Economic Adjustment and Targeted Social Spending:
The Role of Political Institutions

(Indonesia, Mexico, and Ghana)
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Under what circumstances do developing country governments reorient social expenditures to less organized and politically weak groups, such as the rural poor? Are economic constraints or political incentives and capabilities more important? The literature on social spending and poverty alleviation in developing countries has tended to focus on economic constraints. Yet most economists and political scientists can agree that domestic politics often plays a role in determining how social policy objectives are set and subsequently implemented. The challenge lies in developing generalizeable arguments to explain when politicians are more likely to try to build a support coalition that includes the poor, and what types of policies they select to achieve their goals.

This paper will address how political institutions influence the incentives for politicians to reach out to rural voters, as well as their capabilities to implement poverty alleviation programs. Specifically, it examines the role of the party system in determining whether politicians initiated targeted social spending policies during economic adjustment. The paper is presented in three parts. Part I will review briefly the larger dissertation research, including the main argument regarding how party systems affect whether politicians make credible commitments to targeted social policy. Part II is an empirical assessment of the party system argument applied to one type of system, elected authoritarian regimes. The experiences of the following countries are evaluated in this section: Mexico, Indonesia, and Ghana. Part III will tackle the thorny question of how to generate policy recommendations if one takes seriously the finding that internal political dynamics are a powerful predictor of social policy patterns.

**PART I: The Incentives and Capabilities of National Governments**

*Economic Adjustment and Targeted Social Spending*
Since the early 1980s, debt-burdened developing countries have faced considerable international economic pressure to cut public expenditures, including social expenditures. In response to concerns about distributional equity, as well as evidence that poverty had risen following economic adjustment reforms, international financial institutions began to urge debtor governments to allocate remaining social expenditures more efficiently. This combined need for general fiscal retrenchment and social expenditure reallocation created an intense conflict over scarce resources by limiting the ability of political leaders to avoid difficult distributional decisions.

Prior to the widespread adoption of economic adjustment programs, social policy had typically involved universal subsidies that benefited large segments of the non-poor and was funded through the domestic budget. Targeted social programs, in contrast, include mechanisms to ensure that only the needy benefit. Although targeted social programs were initially funded mainly by external agencies and intended as temporary measures, they soon became one of the main tools of social policy in many developing countries in the 1990s. Setting aside for the moment policy debates over the effectiveness of targeted versus universal approaches to poverty alleviation, it is clear that the removal of universal subsidies and initiation of targeted programs would be politically costly for leaders already weakened by unpopular structural adjustment programs.

Although many governments allowed social spending levels to decline while undertaking economic reform, there is considerable variation in how political leaders chose to allocate declining resources among competing interest groups. Some politicians reduced funding for the existing mix of social programs without any reallocation among interest groups, in which case the social sector retained a bias toward middle-income groups in urban areas. Other leaders altered the pattern of spending in favor of an approach which tried to mitigate the social costs of economic adjustment. In short, they
reduced costly universal subsidies in favor of targeted safety nets to the poor. This variation in outcomes suggests that interest group demands alone cannot explain fully social spending patterns, since the poor tend not to vote as consistently or lobby as effectively as urban middle-income groups in any type of institutional setting. Yet we know that in some countries the poor began to receive social services that had not previously been accessible to them.

Ultimately, the decision whether to adopt neoliberal prescriptions for social reform was made by national governments and influenced by domestic political incentives. This alternative explanation is an attempt to “bring the state back in” to social policy decisions, an arena where it is too often viewed as a passive recipient of interest group demands. Instead, I argue that politicians may have an incentive to supply different types of social policies to ensure their electoral survival. Moreover, the capacity of the state to supply these programs may vary under different party systems.

*Dependent Variable: Government “Effort” or Observed Poverty Alleviation?*

While the initial pressure to adopt targeted social programs came from the international development community, the degree to which countries responded to this pressure varied. In other words, some governments were more willing or better able to commit to targeted social programs than others. Yet the outcome evaluated by economists and political scientists alike has usually been observed changes in poverty, subject to a variety of different measures. While changes in the poverty rate may in part reflect variations in government commitment, they mainly capture broader macroeconomic trends.

The point here is that the answers you get can depend on the questions you ask. The questions of greatest concern to economists (What causes poverty? How can poverty be measured most
efficiently? What is the best policy mix, universal or targeted subsidies, to alleviate poverty? How can policymakers design effective poverty alleviation responses given each country’s initial conditions?) lead to answers that emphasize economic variables. To the extent that specific government policies have an effect on poverty, this effect is dwarfed by economic growth rates. In sum, it is not surprising that economic variables seem to be more important than political ones given the questions usually asked, the dependent variables chosen, and the data limitations when other types of questions are asked.

Thus, political scientists claim that politics also matters, but lack generalizeable theories to explain under what circumstances politics influences social policy formation. How can politics be brought back into the political economy of social spending? Asking different questions is a first step. Why did only some governments respond to neo-liberal calls for safety nets? Which ones? What explains the variation in government response? Focusing on this variation in adopted social policies, rather than the observed effect of those policies on the poverty rate, may also be a step toward reaching generalizeable arguments about when politics matters. It raises a host of measurement difficulties, however.1

A great deal of information is lost in switching to a categorical dependent variable. Therefore, an important goal in developing a set of coding rules to capture government commitment to poverty

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1 For a fuller treatment of these difficulties, see Chapter 2 of my in-progress dissertation, “Economic Adjustment and Targeted Social Spending: The Politics of Poverty Alleviation in the Developing World,” University of California, Los Angeles. This chapter categorizes shifts from universal subsidies toward targeted social programs for 64 developing countries in Latin America, Africa, and Asia. In order to quantify the dependent variable and produce a range of points suitable for regression analysis, I developed an index which takes into consideration shifts toward targeted social spending in both recurrent health and education expenditures, as well as temporary safety nets. World Bank “Poverty Assessments” were the main resource for coding the dependent variable government commitment to poverty alleviation because they present similarly-biased data for a large number of countries. While there could be a tendency for the World Bank to evaluate the effectiveness of targeted social programs too generously, this tendency would apply to all countries included in the Poverty Assessments and would not bias tests of the variation in
alleviation was to allow flexibility in how countries tried to meet social spending objectives. There are two main types of social policies: recurrent budgetary expenditures in health and education, and temporary safety nets. I consider four aspects of individual country experience: 1) whether the general level of social expenditures was protected relative to other public expenditures in the budget during adjustment; 2) whether health and education expenditures were reoriented toward the poor; 3) whether anti-poverty programs or general development funds began to reach especially poor regions (geographic targeting) or particularly vulnerable groups; and 4) the range of safety net measures initiated in the social sector. This range included the following types of targeted programs: basic health interventions, like vaccinations; programs to improve the reach and quality of primary education; micro-credit lending to vulnerable groups, especially women; food and nutrition programs tied to primary school attendance or targeted in some other manner; and public works projects which offer a wage rate that is attractive only to lower income groups.

While an emphasis on government social policy does not completely isolate the effects of economic trends, since governments which can commit to economic liberalization may also be better able to commit to greater social equality, it does emphasize government effort more directly than changes in the poverty rate. Whether this so-called effort is effective in meeting poverty alleviation objectives is a separate question. In fact, I will show in Part II of the paper that the effectiveness of targeted social programs in reducing poverty has been lower than expected in the elected authoritarian regimes.

individual country’s policies. Since 1990, the World Bank has conducted Poverty Assessments for 83 developing countries, covering approximately 90 percent of the world’s poor (World Bank 1997).
Party Systems and Social Sector Policies

Domestic political institutions shaped the incentives of politicians to supply social programs targeted to the poor, as well as their capabilities to do so effectively. While many researchers would expect leaders in democratic settings to spend more money on a broader range of citizens than leaders in authoritarian regimes, an authoritarian/democratic dichotomy is not the most useful way to analyze the political economy of social spending. One argument of my dissertation is that variations in party systems and their underlying electoral rules explain government efforts to target social spending better than regime type. Some party systems create incentives for politicians to reach out to the poor, a group which still constitutes a large percentage of the electorate in many developing countries. Others allow politicians to remain in office by catering to a very narrow electorate and make it exceedingly difficult for them to provide public goods, such as poverty alleviation programs.

In the dissertation, I consider four types of party systems: democracies with a stable party system, democracies with a fluid and fragmented party system, elected authoritarian regimes, and non-electoral regimes. In order to be treated as democratic, a country had to have experienced a transition from one elected leader to another elected leader of a different party. To distinguish between the two types of democracies, I draw on the differences noted chiefly by Mainwaring (1995 and 1997) between institutionalized and inchoate party systems. Institutionalized systems have a low and stable number of parties and the main parties were founded decades ago. Costa Rica, Mauritius, and Sri Lanka are country examples. The fluid and fragmented party systems tend to have a high number of parties, high electoral volatility, rampant party switching, minority government, and low barriers to entry. Parties in

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2 The expectation is based mainly on the European welfare states, in which multiparty democracies have strong social spending records and parties tend to be disciplined and programmatic.
this type of weakly institutionalized system are often highly personalistic and undisciplined, based on an individual leader more than a programmatic agenda. Brazil, Benin, and Thailand are country examples. A further distinction between democracies with a stable party system and democracies with a fluid and fragmented party system is whether the same parties re-emerged following a period of authoritarian rule or civil war.

On the authoritarian side, the main distinction is between regimes that hold regular though unfair elections and those which do not hold elections. The elected authoritarian regimes tend to be either longstanding single-party or personalistic regimes in which the leader has repeatedly stood for election. Elected authoritarian regimes allow opposition parties to compete, but the ruling leader/party always wins the presidency and/or over two-thirds of the seats in the legislature. Mexico, Indonesia, and Ghana are country examples. In non-electoral regimes, either the military rules by force or electoral defeats are not honored. Chile under Pinochet, Nigeria, and Myanmar are country examples.

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3 This rule automatically disqualifies most single-party regimes from either of the democratic categories. 4 Unlike in Western Europe, where having a high number of parties is not associated with parties that are undisciplined and personalistic. 5 While there is a correlation between a stable party system and having about two effective parties, a two-party system is not a requirement to fall into this category. Thus, I classify Chile after the return to democracy as a stable party system, even though more than two parties win seats in the legislature, since the same parties re-emerged after the return to democracy and coalitions are stable. Although some Philippine specialists would argue that the same two elite groupings re-emerged after the fall of the Marcos dictatorship, in fact the party names changed, the number of parties increased significantly, and coalitions fluctuated. When Ramos won the presidency in 1995, his vice president came from a different party and the legislature was controlled by yet a third party. In that election, the effective number of parties was 5.77. I classify the Philippines as a fluid and fragmented party system, though it might be an intermediary case. 6 I treat politicians with a military background who later seek a broader support base for their rule as civilian politicians. While such leaders usually maintain close ties to the military, they often resign their command or retire from the military in an attempt to legitimize their role as a civilian politician. Juan Perón is the prototypical example, but former President Suharto of Indonesia and Jerry Rawlings of Ghana would also fit into this grouping. 7 Depending on whether the system is presidential or parliamentary.
The party system argument is summarized in the figure below (refer to the table in Appendix I for a fuller treatment). The most important aspect of this argument is that it cuts across the usual distinctions based on regime type.

<table>
<thead>
<tr>
<th></th>
<th>high commitment to poverty alleviation</th>
<th>low commitment to poverty alleviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>democratic</td>
<td>stable party system</td>
<td>fluid and fragmented system</td>
</tr>
<tr>
<td>authoritarian</td>
<td>electoral regime</td>
<td>non-electoral regime</td>
</tr>
</tbody>
</table>

Although it is beyond the scope of this paper to explain the logic behind each relationship of party system to social spending pattern, the main results are summarized below:

**Democracies with a stable party system** - governments had a stronger record in the social arena prior to adjustment and tried to maintain this record through social sector reform and the limited use of safety nets. While social spending levels have generally not returned to pre-crisis conditions, basic indicators suggest these systems are still more effective in meeting the needs of the poor than the other three types of party systems. Politicians were seeking a broader electoral alliance and encouraged cooperative links between the poor, NGOs, and government.

**Democracies with a fluid and fragmented party system** – the central government was less likely to initiate targeted social programs. Underlying electoral rules create weak, undisciplined parties that cater to narrow interests. Even though these countries usually score high on civil liberties and press freedom, the electoral system shortens politicians’ time horizons and discourages the provision of public goods, such as poverty alleviation programs. Even if a reform politician/party wanted to initiate social sector reform, the capacity to do so over opposition party or coalition partner objections would be low (i.e., many veto players).

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8 The relatively stronger records of Argentina, Colombia, and Costa Rica are covered in Morley (1995) and Psacharapoulos (1997).
9 It is important to note that some of the countries in this category have a highly decentralized, federal system. My results show only that politicians in the central government are less likely to supply targeted policies. However, the records of state governments vary. Some state governments may be highly committed and efficient, while others fail miserably. On the variation among state governments in India and Brazil, see Kohli (1987), Echeverri-Gent (1993), Tendler (1997), Weyland (1996), and Chapter 6 of my dissertation. On the continued dominance of traditional elites in rural areas, see Hagopian (1996).
Elected authoritarian regimes – these governments on average had a weaker record in the social sector prior to adjustment and relied much more on temporary, targeted safety nets as the basis of social policy during adjustment. Safety nets were implemented in a top-down manner that discouraged cooperative links between the poor, NGOs, and government. Politicians were trying to maintain political legitimacy and ensure social control.

Non-electoral regimes – these governments were the least likely to protect the poor, for obvious reasons.

While four types of party systems are analyzed in the dissertation, only elected authoritarian regimes will be considered in Part II of this paper.

Elected Authoritarian Regimes

What distinguishes the political incentives facing politicians in elected authoritarian regimes from the incentives faced by politicians in other types of authoritarian settings is that elections, even grossly unfair ones, are held on a regular basis. Political leaders use the electoral process, particularly their control over information, to seek a broader legitimacy for their rule. Even limited electoral competition during periods of austerity will create incentives for politicians to broaden their support base, but politicians will only try to take advantage of this opportunity if the party structure helps to reduce the information costs and credibility problems which normally prevent the extension of social programs to the poor. The type of limited competition characteristic of the elected authoritarian regimes provides such an opportunity.

Politicians in this setting are likely to initiate anti-poverty programs when threatened by a popular movement or opposition party that relies on organizing the poor, but they may also reach out to the rural poor if they have lost the support of urban voters due to political repression. The incentive for leaders in elected authoritarian regimes to try to mobilize the rural poor will be further enhanced in cases
where political leaders had based their legitimacy on economic development, a claim which is threatened during periods of austerity.\(^\text{10}\)

The desire to be reelected might, for example, encourage politicians to undertake extraordinary information campaigns aimed at mobilizing unorganized voters. Since the rural poor are still very large in absolute numbers, representing the single largest source of unmobilized voters, politicians may decide to use existing electoral rules to boost their representation in rural areas, or they may alter electoral rules with this purpose in mind. Politicians can be expected to try to take advantage of this potential source of new votes only in cases where they are able to exploit information asymmetries between educated urban and less educated rural voters.

An elected authoritarian system facilitates the ability of political leaders to spread information among less educated voters because the ruling party usually also controls access to the media. In cases where authoritarian leaders both control the media and set electoral rules, their monopoly over these two arenas can be utilized to reduce the burden in disseminating information to rural voters. The access of rural voters to alternative information about government corruption in the distribution of anti-poverty funds, which might be supplied by opposition parties or non-governmental organizations, is usually severely curtailed.\(^\text{11}\)

Not only are the electoral incentives and capacity to control information greater in elected authoritarian regimes, but also the capacity to push through unpopular measures over opposition party

\(^{10}\) With respect to Indonesia, Liddle argues that “adherence to democratic norms, including but not limited to the holding of elections, is only the New Order’s second-line claim to legitimacy. Its primary or first-line claim is that it is a developmental regime...including a high standard of living for all Indonesians.” See Liddle (1996: 34-35). Liddle’s ranking of these two priorities is clearly accurate, but the claims are inter-related. When the benefits of economic growth were not distributed evenly and then when the economy collapsed in early 1998, dissatisfaction over the lack of economic opportunities for all Indonesians greatly exacerbated dissatisfaction over the lack of political change.
objections. Thus, leaders in this type of setting have tremendous agenda setting powers that increase their capacity to initiate new policies even if opposition to the policies is high.\textsuperscript{12}

If politicians in elected authoritarian regimes were trying to appeal to less educated rural voters, they could be expected to design programs that were more transparent and easier to understand than previous programs, in order to maximize their credibility as social reformers. One option would be to simplify social policy design, for instance by incorporating different types of social programs under an “umbrella” anti-poverty strategy. Publicizing the program in a way that is easily identifiable to less educated voters, for example by selecting the same colors and symbols as those of the ruling party to represent the new anti-poverty campaign, could also be expected to have a strong effect and was part of the strategy in Mexico.

\textbf{PART II: Elected Authoritarian Regimes in Comparative Perspective}

Before proceeding further, it is necessary to review some basic facts about the party systems of the three elected authoritarian regimes under consideration here.

\textit{Political Institutions: Mexico, Indonesia, and Ghana}

The previous section distinguished elected authoritarian regimes on the basis of limited electoral competition, but regular elections. Two different types of elected authoritarian regimes can be identified: 1) longstanding single-party or personalistic regimes in decline, and 2) regimes which enacted a number of institutional reforms to ensure their continued survival before recently opening up or restoring the

\textsuperscript{11} In both Mexico and Indonesia, major reports of corruption in the distribution of anti-poverty funds were published only after the leader responsible for the programs left office.
political system to multiparty elections. Indonesia and Mexico fit the pattern of longstanding regimes in decline. Although they are both presidential systems, a parliamentary system with a strong executive is also possible. Malaysia, Senegal, and Zimbabwe are other examples of this type of system.

Alternatively, a leader may be trying to move from a period of suspended elections to one of controlled elections, or from a period of great electoral uncertainty to a more stable system with limited electoral competition. In other words, some politicians try to build personalistic regimes that will endure electorally. Ghana under Rawlings is the example of this type of system which will be discussed further, but Uganda under Museveni would be a very similar case. Peru after Fujimori’s *autogolpe* displays many of the same characteristics (Graham and Kane 1998).

**Mexico**

Mexico is a single-party dominant regime that holds elections on a regular basis. The Mexican president rotates every six years. The executive branch is much stronger than the legislature, which mainly rubber stamps legislation already approved elsewhere. Mexican elections are not entirely fair and open. Opposition parties are allowed to compete, but under rules that strongly favor the ruling

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12 Or, they may simply issue executive decrees and never even need to utilize these agenda setting powers in the legislature.
13 Indonesia is not a pure presidential system because an electoral college appoints the president. However, under the New Order (1966-98), nearly two-thirds of this body either came from the president’s party or had been appointed earlier by the president. See Macintyre (forthcoming).
14 Singapore provides a model of a more developed country with similar political features. See Tremewan’s (1994) book, *The Political Economy of Social Control in Singapore*, for an argument which links an elected authoritarian regime to tightly controlled social programs. Malaysia, of course, displays many of the same characteristics.
15 The president of Mexico changes every six years because the incumbent is barred from reelection. Traditionally, the outgoing president picked his own successor, while voters chose mainly whether to continue to support the ruling party (Domínguez and McCann 1995). For the first time in its history, the ruling party is scheduled to hold an open primary to select its next presidential candidate.
16 The Mexican legislature became more powerful when the PRI lost its absolute majority in the July 1997 midterm elections.
party and with mechanisms to ensure that opposition parties do not perform too well. Mexico is a federal system, though, and there have been some opposition state governments.

As Table 1 indicates, the Partido Revolucionario Institucional (PRI) usually enjoys a wide margin of victory, but its support had declined to just over 50 percent in 1988, when electoral fraud was rampant. The Partido de Acción Nacional (PAN) is a more conservative party than the PRI and its support has been fairly stable and concentrated in northern border states. The surge in votes “for all others” in 1988 reflects support for Cuauhtémoc Cárdenas, who received an acknowledged 31.1 percent of the 32.5 percent vote for “all others,” although the actual vote total may have been higher.

In Mexico, factionalism takes place mainly within the ruling party among civilian politicians (Craig and Cornelius 1995). Cárdenas, the son of a previous president and a former governor himself, led a breakaway faction of leftist parties. A separate faction within the PRI, often referred to as the dinosaurs, opposed neoliberal reforms that would limit its ability to distribute patronage. Thus, former president Carlos Salinas was being challenged from both outside and within his own party by opponents of structural adjustment.

Regardless of the actual vote tally in 1988, Salinas was able to claim electoral victory only on the basis of his overwhelming margin of support in rural areas, which carry greater electoral weight than their population size would suggest because of the way electoral districts are drawn. While only receiving 27.3% of the vote in Mexico City and 34.3% in other urban areas, the PRI received 61.3% of the vote in predominately rural areas (Craig and Cornelius 1995: 263). The 1988 election was the

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17 If annulled ballots and votes for non-registered candidates are included in the base number of voters, the ruling party won only 48.7 percent of the vote. See Craig and Cornelius (1995: 249 and fn3).
closest the ruling party had ever come to electoral defeat\textsuperscript{18} and the challenge came from the left, which could be expected to have an impact on the strategy to recover votes. The strong showing for the left reflected voter dissatisfaction with neoliberal economic policies and made it more likely that the PRI would offer new social programs than if the electoral threat had come from the PAN (Bruhn 1996).

Table 1
Voting in Mexican General Elections

<table>
<thead>
<tr>
<th>Year</th>
<th>% vote for PRI</th>
<th>% vote for PAN</th>
<th>% vote for all others</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>83.3</td>
<td>13.9</td>
<td>1.4</td>
</tr>
<tr>
<td>1976</td>
<td>93.6</td>
<td>___</td>
<td>1.2</td>
</tr>
<tr>
<td>1982</td>
<td>71.0</td>
<td>15.7</td>
<td>9.4</td>
</tr>
<tr>
<td>1988</td>
<td>50.7</td>
<td>16.8</td>
<td>32.5</td>
</tr>
</tbody>
</table>


**Indonesia**

Like Mexico, Indonesia has a presidential system of government, in which the president is not directly elected.\textsuperscript{19} The military is much stronger in Indonesia than in Mexico, however. This difference could lead to the expectation that Suharto would ignore the interests of the poor because he was backed by the military, but since the 1965 coup the Indonesian army has viewed itself as having a role in

\textsuperscript{18} Until the July 1997 midterm elections. In those elections, the PRI lost its legislative majority and Cuauhtémoc Cárdenas was elected the first mayor of Mexico City.

\textsuperscript{19} Indonesians vote for a party and party vote totals translate into seats in the 500 member legislature, called the DPR. A certain number of these seats is reserved for the armed forces. In the 1997 election, the number of military seats was reduced from 100 to 75. A separate body, called the MPR, composed of the entire 500 member DPR and 500 presidential appointees, meets only once every five years in order to select the president and set state policy guidelines, including the five year development plan. The MPR meeting occurs nearly one year after the general elections. Thus, the ruling party, Golkar, was reelected in May 1997, but President Suharto was not reappointed until March 1998. Electoral rules have not changed substantially under the new constitution. There are now only 700 total seats in the MPR (500 from the DPR and 200 appointees), and only 38 of the DPR seats are reserved for the military. The most significant difference was the lifting of barriers to entry of new parties.
social development. Despite the strength of the Indonesian military, Suharto held elections on a regular basis every 5 years.

Local elections were meaningless in Indonesia, since it is a unitary state in which all governors and most local officials are appointed (MacAndrews 1986); only village heads are elected. However, the ruling party went to great lengths to control the rural vote in general elections. Tactics included screening the lists of candidates for the two legally permitted opposition parties and preventing opposition parties from operating at the local level other than during the three week official campaign period prior to each election. Moreover, voting is compulsory in Indonesia, which means the rural poor are more likely to vote than elites and the urban elite, in particular, are more likely to spoil their ballot as a form of protest against the current regime. While there is a secret ballot in Indonesia, voting takes place outside office buildings and supervisors know the total number of people who voted for the opposition or abstained at that polling station. Due to the small number of voters assigned to each polling station, employers may try to identify who voted for the opposition/abstained.

In Suharto’s Indonesia, factional disputes were not debated openly, but rumors that the army was unhappy with the accumulated wealth of Suharto’s children and Chinese business associates were common. Although there has been no electoral change in Indonesia (until possibly later this year), leaders viewed social development as a way to stem broader demands for democratization. Political riots had been on the rise and the ruling party had received bad international press for suppressing protests with force.

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20 The Indonesian military adheres to the concept of dwi fungsi (dual functions), having a role in both national defense and political affairs.

21 Voting is compulsory in many Latin American countries, too, but rarely enforced.

22 In Indonesia, factionalism in the army is directly related to factionalism in the ruling party because all civil servants, including military personnel, must belong to the ruling party.
The three parties listed below were the only state-sanctioned parties from 1973-1998. In 1973, Suharto forced these groupings upon a more fractious set of nine parties which remained from the Old Order political system. Thus, a set of four parties which represented Muslim interests was forcibly merged into the Unity Development Party (PPP), while a set of three nationalist and two Christian parties was forcibly merged into the Indonesian Democratic Party (PDI). The ruling party, Golkar, is a secular party which supports development interests and is backed by the military. All civil servants had to belong to Golkar and were obliged to vote for the ruling party until the June 1999 election. In essence, Golkar was the civilian face of the bureaucracy.

Table 2
Voting in Indonesian General Elections

<table>
<thead>
<tr>
<th>INDONESIA</th>
<th>% vote for Golkar</th>
<th>% vote for PPP</th>
<th>% vote for PDI</th>
</tr>
</thead>
<tbody>
<tr>
<td>1971</td>
<td>59.04</td>
<td>25.50</td>
<td>9.48</td>
</tr>
<tr>
<td>1977</td>
<td>56.07</td>
<td>26.70</td>
<td>7.79</td>
</tr>
<tr>
<td>1982</td>
<td>64.38</td>
<td>27.78</td>
<td>7.88</td>
</tr>
<tr>
<td>1987</td>
<td>73.17</td>
<td>15.97</td>
<td>10.87</td>
</tr>
<tr>
<td>1992</td>
<td>68.11</td>
<td>17.00</td>
<td>14.90</td>
</tr>
</tbody>
</table>


The reason I have included many details of party politics under Suharto is two-fold: 1) Golkar managed to win 22 percent of the vote in June 1999, mainly due to support from outer islands; and 2) the old factions which were suffused into two opposition parties under Suharto have re-emerged. Thus, it is likely Indonesian electoral politics will return to the fluidity and fragmentation of 1955. According to my argument, attention to social policy can be expected to decline. This prediction is in

23 This set of nine parties was the result of an earlier consolidation of the party system enforced by President Sukarno in 1961. Twenty eight parties competed in the first and only free elections in Indonesia in
stark contrast to the current optimism regarding democracy and possible devolution, an issue I will return to in Part III of the paper.

Ghana

The political history of Ghana prior to 1982 was one of great political instability. When Flight Lieutenant Jerry Rawlings assumed power through a coup, he banned party politics (Herbst 1993). This ban was lifted in 1992, only after Rawlings had set the stage for his own victory in multiparty elections. In other words, he had built a political machine that would legitimize his rule through multiparty elections, but prevent other parties from winning. Rawlings even had public opinion surveys conducted prior to announcing a return to multiparty politics in order to ensure that he would win (Wells 1997: 149). Like Suharto, who “retired” from the military, Rawlings resigned his military position before running for electoral office.

Opposition parties boycotted the 1992 election, but competed in the 1996 election, thus placing Ghana in the category of repeated, though not fair and open elections. In 1992, Rawlings received greater electoral support from rural than urban areas. He received 51 percent of the vote in the three most urban regions, but 66 percent in the three most rural regions (Wells 1997). This trend continued in 1996, despite elections which were more open than 1992.

It is unclear whether Rawlings will step down after two terms or whether his party will survive beyond his leadership, but the recent experience of Indonesia has demonstrated that even extremely unpopular parties can endure beyond their initial leader, especially in rural areas. Suharto’s party is still

1955.
in the running for the presidency, though such an outcome in the November 1999 selection process would surely generate a public outcry.

Assessing Poverty Alleviation Programs in Elected Authoritarian Regimes

This section will present individual country studies in order to assess the content of social programs from the beginning of economic adjustment to 1997. Since it is not possible to observe directly the underlying motivation for a particular policy, whenever possible I try to address the regional allocation of social spending within each country to help draw the links between political motivation and observed outcome. A focused comparison will help to determine whether the geographic distribution of social spending within each country reflects economic efficiency criteria, such as spending only in poor areas, or political expediency concerns, such as spending in areas where opposition parties are gaining strength. Evaluating whether targeted social programs were part of a genuine effort to empower the rural poor and bring them into a broader electoral coalition will also help explain underlying incentives. Each country study considers several aspects of social policy: recurrent expenditures, safety nets measures, decentralization, and sometimes other poverty-related programs. Following the country studies, a separate section will draw together this material and analyze the electoral connection between elected authoritarian regimes and targeted social programs.

Mexico

Recurrent Social Expenditures

Social expenditures plummeted in Mexico following the crash in oil prices and the ensuing debt problems of the mid-1980s. Social expenditures declined 6.2 percent from 1983-1988 (Friedmann 1995). They also declined relative to nonsocial expenditures, according to Friedmann. The effort to
move from general to targeted consumption subsidies, especially food subsidies, began during this period, but was not linked to a broader poverty alleviation scheme. Economic adjustment measures were very unpopular domestically and, as mentioned previously, many voters turned away from the ruling party.

Under Salinas, the Mexican government began to move away from a sectoral approach to social spending. President Salinas established “Solidarity,” a new approach to poverty alleviation, only a few months after the 1988 election. Solidarity was part of an “umbrella” strategy, one that focused on alleviating poverty in a variety of ways. The new program was set up outside the traditional line ministries (health, education, and public works). The government also created a new agency that would supposedly be free of the clientalism associated with the traditional line ministries. Solidarity was managed through a new agency, Sedesol (the Secretariat for Social Development), and was controlled by members of Salinas’s faction of the PRI. Thus, Solidarity was not part of a comprehensive social sector reform, but rather a stop-gap measure.

Safety Net Measures

Solidarity was a demand-based poverty alleviation program. Projects included the following: school repair, clean water supply, electrification, health clinics, sewage treatment programs, road paving, scholarships for poor children, efforts to secure land titles, regional development projects, and production credits. Although newspapers reported that large numbers of communities used the funds to build baseball fields and park benches, this number was not especially large and the communities had to

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24 President Salinas had expressed the idea of using social programs for electoral purposes in his doctoral dissertation, a fact often cited to back claims that Solidarity was politically motivated. See Bruhn (1996).
contribute 50 percent of programs costs if they wanted to use the funds in this way rather than the usual 20 percent contribution (DePalma 1995; World Bank 1996a). What is clear is that government attention to poverty had surged, although the effectiveness of these programs in lowering poverty may not have improved considerably.

The World Bank supported parts of the program, while other parts were funded from the domestic budget and local revenues (World Bank 1994 and 1996a). It used municipalities for service delivery. At the local level, the funds were managed by a “solidarity committee,” which was required to provide 20 percent of the project contribution, usually in labor. The Solidarity committees usually put the money to reasonable use, though not necessarily the most effective or sustainable use in terms of poverty alleviation. However, the link between the executive branch and local spending was more direct than in prior spending programs because the traditional line ministries were cut out of the project selection and implementation process, while the solidarity committees had links to the central government.

The aim of Solidarity was, at least in part, to undercut the momentum of opposition parties which were beginning to challenge the single-party dominance of the PRI (Cornelius, Craig, and Fox 1994). In this view, it was not accidental that Pronasol emerged after the PRI nearly lost the 1988 presidential election. Nor was it a coincidence that the Solidarity program used the same colors and symbols as those of the ruling party. This was based on a belief that non-verbal cues matter in electoral decisions (Bruhn 1996). Although the aim of Solidarity was to recover areas which were lost to the opposition in 1988, the effect of the program might not be proportional to regional spending. In one

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25 Luis Donaldo Colosio managed Sedesol and was handpicked by Salinas to be his presidential successor before Colosio was assassinated.
survey, 92.9% of Mexicans knew about the Solidarity program, but only 25% could identify projects in their neighborhood.26

Solidarity can be understood as an effort to offer carrots (anti-poverty funds) rather than sticks (intimidation and threats) to win back PRI supporters who had defected or abstained in the 1988 election. Social expenditures were consistently higher in poor areas, but they were occasionally also higher in areas where the PRI wanted to win back votes (Molinar and Weldon 1994; Fox 1994; Pánico-Laguette and Székely 1996). In the 1991 midterm elections, the PRI celebrated a 12 point vote recovery, although the resumption of economic growth was also responsible for this favorable turnaround (Bruhn 1996).

Factionalism within the ruling party may increased the incentive for adopting targeted social programs. The reformist wing of the party tried to aid the poor in order to compete against the more traditional wing of the party that was resistant to political change and preferred to maintain existing clientalist networks. President Salinas used Solidarity to try to strengthen his position with respect to the more traditional faction of the PRI, which was afraid of losing access to discretionary funds during economic adjustment (Cornelius, Craig, and Fox 1994; Bruhn 1996). He made a concerted effort to distance Solidarity from earlier PRI spending programs and bypassed the traditional line ministries and labor unions. This strategy was part of an effort to undermine the power of local bosses, who were often loyal to the more traditional wing of the PRI. To increase his power vis-à-vis the traditional wing, Salinas had to bypass the line ministries, which were loaded with patronage appointees loyal to the faction which wanted to maintain clientalist favors.

Decentralization

The Mexican government also began to pay greater attention to geographic targeting. A World Bank loan for health and education was targeted regionally to four of the poorest states in Mexico (World Bank 1996a). Only 25 percent of Municipal Funds could be spent in the town centers. Thus, these funds were targeted to poorer regions and to rural communities within poorer regions. The poor often had to choose from a set menu of projects, though. Certain controls, such as requiring funds to be spent in the same fiscal year they were issued, may have had a negative impact by reducing the ability of local communities to pool their resources and undertake longer term projects (Fox and Aranda 1996). An additional criticism was that the funds may have been too small to have a lasting impact on poverty alleviation.

The Municipal Funds project was successful in reaching the poor more efficiently than in previous programs. The variation in rural democracy affected how funds were used, however. In cases where local decisionmaking was more democratic, so was the decision making process concerning how to use the municipal funds (Fox and Aranda 1996). NGOs were cut out of the implementation process, as were local government officials who might have been helpful in providing technical assistance (Fox 1994). World Bank project managers had wanted municipal funds to be distributed through NGOs, but the Mexican government had refused. Cutting NGOs out of the process had an impact on project implementation. Water projects, for example, were the most problematic because greater technical assistance was needed in this area (Fox and Aranda 1996).

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27 Interviews with World Bank staff. The Mexican government still received loans, despite its refusal to disburse the funds through NGOs.
Decentralization increased dramatically under Salinas’s successor, Ernesto Zedillo. Two political factors influenced the shift in social policy under Zedillo. First, he needed to distance himself from the discredited policies of the previous administration. Related to that issue, the ability of the Mexican president to implement policies over the objections of opposition parties or factions within the ruling party has declined (Trejo and Jones 1998). Thus, the shift toward decentralized spending mirrors the shift in the distribution in political power within the state.

The main focus of social policy under Zedillo was Progresa, a highly targeted program of income and food supports. In some cases, support was also tied to primary school attendance for female children. Funding for other social programs went to states, not the Solidarity committees which were eliminated after Salinas left office. Two-thirds of social spending went to states and local government, according to Trejo and Jones (1998). Thus, this decentralization was substantial in practice. However, the variation in social spending in the federal systems of Brazil and India suggests that governors and mayors will use these funds with varying degrees of effectiveness and sustainability. Where rural democratization is weak, traditional elites are even less likely than the central government to distribute the funds with poverty alleviation objections in mind (Fox 1994).

Indonesia

The Indonesian government has had a strong poverty alleviation record since the late 1970s. As a result of its earlier programs, political leaders were in a much better position to face new demands for social services. But they were also constrained by their previous success. President Suharto had based his claims to legitimacy on successful economic growth which benefited the majority of the
population, including the poor. Thus, abandoning those claims would have likely resulted in electoral declines during a period when demands for democratization were escalating.

Before the current financial crisis, Indonesia’s record on poverty alleviation was impressive, from 60 percent in 1970 to 17 percent by 1987. It is possibly one of the only countries where absolute poverty did not increase during structural adjustment, but there is disagreement concerning this World Bank claim.28 Income inequality probably increased slightly before the 1997 economic crisis, albeit from a fairly equal starting place.

Although Indonesia had a relatively easier adjustment than most countries, economic conflicts often exacerbated social tensions. With deregulation of the banking sector in 1989 and the founding of the Jakarta Stock Exchange, companies were required to disclose their net worth. For the first time, ordinary Indonesians became aware of how wealthy the richest Indonesians had become during the New Order period (1966-98) and anger over the perceived growth in the income gap soared. Thus, although Indonesia had a relatively easy adjustment, deregulation of the banking sector and selective re-regulation in key industries in which Suharto children and friends had interests (especially cloves, autos, and plywood) generated widespread concerns regarding income inequality. The flamboyant wealth of President Suharto’s children and prominent Chinese businessmen linked to the President increased the perception that the distribution of government contracts and even social benefits was determined mainly by political influence.

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28 Booth (1991) emphasizes the sensitivity of Indonesian poverty measures to the choice of poverty line. Since many Indonesians receive incomes at or very near the poverty line, a slight increase in where the line is set would cause the poverty rate to rise substantially. See also World Bank (1990).
Recurrent Social Expenditures

Social expenditures which were allocated by the traditional line ministries (education, health, and public works) declined in the first years of economic adjustment, but were protected relative to other sections of the budget. These expenditures were quickly restored to prior levels, though health expenditures have been notoriously low in Indonesia and education expenditures are not especially well-targeted (World Bank 1993). While Indonesia dramatically improved primary enrollment rates under Suharto, this effort was prior to adjustment. There were no major initiatives to improve the quality of primary education following adjustment.

Indonesia is a unitary state which has been noted for a highly centralized government structure. Until recently, the main tools to ease regional disparities in income were the general and sectoral Inpres expenditures, an important source of provincial income. While there was a slight preference toward poorer regions, Inpres expenditures were not part of a comprehensive plan to balance regional wealth (Azis 1996). Nonetheless, Inpres funds did filter down all the way to the village level. One type of Inpres expenditure, Inpres Desa (village-level Inpres), provides about 6.5 million rupiah per year to each village in Indonesia. This money is used to build mosques, for school repair, or other community projects. Each village receives the same amount of money regardless of population size. Whether villages distribute the money equitably among residents has never been evaluated systematically. However, there is much anecdotal evidence to suggest that the projects tend to focus on infrastructure, not on nutrition interventions or preventive health care.

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29 The term Inpres comes from “Instruksi Presiden” (Presidential Instruction), essentially an executive decree. Inpres expenditures are part of the development budget.
30 Yet resource rich areas, such as Aceh and East Kalimantan, have repeatedly complained that they pay far more to the government than they receive, while poorer areas receive similar subsidies but generate far less revenue for the government.
Safety Net Measures

The renewed interest in poverty alleviation came in 1993, with the announcement of a different type of anti-poverty initiative. This program, *Inpres Desa Tertinggal* (IDT) is a new type of Inpres expenditure, targeted specifically to “backward villages.” The creation of the IDT program followed the 1992 election setback, when the nationalist/Christian party (PDI) experienced a surge in support behind the leadership of former President Sukarno’s daughter, Megawati Sukarnoputri. While the PDI vote share was still rather small, this party was perceived by the populace as being pro-democratic. The distribution of IDT funds within Indonesia cannot be tied to regional victories for opposition parties, though, because provincial posts are appointed and Indonesia is a unitary state.

Indonesian government officials will argue that IDT was not politically motivated. Rather, it was part of a natural process begun with the first 5 year development plan, or *Repelita*, and reflects the New Order’s trilogy of development goals: stability, growth, and equity. In this view, IDT is not related to electoral concerns. The earlier Repelitas addressed stabilization following the economic disasters of the Sukarno period; later Repelitas focused on economic growth; and only after steady economic growth had been sustained could the government focus on equity with the most recent Repelitas. While IDT funds cannot be tied to opposition victories at the local level, the scope and timing of the program suggest that electoral concerns were a factor.

The IDT program emphasizes microcredit lending, providing villagers with the working capital that will allow them to start a business. The assumption here is that poor people know best how to help

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31 This perception increased well beyond its merits after Suharto engineered Megawati’s ouster as PDI chairwoman in 1996.
themselves. Each village designated an IDT village is required to determine which families in that village are poor and to ensure that the poor families form credit lending groups (Government of Indonesia 1994). These groups lend money in a revolving credit scheme. The IDT program is far more transparent than other Indonesian anti-poverty programs. Each designated IDT village receives 20 million rupiah per year (about $8,300 before the currency crisis) over a three year period. While economists and development specialists were quick to criticize the program for targeting poor villages rather than poor households, this selection mechanism was useful politically because it created transparency and drastically lowered administrative costs. Lack of access to infrastructure, such as roads and markets, was the main criterion for selection of poor villages. Each village which received IDT funding was then required to determine which families within the village are poor. Program facilitators helped determine which families received the funds first and provided assistance in project selection, but these facilitators were often unemployed, recent college graduates with little development experience. While NGOs were involved in the planning of IDT, they were cut out of the implementation process. (Appendix II provides greater details of the IDT program based on field research in 1997.)

The IDT program was judged to be a success and was expanded in 1996. While one-third of all Indonesian villages received IDT money in 1994, by 1996 this figure had jumped to nearly one-half. In addition, beginning in 1996 every village in the five poorest provinces of Indonesia was declared an IDT village. Thus, IDT became an important mechanism for regional targeting, while earlier Inpres programs had not pursued geographic targeting as a major goal.

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32 Interviews with Gunawan Sumodiningrat and Mubyarto, both of BAPPENAS.
33 These provinces are West Nusa Tenggara, East Nusa Tenggara, East Timor, Irian Jaya, and the Moluccas.
In addition, this shift toward targeted social spending was presented as a good faith effort on the part of the ruling party to reduce bureaucratic corruption and make government more responsive to the people. This type of direct allocation was in sharp contrast to the corporatist-style allocations of the past. The Indonesian government set up the IDT Secretariat within BAPPENAS, the national planning board, but with a more technocratic staff than in other line ministries or the regular BAPPENAS staff.

IDT officials at BAPPENAS in Jakarta indicated that the new type of program design was part of an effort to bypass corrupt local officials by giving money directly to the intended beneficiaries. BAPPENAS ordered local government officials not to touch the 20 million rupiah amount per village. They even publicized the removal of some local government officials who tried to skim part of the 20 million rupiah per village allocations, an unprecedented action in Indonesia. However, BAPPENAS did create funds for operations and administrative review. Typically, local officials pocketed the money designated for record-keeping and other duties and never performed those duties, making the money in essence a payoff to leave the 20 million rupiah amount intact.  

With the success of IDT, a number of new programs have been initiated and associated with the original program. Thus, as the IDT program spread, it became as much a philosophy for a demand-based approach to development program design as a reference point to a strict set of programs. A

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34 In each designated IDT village, the village head automatically received a flat 600,000rp sum for administrative costs. At the district level, the camat received 500,000rp per IDT village in his district (so, if there were 20 villages he received 20 multiplied by 500,000rp). At the regent level, government officials received 100,000rp per IDT village, and at the provincial level they received 20,000rp per IDT village in that province (Government of Indonesia 1996). This feature of the program was not widely publicized, but the transparency of each village receiving the same amount was highlighted because villagers knew that was the amount they were supposed to receive. In other words, a portion of the money had not first been skimmed at a higher level.
There is also a Village Infrastructure Project (P3DT), which is a public works program targeted to the chronically poor in rural Java. Villagers provide free labor in order to receive the infrastructure offered. Most of the projects focus on road repair (no new roads allowed) or school repair. Of all the new anti-poverty initiatives, only the P3DT project is supported by the World Bank. Thus, these poverty alleviation campaigns in Indonesia were funded mainly with domestic budget expenditures.

**Decentralization**

Although Indonesia is a unitary state and Mexico is a federal state, both have been noted for a highly centralized government structure. Local officials rely almost exclusively on transfers from the central government, in each case at a level far exceeding international norms. Like in Mexico, Suharto publicized IDT as a bold new initiative to both reduce local government’s reliance on the center and to bring poverty alleviation programs closer to the people in greatest need through a variety of targeting mechanisms. Indonesian bureaucrats emphasized that IDT would bypass intermediary institutions, presumably the source of government corruption, and give money from the executive branch directly to poor villagers. This type of direct allocation was in sharp contrast to the corporatist-style allocations of

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35 This component received unwanted publicity when the credit lending IDT groups used their funds for a food cooperative and this food then went to schools in Sumatra, where the children suffered from food poisoning.

36 The World Bank had agreed to contribute to IDT before concerns about project monitoring and implementation arose. The Bank opted to fund a separate initiative, one where it could more closely monitor the impact. Interviews with World Bank staff, Jakarta field office.

37 See Figure 7, (Harris 1997).
the past, when money filtered down from the central government through various groups associated with the ruling party.\(^\text{38}\)

While funding decisions for IDT and similar programs included the poor to some degree, administrative decentralization was not initiated under Suharto. In part this may have had to do with the historical difficulties in uniting Indonesia as a nation-state following independence. Regional rebellions delayed the imposition of political control throughout the archipelago for a decade in some areas. Thus, political considerations kept decentralization off the agenda.

**Other Programs**

Finally, the *Yayasan Dana Sejahtera Mandiri* (“Prosperous Self-Reliant Fund”) was a foundation which solicits contributions from the top taxpayers to fund anti-poverty projects (Cohen 1996). The Fund operated on many of the same principles as IDT. President Suharto, who started the project, solicited contributions from all taxpayers with an after tax income of over 100 million rupiah to donate up to 2 percent of their profits to fund projects for the poor. While these contributions were “voluntary,” a list was kept of who paid up, as evidenced by the thank you letters sent to each contributor. This type of “Robin Hood” program is truly exceptional and would likely not work in a more democratic setting where enforcement mechanisms are lower. However, it is an example of the extreme attention the regime was paying to perceptions that income inequality had soared. The fund was never perceived to be a genuine effort to alleviate poverty by the elites who contributed, as Suharto’s second son served as chairman of the foundation. While subsidiaries of multinational

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\(^{38}\) In the Mexican case, these groups were trade unions co-opted by the ruling party. The right of labor to organize is more severely restricted in Indonesia than in Mexico, but other groupings fill this role, such as the *Dharma Wanita* and LKMD at the village level.
corporations balked at contributing, most wealthy Indonesians without political connections were afraid not to contribute.

Not only did the regime emphasize the redistributive aspects of this fund on national TV stations owned by conglomerats with connections to Suharto’s children, but the decision to initiate quarterly cabinet meetings on poverty alleviation was also well-publicized.

**Ghana**

Ghana was one of the first and most intensive adjusting countries in Africa, beginning in 1982. Given the dominance of the cocoa sector, which benefited from devaluation and the lifting of price controls, it was possible that cocoa farmers would emerge as strong supporters of the adjustment effort. However, the rural beneficiaries of reform have been slower to support adjustment efforts than the organized, urban opponents of reform (Bates and Krueger 1993). The failure of cocoa farmers to become strong supporters of reform in Ghana led to further initiatives to enable Rawlings to create a rural support coalition.

**Recurrent Social Expenditures**

Following the initial adjustment shock, the government of Ghana did increase spending in the social sector, particularly in health and education. Studies of the benefit incidence of social spending have shown that despite the greater attention to targeting in theory, in practice the poor have not benefited more than other income groups (Demery 1995). Despite the lack of substantial reform in this area, the share of subsidy going to the poorest income quintile in Ghana is no lower than the other
elected authoritarian regimes, or other African countries, when considered in comparative perspective
(World Bank 1996b, Table 3.1).

*Safety Net Measures*

Ghana was one of the first countries in the world to initiate a social safety net. Called the
Programme of Actions to Mitigate the Social Costs of Adjustment (PAMSCAD), this program included
23 different projects which were classified into three components: employment generation,
basic needs, and community initiatives. PAMSCAD was openly linked with efforts to increase the
sustainability of economic reform.

The administrative failings of PAMSCAD are well-documented. The large number of small
donors was a particular problem (Gayi 1991; Herbst 1993), as was the large number of ministries
involved in implementation (Wells 1997). While PAMSCAD clearly put poverty alleviation on the
agenda in Ghana, its effectiveness has been lambasted, including by international donors such as the
World Bank.39 Despite these shortcomings, PAMSCAD was one of the earliest initiatives of this type
and one of the most visible in Africa. It has been called “the most ambitious program on the continent to
alleviate the social costs of adjustment” (Herbst 1993). No doubt, PAMSCAD seemed far more
ambitious in the early 1990s than today, but this points to a commonality among the elected authoritarian
regimes. All three discussed in this paper undertook adjustment fairly early. Thus, PAMSCAD may
have been the most ambitious program in Africa in the early 1990s, but Ghana was also one of the

39 Ravi Kanbur, then head of the World Bank’s mission in Ghana, in 1994 criticized the program for funding
projects that were not related to the social costs of economic adjustment. Quoted in Wells (1997).
strongest adjusters in a region where adjustment was very unpopular, so the need for such a program was probably also very high.\footnote{While it is possible that only strong or early adjusters among the elected authoritarian regimes adopted safety nets, further empirical evidence from Africa should aid in testing this issue in the coming years. The statistical results in Chapter 2 of my dissertation indicate that elected authoritarian regimes in Africa score high on government effort only about 50 percent of the time, while the results are much stronger in other regions.}

The need for programs such as PAMSCAD in order to generate electoral support has been examined from the point of view of rural beneficiaries in Wells’s (1997) dissertation. In order to test arguments about the responses of recipients to indirect benefits, such as the listing of price supports, and particularistic benefits, such as from PAMSCAD programs or the Rural Electrification scheme, Wells conducted surveys among farmers in three areas of Ghana. His survey results indicate that farmers supported Rawlings more for particularistic social or local infrastructure projects than economic or agricultural policy reforms, thereby confirming the work of Bates (1981) on project-based and price-based agricultural policy. This finding is particularly important, since the literature on economic reform in Ghana is fairly uniform in suggesting farmers received more income benefit from economic and agricultural policy reform than social or development spending.

\textit{Decentralization}

In addition to PAMSCAD, Rawlings initiated a major decentralization project. It is in this project that his search for a rural electoral coalition is most apparent. In essence, he “created institutions that have been designed to help him attain his political goals” (Wells 1997). Redistricting and mixed elective/appointed district assemblies enhanced the political payoff of this type of effort. For a more complete treatment of the district assemblies, see Crook and Manor (1998).
PART III: Policy Implications for Elected Authoritarian Regimes

The Electoral Connection: Political Survival and Poverty Alleviation

Can government efforts to improve social equity be traced to variations in the party system?

This paper addressed three main questions: 1) how institutions influence which political leaders initiate targeted social programs; 2) what political and economic factors determine the overall level and geographic distribution of social spending within each country; and 3) whether inclusion of the poor in expenditure decisions increases their political voice vis-à-vis the state.

First, how do institutions shape electoral strategies? The main finding of this study is that elected authoritarian leaders may try to use social spending as a preemptive strike to stem the decline of the ruling party in the face of electoral threats from opposition parties or demands for greater democratization. The new programs represented a substantial departure from previous spending patterns, though their effectiveness and sustainability was weak. The funds did reach beneficiaries who had been excluded from earlier anti-poverty initiatives, but had less of a poverty alleviation impact than alternative policies, such as a more comprehensive change in on-budget social expenditures.

Leaders in elected authoritarian regimes initiated targeted benefits as part of an electoral survival strategy when other groups had begun to turn away from the ruling party. The dominance of the ruling party or leader facilitated the capacity of government to initiate such policies over objections from urban groups or opposition parties. However, this effort did not always reflect strong capabilities to implement programs free from government corruption or with adequate technical assistance.
Second, did the regional allocations of social spending reflect economic efficiency criteria or political criteria? In the elected authoritarian regimes, social programs clearly benefited rural areas over urban areas. Regional targeting of funds was economically efficient, with poor regions receiving relatively greater funding than wealthy areas. In Mexico, one of the highest Solidarity allocations went to Chiapas, one of the poorest states (economic efficiency), but the first allocations went to Michoacán and Valle de Chalco, which supported Cárdenas in 1988 (political expediency). In Indonesia, the funds were eventually given to every village in the five poorest provinces (economic efficiency), but wealthy regions with a history of voting for the opposition (Aceh and East Kalimantan) received a higher allocation than their level of poverty would warrant (political expediency). Thus, economic efficiency and political expediency both played a role in determining regional allocations.

Finally, targeted social programs were not successful in increasing the political voice of the poor vis-à-vis the state in the elected authoritarian regimes. The presence of poverty alleviation schemes in this type of party system does not signify that the governments which initiated these schemes were willing to empower the poor. In fact, the record seems to suggest the opposite. In elected authoritarian regimes, social spending is accompanied by electoral campaign initiatives to win back votes. The ruling party generally manipulated reporting on the funds to its advantage. These programs were all implemented in a top-down manner, with NGOs excluded from the implementation process. Politicians in the ruling party bypassed intermediary institutions and gave money directly to villages in order to maintain electoral support in rural areas after urban voters had already turned to opposition parties. Thus, targeted social programs were part of an effort to undercut the appeal of the opposition by offering side benefits to the poor. In this respect, the funds were at least as effective as a form of social control as a tool for lasting poverty alleviation.
Policy Recommendations

This review of social sector policies in elected authoritarian regimes leads to the conclusion that national governments responded to the shift in neoliberal policy recommendations mainly for domestic political considerations. This finding raises some very difficult issues for the international development community.

How can the international community make policy recommendations to improve the effectiveness of social policies if domestic governments have no need to comply with the recommendations because of access to domestic funds? The elected authoritarian regimes were willing to use domestic resources to pay for large-scale programs if international donors objected to parts of the project. Some recommendations, such as using NGOs in service delivery, were refused by the recipient government. Yet NGOs have technical expertise that can facilitate program implementation.

A further problem is that safety nets were often initiated as an alternative to social sector reform. While safety nets could be a useful tool for short-term needs, without further institutional reform of recurrent social expenditures, safety nets cannot be effective or sustainable in the long run. International lending needs to have a stronger connection to domestic budget priorities. If poor beneficiaries can be expected to contribute their labor in order to receive subsidized food, so too can recipient governments be required to commit matching domestic resources to receive international assistance. This type of domestic commitment could also enhance the prospects that the program would survive beyond the leader who initiated it.
There is also reason to worry about the influence of decentralization on social policy effectiveness. While it may bring decision-making closer to the intended beneficiaries, there is evidence to suggest that traditional elites control decisions in rural areas.

Finally, in the party system argument I have proposed to explain when governments adopt targeted social policies, there is no reason to assume party systems are static. Evidence has shown that the power of the presidency has declined in Mexico and the federal systems of Brazil and India might now be more appropriate comparisons to shed light on how to improve program design for Mexico. Alternatively, Indonesia is passing from a 30 year period of tightly controlled politics, to one where we can expect great fluidity and fragmentation. Already we have seen the policy space switch to a focus on regional autonomy and ethnic clashes. My argument would suggest finding ways to fund NGOs in social service delivery to “get around” the expected lack of attention on the part of the central government in the near future. Here, comparisons with the Philippines or similar cases where NGOs have played a role in the immediate aftermath of regime transition would be useful.
<table>
<thead>
<tr>
<th>Underlying Electoral Rules*</th>
<th>Type of Party System</th>
<th>Effects of Party System on Political Incentives</th>
<th>Government Commitment to Poverty Alleviation</th>
</tr>
</thead>
</table>
| • plurality/majoritarian formula  
• single-member districts  
• high barriers to new parties  
• high costs to party switching | **Democracy:**  
**stable party system**  
• programmatic parties  
• 2-3 effective parties  
• high party discipline  
• president/legislature same party, or legislative majority | - longer time horizons  
- lower information costs  
- credible commitments easier to make  
**effect:** need to appeal to broad constituency to remain power | high commitment  
(due to effort to build broader electoral coalition) |
| • proportional representation  
• multi-member districts  
• open list voting  
• low barriers to new parties  
• low costs to party switching | **Democracy:**  
**fluid & fragmented system**  
• personalistic parties  
• high number of effective parties  
• low party discipline  
• minority government common | - shorter time horizons  
- higher information costs  
- credible commitments more difficult  
**effect:** can remain in office even by appealing to narrow constituency | low commitment |
| • elections held regularly  
• campaign rules biased  
• number of opposition parties low (often restricted by law)  
• president not directly elected | **Authoritarian Regime:**  
**electoral**  
• ruling party always wins presidency, or over 2/3 seats in the legislature  
• low number of parties | - longer time horizons  
- lower information costs  
- credible commitments easier to make  
**effect:** popular appeals more likely than force | high commitment  
(due to government effort to maintain political legitimacy and ensure social control) |
| • elections not held regularly  
• electoral defeats not honored | **Authoritarian Regime:**  
**non-electoral**  
• if electoral defeat, coup attempt | - little incentive to cultivate electoral support  
**effect:** force more likely than popular appeals | low commitment |

*all these rules may not be present in all cases*
Appendix II

IDT Implementation in Eastern Indonesia41

In order to assess IDT implementation and effectiveness at the local level, in 1997 I conducted field research in Eastern Indonesia. I selected East and West Nusa Tenggara provinces (West Timor, Flores, and Lombok islands) for local research because the rates of poverty are among the highest in Indonesia, although the numbers of poor are still low. This is in contrast to Java, where the rate of poverty is low, but the numbers of poor are much higher owing to the far higher population density. Within the two provinces, I wanted to test whether the findings of Fox and Aranda (1996), that the local decisionmaking structure affects program effectiveness, held in the Indonesian context. I selected one well-rated province (NTT) and one province with weak social indicators (NTB). East Nusa Tenggara (NTT) was the only province where the governor built on the IDT program by offering additional provincial staff paid by local budgetary funds, and by offering awards and incentives to model villages. Further, within NTT province, I selected one district (kecamatan) noted for having a more hierarchical decisionmaking structure (West Timor) and one district noted for a more egalitarian structure (Flores).42 In addition, I wanted to visit a district on Flores which was recently named the second best IDT district in a study of 11 districts.

All three of the islands I visited are now 100 percent IDT areas, though some of the villages I selected had received the funds for three years while others began only in 1996. In total, I visited three districts and five villages per district for a total of 15 villages and about 30 credit lending groups (two lending groups per village). Within each village, I was not permitted to select which lending groups I wanted to visit. This was often decided for me prior to my visit, which means in all cases that the data are biased towards the “model” lending group in each village.

In my study of 15 villages, I observed that credit lending groups were based on a lower level of government than the village structure, the dusun (a hamlet). Thus, most lending groups came

41 Research in Indonesia was conducted while the author was a Graduate Fellow of the National Security Education Program and a Visitor at the Centre for Strategic and International Studies in Jakarta. For assistance with local-level research in West Timor, the author would like to thank the World Bank study team for the project on “Local Institutions and Community Participation.” For assistance on Lombok and Flores islands, the author is similarly grateful to the staff of CARE International.

42 This type of research design also picks up on the work of Putnam (1993), who compared administrative policies in two different regions of Italy.
from the same dusun and the head of the lending group tended to be the head of the dusun. There were almost no groups formed on the basis of a particular skill or economic activity. This meant that it was difficult for women to form lending groups on the basis of their economic activity, for example a weavers’ cooperative. Women’s participation tended to be lower than that of men. Women also borrowed smaller amounts of money and borrowed less frequently. In keeping with the findings of Fox and Aranda (1996), I found that women’s participation and intra-household allocation was more equal in areas that had a history of greater social equality. Thus, in one district in Flores (an island which anthropologists cite as having a more egalitarian social structure than Timor), there was a women’s cooperative and women were occasionally the head of a lending group.

Each group had some discretion in determining how to use the IDT money. However, the funds generally were not used for new businesses, but for whatever activity that village was engaged in prior to infusion of capital from the IDT program. Villagers sometimes had to choose from a set menu of projects selected by inexperienced facilitators (pendamping), who were usually recent college graduates. IDT funds did not generate new market activities. Often, villagers did not know how to spend the funds. For lack of ideas, they usually engaged in the same activity they were engaged in prior to the infusion of IDT capital. Thus, if a village was known as being a “goat” village prior to IDT, visits to the site revealed that much of the credit lending was going to the purchase of more goats. In some cases, selecting a familiar type of project was an effort to mask an alternative use (school fees) because project monitors cannot tell the difference between goats bought with program funds and the goats previously owned by that family. It is unlikely that many IDT projects will be sustainable, though, since flooding the market with livestock in this manner tends to benefit middlemen in the port cities of Java who supply goats to outer islands more than it benefits the poor (Cohen 1995).

The program requires each village to have a facilitator, usually a recent college graduate, to help villagers with expenditure allocation decisions. These facilitators have little development experience, though they do tend to be from the province to which they are assigned. While the facilitators are often enthusiastic, they do not perform as well as NGO representatives might have in the same situation. NGOs have greater experience in the field and were involved in the initial planning of the program, but were cut out of the implementation process because they were perceived as being against the current regime. Hiring recent graduates as facilitators cuts the power of NGOs and also provides employment to graduates who might have difficulty finding a job.
otherwise. In Indonesia, as in many other countries, students have tended to lead opposition movements. Finding jobs for these students helped keep them away from larger urban centers.

The transparency of the program, each village receiving the same amount of funding, did contribute to a sense of good will at the local level. Villagers knew how much money was supposed to be entering the village because every village received the same amount regardless of population size. Villagers also identified the funds as coming straight from “Pak Harto” (Father Suharto). Thus, control of the media was used effectively in Indonesia to spread information about the IDT program. Documented reports of corruption, which could have been provided by NGOs (though at a political cost), did not surface until after the currency crisis.

Despite the many positive aspects of the program, it was clearly unsustainable after the three year, 20 million rupiah per year allocations ended, since record-keeping checks during my field visits revealed that villagers were generally not repaying the capital they borrowed, only the interest on the capital back to the lending group. In the initial formulations of the program, IDT funds were intended to be a loan to poor villages. At the end of the three year program, each village was supposed to pay back the 60 million rupiah. Field visits revealed that IDT activities had not generated enough capital to repay the original loan and this requirement seems to have been dropped in practice, though the Indonesian government never officially changed the policy. Without the support of a facilitator and without a new infusion of capital each year, the program was bound to have difficulty maintaining the momentum of its early years. Even without the economic and political turmoil since the October 1997, the program would not have been sustainable.12