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Participatory Budgeting and the Poor: Tracing Bias in a Multi-Staged Process in Solo, Indonesia

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Summary. — This paper examines a participatory budgeting process in the city of Surakarta (Solo), Indonesia. Using newly digitized records of the infrastructure spending results from three distinct phases of the process (proposal, prioritization, and implementation), I assess the degree to which the resulting geographical distribution of spending allocations targets the poor. I find a poverty-related bias in the distribution of infrastructure projects funded by the program. While results vary across neighborhoods, on average, sub-units with more poor people receive a smaller percentage of funding than would correspond to their share of the general population. Furthermore, although the implementation stage exhibits significant divergence from the decisions made during the more public proposal and prioritization processes, the small group of elected officials in charge of implementation are not to blame for the bias. I find no evidence that deviations from decisions made during public meetings are based on something other than legitimate technical considerations. Instead, the bias originates in the proposal stage, with the poorest sub-units less likely to submit proposals in the first place. I conclude that the literature would benefit from more studies that look at differences across stages of decision-making within a particular process. Whereas contextual differences across settings may be difficult to change over the short-run, identifying procedural differences and points of vulnerability across a single process can help to diagnose problems which have the potential to actually be resolved by policy-makers.

Key words — participatory budgeting, participatory planning, poverty targeting, elite capture, infrastructure, Indonesia

1. INTRODUCTION

Participatory budgeting originated in Porto Alegre, Brazil in 1989 as a redistributive effort intended to privilege the poor (De Sousa Santos, 1998; Wampler, 2007a). It has since spread around the world, imitating the name and general concept but often little else about the original process (Ganuza & Baiocchi, 2012; Pateman, 2012). The World Bank in particular has promoted participatory budgeting widely, but sometimes with different goals than the original founders (Goldfrank, 2012).

Modern participatory institutions take many different forms and may be created with many different goals in mind (Mansuri & Rao, 2004, 2012), so one key question is in what form and under what circumstances they can still be expected to benefit the poor. On the one hand, such processes provide an opportunity for the poor themselves to directly participate in decision-making (Gibson & Woolcock, 2008; Shah, 2007), and locals may have better information about who the poor are and what they need (Alderman, 2002; Araujo, Ferreira, Lanjouw, & Özler, 2008). On the other hand, participatory institutions are often criticized for being prone to elite capture, whereby benefits are largely co-opted by non-poor actors (Agrawal & Gupta, 2005; Bardhan & Mookherjee, 2000; Platteau, 2004), particularly in communities with substantial heterogeneity or inequality (Conning & Kevane, 2002; Galasso & Ravallion, 2005).

Capture may occur at several different stages of the process, and be related to different types of elites (Labonne & Chase, 2009; Platteau, 2004). Many different processes are described under the umbrella term of participatory institutions, and thus the degree to which they benefit the poor also varies (Mansuri & Rao, 2012). Some studies have compared different iterations of participatory budgeting across contexts to understand the contextual and institutional factors that drive differences in results (Cabannes, 2004; Shah, 2007; Torres Ribeiro & de Grazia, 2003), but rarely do scholars explicitly compare different stages of the same process in order to understand the particular points of vulnerability to capture.

This paper examines a particular instance of participatory budgeting in Surakarta, Indonesia (henceforth referred to as Solo, a commonly used alias). Embedded within the Indonesian government's national consultative planning process, the *Musrenbang*, the city of Solo created a block grant program which directly devolves decision-making regarding spending of a portion of the city budget to subdistricts or neighborhoods, called *kelurahan*. It takes place in a staged approach, where citizens first propose projects for consideration, and then elected representatives prioritize those projects in order of perceived importance. Finally, a management committee (selected from a subset of the elected representatives) is in charge of actually disbursing the funds once the block grant arrives.

After observing a large number of deviations between the outcomes of the public prioritization process and the final disbursement of funds during the implementation stage, Indonesian planning officials agreed to allow a local NGO, Kota Kita, to digitize records from the Kelurahan Grant process in order to promote increased transparency. For the category of infrastructure (the largest spending category

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associated with the grant), these newly digitized records included projects proposed by ordinary citizens, the numerical prioritization assigned by elected representatives, and the final spending and implementation reported by the management committee. This provides a unique opportunity to apply statistical analysis to assess the degree of poverty targeting that occurred in each individual stage of the process.

In the following pages I give a brief overview of the substantial literature on the origins of participatory budgeting, its adoption and adaptation by governments around the world, their potential for poverty targeting, and their proneness to elite capture at various stages of the process. I then introduce a particular participatory budgeting process in Indonesia, and I assess the degree, form and placement of capture in the process. Using data on the distribution of program outcomes, population and poverty within each sub-region of the city, I ask: Does the process benefit the poor or is the distribution of benefit streams skewed in favor of less poor areas? Is there capture in the process and if so, at what stage in the process does it occur?

2. PREVIOUS LITERATURE

2.1 *Origins of participatory budgeting*

Participatory budgeting can be defined as "a process by which citizens, either as individuals or through civic associations, can voluntarily and regularly contribute to decision making over at least part of a public budget through an annual series of scheduled meetings with government authorities" (Goldfrank, 2007). Most scholars consider the participatory budgeting process that began in 1989 in Porto Alegre as the first known instance of its kind, and it is at least the most widely known (De Sousa Santos, 2005; Fung & Wright, 2001; Pateman, 2012).

Porto Alegre's participatory budgeting (PB) program was created with redistribution in mind and had the explicit intention of helping the poor obtain their fair share of public spending (De Sousa Santos, 1998). Wampler identifies "achieving a more equitable distribution of scarce resources" as one of four key reasons why governments are likely to adopt participatory budgeting in the first place (Wampler, 2007a). In Porto Alegre, the poor are more likely than others to participate in the process (Abers, 1998; Baiocchi, 2005), and some scholars suggest that successful iterations of PB have the potential to create a cultural shift from clientelism toward more group-oriented behavior, and therefore encourage more equitable distribution of outcomes (Abers, 2000; Wampler, 2007b). Spending allocations from Porto Alegre's PB have indeed been targeted at poorer regions, which receive a greater per capita amount of spending than wealthier regions (Marquetti, 2002). Beyond its direct effects through spending allocations, the Porto Alegre process is also credited with building citizenship and changing society's relationship with the state (Abers, 1998, 2000; Baiocchi, 2001, 2003a).

Since its origins in Porto Alegre, PB has spread from 12 Brazilian municipalities in 1990 to several hundred municipalities across the country, but processes differ in actual implementation (Wampler & Avritzer, 2005) and generally fail to achieve measurable improvements in well-being (Boulding & Wampler, 2010). While Porto Alegre's PB was pioneered by the leftist, pro-poor Worker's Party (Baiocchi, 2003b), more than 40% of participatory budgeting programs later implemented in Brazil were in municipalities controlled by more conservative parties (Torres Ribeiro & de Grazia, 2003). Porto Alegre also had a very strong civil society, without which success may remain elusive (Avritzer, 2009). While some Brazilian cities have achieved redistributive effects similar to those found in Porto Alegre (Marquetti, Campos, & Pires, 2007), the poor do not necessarily benefit from PB programs, in part because the poorest of the poor face barriers to organizing, and also because given limited funding, participatory budgeting may pit poor communities against each other in a competition for resources (Wampler, 2007c).

Governments across the globe have now adopted participatory budgeting processes (Cabannes, 2004; Goldfrank, 2012; Pateman, 2012; Shah, 2007; Sintomer, Herzberg, & Röcke, 2008), largely in an effort to replicate the success of the original process in Porto Alegre. Adaptations of participatory processes are increasingly popular in the context of both international development (Mansuri & Rao, 2004; Mansuri & Rao, 2007, 2012) and democratic governance (Blair, 2000; Fung & Wright, 2003). The World Bank alone has promoted some version of participatory budgeting all across the world (Goldfrank, 2012). However, newer iterations of participatory institutions have often diverged substantially from the original form of participatory budgeting in Porto Alegre, and it is unclear to what extent they achieve, or even aspire to achieve, similar goals (Ganuza & Baiocchi, 2012).

2.2 *Participatory processes and the poor*

In its origins, participatory budgeting was intended to be pro-poor and held redistribution as a key goal, but the variety of modern participatory institutions are seen as a means to achieve myriad goals including improved sustainability, scalability, responsiveness, service delivery, and citizen capabilities (Mansuri & Rao, 2004, 2007). Public participation does result in better poverty targeting in some cases (Besley, Pande, & Rao, 2005; Heller, 2001; Speer, 2012), for example through the incorporation of local knowledge (Alderman, 2002; Ostrom, Lam & Lee, 1994)—though sometimes communities hold different understandings of poverty relative to centralized actors (Alatas, Banerjee, Hanna, Olken, & Tobias, 2012). However, a common critique of participatory institutions is that they are prone to elite capture (Conning & Kevane, 2002; Cooke & Kothari, 2001), which directly undermines the potential for poverty targeting (Kumar, 2002; Pan & Christiaensen, 2012; Park & Wang, 2010; Platteau, 2004). Elite capture can be thought of as "opportunities for local elites to siphon off substantial shares of the benefits" from local resources (Iversen *et al.*, 2006, p. 93). While poverty targeting implies that project benefits are disproportionately targeted to the neediest populations, elite capture results in the reverse: disproportionate targeting of groups who already wield power.

Participatory processes may be susceptible to elite capture because communities are not homogeneous but rather made up of distinct parties with distinct interests (Agrawal & Gibson, 1999), and citizens engaging with the process have differential access to the resources, influence and skills required to be effective within it (Fung & Wright, 2003; Platteau & Abraham, 2002). Furthermore, participatory governance institutions may be most likely to emerge in the first place when political elites view them as compatible with their existing interests (Andersson & Van Laerhoven, 2007). By some accounts, participatory institutions not only fail to alter existing inequities in the distribution of resources, but serve to preserve or even exacerbate unequal power relations (Cleaver, 2001; Mosse, 2001).