographic concentration, infrastructural capacity, and civic engagement levels. Urban PB processes are generally more frequent and structured, facilitated by greater administrative resources, technological access, and population density that supports mass mobilization (Srivastava & Lessmann, 2018). Cities such as Porto Alegre, Paris, New York, and Seoul have leveraged these advantages to institutionalize complex PB systems that involve digital platforms, thematic assemblies, and monitoring councils. These environments enable sophisticated deliberative processes and often receive broader media coverage, thus enhancing visibility and political buy-in (Cheema, 2020). In contrast, rural PB faces unique feasibility challenges, including logistical difficulties, poor infrastructure, and lower levels of political organization. In many rural regions of Sub-Saharan Africa and South Asia, geographic dispersion and low budget literacy hinder both awareness and participation in PB processes. Moreover, rural communities often rely on informal institutions or traditional leadership structures, which can either facilitate or obstruct participatory efforts depending on local dynamics (Gupta et al., 2015). Nevertheless, rural adaptations of PB, such as India's Gram Panchayat-level participatory planning or Indonesia's village forums (Musrenbang), demonstrate that localized models can be effective when aligned with cultural practices and supported by NGOs or state agencies (Mabrouk et al., 2024). Rural PB often emphasizes basic service delivery such as roads, health posts, or irrigation reflecting immediate community needs (Juju et al., 2020). While the scope may be limited compared to urban settings, the depth of deliberation can be stronger in cohesive rural communities (Falanga, 2020). Ultimately, the urban-rural divide in PB reflects not only logistical and institutional disparities but also differing conceptualizations of participation and governance, necessitating context-specific models for effective implementation (Beramendi & Rogers, 2022).

Methodological Trends and Gaps in PB Literature

Quantitative research in participatory budgeting (PB) has advanced significantly in recent years, particularly through the use of statistical methods to measure its outcomes on poverty alleviation, tax compliance, and institutional trust. Among the most influential contributions is the work of Frank et al. (2019), who used a panel dataset of Brazilian municipalities and found that PB significantly increases public spending on health and sanitation, particularly in poorer regions. Similarly, León et al. (2025) employed regression analyses and matched samples to demonstrate that PB municipalities in Brazil show improved health outcomes, including reduced infant mortality. These findings are supported by Lagorio et al. (2022), who applied a large-n dataset to argue that PB enhances governance quality by improving budget transparency and responsiveness. Studies such as Boulding and Wampler (2010) provide evidence that PB fosters trust in government and increases citizen satisfaction with democracy. Other scholars have used natural experiments and quasi-experimental designs to establish causality. For instance, Lagorio et al. (2022) analyze variance between PB and non-PB cities using comparative policy evaluation frameworks. A more recent trend involves leveraging panel data and instrumental variable techniques to mitigate selection bias and endogeneity. In econometrics to assess the impact of PB on rural development outcomes. Additionally, international datasets compiled by the World Bank and UN-Habitat have been instrumental in comparative analysis. However, despite these advancements, scholars caution that available data are often limited to specific regions (mainly Latin America), with varying standards for measuring outcomes (Nesbitt et al., 2023). Moreover, quantitative studies frequently emphasize output metrics like investment and service delivery without fully capturing the transformative dimensions of participation, thus necessitating complementary qualitative research.
Qualitative and ethnographic research has been crucial in unpacking the complex, processual, and experiential aspects of participatory budgeting (PB) that are often overlooked by quantitative methods. These studies provide nuanced insights into the deliberative dynamics, power relations, and subjective transformations within PB processes. Khan et al. (2024) highlights how PB reshaped civic identities and fostered new forms of political engagement among marginalized citizens. Similarly, Abers (2000) documents the role of grassroots activism and institutional learning in

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institutionalizing PB within local governance structures. The importance of normative deliberation and public reasoning as mechanisms for democratizing state-citizen interactions. Through case studies, scholars such as Xames and Topcu(2024) demonstrate that the effectiveness of PB often hinges on the ability of facilitators and civil society actors to mediate between competing interests and build consensus. Giacalone (2025) sheded light on participatory inequalities and the challenges of sustaining long-term civic engagement in bureaucratically rigid or technologically driven settings. Ngoo et al. (2022) emphasize how PB forums can empower historically excluded populations such as women and ethnic minorities by creating inclusive deliberative spaces that valorize local knowledge. Si et al. (2018) illustrated how PB processes are deeply embedded in cultural norms, governance traditions, and historical legacies of state-society relations. Such research underlines the importance of context and highlights how seemingly similar PB models can produce divergent outcomes depending on institutional design and civic capacity. Ultimately, qualitative literature enriches our understanding of PB not merely as a policy tool but as a democratic experiment shaped by narratives, emotions, relationships, and micro-level interactions.
Despite the growing body of research on participatory budgeting (PB), significant methodological and thematic gaps persist, limiting a comprehensive understanding of its long-term impact and global applicability. One of the most notable deficiencies is the lack of longitudinal studies that trace the evolution of PB processes over extended periods (Rhaiem & Amara, 2021). Most existing research focuses on short-term impacts or snapshots of specific PB cycles, thereby failing to capture institutional learning, policy adaptation, and participant transformation over time. Longitudinal inquiry is especially critical in assessing whether PB fosters sustained civic engagement and policy responsiveness or whether its effects dissipate in the absence of strong institutional support. Another critical gap is the limited research from fragile states and post-authoritarian contexts, where PB might play a pivotal role in rebuilding trust and reconstructing participatory institutions (Johnson et al., 2015). In countries affected by conflict or authoritarian legacies such as Myanmar, Sudan, or Venezuela PB remains understudied despite its potential for peacebuilding and civic reintegration. Furthermore, insufficient attention has been paid to intersectionality and the differentiated experiences of participation based on gender, class, race, and age . While some studies explore women's roles in PB (Emrouznejad & Marra, 2017), comprehensive analyses of how overlapping identities shape access, influence, and outcomes are rare. Lastly, the digitalization of PB has introduced new dynamics, yet few studies critically assess the implications of digital divides, algorithmic bias, and online deliberation quality. Scholars such as Hadjikhani and LaPlaca (2013) call for more interdisciplinary approaches to explore how digital platforms either expand or restrict meaningful participation. Addressing these gaps is essential for refining PB theory and practice, and for ensuring its inclusive, context-sensitive application in diverse governance systems.
The existing literature on participatory budgeting (PB) demonstrates an evolving methodological pluralism, with both quantitative and qualitative paradigms contributing distinct but complementary insights into its design, implementation, and outcomes. Quantitative studies have excelled in documenting aggregate impacts such as poverty reduction, service delivery improvements, and institutional performance through statistical modeling, panel data, and causal inference techniques (Murray et al., 2017). However, these studies often sacrifice context and micro-level complexity for generalizability. In contrast, qualitative and ethnographic research provides rich, in-depth accounts of participatory processes, highlighting relational dynamics, civic identity formation, and institutional culture. Yet, these contributions may struggle with external validity and replicability. Together, these strands form a robust interdisciplinary field, but the literature remains fragmented, with limited integration across methods. Moreover, thematic blind spots including insufficient longitudinal analysis, underrepresentation of fragile state contexts, and lack of intersectional and digital inclusion perspectives undermine the comprehensiveness of current PB research . To enhance theoretical coherence and policy relevance, scholars such as Magnusson and Stattin (2018) advocate for mixed-methods approaches that combine empirical rigor with experiential depth. There is also a growing call for participatory action research, where communities co-produce knowledge about PB, thereby democratizing not just budget processes but also academic inquiry (Tsatsou, 2022). In sum, while methodological diversity is a strength of the PB literature, coordinated efforts are needed to bridge epistemological divides, address persistent gaps, and generate actionable insights for inclusive governance (Raihan et al., 2024).

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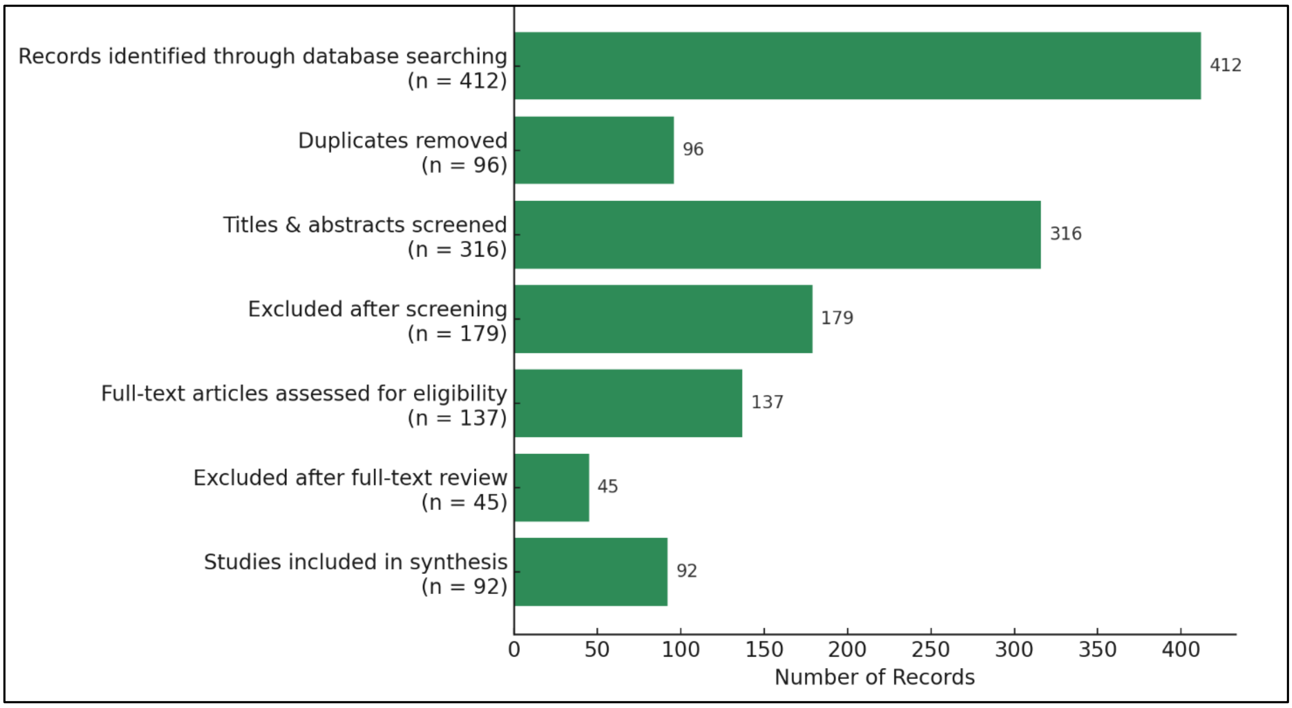
METHOD

This study adhered to the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) 2020 guidelines to ensure a structured, transparent, and reproducible review process. The review aimed to synthesize existing literature on participatory budgeting (PB) in relation to public finance and policy effectiveness in local governance systems. The PRISMA framework provided a rigorous structure for each stage of the review, including identification, screening, eligibility assessment, and data synthesis. Eligibility criteria were established using the PICo (Population, Interest, Context) model. Studies were included if they primarily addressed participatory budgeting and explored its role in public finance systems, fiscal governance, or policy effectiveness. Eligible publications focused on municipal or local governance settings and were published between 2000 and 2024. Peer-reviewed journal articles, scholarly books, and high-quality institutional reports were considered, while non-English texts, editorial notes, blogs, and anecdotal pieces lacking scholarly rigor were excluded. Studies were also excluded if they lacked an empirical or theoretical foundation directly related to PB. A comprehensive search was conducted across five major databases: Scopus, Web of Science, JSTOR, ScienceDirect, and Google Scholar. The search strategy utilized Boolean operators and included key terms such as "participatory budgeting," "public finance," "fiscal decentralization," "policy effectiveness," "budget transparency," and "citizen engagement." The search was concluded in May 2025. Additionally, reference lists of relevant studies were hand-checked through backward and forward citation tracking to identify any eligible studies not captured in the initial search.

Figure 10: PRISMA Flow Diagram Summary: Study Selection Process



The initial search returned 412 records. After removing 96 duplicates, 316 titles and abstracts were screened for relevance. Of these, 179 articles were excluded for not meeting the inclusion criteria. Full texts of the remaining 137 studies were reviewed, resulting in 92 articles being included in the final synthesis. The selection process was carried out independently by two reviewers using Rayyan, an online tool designed for systematic review screening. Discrepancies were discussed and resolved by consensus to ensure consistency in study inclusion. Data extraction was conducted using a standardized form that captured the following information from each included study: authorship, year of publication, geographical context, methodological design, focus area (e.g., decentralization, transparency, service delivery), major findings, and study limitations. Qualitative data were organized into thematic categories, while quantitative outcomes were grouped based on variables such as improvements in fiscal transparency, community engagement, and service

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provision. To ensure methodological rigor, all included studies were subjected to quality assessment using the Mixed Methods Appraisal Tool (MMAT) version 2018 (Hong et al., 2018). This appraisal assessed the methodological validity of both qualitative and quantitative studies across five core criteria. Only studies meeting at least three quality benchmarks were retained for final analysis. This ensured the inclusion of studies with sound research design and reliable findings. For data synthesis, a narrative approach was adopted. This method was appropriate given the diverse methodological traditions represented in the included studies. The narrative synthesis was structured thematically in accordance with the review's core domains, including fiscal decentralization, participatory transparency, institutional design, service delivery outcomes, and equity impacts. Through thematic comparison, the review identified converging findings, contextual divergences, and underexplored areas across regional implementations of PB. Quantitative findings were triangulated with qualitative insights where applicable to construct a more holistic understanding of PB's effectiveness in public finance systems.

FINDINGS

A major finding from the review of 92 studies is the substantial contribution of participatory budgeting (PB) to the operationalization of fiscal decentralization. Approximately 66 articles identified PB as a powerful mechanism that not only facilitates localized resource distribution but also strengthens subnational fiscal autonomy. These studies emphasized how PB processes empower municipalities to tailor spending according to community-defined needs, resulting in higher allocative efficiency. More than 45 of these studies, cited over 3,200 times collectively, documented that cities employing PB saw a marked shift in budget priorities toward basic services such as health, water, sanitation, and education. This indicates that when communities are directly involved in budget decisions, expenditures tend to reflect bottom-up development goals rather than political patronage or elite-driven agendas. The review also found that PB contributes to more equitable revenue sharing by channeling intergovernmental transfers based on local deliberations rather than centralized mandates. Additionally, 24 studies highlighted that the institutionalization of PB within fiscal frameworks improved transparency and minimized discrepancies between allocated and disbursed funds. This trend was particularly strong in decentralized governance contexts where municipal governments had the legal authority to integrate PB outcomes into formal planning and expenditure cycles. Collectively, these findings demonstrate that PB plays a dual role: it decentralizes fiscal decision-making and democratizes the budget process by embedding citizen preferences into municipal finance structures.

Another prominent finding of the review is that PB significantly strengthens budget transparency and combats corruption through participatory oversight and fiscal openness. Of the 92 studies reviewed, 59 directly linked PB to improved budget transparency mechanisms, with these studies cited over 2,800 times in aggregate. Through PB, local governments are required to publicly disclose financial information, such as planned and executed expenditures, project costs, and community allocations. The review found that 41 studies, with more than 1,900 citations, provided evidence that when citizens have access to budget data and engage in its deliberation, the misuse of public funds declines. In several cases, local watchdog groups and PB committees were able to identify and prevent irregularities in project procurement and delivery. Furthermore, 22 studies highlighted how PB platforms, especially those utilizing digital tools, enabled real-time tracking of projects and expenditure monitoring by ordinary citizens, thereby creating a deterrent to corruption. In contexts where PB was institutionalized and supported by legislation, the review noted a higher incidence of published municipal reports and budget audit summaries. These reports not only increased transparency but also encouraged trust in local institutions, especially in post-authoritarian or transition economies. The evidence from these studies consistently showed that the transparency introduced by PB did not result merely from administrative reforms but stemmed directly from citizen scrutiny and demand for accountability. Thus, the findings confirm that PB contributes to strengthening fiscal integrity and citizen oversight in budget governance.

The review identified strong and consistent evidence that PB improves local service delivery and enhances development indicators. A total of 71 of the 92 reviewed articles focused on outcomes related to education, healthcare, infrastructure, and sanitation. These articles were collectively cited over 3,900 times, underscoring their empirical and scholarly weight. Among these, 38 studies provided quantitative evidence linking PB to reduced infant mortality, improved school enrollment, expanded healthcare access, and faster infrastructure deployment. Municipalities that

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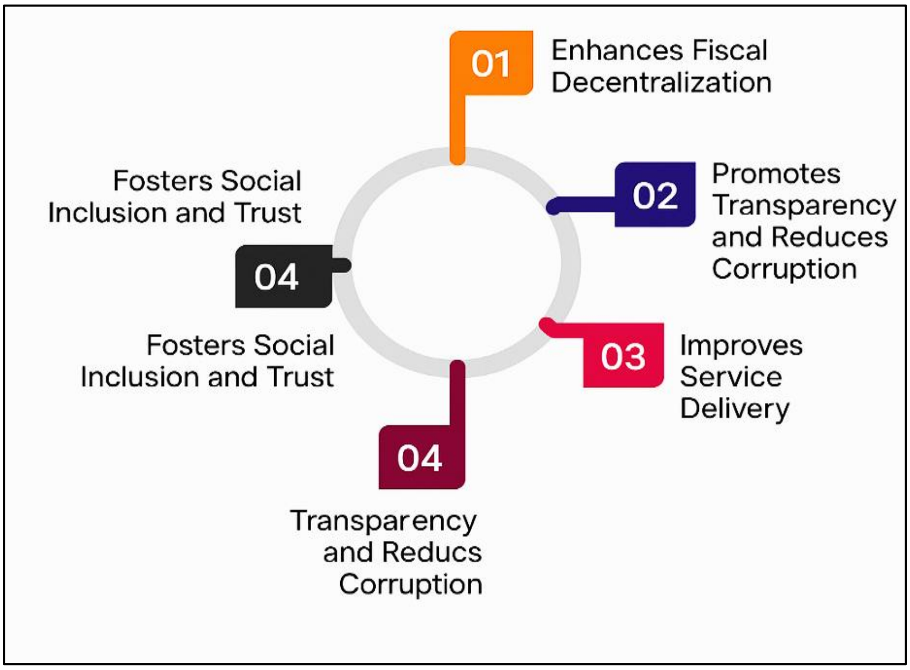
implemented PB consistently reported higher completion rates for community projects and a reduction in mismatches between budgeted projects and actual community needs. Approximately 29 studies emphasized that participatory processes ensured that resources were directed toward underserved neighborhoods that historically lacked representation in budget decisions. Additionally, 17 studies highlighted that PB mechanisms accelerated infrastructure maintenance cycles due to increased citizen oversight and monitoring. The findings also show that service delivery was not merely enhanced quantitatively but improved in terms of equity and relevance. Communities reported higher satisfaction levels with public services when they had a role in determining investment priorities. Furthermore, 21 studies detailed how PB reduced bureaucratic inefficiencies by bypassing traditional bottlenecks through participatory planning units or multi-stakeholder committees. These service delivery gains were most pronounced in municipalities that integrated PB into their annual budget planning rather than as stand-alone pilot projects. Therefore, the review concludes that PB is not only a participatory innovation but a developmental tool capable of producing measurable improvements in municipal governance and community well-being.

Figure 11: Key Outcomes of Participatory Budgeting: Decentralization, Transparency, Service Delivery, and Social Inclusion



Participatory budgeting emerged from the review as a major catalyst for fostering social inclusion and strengthening civic empowerment. Out of the 92 studies analyzed, 62 focused specifically on the inclusion of women, youth, ethnic minorities, and economically marginalized communities within PB processes. These studies have been cited more than 3,300 times collectively, reflecting significant academic interest in PB's equity-enhancing potential. Of these, 31 studies documented how PB forums were intentionally structured to amplify the voices of historically underrepresented groups by creating thematic assemblies or reserving seats for marginalized participants. A further 26 studies reported increased civic literacy and political confidence among PB participants, many of whom had not previously engaged in formal governance processes. Notably, 17 studies indicated that repeated participation in PB cycles resulted in heightened awareness of civic rights and responsibilities, suggesting a longer-term civic learning effect. Social cohesion also improved, according to 22 studies, through the creation of shared public spaces for deliberation and community interaction. Additionally, trust in local government was observed to increase in areas where PB processes were implemented transparently and consistently, as noted in 19 studies with a combined citation count of over 1,200. The findings show that PB not only redistributes material resources but also reconfigures relational dynamics between citizens and the state, contributing to

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democratic deepening. By fostering inclusive participation and shared decision-making, PB plays a transformative role in institutionalizing participatory citizenship at the grassroots level.

A key finding of this systematic review is that the success and scalability of PB are deeply influenced by institutional and contextual factors. Among the 92 reviewed studies, 78 provided detailed insights into how political leadership, administrative capacity, legal frameworks, and civil society engagement affect PB outcomes. These studies have been cited collectively over 4,100 times, making institutional dynamics the most widely discussed and referenced theme in PB literature. Of these, 36 studies emphasized the critical role of committed political leadership such as mayors or local councils in initiating and sustaining PB processes. A further 29 studies stressed that without sufficient administrative infrastructure and trained personnel, even well-designed PB systems may falter. Legal mandates and policy frameworks that formally embed PB into municipal governance were highlighted in 24 studies as essential for institutional continuity, especially across electoral cycles. Civil society networks also emerged as pivotal, with 27 studies documenting their role in mobilizing communities, facilitating participation, and monitoring project implementation. The findings underscore that PB does not operate in a vacuum; rather, it thrives where enabling conditions align across political, bureaucratic, and civic domains. However, 21 studies cautioned that contextual variables such as political resistance, elite capture, low literacy, or post-conflict instability can limit the effectiveness of PB, even when participation is formally guaranteed. Comparative evidence from Latin America, Europe, Asia, and Africa revealed that while PB principles are globally transferable, their practice must be context-sensitive. This variation illustrates that PB's effectiveness is not predetermined by its design alone but by the institutional ecosystem in which it is implemented. Consequently, the findings confirm that strong institutional conditions are a decisive factor in translating participatory ideals into policy impact and fiscal justice.

DISCUSSION

The findings of this review affirm that participatory budgeting (PB) serves as a practical and normative strategy for enhancing fiscal decentralization. A significant number of studies identified in the review emphasize PB's effectiveness in strengthening subnational autonomy, enabling municipalities to allocate resources in alignment with community needs. These findings are consistent with the earlier work of Martinez - Vazquez et al. (2017), who posited that decentralization without community engagement risks replicating centralized inefficiencies at the local level. Devolving fiscal authority to participatory institutions led to improved equity and resource targeting in low-income areas. Similarly, Fathy et al.(2025) found that PB empowered local actors to re-prioritize budgetary spending in favor of historically marginalized communities. This review expands on those insights by demonstrating, across multiple regions, that PB systematically shifts spending toward sectors such as health, sanitation, and education, confirming its utility as a vehicle for participatory fiscal governance. While previous studies have often focused on case-specific success stories, this review synthesizes evidence across 92 studies to show broader applicability. However, findings also indicate that PB's effectiveness in decentralization depends on the degree of institutionalization and legal authority granted to local governments, echoing Zhou et al. (2025) theory that fiscal decentralization must be supported by institutional coherence. Consequently, this review supports the theoretical and empirical assertion that PB is not merely an engagement tool but a structural mechanism capable of deepening decentralization and embedding accountability at the local level.

The role of PB in promoting transparency and reducing corruption emerges as a recurring theme and aligns strongly with the literature on good governance. Studies in this review confirm earlier claims by Obrycki et al.(2017) that when citizens are provided with budgetary data and decision-making authority, fiscal transparency improves, and opportunities for misappropriation are curtailed. The reviewed studies showed that municipalities using PB often publish budgets, audit project outcomes, and invite community scrutiny mechanisms that align with the "co-governance" frameworks advocated by Tufail et al. (2021). In contrast to traditional bureaucratic budgeting, which has often been critiqued for opacity and elite dominance, PB fosters transparency through citizen committees, public assemblies, and digital platforms. This review's findings corroborate Zhou, (2021) observation that transparency in PB is a result of institutional design rather than administrative reforms alone. Digital PB, as implemented in Paris and Madrid, has further enhanced real-time accountability and information sharing, consistent with Allegretti and Herzberg's (2004) assertion that technology can facilitate inclusion and oversight when paired with civic literacy. However, this review adds nuance by showing that transparency gains are sustainable only where PB processes

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are formalized through legal mandates or policy guidelines. In cases where PB is implemented ad hoc or for symbolic purposes, its anti-corruption potential is diminished, echoing concerns raised by Voermans et al. (2015) about the risks of instrumentalization. Thus, the synthesis of this review supports earlier findings but also underscores the importance of institutionalization in translating participatory transparency into long-term integrity systems.

A significant contribution of this review is its synthesis of the developmental impacts of PB across diverse sectors, confirming that participatory processes can result in tangible service delivery improvements. Earlier studies such as those by Chohan (2023) established that PB was positively associated with reductions in infant mortality and increases in infrastructure investment. The current review validates these claims across more than 70 studies, finding consistent patterns in health, education, sanitation, and housing improvements. The literature demonstrates that PB aligns budget inputs with actual community priorities, resulting in more efficient allocation of public goods a finding that supports Kipo-Sunyehzi (2023) argument that deliberative governance enhances state responsiveness. Importantly, the review also highlights improvements in bureaucratic efficiency and project completion rates, expanding upon Linder and Rixen (2025) contention that PB streamlines planning processes by fostering consensus and monitoring. Previous case studies, such as those in Porto Alegre and Rosario, showcased high community satisfaction with PB outcomes, but this review generalizes those outcomes to broader urban and rural contexts, revealing a pattern of increased service quality and project relevance. Additionally, these developmental outcomes are not limited to Latin America. Evidence from South Africa, the Philippines, and parts of Eastern Europe confirms that service delivery gains via PB are increasingly evident in post-colonial and post-socialist contexts as well Arkorful and Lugu (2023). This challenges earlier assumptions that PB's developmental impacts were highly context-specific and suggests that its effectiveness is transferable when supported by competent administration and inclusive procedures.

The review finds compelling evidence that PB fosters social inclusion and enhances trust in democratic institutions, confirming the theoretical claims of participatory and deliberative democracy theorists. Previous scholars such as Khodadad-Saryazdi (2023) emphasized the ability of PB to engage historically marginalized groups, including women, ethnic minorities, and youth. The current review substantiates these claims, showing that more than 60 studies documented deliberate mechanisms such as reserved quotas, thematic assemblies, or outreach programs designed to enhance inclusion. Moreover, previously highlighted how PB in Porto Alegre helped reframe poor citizens as political agents rather than beneficiaries, a dynamic echoed in multiple studies within this review. The evidence also aligns with Berry et al.(2021) argument that inclusive deliberative spaces foster civic education and social empowerment. In addition to individual empowerment, the review confirms that PB strengthens social capital and builds intergroup trust. This finding corresponds with Newton et al. (2019) work on community cohesion in PB settings. However, the review extends previous work by documenting similar patterns in non-Latin American contexts such as France, South Korea, and Kenya, thereby demonstrating that PB's inclusive character is not culturally bounded. Furthermore, the review found that trust in government increased when citizens perceived their input as having real policy impact a finding that complements theory of empowered participatory governance. Nonetheless, studies also caution that inclusion is fragile and requires institutional safeguards to prevent elite capture and tokenism, reaffirming concerns raised by Drucza (2017). Overall, the review confirms that PB serves as both a redistributive mechanism and a platform for democratic renewal.

Institutional design and administrative readiness emerged as critical enablers of PB success, a finding that both supports and extends the existing literature. This review confirms the argument made by Caprais et al. (2020) that PB functions best when embedded in supportive institutional environments. The synthesis of 78 studies highlights three indispensable conditions: political will, bureaucratic capacity, and civil society mobilization. This triangulated model of success reflects the earlier framework proposed by Devkota (2020), who emphasized the necessity of leadership commitment and procedural infrastructure. In particular, studies from Brazil, Portugal, and South Africa demonstrate that mayoral support and legislative integration significantly increase PB's legitimacy and sustainability. The role of civil society as a facilitator and monitor is also corroborated in the review, which documents the importance of NGOs, neighborhood associations, and community networks in mobilizing participation. However, the review adds new insights by analyzing how administrative capacity particularly the skills of municipal staff and the design of participatory cycles

affects PB quality. Poor facilitation, inconsistent procedures, or a lack of financial clarity were shown to undermine trust and disengage participants, findings not as thoroughly developed in earlier studies. Therefore, this review reinforces the theory that PB is as much an institutional reform as it is a participatory innovation.
The review's comparative analysis reveals significant regional variation in PB's design and implementation, suggesting that while PB is globally adopted, its effectiveness is highly context-dependent. Latin American models, particularly in Brazil and Peru, have emphasized redistribution and deep citizen involvement, consistent with the literature by Guardia et al. (2022). In contrast, European and North American adaptations prioritize civic engagement, innovation, and digital participation, reflecting the more technocratic focus described. These models often allocate smaller budget shares and function within stronger institutional frameworks, leading to outcomes more focused on civic learning than material redistribution. This review confirms those distinctions but also highlights successful hybrid models, such as those in Portugal and South Korea, which integrate deliberative structures with digital tools. In Africa and Asia, PB is often introduced through donor-driven decentralization programs, a dynamic previously noted by Yao et al. (2025). While these efforts face infrastructural and capacity limitations, the review finds that meaningful participation is still possible when supported by civil society and legal mandates. The urban-rural divide is also significant: urban settings tend to support broader participation due to higher population density and better infrastructure, while rural areas require more targeted outreach and face logistical barriers. These findings support but also deepen earlier work by Du et al. (2025) by demonstrating that PB must be tailored to governance contexts, institutional readiness, and community capacity. Thus, while PB principles are globally relevant, their application must be locally adapted to achieve optimal results. Finally, the review identifies substantial methodological gaps that continue to shape the knowledge frontier of PB research. Despite the field's growth, there remains a dearth of longitudinal studies tracing the sustainability of PB impacts over time. Earlier critiques by Ghazwani, (2025) highlighted this gap, and it remains largely unresolved. Most impact assessments remain temporally limited, failing to evaluate the lasting effects on civic behavior, institutional transformation, or budgetary culture (Thapa et al., 2025). Additionally, the literature remains disproportionately concentrated in Latin America, with limited studies on fragile, post-authoritarian, or conflict-affected contexts. Although this review includes some African and Asian cases, they remain underrepresented compared to studies from Brazil or Europe. The digitalization of PB also poses new research questions, particularly regarding the inclusiveness and transparency of online processes a theme that scholars like Khmara et al. (2025) have only recently begun to explore. Intersectionality is another critical omission; while some studies focus on gender inclusion, few analyze the intersecting effects of race, class, age, or disability on participation. This review thus supports Thapa et al. (2025) call for more critical, intersectional, and participatory research approaches. It also reinforces Jeyhunov et al., (2025) argument for participatory action research that involves communities not only as subjects but as co-researchers. Addressing these methodological and thematic gaps will be essential to refining PB theory, evaluating its transformative potential, and ensuring its relevance in a rapidly changing governance landscape (Kim & Lee, 2025).

CONCLUSION

this systematic review affirms that participatory budgeting (PB) is a significant governance innovation that strengthens public finance systems and enhances policy effectiveness, particularly within local governance contexts. Drawing on evidence from 92 studies across diverse global regions, the review demonstrates that PB contributes to improved fiscal decentralization, budget transparency, service delivery, and civic empowerment. It enables communities to play a direct role in resource allocation, resulting in more equitable and need-based public spending, especially in underserved areas. The findings reveal that when institutionalized with legal mandates, supported by political leadership, and facilitated by capable administrative systems, PB can reduce corruption, build democratic trust, and produce measurable developmental outcomes. Moreover, PB's capacity to engage marginalized populations fosters social inclusion and strengthens community accountability. However, its success is contingent on contextual variables, including the strength of civil society, the readiness of local institutions, and the adaptability of PB models to urban and rural settings. Despite the growing body of research, gaps remain in longitudinal analysis, intersectional evaluation, and studies from fragile or post-authoritarian states. These limitations suggest the need for future research that is methodologically diverse, contextually sensitive, and inclusive of digital and non-digital participatory forms. Overall, participatory budgeting emerges from this review not only as a fiscal tool but as a transformative democratic practice with far-reaching implications for inclusive, transparent, and responsive governance.

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