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What Explains the Success of Participatory Budgeting? Evidence from Seoul Autonomous Districts

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What Explains the Success of Participatory Budgeting? Evidence from Seoul Autonomous Districts

Abstract
In this study, we examine the association between the success of participatory budgeting and a number of variables that characterizes the participatory process in light of the participatory budgeting recently adopted by autonomous districts in Seoul. Specifically, we consider three variables (the number, attendance rate, and level of expertise of the participatory budgeting committee members), and examine the association between these three variables and the success of the participatory process, as measured by the amount of budget included in the official budget of the district. We find that only the level of expertise of the committee members has a significantly positive association with the measured level of success of the participation.

Keywords
attendance rate, expertise, participatory budgeting, residents participatory committee

Acknowledgements
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Introduction
When formulating a system under a democracy there are two aspects that trade each other off to consider. One is ‘inclusion’ and the other is ‘thoughtfulness’. First of all, although inclusion is a key element in a direct democracy, which indicates the representativeness of a system’s membership or how many participating members exist, it is relatively insufficient when deliberating over an issue. On the other hand, thoughtfulness is a key element in a deliberative democracy, which is an indicator of how the randomly elected members take their time to carefully make a decision on an issue. These two indicators have a trade-off relationship. In other words, when the inclusiveness index is stressed in a system, representativeness and a direct democracy can be pursued. However it is relatively difficult to make a contemplative decision; also it is hard to formulate a well-converged public opinion. On the other hand, when the thoughtfulness index is stressed, a public opinion equipped with professionalism can be formulated because members are able to take their time and collect sufficient information, but there is concern for damaging membership’s representativeness (Fishkin, 2005).

Regarding this matter, Fishkin emphasizes thoughtfulness and argues that the problem with representativeness can be overcome through ‘debate’ and a deliberative democracy (Fishkin, 2005). In other words, when members are elected by the lot procedure, which does not limit members to certain elites, their level of education, and status, anyone can democratically participate in the debate, which not only formulates a high-quality public opinion; but also overcomes the problem with representativeness. Hence when members go through a deliberative democracy debate, not only do they seek a deep understanding of a variety of opinions expressed through direct democracy, but they can also possibly achieve a consistent public opinion that is not dispersed. Moreover, the causes of the weakness of a direct democracy are as follows (Fishkin, 2005): First, citizens are inclined to formulate faction disputes. Second, it is difficult for citizens alone to resolve complicated issues of policy and politics. Third, citizens want political elites to represent their voices instead of having to directly participate in public discussion themselves. Due to such limitations of a direct democracy, Fishkin stresses the importance of a deliberative democracy.

This research sees that a deliberative democracy also takes place in the resident participatory budgeting system through its ‘resident participatory budgeting committee’, and it will stress a deliberative democracy through the resident participatory budgeting system.

Research Question and Necessity
The resident participatory budgeting system is a form of a participatory democracy. This system legally and systematically guarantees the direct participation of local communities and residents in the budget formulation
process; instead of the previous process in which the local government head exercised exclusive authority.

Currently in Korea, all local governments have obligatorily enforced this system. This system improves imperfections of residential self-governments, secures fiscal health and transparency, and allows a variety of community agents including residents to cooperate with local governments to fulfill public values. In other words, the essence of the resident participatory budgeting system is found in ‘realizing an active financial democracy ideology’ through residents’ direct participation in the budgeting process.

Therefore, in order to successfully establish the resident participatory budgeting system, it is crucial for the system to formulate residents to effectively participate, surveil and regulate the budgeting process. Not to forget providing continuous feedback. As the resident participatory budgeting system utilizes its organ of consultation ‘the resident participatory budgeting committee’ decides what to ultimately propose to the district office; it is considered to have a practical role in the system.

Therefore it is necessary to focus on characteristics of these committees, and this research will examine whether a quantitative or qualitative participation of residents is effective. In other words, this research will examine the relationship between characteristics of the committee and the actual budget reflection. This paper will specifically analyze the following three variables: 1) the ‘number of committee members that represent and include residents, 2) the ‘professionalism’ of the committee, and 3) the ‘attendance rate’ of the committee.

Research Methods and Direction
This research will first introduce theoretical underpinnings including preceding research regarding the resident participatory budgeting system, and will then take the case of Seodaemun-gu as an example to examine a realistic operation of the system and observe how the system pursues a financial democracy at essence. Although the current operative process of the resident participatory budgeting system in most local governments in Seoul resemble each other, Seodaemun-gu is making an more effort in operation of the budget system than other districts. Specifically, undergraduate students who are not living in Seodaemun-gu but in attendance in college which is in Seodaemun-gu can participate in the resident participatory budgeting system.

Then provided will be a hypothesis regarding the actual budget reflection of the residents participatory budgeting system. In other words, this research aims to comprehend the type of variable that influences the system’s budget reflection. The reason for setting a hypothesis regarding the budget reflection is because it is an indicator that presents actual effects to the system. No
matter how perfunctorily the system takes place to include resident participation, if the actual autonomous districts have a low budget reflection. It proves that the residents’ business proposals are not being actively reflected. Therefore, because the budget reflection is a strong indicator of actual outcomes, such related hypothesis was established.

The specific hypotheses are as follows: First, the ‘participation rate’ of the resident participatory budgeting committee affects the actual budget reflection. Second, the ‘number of committee members’ has a low effect on the actual budget reflection. Third, the ‘professionalism’ of resident participatory budgeting committee has a strong effect on the actual budget reflection. The level of expertise of the resident participatory budgeting committee was determined by its component ratio of government officials, independent budget professionals, and civic groups who have professional experience in budget field.

The above three hypothesis will be examined through a statistical analysis of two years worth of accumulated data regarding resident participatory budgets of autonomous districts in Seoul from 2011 to 2012, and will draw implications regarding the resident participatory budgeting committee.

**Literature Review of the Resident Participatory Budgeting System**

In order for a local government to effectively operate the resident participatory budgeting system, a resident lead bottom-up operation is preferable to a government lead top-down operation. Fung (2003) proposed the idea of a small-sized community called a ‘mini public’, and stated that the community’s voluntary inducement of the residents’ participation is more effective than the government’s unilateral effort to solely encourage participation. He also noted that such bottom-up operation not only broadens the scope of residents’ participation, but also allows for effectiveness and fairness (Fung & Wright, 2003). In addition, implementing the bottom-up operation for the resident participatory budgeting system improves democracy, social justice, and administrative transparency (Sintomer, 2008).

Although resident participation is a key factor for the resident participatory budgeting system, there exist factors that hinder such participation. It is practically difficult for residents to participate in areas that require professional knowledge and information such as budgeting, human resources, and policy. Likewise it gradually distances residents from seeking interest and limits their participation to setting policy aims or enforcing policies. Because it is almost impossible for them to participate in the decision-making process, residents’ participation is merely superficial and formal (Wang, 2001). In addition, there exists inefficiency in the resident participatory budgeting system when the values of residents and the values of elected committee members clash regarding responsibility and legitimacy (Gaventa, 2004).
According to studies, in order for the resident participatory budgeting system to operate efficiently, the scope of residents’ participation needs to expand to achieve representativeness and a participatory democracy. Seunghoo Lim and Byoungseop Kim (2010) analyzed the case of Kwangju region’s Bukgu area and the efficiency of its ‘budgeting partition room’, an online channel, and stated that the higher the representativeness of the resident participatory channel, the higher the efficiency of the participation. Because residents’ generous cooperation and practical expectations need to be reflected in the decision-making process, it is necessary to have a procedure that seeks members’ inclusiveness and representativeness (Levine et al., 2005). Also, while local governments have a tendency to react to businesses, non-profit organizations, etc. that have a strong impact on the governments through their authority and legitimacy; they do not actively react to demands of residents who have relatively low leverage. Therefore, expanding resident participation is stressed (Yang & Callahan, 2007). The higher the participation, the higher it affects the local government.

In contrast with research that stresses residents’ quantitative participation there also exists researches that emphasize residents’ qualitative participation and a deliberative democracy. If residents’ participation merely exists as a formality it wastes time and expenses, therefore its execution needs to go beyond simply stressing the expansion of resident participation and should reflect residents’ goals and expectations (Fung, 2002). In addition, when residents participate in the budgeting process, they should not simply demand businesses that are needed, but should possess knowledge about budgeting to promote efficiency (Ebdon & Franklin, 2006). When the randomly elected committee successfully executes its role as an organ of consultation, fairness of the participation can also be sought (Fung, 2006).

**Differentiation of the Research**

As mentioned above in the theoretical background, most previous studies underscore the significance of the resident participatory budgeting system’s required conditions, effective operating methods, and limitations. However, there are two aspects of controversy related to the form of resident participation. The question of whether residents’ quantitative participation is more effective or their qualitative participation is more effective. Because this research is based on Fishkin’s deliberative democracy as mentioned above in the theoretical background, it shares its context with studies that emphasize residents’ qualitative participation to argue the need to strengthen residents’ participation competence.

This research differentiates itself from previous studies in that it explains residents’ qualitative participation specific to Korea’s system. It is concerned with qualitative research rather than specific statistical studies. However, this
research is a statistical one that stresses the interrelation between the resident participatory budgeting committee’s professionalism and the budget reflection. Therefore, it can explain unique Korean conditions in detail, which differentiates it from previous studies abroad. Also, there does not yet exist domestic research that focus on the committee itself to draw correlations with the budget reflection.

Characteristics of the Resident Participatory Budgeting System
The resident participatory budgeting system refers to a system where the administration and local residents share authority in the budget formulation process. Unlike previously, when the administration exercised exclusive authority over the process. In other words, it is a form of participatory democracy where local residents can directly participate in the budget formulating process. According to certain scholars, it is also defined as a system that can apply residents’ ‘participation’ and ‘agreement’ as significant decision-making criteria in the overall budget decision making process. Such resident participatory budgeting system resolves the rift between ‘representing and participating’ in a representative democracy, and ultimately helps the budgeting process to realize the ideology of a financial democracy.

The assumption that decisions made by local governments in a representative democracy are those of the residents is merely a formal agenda stated by the constitution. In fact, such decisions are relatively unassociated with actual residents’ opinions. Also, because residents’ opinions rapidly change during the local government head’s term, decisions made by local government offices can often differ from residents’ opinions. Therefore the decision-making process in a representative democracy where the local government head’s opinion is regarded the same as residents’ opinion is problematic in that it estranges a majority of residents’ actual opinions. To make up for such lack in legitimacy, resident participation is necessary. In this way, the resident participatory budgeting system can minimize negative aspects that arise from bureaucratic policy making processes, and secure transparency and democracy in the budget formulation.

According to Dongjin Chang (2002), theoretically, a deliberative democracy aims to connect a democratic decision-making process with reasoned discussion to promote the common goods. This reflects the shift of modern democracy theory from the vote-centric theory to the talk-centric theory. In other words, it is difficult to fulfill democratic legitimacy in a vote-centric or favor intensive democracy.

Moreover, Fishkin categorized public opinion as seen in Table 1 to stress the importance of areas I and II, and proposed that in area I, true participation may not occur because there exists too much influence from higher class citizens such as political and economic elites (Fishkin, 2008). Therefore Fishkin
stresses area II as an ideal form of a deliberative democracy where rational debates conducted by select groups that are elected by citizens form public opinion.

Table 1. Categories of public opinion

<table>
<thead>
<tr>
<th>Deliberative public opinion</th>
<th>Select group</th>
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<tbody>
<tr>
<td>Mass I</td>
<td>II</td>
</tr>
<tr>
<td>Mass III</td>
<td>IV</td>
</tr>
</tbody>
</table>

Raw public opinion


The resident participatory budgeting system falls under area II. This system conducts debate on potential business plans through its select group called the resident participatory budgeting committee, and forms an opinion through agreement to pass on to the district office and local assembly. In other words, the resident participatory budgeting system allows for a deliberate form of public opinion to be delivered through the resident participatory budgeting committee rather than simply passing on mass opinion to an assembly, therefore can be considered a practical system that strives for a true deliberative democracy as stressed by Fishkin.

Modern administration is faced with ambivalent boundaries regarding official matters. In such environment, the existing government-centered governance may lose its credibility by not being able to properly and promptly respond to residents’ various demands. In order to correspond to external and internal environment that rapidly change, the government alone cannot resolve issues but needs to seek cooperative governance based on rational debate and trust regarding common policy issues amongst local residents, civic groups, government employees, etc. In such context, the execution of the resident participatory budgeting system provides a systematic frame where residents, local specialists, civic groups, etc. cooperate and control each other to realize public values regarding local finance operation therefore it is possible to achieve such cooperative governance.

Also, because local residents are able to directly participate in the local government’s budgeting process, the awareness of public issues and residents’ will to participate can improve. To public servants, it can act as a valuable education mechanism to increase the acceptance of local resident participation. Not only does this have the merit of connecting homogenous community
members in the accumulation of social capital, but also in that it can connect disparate members such as residents, professionals, government employees, etc. to build a sense of fellowship and trust amongst members.

The resident participatory budgeting system may bring about conflict with another organization elected by residents, which is the local assembly. When the local assembly and local government do not ultimately accept business proposals chosen through the resident participatory budgeting committee, conflict occurs inevitably and trust decreases among each other. Moreover, conflict amongst residents participating in the resident participatory budgeting system may intensify as well. Because the resident participatory budgeting system chooses business proposals within a limited budget scope, when one district zone proposes a business, it decreases the budget for another zone’s business proposal. In other words, when local residents that each desire different businesses for their zones participate, local egoism may occur. When such situation intensifies, extreme conflict may arise due to opinion differences amongst residents, which can bipolarize communities and waste decision-making expenses along the way. The system can degenerate into a nominal one, and it may merely exist as a formal system that mobilizes residents by the local government.

Because the resident participatory budgeting system allows local residents to propose businesses rather than budget specialists, it is highly likely that characteristics of such businesses are welfare-driven and distributive. When the budget increases in such areas, it is problematic in that it decreases the percentage of the budget that can be allocated to seeking economically efficient businesses. Also if the resident participatory budgeting system is implemented, the local government cannot ignore businesses proposed by the resident participatory budgeting committee.

From the local government’s perspective, even when residents propose businesses that may be inefficient in the present situation. Local governments must obligatorily reflect residents’ demands at least partially. When such demands are not met, residents will no longer trust the system, and the local government itself will lose its credibility. Therefore in this process, consequentially, the local government has to carry out the budget expenditure conscious of public image. Currently most local governments have low rates of fiscal independence and face poor conditions in their local finances. If such inefficient budget expenditure continues, the local governments’ dependence on the central government will repeat, and will become bound to the central government’s control, unable to seek local governance.

In order to realize a financial democracy, the primary purpose of the resident participatory budgeting system, residents’ free participation and representativeness are required. However, realistically, there exists a severe
power imbalance in the budgeting process between residents and the bureaucratic organization involved, and the system itself may become operated by people with social power. This is because in the previous traditional administrative paradigm, professional officials lacked training in human interaction, debate, and mediation technique. There also exist remaining authoritarian habits. In addition, it is difficult to have the younger demographic or those with occupations to actually participate as residents.

Therefore, participating agents are mostly those who have relatively more time such as the older demographic, the unemployed and independent business workers those limits the inclusiveness of participating agents and creates problems of representativeness. As mentioned above, the essence of the resident participatory budgeting system lies in overcoming the inconsistencies between representative politics and participation to promote the development of a financial democracy. In order to meet this goal by overcoming such problems upon implementing the system, an authentic form of resident participation is key element; where residents criticize and control previous forms of an occlusive and inflexible administrative system and decision-making system.

An Actual Operating Case of the Resident Participatory Budgeting System

Based on the theoretical underpinnings of the resident participatory budgeting system mentioned above, an observation of how the actual system is being operated is necessary. Because the current operative process of the resident participatory budgeting system in most local governments resemble each other, this research will take the Seodaemun-gu case as a specific example to examine the system’s actual operative form.

The Seodaemun-gu resident participation budgeting system takes into effect the “1% resident participatory budgetary system”, which aims to allocate within 1% of the general account’s original budget (2,660 million won in 2012) to businesses proposed by residents. Residents can participate in local briefings and act as budgeting committee members to directly make an impact, or can also indirectly participate through the district website, email, fax, and post mail. Seodaemun-gu aims to improve fiscal integrity and citizen’s credibility by enhancing the local government’s transparent financial operation through the resident participation budgeting system.

Seodaemun-gu implemented the resident participation budgeting system largely on three grounds. First is the Roadmap for local decentralization presented in 2003. According to its content, due to an unsatisfactory revision of the direct resident opinion reflection system, array of resident participatory systems were introduced such as the resident referendum, resident summons, and the resident participatory budgeting system. The second basis is the
Standard operative ordinance proposal for the resident participation budget. The Ministry of Public Administration and Security proposed this in 2005 as a budget-formulating manual for local governments that included details regarding the resident participation budget system. The third basis is in accordance with the Local Finance Act Article 39\(^1\) from January 2011, which includes details regarding the implementation of the resident participation budget system.

The Seodaemun-gu resident participatory budget system largely operates on a 4-step structure. First, in the preparation stage, citizens’ opinions on various policy budgets are gathered by hosting open forums for citizens and the government, open budget briefings, and a budgeting school. The purpose of the open forum for citizens and the government is to reflect a variety of discussion outcomes from various participants such as the district office head, residents from different social classes, and public servants. Also, the district representative participates in the discussions to help citizens and the government to better understand the assembly’s right to deliberate.

Next, the budget briefings discuss businesses that are proposed during the system’s publicity activities by ‘Seojucham’, Seodaemun-gu’s participatory budgeting group. The resident participatory budgeting school, which is the last part of the preparation stage, is a curriculum that systematically educates local residents and government officials to help them understand the local government’s budget, the committee’s role, and operation rules. After the preparation stage, the system proceeds to the actual gathering of opinions, in which Seodaemun-gu directly publicizes the resident participatory budgeting system through various channels such as its district’s website, local government newsletters, local press, emails, school newsletters, and local bus advertisements. Through their websites, they also accept resident budget ideas from actual residents. When these ideas are successfully collected, residents’ opinions regarding the budget formulation are gathered through zone and field-specific meetings, and an order of priority is decided. The method of the meeting is decided autonomously, and gathered opinions are forwarded to the committee.

In the deliberation and conciliation stage, at least 42 members form the resident participatory budgeting committee. Any willing residents are able to sit in with the committee to be briefed on business proposals and materials of

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\(^1\) Local Finance Act Article 39 (Resident participation of local budget formulations) in Korea

  a. The head of a local government is appointed by the order of the president while a procedure that allows residents to participate in the local budget formulation must be implemented.

  b. The head of a local government must gather opinions of residents participating in the budget formulation process according to Section 1, and can attach a statement with the budget to submit to the local assembly.
consideration, and may participate in the activity related discussions. When discussion is achieved, the committee prepares an evaluation chart and votes for prioritized activities. Lastly, as an end to a cycle of the resident participatory budgeting process, a self-evaluating committee is formed to evaluate the overall progress of the budgeting process; which is reflected in the following year’s open forum.

Selecting Process of the Resident Participatory Budgeting System Members

The resident participatory budgeting committee is an organ of consultation that gathers residents’ opinions and ultimately decides on activities to propose to the district office. Although its members change every year, its general membership ratio is the highest. The membership organization plan for term 3 in 2014 has a total of 51 members with 14 members allocated by zone, 3 members by specialized fields, and 34 general members. As such, the resident participatory budgeting committee has largely three types of membership. First, there are zone-specific members elected through zone meetings, second, field-specific members that are chosen through field-specific meetings, and third, general members that are chosen through open recruitment. Zone-specific members and field-specific members are autonomously selected through various methods such as election, recommendation, rock-paper-scissors, and lot drawing. General members are selected through random lots and anyone can apply.

Not only Seodaemun-gu residents but also people who work, learn, and are active in the Seodaemun-gu area are able to apply. As such, because general members take up the majority of the resident participatory budgeting committee, there exist traits of a random sample group rather than a non-random sample group, which is an ideal form of a sampled group that has the tendency to seek a deliberative democracy. However, a certain percentage of the general membership recruitment is allocated to electing previous members. Through this method, elected committee members go through three phases of training on foundations of the budgeting system, Seodaemun-gu’s status of budget, roles of a committee member, and the budget formulation process, to finally become appointed as an official member.

The core of Seodaemun-gu’s resident participatory budgeting system is its committee. Through this committee, specific zone members propose businesses, and decide which to put forward to the assembly and district office. If such a committee merely operates by the district office’s plan or acts as a formality to only hinder Seodaemun-gu residents’ true participation, the

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2 Referenced an interview with Seodaemun-gu’s policy planning officer (interviewed: April 24, 2013)
system would be but wasting time and expenses.

Upon observing how the Seodaemun-gu resident participatory budgeting committee actually operates, one can note that during the discussion process members actively demand activities they desire. Zone-specific members that each represents Shinchon-dong, Hongje-dong, Hongeun-dong, and Yeonhui-dong go around in order by the committee head’s lead to propose businesses needed in their respective areas. Upon presenting each proposal, the committee head asks other zone members whether they are for or against the proposal, and when the majority of the present members give their consent, the proposed business is selected to be ultimately put forward.

There is deviation regarding the level of expertise and interest among committee members, and the majority lack expertise. Although there are members that analyze specific budgets to demonstrate plausibility for their proposals through various channels, such as the National Assembly and other district offices, most members simply presented businesses they desired, and many of them expressed dissatisfaction with the budget allocated by the district office. Also, there tends to be an establishment of trust among committee members rather than distrust. Conflict due to local egoism can arise in a situation where one area proposes a large-scale business such as a parking lot or park construction, and decreases the budget for other areas. However, members did not seem to strive over such issues and rather cooperatively discussed the possibly of demanding to the district office an increase in the allocation of budgets.

An advanced state of the Seodaemun-gu committee’s meeting procedure was observed after reviewing each zone’s business proposals, when members started gathering opinions on how to benefit the Seodaemun-gu district at large. The focus was on residents’ welfare. Because Seodaemun-gu’s welfare center for the disabled is considered to be nominal by its residents; members stated that there needs to be consistent investment in the welfare center so that more residents with disabilities can benefit from the facility.

**Research Hypothesis**

The budget reflection reveals how well residents’ proposals are being reflected in the local government’s budget. It is a specific indicator of whether or not the resident participatory budgeting system is being practically operated. The budget reflection is measured on percentage of acceptance of residents’ business proposals.

Therefore this research takes the 1) level of participation, 2) number of committee members and the 3) level of expertise as variables that affect the budget reflection and will examine the degree to which these variables influence the actual budget reflection ratio. Specific hypotheses are as follows:
First, the higher the participation rate of the resident participatory budgeting committee members, the more positive of an effect it has on the budget reflection. Committee members need to participate in order for residents’ business proposals to be put forward to the district office.

Second, the number of the resident participatory budgeting committee members has a small effect on the budget reflection. If the number of committee members increases, it can expand participation and improve representativeness or residents. However, it also makes it more difficult to gather opinions, which causes the problem of delaying the decision-making process. Therefore this research set the hypothesis that the number of committee members will have a small effect on the budget reflection.

Third, the level of expertise of the resident participatory budgeting committee was determined by its component ratio of government officials, independent professionals, and civic groups. These people have relatively more knowledge on budgets, local administrations, and businesses, therefore were reflected in the measurement of expertise level.

This research sees that the higher the level of expertise, the higher the possibility that members will propose practicable businesses, which will have a positive effect on the budget reflection. As mentioned in the research hypothesis above; in order for the resident participatory budgeting system to be assessed as a successful system, it is necessary to examine the extent to which residents’ businesses proposals are actually reflected in the budget. If the budget reflection amount is low, it is because the system merely acts as a formality. Therefore, examined will be two years worth of the budget reflection of Seoul’s local governments since the system’s enforcement in 2011 up until 2012, in correlation with the committee’s participation rate, the number of committee members, and the level of expertise.

For the regression analysis, the number means the districts in Seoul. All three variables – the participation rate, number of committee members, and expertise – need to be analyzed together, but because the sample count of Seoul’s local governments is small, each variable was applied individually. In other words, instead of hypothesizing that the dispersion of the error term is constant, heteroskedasticity, where dispersion of the error term changes according to independent variables. When evaluating the level of expertise, standards were mitigated to include not only individual professionals but also government officials and civic groups. These people have relatively more knowledge on budgets, local administrations, and businesses, therefore were reflected in the measurement of expertise level.

A summary of Table 2 is as follows: First, the participation rate has a
quantitative correlation with the dependent variable, the budget reflection. However, this correlation is not considered to have statistical significance. Since this may be an outcome of a low sample count, there needs to be research conducted where more samples are secured. This is because the participation rate variable is an important factor for the resident participatory budgeting system’s continuous operation. Second, it can be noted that the number of committee members has no correlation with the budget reflection dependent variable. Third, the expertise rate has a statistical significance of a 5% level of significance, and every 1% of this expertise independent variable increases, it increases 89.60 (one million won) of the budget reflection. The following graph figures examine the outcomes of this analysis in detail:
Table 2. Three independent variables and a regression analysis of the budget reflection (Subject: local governments of Seoul)

<table>
<thead>
<tr>
<th>Dependent variable: Budget reflection (Unit: one million won)</th>
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<tbody>
<tr>
<td>(1)</td>
</tr>
<tr>
<td>Participation rate</td>
</tr>
<tr>
<td>Number of committee members</td>
</tr>
<tr>
<td>Expertise (percentage of professionals)</td>
</tr>
<tr>
<td>Constant</td>
</tr>
<tr>
<td>N</td>
</tr>
<tr>
<td>R²</td>
</tr>
</tbody>
</table>

Standard errors in parentheses
*p < 0.10, **p < 0.05, ***p < 0.01

As seen in Table 2, the higher the ‘participation rate’ and ‘expertise’ level of the budgeting committee, the higher the ‘budget reflection’ of residents’ business proposals to the local government’s budget, therefore there is a stronger correlation in the expertise level. That is, in order for residents’ business proposals to be successfully reflected through the system, it is more important to see whether committee members possess expertise rather than trying to increase the number of committee members. In other words, this presents the question of whether the resident participatory budgeting system can successfully operate and settle by simply including more residents rather than professionals.

Two possibilities can be suggested as reasons for the significant correlation between the committee’s level of expertise and the budget reflection. First, if a large number of committee experts participate and propose businesses to the district office, it can lay a burden on the district office because from their standpoint. It is difficult to turn down businesses proposed by residents with expertise. Also, businesses proposed to the district office by expert members often do not simply demand, but those are prepared through expert analyses
where feasibility is assessed.

**Conclusion**

This research examined the theoretical background of the resident participatory budgeting system to stress its significance and further investigate the system’s expectation effectiveness and trade-off effect. The resident participatory budgeting committee is a decision-making organ that gathers residents’ opinions and ultimately deliberates businesses to propose to the district office. This committee has a key role in the resident participatory budgeting system (Ebdon & Franklin, 2006). This research examines the relation between the budget reflection and characteristics of the committee. Also emphasized is the relation between the budget reflection of residents’ business proposals to the local government and the committee’s ‘participation rate’ and ‘expertise’. Although it is obvious that a higher participation rate has a positive effect on the budget reflection, this research stresses expertise more than the participation rate.

As a result of the statistical analysis, the budget reflection’s correlation was higher with expertise than with the participation rate. Moreover, it can be observed that the number of members of the committee does not influence the current budget reflection; in spite of the committee’s emphasis on ‘inclusiveness or representativeness’ as a key element of a participatory democracy. This shows that in order for businesses desired by residents to be actively reflected through the system. Not only do more residents need to participate in the committee but also more professionals with expertise on the budgeting system itself need to participate.

The resident participatory budgeting system does not simply assert the expansion of participation, but stresses qualitative traits of residents’ participation to aim for ‘strengthening the ability of resident participation’. To achieve this, citizens must take on the role of an equal partner. The administrative system must be open and cooperative, and a community-driven decision-making system must be established (Ebdon, 2000). Specifically, to establish true citizen participation as such, the following efforts must be made:

First, continuous improvement of residents’ democratic citizenship and their will to participate in the community is necessary (Carson & Martian, 1999). By providing sufficient information through the budgeting school and budget briefings, and promoting participation through publicizing and opening policy debates and local meetings, residents will cultivate their owner spirit for the budgeting process and strengthen their participation competence (Davis, Blackstock & Rauschmayer, 2005).

Second, expert participation needs to be encouraged by systemizing various resident participation channels regarding the budgeting process (Mao & Adria,
2013). Resident participation is motivated through open forums, and at the same
time, a channel is provided through the district’s website for continuous
comments and suggestions. This kind of channel increases the effectiveness of the
resident participatory budgeting system.

Third, it is crucial for administrative organizations and government officials to
demonstrate an open-minded and resident-reflexive attitude. Because the
central government has taken a lead on the Korean administration for a long
period, local governments also take on an occlusive and authoritative pattern
of behavior based on such ill systematic influence. If such behavior pattern
and value system does not change, true citizen participation cannot be realized,
and there is a high possibly that the resident participatory budgeting system
will become a formality. Therefore it is imperative for the local government
head to shift value systems, and promote interaction and reactivity with
residents through a horizontal organization structure and decentralization.

Fourth, the decision-making structure should allow residents and local
governments to cooperate on public issues and the budget from a
community-driven perspective (Ebdon, 2000). For this to be accomplished,
a sufficient amount of time to make a decision, and thorough discussion
between residents and the local government head is vital. Establishing a
true form of citizen participation as mentioned above, and operating the
resident participatory budgeting system based on such establishment will
help materialize an active financial democracy in the local budgeting
process.

The limitation of this research is found in the small sample count of the
regression analysis. Due to the small sample count, the three variables of
the regression analysis - ‘participation rate’, ‘number of committee
members’, and ‘expertise’– were analyzed individually. Also, because the
resident participatory budgeting system has only been implemented for the
past two years, two years worth of data (2011-2012) was analyzed rather
than accumulated data over many years. Although the ‘budget reflection’
and the committee’s participation rate have statistical correlations, the
significance level is determined to be low. It is not clear through analysis
whether this is because of the small sample count or because the
significance level is actually low. To make this clear, further studies need
to take accumulated data of the resident participatory budgeting system as
it carries out over years to conduct analysis.

However, despite the small sample counts and two years data, this research
was able to conclude that the budget reflection and the committee’s expertise
level have a strong correlation. This carries significance in that it is distinct
from previous studies on the resident participatory budgeting system that
stressed residents’ inclusiveness or representativeness.
The resident participatory budgeting system does not simply assert the expansion of participation, but stresses qualitative traits of residents’ participation to aim for ‘strengthening the ability of resident participation’. To achieve this, citizens must take on the role of an equal partner, the administrative system must be open and cooperative, and a community-driven decision-making system must be established.
References


