

Participatory Democracy and Effective Policy: Is There a Link? Evidence from Rural Peru

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Summary. — We examine the relationship between participatory democratic institutions and effective agricultural policy in rural Peruvian municipalities, using a unique quantitative dataset of 100 Peruvian municipalities at two points in time, allowing us to examine (a) bottom-up, grassroots participatory governance institutions, and (b) Peru's top-down participatory budgeting reform implemented in all Peruvian sub-national governments in the early 2000s. We find that voluntary participatory fora are strongly and significantly associated with more active and more effective agricultural policy. However, we find more ambiguous results when examining Peru's mandatory participatory budgeting institutions, finding more active, but less effective agricultural policies after their implementation.
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1. INTRODUCTION

Participatory budgeting (PB henceforth)—is the centerpiece of a new, participatory approach to governance in Peru, in which citizens are encouraged to participate in a meaningful way in the making of budget decisions at the local and regional government levels. The tradition of citizen participation in local public decision-making is not new (Jaramillo, 2009), but the broadening of participatory governance may have an impact on local governance, and therefore presents two interesting questions: First, do these fora make a difference in terms of the quality of local public expenditures, and second, what are the channels through which they may (or may not) have an impact.

Here, we address both these questions, identifying the effects of these participatory institutions and discussing the mechanisms through which they work. In order to investigate these questions, we have gathered a unique time-series dataset of survey responses on agricultural policy in a nationally representative sample of rural Peruvian municipalities, which allows us to examine the effects of the participatory budgeting process—which has now been mandated in all Peruvian municipalities—as well as older, voluntary participatory fora. In addition, we have also collected qualitative data in rural Peruvian municipalities, through in-depth interviews and observation of participatory meetings and other policy activities, such as project implementation and rule enforcement. We use such material to document the channels through which PB may be impacting local governance.

Results suggest that voluntary participatory fora did have an impact on policy in Peruvian municipalities, confirming previous findings (Jaramillo, 2009). In addition, the non-voluntary PB process has carried many of these benefits to a broader range of municipalities. We find that both types of institutions primarily affect outcomes by improving citizen and policy-maker access to information, and thereby, improving both decision-making and accountability.

These findings are consistent with earlier work on local institutional forms and incentive structures and their effects, which suggest that participatory processes can be beneficial, producing greater efficiency and equity (Agrawal & Ribot, 1999),

bureaucratic competence and “public learning” (Bland, 2010), and improved local problem solving (Brown & Ashman, 1996), among other desirable outcomes. Our research shows how, through the formalization of participatory processes, Peruvian rural municipalities have enhanced the effectiveness of citizens and civil society groups in seeking and generating desired policy change. However, our results suggest that the top-down imposition of PB also seems to have come with some costs, notably the worsening of the quality of many local government services. In short, through PB, Peruvian voters seem to be getting more of the policy they want, but of a worse quality.

The analysis we present here contributes to the literature in several important ways. First, we examine two different types of participatory fora: mandatory fora, imposed from above by the Peruvian central government, and voluntary fora created by local governments and citizens' groups. This stands in contrast to most existing work on participatory budgeting and other participatory forms of government, which typically examines participatory institutions, like those in Ecuador and Brazil, which were voluntary and created at the behest of local governments and communities, often in the most favorable environments—relatively prosperous settings with dense civil society. Second, our data come entirely from rural areas—typically poorer and less developed than urban settings in Latin America—making our analysis a test of the effects of participatory fora in a challenging and important environment for the alleviation of poverty. Our results bring into the question the efficacy of the Peruvian approach to participatory democracy, suggesting that across-the-board, mandatory implementation of PB institutions may carry more costs than voluntary alternatives.

In the sections that follow, we will, first, present some background to the issue of participatory fora in Peru, including a

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review of the extant literature on participatory fora. Then, we will describe the methodology and findings from our quantitative analysis. Finally, we will conclude with a discussion of the implications of our study, in particular, emphasizing the mixed benefits of these fora in municipal policy, which seem to promote greater but less effective service provision in Peruvian municipalities.

2. DECENTRALIZATION, LOCAL GOVERNMENTS, AND CITIZEN PARTICIPATION IN PERU

Like many states around the world, Peru has undergone a period of decentralization in recent years. Unlike many Latin American countries which began to increase the power of their local and regional governments in the 1980s and 1990s, however, the Peruvian national government only truly began to devolve power in the early 2000s, during the presidency of Alejandro Toledo. Prior to that time, both under the authoritarian regime of Alberto Fujimori and under the democratic and authoritarian periods prior, the Peruvian state was largely centralized. Although the Peruvian government structure has long included some forms of regional and local governments, regional and local governments have only recently begun to assume any significant amount of control over local policy.

(a) Decentralization reforms and agricultural policy in Peru

In the last several years, Peru has experienced substantial decentralization with a significant impact in the agricultural sector. In 2001, municipal action in agriculture was uncommon, and most agricultural policy was implemented by a range of central government agencies and special projects (Jaramillo, 2009). By 2007, however, our data make it clear that municipal agricultural policies had become quite commonplace, including activities in infrastructure development, the promotion and support of particular industries through loans and grants, and the provision of technical assistance and expertise.

The current (2003) “Law of Municipalities,” under the Peruvian Constitution has granted local governments a fairly broad mandate in agricultural and natural resource policy. At the

time of our first survey wave in 2002, municipalities had not yet assumed many of the powers now granted to them by Peruvian law. However, in the intervening several years, municipalities’ budgets have substantially increased, and municipalities have begun to participate in a much broader range of policy areas. Though rural municipalities have yet a long way to go to satisfy the needs of their constituents, most of those we visited showed a clear presence in agricultural policy.

As Figure 1 shows, over the last several years the financial capacity of local governments in Peru has increased dramatically. This is not only, and possibly not primarily, due to decentralization itself, but likely also due to a fiscal boom triggered by sustained economic growth. Along with it, the propensity of local governments to provide services within their mandate has also increased. As an example, visible in Figure 2, all of the municipalities in our sample now provide at least one type of agricultural service. Moreover, as seen in Figure 3, the ratio of reported agricultural services to reported number of problems has also increased significantly, as voters have pressured their municipal policy makers to play a role in improving local conditions.

Qualitative observations confirm that municipalities are routinely involved in agriculture. Municipal governments often construct agricultural infrastructure, including, most often, irrigation systems, but also are often involved in the promotion of particular agricultural industries, including fruit trees, traditional Andean crops, and dairy products (among a great many others), through the provision of technical assistance and expertise, the provision of loans, and the construction of industry-related facilities (fruit tree nurseries and cattle insemination facilities are two examples), and a range of other services.

(b) Voluntary participatory fora and participatory budgeting

At the local level, Peruvian decentralization reforms have been affected by two types of participatory fora that are similar, but may have different impacts on policy. The first of these are voluntary problem-solving roundtables, while the second type are participatory budgeting fora, which are mandatory and present in every municipality in the country.

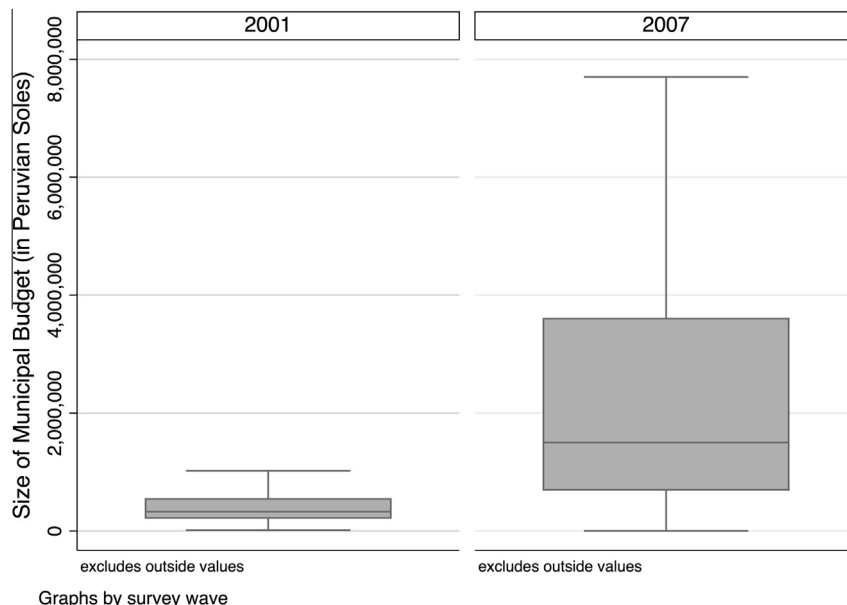


Figure 1. Municipal budgets increased substantially during 2001–07.

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