https://doi.org/10.53656/igc-2025.28

ENHANCING THE EFFICIENCY OF PUBLIC SPENDING THROUGH CITIZEN PARTICIPATION

Ivan Vasilev
University of National and World Economy, Sofia (Bulgaria)
Nikolay Shterev
University of National and World Economy, Sofia (Bulgaria)

Abstract. This paper examines the role of citizen participation as a mechanism for enhancing the efficiency, legitimacy, and sustainability of public expenditure. Against a background of economic constraints and growing demands for transparency and accountability, the inclusion of citizens in governance is analyzed not only as a democratic value but as a practical strategy for improving the allocation and impact of public funds. The study builds upon multidimensional concepts of efficiency—technical, allocative, and social—and connects them to participatory approaches in public finance. Drawing on the works of Arnstein (1969), Etzkowitz and Leydesdorff (2000), and Carayannis and Campbell (2010), the paper outlines a conceptual framework linking governance models such as the Triple, Quadruple, and Quintuple Helix to participatory mechanisms in decision-making.

Empirical evidence from the OECD (2022) *Open government data report: Enhancing policy maturity for sustainable impact* and World Bank (2023) *Open budgets and public participation: Building trust and transparency in government finance.* Washington, DC: World Bank Group) underscores that inclusive governance leads to greater trust in institutions, higher-quality public services, and more equitable policy outcomes. The paper also explores participatory budgeting, digital tools for citizen engagement, and public-private partnerships as instruments for co-creating public value. The analysis demonstrates that efficiency in public spending extends beyond financial metrics, encompassing legitimacy, social cohesion, and environmental responsibility.

Ultimately, the study concludes that sustainable and competitive governance depends on institutional willingness to redistribute power and foster co-creation with citizens. This participatory transformation redefines efficiency—not as cost minimization, but as the capacity of governance systems to generate shared, socially meaningful outcomes aligned with democratic values and long-term resilience.

Keywords: citizen participation; public finance; governance efficiency; co-creation; participatory budgeting

JEL: H50, D73

Introduction

Effective and accountable management of public funds is a fundamental component for building sustainable, fair, and inclusive public systems. In the context of economic instability, limited resources, and growing social tensions, public pressure on institutions to be transparent, accountable, and results-oriented is stronger than ever. In this context, the inclusion of citizens in the decision-making, planning, and monitoring processes of public spending emerges not only as a democratic principle but as a necessity for achieving efficiency, legitimacy, and sustainability of public governance.

This paper provides an in-depth exploration of the theoretical foundations of citizen participation in governance, as well as applicable models for multi-sector interaction and innovative forms of joint planning and implementation of public projects. Key approaches in the management of public investments are examined, as well as various sources of financing that can support and expand the opportunities for real public engagement in the spending of budget funds. Particular attention is paid to the concept of participatory budgeting, the possibilities for electronic participation, and the role of European programs in creating an environment for the co-creation of value between the administration and citizens.

Theoretical foundations of effective management of public funds

Concept of efficiency in public finances

Efficiency in public finances is a concept with a multidimensional meaning, which goes beyond the traditional economic concept of maximizing the result while minimizing costs. The modern understanding includes not only economic rationality, but also social justice, transparency, public trust, and sustainable impact. This leads to the expansion of the concept in three main directions: technical, allocative, and social efficiency.

Technical efficiency refers to the extent to which available resources are used optimally to achieve specific goals. Issues such as productivity, budgetary discipline, deadlines and cost-effectiveness are considered here. An example of technical efficiency is the construction of a public building within the budget and without delay.

Allocative efficiency analyzes whether resources are directed to the most essential public needs. This dimension refers to the ability of government bodies to prioritize investments according to the public interest, rather than administrative expediency. For example, if a municipality invests in a new sports complex while drinking water is not provided in some neighborhoods, the principle of allocative efficiency is violated.

Social efficiency includes qualitative indicators such as citizen satisfaction, perception of justice, inclusion of different social groups, and long-term trust in institutions. This dimension makes a connection between the results of public

investments and the social legitimacy of governance. Social efficiency often remains underestimated in analyses, but is essential for the stability and democracy of governance.

Role of citizens in public governance

Citizens today play an increasingly active and self-aware role in processes of public governance. This evolution stems both from the rapid digitalization of public life—which has expanded access to information—and from changing social expectations regarding transparency, accountability, and participation (Organisation for Economic Co-operation and Development (OECD). (2022). *Building trust and reinforcing democracy: Preparing governments for future shocks*. OECD Publishing). The transition from a traditional model of *government*, defined by hierarchical command and administrative control, to a model of *governance*, characterized by collaboration and shared responsibility, has profoundly redefined the relationship between the state and society. Within this new paradigm, citizens are no longer passive recipients of public policy but rather co-creators of public value, participating directly in the design, implementation, and monitoring of decisions that affect their lives (World Bankp 2023).

Citizen participation takes multiple, interrelated forms that together constitute the core of participatory democracy. Public discussions and consultations serve as inclusive forums through which individuals and civic organizations articulate their perspectives, critique proposed policies, and advance alternative solutions. Such deliberative processes broaden the informational base for policy decisions while simultaneously strengthening legitimacy through openness and inclusiveness (Masango, 2001). A more formalized channel of engagement is participation in advisory boards and committees, where citizens collaborate with administrators and experts in defining priorities and assessing program outcomes.

Participatory budgeting is among the most widely recognized instruments of civic engagement. First introduced in Porto Alegre, Brazil, in 1989, it allows residents to determine how specific portions of municipal budgets are allocated to public projects that address local needs (Budgeting with Community Participation, n.d., para. 3). Through deliberation and voting, participants ensure that expenditures reflect collective priorities and reinforce accountability in fiscal management. Complementing these practices, citizen monitoring initiatives—both traditional and digital—enable communities to oversee implementation and spending, thereby reducing opportunities for inefficiency and corruption (Dodds et al., 2020).

Extensive empirical research by the World Bank (2023, pp. 11 – 13) and the OECD (2022, pp. 20 – 23) indicates that the systematic inclusion of citizens in governance processes leads to higher levels of trust in institutions, improved quality of public services, reduced corruption, and greater sustainability of policy outcomes. These effects arise because participatory mechanisms align governmental actions more closely with societal needs and create a sense of shared ownership over public decisions.

Nevertheless, effective and meaningful participation requires robust institutional capacity. Public administrations must provide mechanisms that guarantee accessibility, accurate and timely information, clear accountability structures, and traceable procedures (OECD, 2022, p. 25). In the absence of such mechanisms, participation risks becoming purely symbolic, producing the *appearance* rather than the substance of democracy. Arnstein (1969, pp. 216 – 218) emphasized this distinction more than half a century ago, warning that without the real transfer of influence, "participation" may serve merely to legitimize predetermined outcomes. Genuine citizen involvement, therefore, depends not only on political will but also on cultivating a participatory culture that empowers individuals to engage competently and confidently in governance processes.

The Ladder of Participation

Sherry Arnstein's seminal work *"A Ladder of Citizen Participation"* (1969) remains one of the most influential and enduring theoretical frameworks for analyzing the levels and authenticity of civic involvement in governance. Arnstein conceptualized participation as a continuum of power relationships between citizens and authorities, structured into eight distinct rungs that reflect varying degrees of influence over decision-making. These levels are grouped into three broad categories – non-participation, symbolic participation, and genuine participation – each illustrating how power is distributed within public processes (Arnstein, 1969, pp. 216 – 218).

At the lowest end of the spectrum lie the **non-participatory levels**, where engagement serves primarily to create an illusion of inclusion rather than enabling actual influence. The first of these, *manipulation*, represents situations where citizens are ostensibly included but in practice are used to endorse pre-decided policies. The second, *therapy*, involves participation framed as a corrective tool for citizens rather than a means of empowerment, reducing engagement to a form of social "rehabilitation" rather than shared governance (Arnstein, 1969, p. 217).

The middle section of the ladder, which Arnstein termed **tokenism** or *symbolic participation*, captures forms of engagement that appear democratic but offer limited or no real authority. *Informing* citizens about decisions without offering feedback opportunities, *consultation* that seeks opinions without guaranteeing they will shape outcomes, and *placation* – the inclusion of a few community representatives to diffuse dissent – are typical examples of this level. These mechanisms, while an improvement over pure manipulation, do not necessarily alter power relations, as the decision-making authority remains with public officials (Organisation for Economic Co-operation and Development (OECD, 2022).

At the upper end of the ladder lie the levels of **genuine participation**, characterized by power redistribution and collaborative decision-making. In *partnership*, citizens and authorities engage as equals in negotiating and implementing policies, sharing responsibilities and risks. The next rung, *delegated power*, involves transferring

specific decision-making authority to citizen groups or community organizations, granting them control over defined aspects of governance. Finally, *citizen control* represents the highest degree of empowerment, where communities possess full authority over policy design, budgeting, and implementation, effectively reversing the traditional top-down model of governance (Arnstein, 1969, p. 218).

Arnstein's framework remains particularly relevant for evaluating contemporary participatory mechanisms such as participatory budgeting. For instance, when residents are allowed to deliberate, propose, and vote on projects that determine the allocation of public funds, the process reaches the level of delegated power. Conversely, when participation is orchestrated by the administration without actual influence over outcomes, it regresses to symbolic consultation – participation "in form" rather than "in substance" (World Bank, (2023).

In recent decades, scholars have expanded upon Arnstein's model to incorporate new dimensions of participation relevant to the digital age. These include online civic engagement, social media-driven activism, and the dynamics of participation across digital divides (Carayannis & Campbell, 2010). Researchers have also emphasized the importance of equal access, cultural inclusion, and the intersectionality of participation in globalized, networked societies (Dodds et al., 2020). Despite these developments, the enduring strength of Arnstein's contribution lies in its clarity: the model draws an essential distinction between mere procedural participation and substantive empowerment, reminding policymakers that true democratic governance depends not on the existence of participatory structures, but on the actual transfer of power to the people.

Models for multi-sector interaction in public management

The Triple Helix model

The Triple Helix model was introduced by Henry Etskowitz and Loyette Leidesdorf at the beginning of the 21st century as part of research on innovation systems. It is based on the understanding that the successful development of society – especially in the context of a knowledge economy – depends on the interaction between three key social and institutional spheres: academia (universities), the business sector (industry), and public authority (the state).

In the classical management of public funds, decisions are often made within the administration, with scientific and economic capacity being used only in an advisory capacity. Triple Helix offers a new model – a networked, nonlinear collaboration, in which the three participants jointly define public problems, create innovative solutions, and manage resources.

The application of Triple Helix in public management leads to several key benefits such as: higher expertise in the budgeting and planning process, thanks to the participation of academic institutions; an innovative approach to solving social problems by involving the private sector; and higher legitimacy and sustainability of management decisions through an open collaborative process.

Examples of successful adaptation of this model can be found in the Scandinavian countries, where universities and businesses, together with local authorities, develop projects in areas such as sustainable transport, green technologies, and smart cities.

Quadruple and Quintuple Helix models

Quadruple and Quintuple Helix models are an extension of the Triple Helix concept, proposed by Kariannis and Campbell, in order to more realistically reflect the complexity of society and the need for integration of social and environmental factors.

The Quadruple Helix introduces civil society and the cultural and media sphere as a fourth pillar. It recognizes that effective governance cannot be achieved without the active participation of citizens and NGOs, who express interests and needs from the bottom up; and media and digital platforms, which shape public opinion and ensure transparency.

This model applies to public investments in education, culture, infrastructure, and social services, where values, attitudes, and social legitimacy play a role equal to economic arguments.

The Quintuple Helix also includes the environment as a fifth element, emphasizing that sustainable development should be a horizontal priority. The management of public funds should also be assessed according to: ecological footprint of projects; contribution to climate change adaptation; promotion of green innovations and behavior.

In this framework, civic participation takes on an additional dimension – citizens become co-creators of solutions that reflect not only economic and social logic, but also the long-term sustainability of communities.

The European Union integrates these models through policies such as Horizon Europe, the European Green Deal, and cohesion policy. Those funds require a demonstration of cooperation between public authorities, NGOs, business, academia, and citizens, as well as a contribution to the Sustainable Development Goals.

Value Co-Creation

The concept of value co-creation originates from the field of marketing and public management, where it is increasingly recognized that the ultimate value of a service or policy is not determined unilaterally by the provider, but is shaped together with the user. Transferred to the public sphere, this idea is transformed into a management approach in which citizens participate in all phases of the political and budgetary cycle.

The cycle begins by defining the problem – through public forums and analysis of local needs. Then comes the design of the policy or project – through joint working groups, hackathons, competition formats. The next phase is implementation – through voluntary participation, control, or joint implementation. At the end we have an evaluation and feedback – through monitoring panels, citizen audit, and real-time feedback.

Co-creation of value changes the role of the administration – from a central "provider" of services to a facilitator of solutions. This requires building trust, openness to innovation, and readiness to share power. At the same time, citizens acquire a new identity – of active co-creators of public outcomes.

Examples of successful implementation of this approach include: educational policies developed jointly with students and teachers (Finland); urban planning with active participation of local communities (Netherlands); management of resources and services through platform solutions (Barcelona, Madrid).

There are also challenges: the risk of limited representation (more active groups participate), a lack of capacity in the administration, and a lack of political will for real openness. Regardless of them, the co-creation approach creates conditions for greater legitimacy, higher efficiency, and long-term sustainability of public policies.

Public project management with citizen participation

Basic principles of public project management

Public project management is a systematic process through which the implementation of specific initiatives financed with public funds is planned, implemented, monitored, and evaluated. The main phases include: defining objectives, analyzing stakeholders, planning activities and resources, implementation, control, and evaluation. Unlike the private sector, in public projects, an important element is accountability to the public and the pursuit of maximum public interest, not profit.

Effective public project management is grounded in several fundamental principles. **Transparency** refers to the obligation of public institutions to ensure open planning, clear accountability, and easy access to information about the objectives, progress, and outcomes of projects. **Participation** emphasizes the active engagement of citizens, non-governmental organizations, experts, and other stakeholders throughout all stages of the project cycle, from planning to evaluation. **Efficiency and effectiveness** relate to the optimal use of available resources while achieving concrete, measurable results that reflect both fiscal discipline and public value. **Equity and inclusion** require that project design and implementation take into account the diverse needs of different social groups, ensuring fairness and preventing any form of discrimination or marginalization. Finally, **sustainability** highlights the importance of pursuing long-term benefits and minimizing negative externalities – economic, social, or environmental – so that today's policies and projects do not compromise the well-being of future generations (OECD, 2022, p. 45).

Methodologies such as PMBOK and PRINCE2 are increasingly applied in the public sector, but adapted to the requirements of the regulatory framework, public control and citizen engagement. In this context, effective management includes not only professional implementation of the project cycle, but also strategic communication and active facilitation of dialogue with society.

Participatory Budgeting (PB)

Participatory Budgeting (PB) is an innovative form of democratic participation in which citizens directly participate in the allocation of part of the public budget. This practice originated in Porto Alegre, Brazil (1989) and is now implemented in over 3,000 municipalities around the world. Its main goal is to increase transparency, accountability ,and compliance between spending and the real needs of the population.

PB has multiple positive effects, such as: targeting resources to the most pressing problems according to residents; increasing public trust and participation in governance; improving social justice by including vulnerable groups; educational value – citizens become familiar with the budget process, learn consensus and prioritization.

PB is implemented in different forms, such as: deliberative model – with discussions and votes at general meetings; digital model – through online proposal platforms and electronic voting and hybrid model – combining physical and online participation.

In Bulgaria, pilot projects such as "Sofia Decides" show growing interest in PB, although the percentage of the budget to be allocated is still limited. For PB to be sustainable and effective, a regulatory framework, stable institutional capacity and an active communication strategy to engage citizens are needed.

Digital tools for participation

Digitalization creates new opportunities for citizens to participate in public processes. It overcomes barriers such as time, distance, and organizational inertia, providing new channels for communication, feedback, and co-creation of policies.

Among the main digital tools are: online participation platforms – such as Decidim, Consul, CitizenLab, and others, through which citizens can propose ideas, vote, and monitor the progress of projects; interactive maps and budgets – visualizing projects and public spending by area or topic; mobile applications – for reporting, surveys, or voting; co-planning tools – such as online discussion forums, digital hackathons, and open data.

The potential of these tools is huge, but their application is not without challenges. Some of the challenges are: digital inequality – not all groups have the same access to the internet or digital literacy; lack of a culture of participation – lack of habits, trust, or interest; and administrative unpreparedness – lack of capacity, resources, or regulatory framework to manage digital participation.

Despite these obstacles, digital tools are playing an increasingly important role in the transformation of public governance – from a closed and hierarchical model to an open, networked, and collaborative system of interaction between institutions and citizens.

Sources of funding and integration of participation

National and local budgets

National and municipal budgets are the main source of public funding for the implementation of policies and projects related to public services, infrastructure, education, culture and other areas. In the traditional model, decisions on the allocation of funds are made mainly by central or local administrative authorities and representatives in elected bodies. However, in the last decade, there has been a growing trend towards opening up budget processes to citizen participation, especially at the local level.

More and more municipalities are introducing mechanisms for public consultations on the budget, public discussions, public sessions and participatory budgeting. An important condition for the success of these initiatives is clearly defined rules for participation; accessible and understandable information about the budget and real opportunity to influence decision-making.

Examples from countries such as Poland, Portugal, and Germany show that when citizens have a share in decisions, funds are directed more effectively to priorities such as kindergartens, social services, and urban infrastructure. In Bulgaria, inclusion practices are still uneven, with only a small share of municipalities having working formats for participatory budget allocation.

European programs and funds

Funding from the European Union (EU) is an important mechanism for implementing public policies and investments, especially in countries from Central and Eastern Europe. The EU programming documents highlight the need to apply the principles of partnership, inclusion and participation of all stakeholders – including citizens – at all stages of policy programming, implementation and monitoring.

Programmes such as: Horizon Europe – promotes co-creation of solutions through cooperation between administration, scientific institutions, civil society organisations and business; Erasmus+ – supports civic education, innovation in governance and youth participation; Recovery and Resilience Facility – requires broad participation and accountability in the implementation of recovery measures; European Structural and Investment Funds programmes – include requirements for the involvement of partners and public consultations;

All these instruments contribute to building capacity for co-management, innovation and sustainable development. The existence of well-functioning participation mechanisms is often a criterion for project approval and a condition for granting funding.

Public-Private Partnerships (PPPs)

Public-private partnerships are long-term collaborations between the public sector and private companies to deliver public services or build infrastructure. In the context of public resource management, PPPs provide opportunities to mobilize

additional financial and technical resources, while sharing risks and responsibilities between the parties.

Successful PPPs include mechanisms for citizen participation, such as: advisory boards with the participation of the local community; public forums to determine the parameters of the project; integration of a social clause – a requirement for social and environmental responsibility and open mechanisms for complaints and feedback.

Examples from countries such as the United Kingdom, Canada and the Netherlands show that when citizens participate in the planning and control stages, the legitimacy of projects is increased, resistance is reduced and the effectiveness of implementation is improved.

However, PPPs also pose risks – opacity, profit shifting to the private sector and insufficient public control. Therefore, the integration of citizen participation is not only an opportunity, but also a necessity for achieving a balance between efficiency, justice and democratic legitimacy in the management of public funds.

Conclusion

The conducted research and the developed theoretical analysis confirm the high importance of citizen participation as a tool for increasing the efficiency of spending public funds. In the conditions of limited resources, increasing public sensitivity and the need for transparency in management, the inclusion of citizens in all phases of the public process – from planning to monitoring – is not just a democratic virtue, but a real strategic necessity.

The theoretical foundations examined in the first part of the study show that the efficiency of public spending should be thought of in three interrelated dimensions – technical, allocative and social. Only when public policy achieves optimal use of resources, addresses real public priorities and creates trust and satisfaction among citizens, can we speak of sustainable effectiveness.

The models for multi-sector interaction – Triple, Quadruple and Quintuple Helix – offer an innovative framework for joint governance, in which knowledge, economy, society and environment intertwine in a balanced mechanism of value creation. In this context, citizen participation is not an isolated process, but part of a broader ecosystem of joint governance, cooperation and innovation.

The analysis of public project management has shown that effective participation leads to better results, increased trust and social legitimacy. Participatory budgeting, with properly implemented mechanisms and support, has the potential to grow into a stable channel for joint planning and control. Digital technologies expand the horizons of the possible, but also require investments in capacity and digital literacy.

The study of funding sources highlights the need to integrate participation both in the allocation of local budgets and in projects financed by European programmes or implemented through public-private partnerships. Without

adequate citizen involvement, there is a risk of inefficiency, resistance and loss of public legitimacy.

On this basis, the main conclusions can be formulated as follows:

– Citizen participation increases the effectiveness of public spending through improved prioritization, accountability and commitment;

– Theoretical and applied models of interaction prove the benefits of shared governance and co-creation of value.

– Sustainable results require institutional will, regulatory support and investments in capacity – both of the administration and the citizens themselves;

– Efficiency is not just a technical category – it includes social trust, legitimacy and inclusiveness.

In conclusion, the future of effective public governance depends on the ability of institutions to open up to citizens not only as sources of opinion, but as equal co-creators of public decisions. Only in this way can public spending be directed not simply towards results, but towards results with meaning and support from society.

REFERENCES

Arnstein, S. R. (1969). A ladder of citizen participation. *Journal of the American Institute of Planners, 35*(4), 216 – 224. https://doi.org/10.1080/01944366908977225.

Carayannis, E. G., & Campbell, D. F. (2010). Triple Helix, Quadruple Helix and Quintuple Helix innovation systems and sustainable development. *International Journal of Social Ecology and Sustainable Development, 1*(1), 41 – 69. https://doi.org/10.4018/jsesd.2010010105.

Dodds, E., Snaith, B., Maddison, J., & Marcus, M. (2020). Data-enabled public services need funding to scale, but better tools are also part of the answer. *Open Data Institute*. https://theodi.org/news-and-events/news/data-enabled-public-services-need-funding-to-scale-but-better-tools-are-also-part-of-the-answer/.

Etzkowitz, H., & Leydesdorff, L. (2000). The dynamics of innovation: From National Systems and "Mode 2" to a Triple Helix of university–industry–government relations. *Research Policy, 29*(2), 109 – 123. https://doi.org/10.1016/S0048-7333(99)00055-4.

Masango, R. (2001). *Public participation in policy-making and implementation with specific reference to the Port Elizabeth municipality.* [Master's thesis]. Nelson Mandela Metropolitan University.

OECD. (2022). *Open government data report: Enhancing policy maturity for sustainable impact*. OECD Publishing.

World Bank. (2023). *World Development Report 2023*. World Bank Publications.

✉ **Ivan Vasilev, PhD Student**
Department of Industrial Business
University of National and World Economy
19, December 8th St.
1700 Sofia, Bulgaria

✉ **Prof. Nikolay Shterev, PhD**
University of National and World Economy
19, December 8th St.
1700 Sofia, Bulgaria
E-mail: ind.business@unwe.bg