



DEMOCRATIZATION, ELITES & SOCIAL SPENDING

A Comparative Analysis of Social Spending in
Indonesia and the Philippines

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Contents

1. Introduction	3
2. Methodology and Data	4
3. Theory and Literature	5
4. Case I: Indonesia from 1989 to 2008	9
4.1 National Social Policy Reforms	9
4.2 Social Spending Trends	11
4.3 Impact of Decentralization	13
5. Indonesia – Social Policy and the Power of Elites	16
5.1 A Transition without Change	17
5.2 The Persistence of the Bupati	18
6. Case II: The Philippines 1981 to 1996	21
6.1 National Social Policy Reforms	21
6.2 Social Spending Trends	23
6.3 Impact of Decentralization	25
7. Philippines – Revolution, Elites & Social Policy	28
7.1 The Impact of the People Power Revolution	28
7.2 The Role of NGOs in the Local Health Policy Making	29
8. Conclusion	31
9. Bibliography	32

List of tables

Table 1: Indonesian Social Expenditure as share of Central Government Expenditure 1989 – 2008 (percentage)	11
Table 2: Spending on Social Services, Education, Health and Social Protection as percentage of GDP for 2001.....	13
Table 3: Philippine Social Expenditure as share of Central Government Expenditure 1981 – 1996 (percentage).....	23
Table 4: Spending on Social Services, Education, Health and Social Protection as percentage of GDP for 1989.....	24
Table 5: Cross National Empirical Studies of the Effects of Democracy on Social Policy and Social Outcomes.....	35
Table 6: Social Spending of Indonesian Districts 2001 -2008 (RP Billion).....	36
Table 7: Expenditure by Function, Central Government 1989 – 2008 (Indonesia).....	37
Table 8: Expenditure by Function, Central Government 1981 – 1996 (Philippines).....	38

List of figures

Figure 1: Indonesian Social Expenditure as share of Central Government Expenditure selected years (percentage).....	12
Figure 2: Indonesian Social Expenditure as share of GDP 1991 – 2007.....	12
Figure 3: Indonesia - Functions by level of government.....	14
Figure 4: Social Spending of the Districts 2001 – 2008 as percentage of total district expenditure.....	16
Figure 5: Philippine Social Expenditure as share of Central Government Expenditure selected years (percentage).....	23
Figure 6: Philippine Social Expenditure as share of GDP 1991 – 2007.....	24
Figure 7: Philippines – Functions by level of government.....	27

1. Introduction

Democratization usually coincides with expectations, that social development will accelerate and that indicators of social well-being will improve significantly. Democratic regimes are thought to be more responsive to the social needs of the population as politicians are now accountable to the citizens by the means of democratic elections. Furthermore, democracies shall enhance the chances for lower class groups to enter the political sphere and to bring pro-poor policies on the political agenda. Several scholars already highlighted this “democratic advantage” by means of various empirical studies. The most popular among them are Stephan Haggard & Nita Rudra (2005), Adam Przeworski et al. (2000), Kaufman & Segura Ubierto (2001) and David A. Lake & Matthew A. Baum (2001). Therefore, the citizens of Indonesia and the Philippines had reasonable expectations, that the democratic transitions in their countries could improve their social welfare which tremendously suffered under the consequences of two deep economic crises. Not least because of the abrupt deterioration of their social well-being, caused by a sharp increase of poverty, people went out on the streets to protest against two centralistic regimes, which were made responsible for economic failure and social injustice. These uprisings have been successful as they caused the downfall of the Suharto regime in 1998 and the Marcos regime in 1986, and opened, finally, the way for democratization and the promises related to it.

It could be assumed that mechanisms of democracy also operated in Indonesia and the Philippines, thereby increasing the awareness of politicians to focus more on the social well-being of its citizens. However, democratization in Indonesia and the Philippines is anything but a prime example of good governance. Indonesia is dominated either by predatory-political elites (Mietzner 2012; Buehler 2014) or by oligarchs (Winters 2014; Hadiz & Robinson 2013), depending on the theoretical definition. Similarly, the post-Marcos Philippines are often described as a predatory (Evans 1995; Diamond 2008) or patrimonial oligarchic (Hutchcroft 1998) state. Politics on national as well as local level are still captured by elites, more interested in rent-seeking than good governance. The transition to democracy didn't constitute a significant disruption or even diminution of their power. Corruption as well as cronyism still characterizes the political environment and undermines democratic mechanisms in these countries.

Precisely because of the deficits of democracy in Indonesia and the Philippines, it can be doubted that democratization really put social welfare on the priority list of politicians. Rather, I assume that the defective democracy represents a major obstacle for the social policy of these countries. Purpose of this thesis is to highlight this ambiguous relationship between elitist democracy and social policy. In the following chapters I try to elaborate, if the transition to democracy really increased the awareness of politicians to focus on social policy. More specifically, this thesis analyzes if one can observe a significant change in the social spending behavior of politicians due to the transition. Therefore, this thesis will compare the social spending behavior of Indonesia and the Philippines several years before and after transition. In this context I try to answer the following question:

Did democratization influence the social spending behavior of Indonesia and the Philippines?

An increased social spending would indicate a higher priority of social welfare by the political elite, which could be traced back to the effects of democratization. In contrast, no changes in the social spending behavior, or even a reduction, would represent an unchanged or lower priority by politicians. This could be traced back, as I try to demonstrate, to the still dominant role of rent-seeking elites in both societies.

After a short explanation of methods and data used in the thesis, chapter three will give a theoretical overview about the relationship of democracy and social welfare. In particular one theory, the “economic theory” by David A. Lake and Matthew A. Baum, will be discussed in detail and applied to

the cases Indonesia and the Philippines. Unlike other theories, which focus the electoral process and the decisive role of the voter, the theory by Lake/Baum highlights the special role of utility maximizing politicians. Especially because of the extraordinary important role of politicians, or elites, in Indonesia and the Philippines, the theory by Lake/Baum is more applicable to this exceptional cases. Chapters four to seven will be the case studies of Indonesia and the Philippines. First, I will give a brief summary about the social policy reforms of the previous authoritarian regime as well as the following democratic government(s) (chapter 4.1 and 6.1). This is followed by the actual analysis of social spending in Indonesia for the years 1989 to 2006, and in the Philippines for the years 1981 to 1996 (chapter 4.2 and 6.2). Additionally, I will highlight the impact of decentralization on the provision of social services (4.3 and 6.3). Decentralization was an essential factor in the democratization process of both countries, as it shifted responsibility for basic public services, such as health and education, to local governments. In order to receive an overall picture of the social policy of these countries, this factor has to be acknowledged. A theoretical analysis, where the theory by Lake/Baum will be applied, will be conducted in chapter 5 and 7. In this chapters I will highlight, how elite power structures undermine democratic mechanisms on national and local level. Thus, I hope to explain the social spending behavior of Indonesia and the Philippines in the first ten years after transition.

2. Methodology and Data

In order to elaborate the potential effects of democracy on social policy, a before-after research design will be applied on the cases Indonesia and the Philippines. In the following chapters I will compare the social spending as a percentage of total central government spending and as a share of GDP, from 1989 to 2008 in the case of Indonesia and from 1981 to 1996 in the case of the Philippines. The shorter time frame for the Philippines, 16 instead of 20 years, is due to the limited availability of reliable data concerning central government expenditures per function.

A majority of studies, analyzing the effects of democracy on social expenditure, tries to identify differences in the performance of democracies by comparing authoritarian and democratic regimes at a particular time or within a specific timeframe. For instance, Haggard and Rudra compared 57 less developed authoritarian and democratic regimes from 1975 to 1997 in respect of differences in their social spending priorities in the context of increasing economic openness.¹ Although such models enable the scholar to compare a high number of cases, hereby supposedly increasing the validity of his/her findings, such approaches have the problem of comparing very dissimilar cases. The political regime (authoritarian/democratic) is often the only decisive variable, neglecting hereby other important factors such as demography, geography, ethnic composition, culture or historical context. Comparing similar cases offers a structural advantage as it reduces the number of potential independent variables that could be responsible for the phenomenon analyzed. Assuming that democracy improves social welfare of a country, a democratic transition within two similar countries should lead to a similar observable effect. Of course the specification of two similar cases with regard to country studies is always contestable for discussion. However, this thesis assumes to identify certain characteristics that enable a comparison between Indonesia and the Philippines in regard to social policy. Besides their geographical proximity, there are in particular four crucial similarities justifying a comparison of Indonesia and the Philippines: geography, social development, economy and political institutions.

¹ Haggard, Stephan & Rudra, Nita 2005: Globalization, democracy, and, effective welfare spending in the developing world

Indonesia and the Philippines constitute the major insular zone of Southeast Asia. Their geographical situation (Indonesia consist of more than 17.000, the Philippines more than 7.000 islands), represents a massive burden in addressing basic social functions, such as the construction of water and sanitation schemes, provision of primary medical care, etc. The expansion of the infrastructure remains until today a major challenge to both countries. In the social domain both countries started they development from a very low starting point. The former colonies suffered tremendously under the Japanese occupation and have been among the poorest countries in the 1950s and 1960s, facing similar socioeconomic problems like poverty, high infant mortality, illiteracy etc. Economically, Indonesia and the Philippines are still conceived as lower-middle income economies (GNI between \$1,046 and \$4,125) according to the World Bank.² Although both countries achieved GDP growth from independence onwards, they also have been object to several economic drawbacks like the Asian Financial Crisis in 1998/99. Finally, politically these two countries are of course of special interest as they both transformed from two very centralistic authoritarian regimes into democracies. Suharto as well as Ferdinand Marcos established an oppressive centralistic regime, concentrating power on their person and enriching their families as well elites close to them. High levels of corruption and cronyism remained as a legacy of this regimes affecting, even today, almost every public sector. Moreover, institutional both countries are of special interest as both countries chose decentralization as a form of governance. Indonesia's devolution began already three years after the downfall of the New Order regime in 2001, the Philippines started their decentralization process in 1991, five years after Marcos removal.

As an indicator social spending, consisting of expenditures on education, health and social protection, as a percentage of total central government spending and as a share of GDP will be used for this analysis. The thesis follows hereby the approach by Kaufman and Segura-Ubiergo (2002). These two indicators have been chosen as they depict best the priorities of politicians in their fiscal policy. This is of special importance as this thesis is interested in the priority setting of politicians under different political regimes.

Relevant data on the expenditure on education, health and social protection is obtained from the Asian Development Bank (ADB) publication *Key Indicators for Asia and the Pacific 1999 and 2010*. As the ADB has no available data for Indonesia in the years from 2005 to 2010, additional data from the Indonesian ministry for statistics (*Badan Pusat Statistik*) was added and equalized. Data for the Philippines for the years 1977 to 1981, which was also missing, could, unfortunately, not been found. Selected information's concerning social spending on subnational level has been derived from several regional *Public Expenditure Reviews* by the World Bank as well as World Bank databases, in particular the INDO-DAPOER database.

3. Theory and Literature

The Third Wave of Democratization, as described by Samuel P. Huntington, starting with the Carnation Revolution 1974 in Portugal and including the following transitions in Latin America, the Asian Pacific countries and the former Soviet countries of East Europe, increased not only the number of democracies in the world, moreover expectations rose that the economic and social development of these countries will accelerate and that the quality of life within these new democracies will improve significantly.³ The impact of democracy on the social policy of a country and the well-being of its

² World Bank 2016

³ Huntington, Samuel P. 1991: *The Third Wave: Democratization in the Late 20th Century*

citizens was also paid more attention by research, resulting in several cross-national empirical studies in the late 90s and early 2000s. Although the findings of these empirical studies vary from a significant positive impact to a non-proven impact of democracy on social welfare, the vast majority comes to the same conclusion. Out of 38 empirical studies conducted from 1985 till 2006 (see Appendix), listed by Stephan Haggard and Robert Kaufmann in their monography “Development, democracy and welfare states: Latin America, East Asia, and Eastern Europe”, 24 studies confirm a positive impact of democratic regimes on social spending or social outcomes. 8 studies came to ambiguous results that can be neither described as positive nor negative. Only 6 studies conclude that there is no proven impact of democracy on social outcomes such as infant mortality or education spending.⁴

Main argument for this democratic advantage, as Halperin, Siegle and Weinstein refer to it, is that through the electoral process all citizens - even the very poor- are empowered to evaluate political performance and possibly penalize political leaders or governments.⁵ Therefore, politicians are given incentives to produce public goods and to enhance the social well-being of its citizen in order to get (re)-elected. This “electoral constraint” pushes, at best, politicians to respond to the social needs of its citizens and to invest in human capital. The voter is hereby the main driving force within the redistribution process. On the bases of these assumptions several scholars constructed theoretical models, describing the relation of a political regime and social welfare within a country.

According to Haggard and Rudra, a majority of these models can be traced back to three classical approaches: the “rational theory of the size of government” (1981) by Allan H. Meltzer and Scott F. Richard; the theory of Carles Boix outlined in his monography “Democracy and Redistribution” (2003) and “the economic theory of the state” (2001) by David A. Lake and Matthew Baum.

The theory by Allan H. Meltzer and Scott F. Richard argues on the basis of a simple model, constituting that the government sets the tax rate and redistributes revenue equally among all citizens, this in form of public services such as health care, education etc.⁶ By the means of elections in democratic regimes, voters, which are conceived as utility maximizers, can regulate the extent of redistribution by voting parties/candidates offering their preferred tax rate and social policies improving their social/economic position. The Meltzer/Richard model expects that the policy positions of competing political parties will converge on the interest of median voters and, therefore, on their preferred tax rate and level of redistribution.⁷

A second theoretical stream can be traced back to Carles Boix, but is also represented by Brown & Hunter (1999); Grossman & Helpman (2002) or Mancur Olson (1982). The theory by Boix acknowledges and highlights the same mechanisms as Meltzer/Richard. Also Boix’s model concludes that the extent of redistribution in democracies is a function of the level of inequality in society. However, Boix disagrees with Meltzer/Richard in a certain point, and is maybe therefore conceived by Haggard and Rudra as a separate theory, as he sees a limit to the extent of redistribution at the point where repression appears to the political leaders cheaper as a “quasi-exploitive taxation that a strict Meltzer-Richards model should lead us to expect in countries with medium to high levels of inequality governed by democratic institutions.”⁸ Therefore, democratization usually coincides with the easing of substantial inequalities. According to Boix, democratic regimes take only root once the extent of inequality declines to that point at which political actors find it advantageous to subject themselves to

⁴ Haggard, Stephan & Kaufmann, Robert R. 2008: Development, democracy and welfare states: Latin America, East Asia, and Eastern Europe

⁵ Halperin, Morton H.; Siegle, Joseph T. & Weinstein, Michael M. 2005: The Democracy Advantage

⁶ Meltzer, Allan H. & Richard, Scott F. 1981: A Rational Theory of the Size of Government, p. 924

⁷ Haggard, Stephan & Rudra, Nita 2005: Globalization, democracy, and effective welfare spending in the developing world, p. 1018

⁸ Boix, Carles 2003: Democracy and Redistribution, p. 174

the rule of the ballot box.⁹ Moreover, do Meltzer/Richard neglect the possibility of capital mobility which would occur if taxes are too high.¹⁰

Unlike the first two theoretical streams, the “economic theory of the state” (2001) by David A. Lake and Matthew A. Baum sees not the median voter but the rent-seeking politician as decisive in the extent of redistribution. Although Lake and Baum agree with other theoretical attempts, also Meltzer/Richard and Boix, in the conclusion that the universal electoral system leads to incentives for politicians to offer a wider range of public services in order to secure votes, they believe this explanation goes not far enough: “In the study of democracies it’s commonplace to assume that politicians want to maximize their chances of election and thus derive their policy preferences from those of their constituents. But this “electoral connection” is at best a reduced form model of politics in which the constraints of existing political institutions are incorporated into the preferences of politicians.”¹¹ Theories arguing on the basis of such assumptions reduce social policies to outcomes of electoral constraints which serve only as a mean to succeed in elections. Although Lake/Baum acknowledge this process of electoral constraints, they assure that the motives of politicians go far beyond that. In contrast to Meltzer/Richard, Lake/Baum apply the principle of utility maximization to all politicians, leading to new hypotheses about the relation of political regime and social policy: “We show how this translates into a proximate goal of maximizing rents earned from the monopoly power of the state. This is a universal motivation of politicians. We then interpret political regimes as imposing varying constraints on how politicians pursue and, with varying success, reach this goal.”¹²

The “economic theory of the state” understands the state and its functions in economic terms with certain characteristics. States are conceived as rent-seeking firms producing public services in exchange for revenue.¹³ Due to their unique ability to use violence legitimately, states possess a natural monopoly within their core areas of production. Nonetheless, states produce within a contestable market as politicians can be displaced more or less easily, depending on the regime type.¹⁴ The contestability of the political regime is dependent on two variables. First, the availability of alternative rulers (incentives for individuals to enter the political arena and bid for supporters) and, second, the cost of political participation (the costs of deposing one leader and installing another). On the basis of some simple economic rules one can understand the different social outcomes of different political regimes. In a prototype authoritarian regime, the availability of alternative rulers is low (due to fear of political repression) while the costs of participation for citizens are tremendously high (fear to support oppositional leaders, no sufficient financial power to participate in politics etc.). Thus, the political market becomes less contestable resulting in an increase of monopoly power and, in turn, greater rents for the ruler.¹⁵ Authoritarian rulers are interested in exploiting the country to their maximum profit and provide therefore fewer public services. Also politicians in democratic systems desire a maximization of their utility and greater rents. But unlike authoritarian regimes, they are limited by the contestable market. Democracies accommodate a wider range of alternative rulers who can easily replace the current rule and overtake the monopoly of the state. Also the costs of participation are much lower as citizens don’t fear repression, can easily get engaged in political struggles and can campaign at low costs. In order to stay in power and maintain the flow of rents,

⁹ Boix, Carles 2003: Democracy and Redistribution, p. 174

¹⁰ Boix, Carles 2003: Democracy and Redistribution, p. 25

¹¹ Lake, David A. & Baum, Matthew A. 2001: The invisible hand of democracy: political control and the provision of public services, p. 589

¹² Lake, David A. & Baum, Matthew A. 2001: The invisible hand of democracy: political control and the provision of public services, p. 589

¹³ Lake, David A. & Baum, Matthew A. 2001: The invisible hand of democracy: political control and the provision of public services, p. 590

¹⁴ Lake, David A. & Baum, Matthew A. 2001: The invisible hand of democracy: political control and the provision of public services, p. 590

¹⁵ Lake, David A. & Baum, Matthew A. 2001: The invisible hand of democracy: political control and the provision of public services, p. 593

democratic politicians produce a larger quantity of public services but receive, in proportion, lower rents.

All theoretical models explain plausibly why democratic regimes can be associated with a better performance in social welfare. Meltzer and Richard highlighted the role of the decisive voter, who regulates the amount of public services (size of government) according to his own level of income. Also the model by Boix follows that logic, but highlights that democracies only emerge at a point where inequality is already “mild”.¹⁶ However, both theories have their limits if one applies them on Indonesia and the Philippines.

Although the processes described by Meltzer/Richard is very likely to occur in Western democracies, it's questionable if the same applies for developing countries such as Indonesia and the Philippines. As lower-middle income economies, where inequality is high and franchise universal, voters would always favor parties/candidates promising an expansion of public services (health care, subsidies in education, minimum wage etc.) this at the expense of the elite classes. That the elite of these countries will accept such a form of “quasi exploitive “redistribution is very unlikely as Carles Boix correctly pointed out. Moreover, the Meltzer/Richard model requires the political elite to be responsive to the demands of their citizens, also highly questionable in the case of Indonesia and the Philippines where elites are characterized more by predatory interests than good governance.

Therefore, the theory by Boix argues that democratization is only feasible in countries with lower levels of inequality as elites don't fear a massive redistribution process. However, the democratization in Indonesia and the Philippines didn't follow this pattern. Both countries democratized during an economic crisis, pushing millions of people in absolute poverty and exacerbating inequality.

For the purpose of this thesis the theory of “economic theory of the state” by Lake/Baum is therefore most capable to explain the social outcome of Indonesia and the Philippines. Lake/Baum's theory explains the effects of democratization on social policies with a special focus on the rent-seeking politicians. Precisely because of the dominant role of oligarchs and elites in Indonesian and Philippine politics, a more actor centered perspective could help to understand the still moderate social spending of both countries. This special role of elites was also considered by Lake/Baum, who describe them as low-cost participators. Low-cost participators, such as wealthy citizens or the military, can remove politicians more easily. Therefore, politicians are especially responsive to their demands. Especially in authoritarian regimes, where costs of participation are high, this small group is entitled to bargain for a share of the rents earned by the stated, whether directly through transfers or indirectly through lower taxes.¹⁷ Interests of this small elitist group coincide with those of the politicians, building a coalition to extract rents from the state. Precisely this phenomenon Lake/Baum observed also in Indonesia and the Philippines: “Indeed, this small group will be a primary lobby for expanding the monopoly power of the state, as witnessed by the cronyism of the Philippines under Marcos and Indonesia under Suharto. In this case, the pivotal citizen find sit costly to remove politicians from office, and thus her or his ability to punish those who earn rents in office is low.”¹⁸

Although democratization succeeded in Indonesia and the Philippines, this thesis argues that similar processes are still, although less pronounced, observable in both democratic regimes. That politics in Indonesia and the Philippines are still captured by elites and oligarchs has been emphasized by many scholars such as Vedi Hadiz, Marcus Mietzner or Jeffrey A. Winters. In the following chapter this

¹⁶ Boix, Carles 2003: Democracy and Redistribution, p. 174

¹⁷ Lake, David A. & Baum, Matthew A. 2001: The invisible hand of democracy: political control and the provision of public services, p. 595

¹⁸ Lake, David A. & Baum, Matthew A. 2001: The invisible hand of democracy: political control and the provision of public services, p. 593

thesis tries to demonstrate that the costs of participation are still high and the availability of rulers is still limited, this with far-reaching consequences on the social spending of both countries.

4. Case I: Indonesia from 1989 to 2008

4.1 National Social Policy Reforms

The majority of theoretical approaches, also the “economic theory” by Lake/Baum, argues that democracies can be associated with a greater attention to social welfare and a better performance in social outcomes such as a lower infant mortality, lower illiteracy rate or higher immunization. Although this conclusion might be valid in a global perspective, it doesn’t necessarily mean that authoritarian regimes are totally unaware of social problems. One contrary example of an authoritarian regime concerned about social development is the New Order regime (1967 to 1998) under the leadership of Haji Mohamed Suharto. At the beginning of independence in 1950, Indonesia had a population of 72 million and approximately 1.200 doctors providing medical care. Infant mortality was tremendously high with 200 per thousand and life expectancy at birth low with 48 years.¹⁹ Despite the slow economic growth and political instability during the 50s, improvements were made by setting up maternal and child clinics.²⁰ However, it was during the New Order regime that the social well-being of Indonesia’s predominant poor population significantly improved. The affordable access to basic health care was made a primary national policy objective by Suharto. This, not at least also as a mean to legitimize the highly centralized and authoritarian regime implemented by him. Central and most important tool in improving health care was the construction of community health centers (*Puskesmas*) across the archipelago in 1968. Official plan by the Suharto regime was the construction of one *Puskesmas* in every sub-district of Indonesia, one health center per approximately 30,000 people, an objective which was achieved 20 years later. Additional rural development programs (Green Revolution), water and sanitation schemes as well as a huge primary education program in 1973 (*Inpres Sekolah Dasar*) along with a steady economic growth led to a significant reduction of poverty and a substantial improvement of social welfare. The efforts by the Suharto regime proved successful as in 1995 infant mortality has declined to 48 per thousand and life expectancy rose to 65 years.²¹ The impressive achievements by the New Order regime are therefore not only a result of increased investments in health, education and social protection; rather there are a product of investments in Indonesia’s overall development (health, education, agriculture, infrastructure, housing etc.).

It is widely common sense that the Asian Financial Crisis was just the tip of the iceberg, leading to the collapse of a political system that was already fragile and without support. Both factors, the economic crisis as well as the political instability, represented a major burden for the social welfare of the Indonesians. To the surprise of many people social development soon rehabilitated and caught up old speed within the new democratic framework. However, this by applying new strategies and a significant shift in the social policy of the central government. Policy makers in Jakarta now focused more on social security schemes covering a broader spectrum of Indonesian’s and guaranteeing security for basic needs. While Suharto and his technocrats were strong in “real” social development

¹⁹ Kristiansen, Stein & Santoso, Purwo 2006: *Surviving Decentralisation? Impacts of Regional Autonomy on Health Service Provision in Indonesia*, p. 248

²⁰ Kristiansen, Stein & Santoso, Purwo 2006: *Surviving Decentralisation? Impacts of Regional Autonomy on Health Service Provision in Indonesia*, p. 248

²¹ Kristiansen, Stein & Santoso, Purwo 2006: *Surviving Decentralisation? Impacts of Regional Autonomy on Health Service Provision in Indonesia*, p. 248

(meaning the construction of hospitals, schools, infrastructure etc.), they were relatively unambitious when it comes to formal social security schemes, providing a financial coverage against disease, injury or death. Only exception here was the social insurance for civil servants (*Taspen & Askes*) and military members (*Asabri*) as well as the 1992 introduced social insurance for workers in the formal sector (*Jamsostek*). Turning point for the expansion of social security schemes was the Asian Financial Crisis in 1998 and its severe social consequences for Indonesia. The crisis pushed an additional 36 million Indonesians into absolute poverty, reversing previous downtrends in poverty dramatically.²² GDP per capita decreased from US\$ 1,063.6 in 1999 to US\$ 463.9 in 1998, a reduction of 56,4 % within a year.²³ As an immediate response, and following the recommendations of World Bank and Asian Development Bank, several social safety nets programs (*Jaringan Pengaman Sosial, JPS*), focusing especially on the poor sector, were introduced. The JPS programs included a wide array of services such as health services (*Kartu Sehat*), subsidized rice (*Raskin*), fuel subsidies, scholarships for poor children as well as a multitude of small social assistance programs for specific target groups such as abandoned children, disabled person, poor elderly etc.²⁴ Sudarno Sumarto, Asep Suryahadi and Sami Bazzi state that the “scope and magnitude of this social protection initiative was simply unprecedented in Indonesian history” as it generated a clear welfare improvement at the household and aggregate level.²⁵ Successive governments, in particular the government of Megawati Sukarnoputri and Susilo Bambang Yudhoyono, maintained, complemented and expanded these JPS programs, while focusing on a further steps to improve social welfare on an aggregate level.

On 28 October 2004 the Indonesian parliament passed Law No. 40 of 2004, known as *Sistem Jaminan Sosial Nasional* (SJSN), constituting Indonesia’s first national security system providing universal coverage. Universal coverage is defined as a secured access by all citizens to appropriate promotive, preventive, curative, and rehabilitative services at an affordable cost.²⁶ According to the International Labour Organization (ILO), the SJSN was “a major milestone in the development of social security systems in Indonesia.”²⁷ The SJSN provides a basic framework for the development of a social security system and functions therefore as an umbrella law assisting this extensive implementation process. Key features of the 2004 approved law were the achievement of universal coverage in a phased manner, the construction of a National Security Council under the supervision of the president as well as the transformation of the existing four social security carriers (*Jamsostek, Taspen, Asabri* and *Askes*) from a *Persero* (profit-oriented limited liability state enterprise) to a not-for-profit social security fund within 5 years.²⁸ Especially the transformation into a non-profit social security fund met strong resistance by major parts of the government, fearing a disruption in the flow of funds to the government.²⁹ Due to the strong resistance it took further 7 years until law No. 24 of 2011 on the creation of Social Security Administrating Bodies was approved by the parliament.

Moreover, the central government under president S.B. Yudhoyono initiated a major education program (*Bantuan Operasional Sekolah, BOS*) in 2005, to improve access to - and the quality of - basic education for every child in Indonesia. The grant program has been continually

²² Aspinall, Edward 2014: Health Care and democratization in Indonesia, p. 807

²³ World Bank 2016

²⁴ German Technical Cooperation (GIZ) 2006: Social Security System Reform in Indonesia, p. 328

²⁵ Sumarto, Sudarno, Asep Suryahadi, & Bazzi, Sami 2008: Indonesia’s Social Protection During and After the Crisis, p. 123

²⁶ Thabrany, Hasballah 2011: Health-financing reforms in Southeast Asia: challenges in achieving universal coverage, p. 863

²⁷ International Labour Organization (ILO) 2008: Social Security in Indonesia: Advancing the Development Agenda, p. 19

²⁸ International Labour Organization (ILO) 2008: Social Security in Indonesia: Advancing the Development Agenda, p. 19

²⁹ Aspinall, Edward 2014: Health Care and Democratization in Indonesia, p. 810

improved and channeled ever larger amounts of funding directly to primary and junior secondary schools across Indonesia.

4.2 Social Spending Trends

Although the democratic central government approved some fundamental reforms, such as the SJSN, it's questionable if they also allocated more resources to meet their defined goals which would indicate a higher priority of social welfare. However, by evaluating the social spending of the central government for the first ten years after transition, it can be doubted if the institutional change from authoritarianism to democracy changed the priorities of the political elite.

Despite social reforms approved by the central government, the first ten years of democracy seem not to constitute a significant shift in the social spending of Indonesia. Comparing the social spending as a percentage of total central government spending from 1990 to 2008 (table 1), one can't observe an increased priority of the central government on social issues. In contrast, the last ten years of the Suharto regime allocated in average more on education, health and social protection (14.9%) than the first ten years of democracy (13.3%). The maximum on social spending was reached in 1996 (18.8 %), the lowest point of social spending was reached in 2004 (11%).

A similar picture emerges if one considers the share of social spending on the GDP (figure 1). From 1990 to 1998 social spending constituted approximately 2.5 % of Indonesia's GDP. From 1998 to 2008 social spending was on an average of 2.13 % of the GDP, therefore slightly lower than the previous decade. Comparing Indonesia's performance with its Southeast Asian neighbors (table 2), it must be noted that Indonesia spends significantly less on social services, particularly in comparison with Malaysia and Thailand.

Table 1: Indonesian Social Expenditure as share of Central Government Expenditure 1989 – 2008 (percentage)

	Authoritarianism									
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Social expenditure % of total	xxx	11,5	12,6	12,1	12,7	18,3	17,9	18,8	16	14,4
Education	xxx	9,1	9,8	9,7	10	9,8	9,1	9	7,6	6,8
Health	xxx	2,4	2,8	2,4	2,7	3,3	2,6	2,5	2,2	2,2
Social Protection	xxx	0	0	0	0	5,3	6,2	7,2	6,3	5,3
	Democracy									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Social expenditure % of total	14	xxx	13,6	11,8	12,5	11	13,2	13,6	14,8	14,8
Education	6,4	xxx	3,7	4,1	5,3	4	9,8	10,1	10,7	11,2
Health	2,3	xxx	1,3	1,2	1,8	1,4	2,6	3	3,5	3
Social Protection	5,3	xxx	8,6	6,5	5,4	5,6	0,8	0,5	0,6	0,6

Figure 1: Indonesian Social Expenditure as share of Central Government Expenditure selected years (percentage)

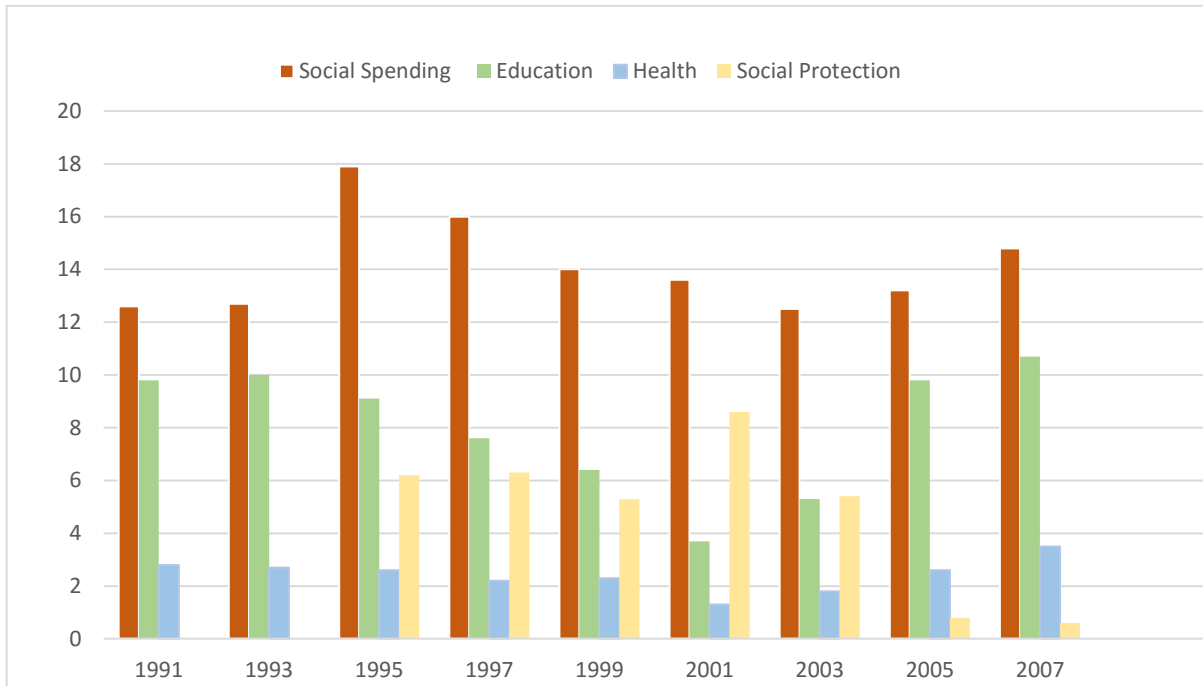


Figure 2: Indonesian Social Expenditure as share of GDP 1991 – 2007 (percent)

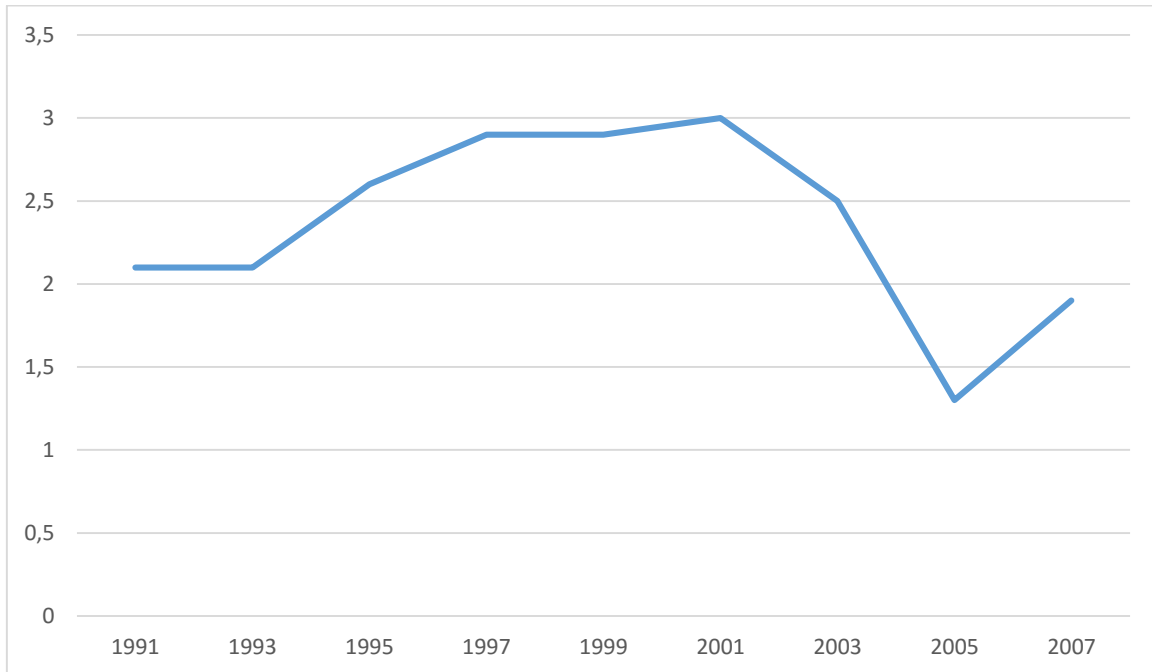


Table 2: Spending on Social Services, Education, Health and Social Protection as percentage of GDP for 2001

	Social spending	Education	Health	Social Protection
Malaysia	10.1 %	7 %	1.8 %	1.3 %
Thailand	7.4 %	3.9 %	1.3 %	2.2 %
Philippines	4.6 %	3.2 %	0.4 %	1 %
Indonesia	3 %	0.8 %	0.3 %	1.9 %

The reasons for this spending behavior can be partly traced back to the still dominant role of elites in the Indonesian political system, as this thesis will demonstrate later. However, there is also a simple practical reason why central government spending decreased after 2001, especially as a share of GDP. In 2001, Indonesia undertook one of the most abrupt and radical decentralization processes in history, thereby devolving central functions, such as health, education and social protection, completely to local government units. These local governments were now responsible for the planning, performance and budgeting of social services, enabling the central government to partly withdrawal from this functions. In order to assess the social spending behavior of democratic politicians in Indonesia, it's therefore necessary to look at the effects of decentralization.

4.3 Impact of Decentralization

Many developing countries in the 1980s and 1990s have experimented with decentralization and placed high expectations in this democratic form of governance. Usually decentralization is assumed to provide better opportunities for participation by local communities in decision-making and greater prioritization of local needs in development policy, as it encourages greater accountability of those who govern to local communities.³⁰ On national level it can enhance national unity as it allows greater political representation for diverse ethnic, religious, cultural or political groups. Most likely because of this uniting advantage, Indonesia considered decentralization as the best form of governance for its highly diverse archipelago. The collapse of the oppressive New Order regime reinvigorated demands by not a few regions – such as Aceh, East-Timor or Papua - for independence and rose fears by the political elite of a disintegration of the Indonesian state. By transferring some power to the regions, the central government hoped to meet their demands for more authority and thereby to forestall secessionist aspirations.³¹ Moreover, it was Suharto's successor B.J. Habibie who blamed the Java-focused centralization of the state apparatus for the failure of democracy in Indonesia. The highly centralized hierarchical structure of New Order allowed a small number of national politicians (although he had been a key member of this political elite), to exploit their political authority and sparked therefore authoritarian attitudes.³² A distribution of power through decentralization is thought to prevent similar developments.

The Indonesian decentralization process was abrupt and radical and is therefore referred to as the “Big Bang decentralization”. Law No. 22/ 1999 on Regional Government defined the conditions of decentralization of political authority, while Law No. 25/1999 on Revenue Sharing outlined the new fiscal system between central government, the provinces and districts. In 2001 the process started: decentralization shifted responsibility for public services to the local level, almost doubled the regional share in government spending, reassigned 2.8 million of the 3.9 million civil servants to the regions,

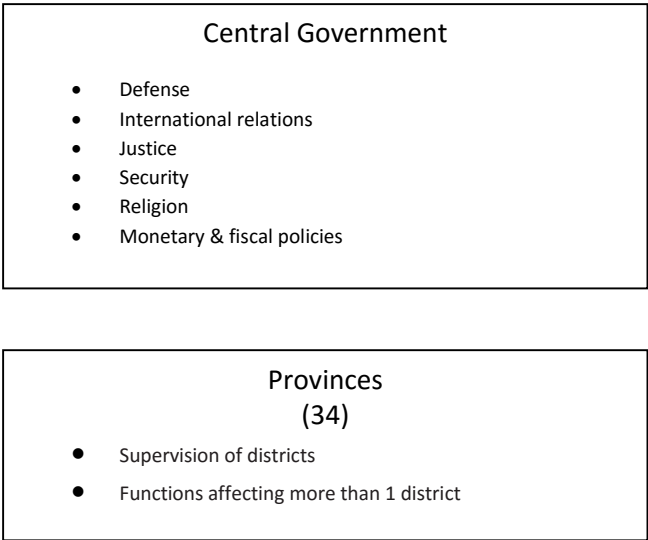
³⁰ Hadiz, Vedi R. 2004: Decentralisation and Democracy in Indonesia: A Critique of Neo-Institutionalist Perspectives, p. 3

³¹ Hadiz, Vedi R. 2003: Power and Politics in North Sumatra, p. 122

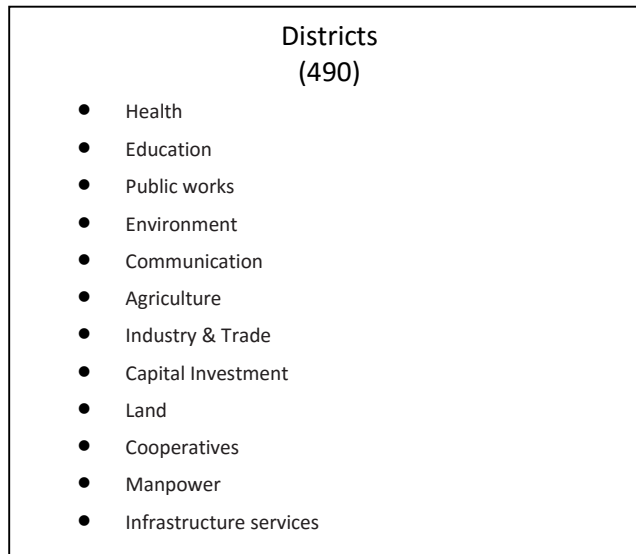
³² Buehler, Michael 2010: Problems of Democratization in Indonesia, p. 268

and handed over more than 16,000 service facilities, hospitals, schools, health centers etc.³³ Surprisingly, this “Big Bang decentralization” went remarkably smooth according to the World Bank. Since 2001, political power is split on three levels of government. The central government remains responsible for superordinate functions such as defense, international relations, internal security etc. Provinces have a relatively minor role, coordinating among the districts and performing functions that affect more than one district. The districts “benefited” most from decentralization as they now concentrate a large degree of authority on obligatory sectors (*bidang pemerinatahan wajib*) such as health, education, housing etc. (see figure 3). Therefore, the districts had not only the legal authority over the performance of social services, law 25/1999 equipped them also with the fiscal right to allocate financial resources to their priority areas and increased the same time significantly their budget. The law strongly increased the regional governments’ share of government resources, changed the transfer system from one dominated by earmarked grants to one centering around general grants, and granted regions more access to borrowing. Moreover, the law increased the importance of shared revenues, most important here the inclusion of oil and gas revenues to be shared.³⁴ This as a response to demands of resource rich regions, who felt financially not adequately compensated by Jakarta for the extraction of their resources. This new form of revenue sharing benefitted several resource rich regions such as Aceh, Riau or Kalimantan Timor, but simultaneously resulted in the rise of significant inequalities among the regions. Although the regions had several new opportunities to acquire own revenues, for instance Law 34/2000 authorized them to levy their own regional taxes (what they excessively did), the main source of regional revenue remained transfers from the central government. According to the World Bank more than 90 % of the regions revenues comes from the Balancing fund (*dana perimbangan*), which includes the general grant (*dana alokasi umum*, DAU), shared taxes, natural resource revenue shares (*sumber daya alam*), and the special allocation grant (*dana alokasi khusus*, DAK).³⁵ Despite carrying much more financial responsibility, enough revenues were devolved in 2001 to match the transferred expenditure responsibilities according to the World Bank.³⁶ Transfers such as DAK, DAU and shared revenues brought the regions a “surplus” revenue of RP 21 trillion in 2001 according to World Bank estimates.³⁷ A separately conducted study by Lewis Blane even estimated a surplus of RP 27.5 trillion.³⁸

Figure 3: Indonesia - Functions by level of government



³³ World Bank 2003: Decentralizing Indonesia, p. 10
³⁴ World Bank 2003: Decentralizing Indonesia, p. 28
³⁵ World Bank 2003: Decentralizing Indonesia, p. 23
³⁶ World Bank 2003: Decentralizing Indonesia, p. 25
³⁷ World Bank 2003: Decentralizing Indonesia, p. 32
³⁸ Blane, Lewis 2001: Dana Alokasi Umum: Description, Analysis, and Recommendations, p.330



Indeed, several districts made use of their new authorities and established, in some cases very generous, new health and education programs. According to Edward Aspinall, Indonesia experienced an unprecedented wave of local social security schemes (*Jamkesda* schemes): “local health insurance and protection schemes have spread like wildfire across Indonesia’s regions, such that there are at least six at the provincial level and hundreds in the districts, with 2011 national data suggesting that 32 million persons were covered by such schemes.”³⁹

One outstanding example of a *Jamkesda* scheme is the *Jaminan Kesehatan Aceh* (JKA) program, introduced by Aceh’s district head Irwandi Yusuf, a former rebel separatist and veterinarian. The JKA provides a universal health care insurance covering all varieties of illness. Patients requiring specialist treatment, that can’t be provided in Aceh, are eligible to receive treatment in Jakarta, flown in special chartered airplanes and accompanied by medical staff if necessary.⁴⁰ One further popular figure in this context is Gede Winasa, district head of Jembrana (Bali). Winasa became famous as the pioneer of local health insurances by implementing the *Jaminan Kesehatan Jembrana* scheme in 2002, including general care, dental treatment and specific types of specialist treatments for all residents.⁴¹

The decentralization was introduced with the hope that local governments are more responsive to the social needs of their population and to provide more appropriate solutions to the varying regional social problems such as infant mortality, maternal mortality or teacher shortcomings, especially in remote areas of Indonesia like Papua. Although the districts seemed financially to be sufficiently equipped to match the new responsibilities, and some districts eager to establish new innovative programs, it’s questionable if the majority really allocated more financial resources to social domains. Unfortunately, data concerning district spending is not available before 2001. However, available district data from 2001 to 2008 shows that the share of social spending of total district budget decreased from 42.2 % in 2001 to 38.5 % in 2008 (figure 4). Especially from 2001 to 2006 social spending decreased about 10 %, this almost completely on the expense of education. In contrast, health spending increased its share from 6.1 % in 2001 to 9 % in 2008.

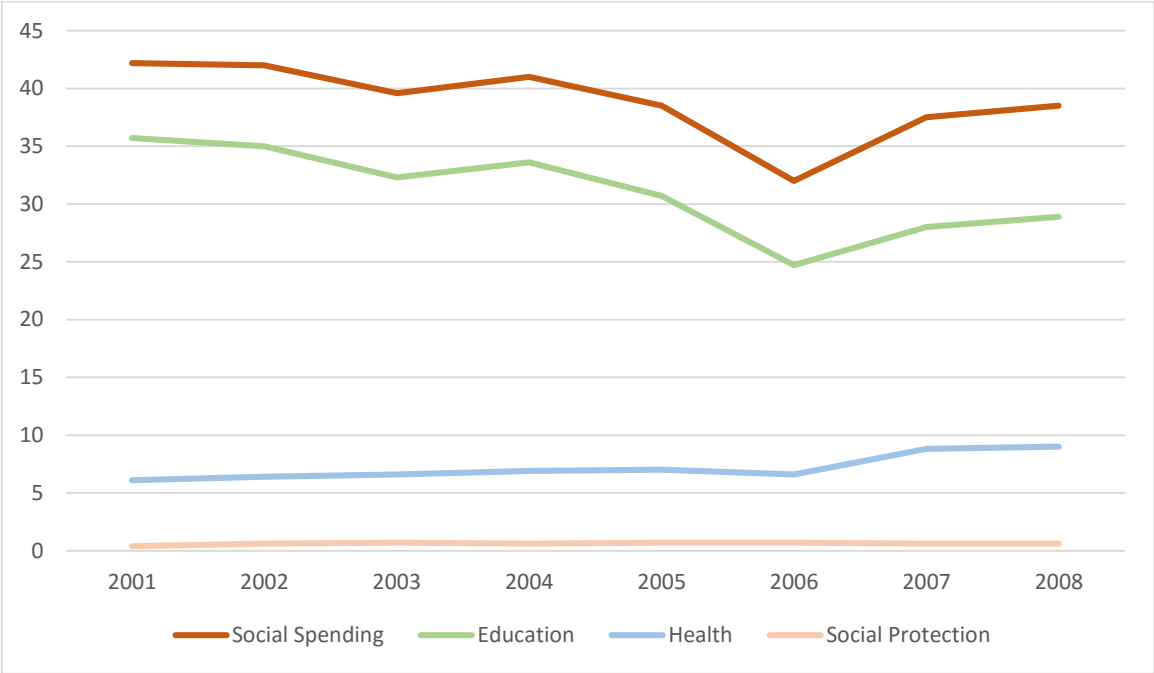
³⁹ Aspinall, Edward 2013: Popular Agency and Interests in Indonesia’s Democratic Transition and Consolidation, p. 115

⁴⁰ Aspinall, Edward 2013: Popular Agency and Interests in Indonesia’s Democratic Transition and Consolidation, p. 115

⁴¹ Andrew Rosser, Ian Wilson & Priyambui Sulistiyanto 2011: Leaders, Elites and Coalitions: The Politics of Free Public Services in Decentralised Indonesia, p. 22

This numbers shouldn't be over-interpreted as the decrease of social spending could be due to a number of factors. In 2004 and 2005, general public investments dropped when the fuel subsidy ballooned. Moreover, the BOS program was initiated in 2004, transferring immense financial resources directly to the education sector. Both factors could have an impact on the social spending behavior of local government heads. However, the simple fact that social spending didn't increase significantly, rather it dropped, at least indicates that social services were apparently not the top priority of the majority of districts. Although *Jamkesdas* schemes might have, like Aspinall argues, "spread like wildfire" or "mushroomed" across Indonesia, one shouldn't be too enthusiastic. Overall social spending hasn't reached a new peak and is still on a moderate level.

Figure 4: Social Spending of the Districts 2001 – 2008 as percentage of total district expenditure⁴²



5. Indonesia – Social Policy and the Power of Elites

This chapter tries to show that the continued dominance of oligarchic forces has substantially undermined the effectiveness of democratic accountability and, therefore, also represents an obstacle in a real beneficial social policy process. In particular, the theory by Lake/Baum reasonable explains the deficits of Indonesia's social policy outcome. Lake/Baum's theory argues that democracy improves the social performance and enhances the willingness of politicians to invest in social capital, as democracy restricts politicians in their rent-seeking behavior. More precisely, politicians in a democratic regime are restricted by the contestability of the market which is dependent on, first, the availability of alternative rulers and, second, the cost of participation. In the Indonesian case, both variables are compromised by the still dominant role of elites, hampering democratic mechanisms and,

⁴² World Bank 2016: INDO-DAPOER Database

moreover, giving low priority to social spending. This problem is especially pronounced on the decisive district level.

5.1 A Transition without Change

Scholars such as Jeffrey A. Winters, Vedi R. Hadiz or Richard Robinson showed demonstratively with their studies on the Indonesian democratization process, that oligarchs and elites are still the driving force in Indonesia's national and subnational politics. Jeffrey A. Winters even goes so far to claim that oligarchs are stronger now than they have been during the New Order regime: "Ironically because of the myriad ways available for oligarchs to express their power within Indonesia's democracy, their role is arguably greater since Suharto's fall than before the transition."⁴³ Even the critics of the oligarchic thesis, like Marcus Mietzner or Edward Aspinall, acknowledge that elite groups are still dominant in Indonesia's young democracy. Although Indonesia executed an institutional change to democracy and held within the first ten years two national legislative elections, on the 7th June 1999 and 5th April 2004 as well as the first direct presidential election on the 20th September 2004, elites of the New Order Regime, many of them mid-level GOLKAR bureaucrats, managed to maintain their power through transition.⁴⁴ This was possible due to the very different transition Indonesia experienced in contrast to the Philippines. While the Philippine People Power Movement can look back on a long history of struggle, thereby acquiring organizational resources and know-how, the Indonesian 1998 mass protest movement was not nearly as prepared to engage in pressure politics against the state.⁴⁵ As Vince Boudreau put it, the transition in Indonesia wasn't a social revolution rather it "tended toward a reproduction of old political systems minus Suharto."⁴⁶ Therefore, it was easier for the political elite to isolate itself and to ease out reformist attempts, for instance social reforms, posing a risk for their economic interests. The effects of this continuance of power are high costs of participation as well as a very limited choice of alternative rulers (most of the time between different members of the same elitist group) on national as well local level.

On national level this phenomenon is expressed, inter alia, by the office of president. While in the Philippines the opposition could succeed and install a president of their choice, four of five presidents, Megawati Sukarnoputri more loosely, succeeding Suharto belonged to his political circle. High financial, for example costs for electoral campaigns, and organizational entry costs, parties can only run for president after winning a substantial share of votes across several provinces, impose a significant burden for lower class groups to create and run new parties (for instance a social democratic party) on national level. Moreover, reformist activists are reluctant to join established parties as this would mean to enter a world of narrow and cynical self-interest as Paige J. Tan points out.⁴⁷

The continuance of power by the old elites is also expressed in the national social reforms as outlined in chapter 4.1. Although Indonesia passed some significant laws to improve social welfare, these reforms are hindered by the predatory attitude of some high ranking politicians. Indonesia's universal social security law *Sistem Jaminan Sosial Nasional* is here a prime example. Initially, the SJSN had some enthusiastic sponsors in Indonesia's first president B.J. Habibie and later president Megawati Soekarnoputri. Already in 1999 first proposals for the creation of a national security system were made and put to government. On the 28th October 2004 the Indonesian parliament passed law 40/2004.

⁴³ Winters, Jeffrey A. 2014: *Oligarchy and Democracy*, p. 12

⁴⁴ Hadiz, Vedi R. 2003: *Reorganizing political power in Indonesia*, p. 600

⁴⁵ Boudreau, Vince 2009: *Elections, repression and authoritarian survival in post-transition Indonesia and the Philippines*, p. 112

⁴⁶ Boudreau, Vince 2009: *Elections, repression and authoritarian survival in post-transition Indonesia and the Philippines*, p. 112

⁴⁷ Tan, Paige J. 2002: *Anti-party reaction in Indonesia: causes and implications*, p. 484

However, since then the progress concerning Law 40/2004 has been very slow. The National Social Security Council has not been established before October 2007. To that point only the chairman of the Council (Deputy of Coordinating Ministry of Social Welfare) but not the other Council members (15 members from tripartite stakeholders and social security experts) had been appointed by the president S.B. Yudhoyono, who had reportedly little personal investment in the details of social security.⁴⁸ At the same time, preparatory works on social security and social assistance issues continued in relevant ministries as the ILO pointed out in their report of 2008.⁴⁹ Moreover, the transformation of the social security carriers from a *Persero* (state-owned enterprises) into non-profit entities was delayed for two years and was only possible through a massive campaign (*Komite Aksi Jaringan Sosial*) forcing the government to approve Law No. 24 of 2011. That the government wanted to maintain the form of a *Persero* is understandable, as it meant a constant flow of dividends to the state budget and other projects of state leaders (either political party or personal goals).⁵⁰ For two decades from 1987 to 2006, *Jamsostek* (the largest *Persero*) has paid in total RP 1.4 trillion as dividends. In 2006 alone, it paid RP 221 billion as dividends.⁵¹ The slow pace of the SJSN shows not only a lack of motivation and real commitment, moreover it can be assumed that predatory interests by the elites interfere the implementation process. The lack of commitment is understandable from Lake/Baum's theoretical perspective as the first priority of politicians is rent-seeking and not good policy.

5.2 The Persistence of the Bupatis

As chapter 4.3 already indicated, it can be assumed that the decentralization process hasn't brought a significant reformation of social policies in the majority of the districts, despite having the legal authority to do so. While public services have not deteriorated, there have been no great improvements either.⁵² Only a few *bupatis* (district heads), such as Gede Wiansa (Jembrana) or Irwandi Yusuf (Aceh), took the chance to establish innovative new social programs. Overall however, social spending didn't increase its share on total budget but decreased slightly from 2001 to 2008. This observation is surprising as decentralization led to a real electoral competition at local level with hundreds of ballots held until 2008 and several subsequent improvements in the executive election regulations. One of these improvements is for example law 32/2004 introducing direct executive elections. Since 2005 district heads are elected directly, so that by 2007, 304 out of a total 434 districts had undergone direct elections.⁵³ Therefore, most districts had twice the chance that electoral constraints could increase incentives by politicians to focus more on health, education and social protection. However, the political old elite could also prevail on local level and is since decentralization equipped with significant power as they set the priorities of their government, including priorities set in budget. In popular terms they have been therefore often be described as *raya kecil* or "little kings".⁵⁴

But how did they manage to remain in power and to resist the electoral constraints given by the new electoral system? Again, this phenomenon can be traced back to two symptomatic features of the

⁴⁸ Aspinall, Edward 2014: Health Care and democratization in Indonesia, p. 807

⁴⁹ International Labour Organization (ILO) 2008: Social Security in Indonesia: Advancing the Development Agenda, p. 26

⁵⁰ Aspinall, Edward 2014: Health Care and democratization in Indonesia, p. 810

⁵¹ International Labour Organization (ILO) 2008: Social Security in Indonesia: Advancing the Development Agenda, p. 28

⁵² Buehler, Michael 2010: Problems of Democratization in Indonesia, p. 269

⁵³ Skoufias, Emmanuel 2011: Electoral Accountability, Fiscal Decentralization and Service Delivery in Indonesia; p. 8

⁵⁴ Skoufias, Emmanuel 2011: Electoral Accountability, Fiscal Decentralization and Service Delivery in Indonesia; p. 6

Indonesian democratic system. Also on local level voters can only choose between a very limited number of politicians, which predominantly originate from the same pool of old elites. Furthermore, costs of participation are, similarly to national level, exceptionally high, in particular for lower class groups.

The limited availability of politicians is partly due to early deficits of law 22/1999. Law 22/1999 reformed the regional political framework fundamentally, but enabled the same time elites to transfer their power into the new decentralized system. Initially the law stipulated that district heads, as well as provincial governors, are elected by the local parliament. Therefore, it was easy for local elites to use their financial superiority to buy support in the parliament and hereby the office in question as Michael Buehler highlights: "... it soon became apparent that local assemblies across the archipelago were using their newly acquired power for rent-seeking purposes. In exchange for their vote on election day, many local assembly members demanded money and favors from candidates aspiring to run for executive positions."⁵⁵ Money politics became a common practice to secure the office of district head. Change in this corrupt system should be brought by law 32/2004, introducing direct popular elections for district head. The modified regulatory framework required local candidates to be nominated by a party or coalition of parties that had earned 15 % of vote in the last legislative election or holds 15 % of seats in local legislature. Although the regulation represents a crucial improvement, money politics kept going and shifted just from local assemblies to the parties. In order to participate in local elections, candidates for district head now had to pay off party ward bosses and local party cadres to secure nomination.⁵⁶

But not only elections for district head, also legislative elections have been object to corruption and cronyism. Several reforms tried to change that circumstance. Law 3/1999 on general elections stipulated that voters could only vote for a party, but not for a specific candidate. As a result, high rankings on party lists became soon determined by power deals and internal party horse trading.⁵⁷ Law 12/2003 tried to break up this informal party dynamism by allowing voters to select a candidate and a party the same time. However, since the requirements to enter parliament for direct candidates are exceptionally high, the party list system is still the decisive mechanism bringing politicians into the parliament, this of course in favor of the political elite.

Not only is it harder for newcomers to get through very informal party politics, already entering the political arena can be a difficult task, in particular for lower class groups – peasants, workers, urban poor etc. – who could be an advocate for greater redistribution. Costs of participation are significantly high for this group due to educational and high financial requirements. Law 32/2004 and law 22/2008 stipulate that candidates must have at least a senior high school degree to run in local executive elections. Although this requirement seems minor, it excludes major parts of the Indonesian population from the opportunity to participate in executive elections. In South Sulawesi for instance, only 10 % of the population had finished senior high school.

An even larger obstacle are the financial costs candidates face at local elections. Independent candidates running for district head are required to prove support of 3 to 6,5 % (according to the population size) of the population by signatures. Only a very few independent candidates are capable to finance the mobilization and campaigning to bring up this signatures. Furthermore, independent candidates, unlike candidates nominated by parties, are obliged to pay a fine of RP 20 million in the case of withdrawal, discouraging even more people to participate in local elections. But even party members face significant costs when running for executive election. Sukardi Rinakit calculated in cross-regional study that winning candidates spend in average US\$ 1,6 million to run for district

⁵⁵Buehler, Michael 2010: Problems of Democratization in Indonesia, p. 270

⁵⁶ Buehler, Michael 2010: Problems of Democratization in Indonesia, p. 272

⁵⁷ Buehler, Michael 2010: Problems of Democratization in Indonesia, p. 272

head.⁵⁸ As running for district head is related to huge investments, most parties favor to nominate established members.

The local political system clearly favors elite networks, who were quite successful in remaining their power. A background analysis by Michel Buehler reveals that almost 50 % of candidates running for gubernatorial election between 2005 and 2008 were bureaucrats or parliamentarians involved for many years in local politics.⁵⁹ Also a study by Andrew Rosser, Ian Wilson and Priyambudi Sulistiyanto underlines the thesis that a majority of local politicians, in particular the *bupatis*, just transformed their power into the new system by means of corruption, cronyism and criminal activities. Moreover, the results by Rosser et al also support our theory that this continuance of elite power had a negative impact on the social policy of these districts: While only a small number of district governments have adopted well-funded programs to support free basic education and health, many have done very little to support the provision of free public services in their districts. Rosser et al explain this observation by different strategies applied by district heads to maintain or advance their political careers: “Where *bupatis* have pursued strategies of ‘political entrepreneurship’—that is, where they have sought to develop a popular base among the poor—and become dependent upon their electoral support to remain in power, district governments have been more likely to promote free public services than where political leaders have focused on consolidating patronage networks.”⁶⁰ These are the rare cases where the theoretical mechanism of electoral constraints indeed has an impact on the social outcome of the district. In contrast, the strategy applied by the majority of district heads resembles the behavior described previously: “where *bupati* have relied on the backing of predatory business and criminal interests, they have been more likely to pursue strategies of patronage distribution because of their need to provide special favors to these elements and use party machines and patronage networks to mobilize votes.”⁶¹ In this cases rent-seeking purposes outweigh the provision of free public services. Their study describes the cases of Adi Wiryatama, *bupati* of Tabanan (Bali) from 2000 to 2010, and Ibnu Subiyanto, *bupati* of Sleman (Yogyakarta) from 1999 to 2008.

Despite the geographical proximity to the district of Jembrana (Bali), where *bupati* Gede Winasa introduced one of the first free local health programs, the neighboring district of Tabanan showed minimal interest and investment in the provision of a similar health program. Unlike Winasa, who attained his office through a pro-poor electoral campaign, Wiryatama’s success relied almost completely on his patronage resources. Through the cultivation of his close networks to the PDI-P national elite, including party leader Megawati Sukarnoputri, and his networks within Tabanan’s business and criminal circles, Wiryatama could succeed in two local elections. This without any form of pro-poor policy or any kind of health policy. Rather than providing health care for the poor, the Wiryatama government is known for the disappearance of RP 1.5 billion allocated from the central government for the *Jamkesmas* program and the construction of a highly dubious international standard hospital.⁶² The construction of the hospital has been subject to controversy with accusations of collusion surrounding the tendering and procurement processes and the land allocated for the hospital being linked to a real estate business owned by Wiryatama’s wife. Wiryatama is also alleged to be a major shareholder in a medical supplies business contracted to equip and outfit the hospital.⁶³

⁵⁸ Rinakit, Sukardi 2005: Indonesian regional elections in praxis, p. 2

⁵⁹ Buehler, Michael 2010: Problems of Democratization in Indonesia, p. 275

⁶⁰ Andrew Rosser, Ian Wilson & Priyambudi Sulistiyanto 2011: Leaders, Elites and Coalitions: The Politics of Free Public Services in Decentralised Indonesia, p. 3

⁶¹ Andrew Rosser, Ian Wilson & Priyambudi Sulistiyanto 2011: Leaders, Elites and Coalitions: The Politics of Free Public Services in Decentralised Indonesia, p. 3

⁶² Andrew Rosser, Ian Wilson & Priyambudi Sulistiyanto 2011: Leaders, Elites and Coalitions: The Politics of Free Public Services in Decentralised Indonesia, p. 26

⁶³ Andrew Rosser, Ian Wilson & Priyambudi Sulistiyanto 2011: Leaders, Elites and Coalitions: The Politics of Free Public Services in Decentralised Indonesia, p. 26

A similar strategy applied Ibnu Subiyanto in Sleman, a district within the Special Region of Yogyakarta. During his time as a civil servant and lecturer for economics, Subiyanto could establish important networks within the local and national business community, the local academic community and within his party the PDI-P. As Subiyanto could easily mobilize resources from the business sector, he was the ideal candidate for the PDI-P to run for district head. Also he succeeded without any form of pro-poor policy. He even resisted public demands for free basic education, initiated by the introduction of the BOS program in 2004, arguing that free basic education wouldn't be financially feasible. In fact, he just represented the interest of middle class residents who could afford school fees; the interest of business class, which wanted to minimize government spending and in turn local business tax; as well as the interests of local civil servants whose salaries could be cut due to more education spending.⁶⁴ It was just after the fall of Subiyanto in 2008, that the district government supported the BOS program and provided free basic education.

From Lake/Baum's theoretical standpoint the behavior of Adi Wiryatama and Ibnu Subiyanto is not surprising. As politicians are only interested in rent-seeking, they opt for the political strategy generating greater rents. In the case of Wiryatama and Subiyanto a strategy based on patronage network is the more beneficial option as it's a lot easier to remain in office and related to higher revenues from corruption and criminal activities. A strategy of "political entrepreneurship", like practiced by Gede Winasa, is not only costly, but also constrains the possibility of politicians to gain revenue from corruption as it could jeopardize the re-election.

6. Case II: The Philippines 1981 to 1996

6.1 National Social Policy Reforms

The Philippines are often referred as a prime example of a political system captured by predatory elites, holding political offices for no other reason than rent-seeking purposes. Political office is so contested among rival elite families that politicians even run private armies to prevail in this hostile environment. Mushrooming political violence in the 1960s, between rival elite families on national as well as local level, led to the expression "guns, goons and gold", describing the three key ingredients for electoral success.⁶⁵ The escalating political violence of the 60s provided president Ferdinand Marcos with a justification to declare martial law on the 21st September 1972, thereby suspending the 1935 constitution, dissolving Congress and introducing a highly authoritarian system which lasted until 1986.

The declaration of martial law not only interrupted the long democratic tradition of the Philippines, moreover it also undermined the social development of the country which made, despite the escalating political violence, slow progress from 1960 onwards. The weak performance of the Marcos Regime gets clear if one compares certain indicators of social development such as infant mortality or life expectancy. While infant mortality declined from 1960 to 1970 by 22.4 % (from 68 per thousand births to 55 per thousand), progress significantly slowed down from 1970 to 1980 with a reduction of only 4.4% (from 55 per thousand births to 53 per thousand births).⁶⁶ A similar pattern can be observed by looking at life expectancy at birth. While life expectancy could increase about 3 years (58 to 61 years) from 1960 to 1970, this speed similarly slowed down with an increase of only 1 year from 1970

⁶⁴ Andrew Rosser, Ian Wilson & Priyambui Sulistiyanto 2011: *Leaders, Elites and Coalitions: The Politics of Free Public Services in Decentralised Indonesia*, p. 36

⁶⁵ Rood, Steven 1998: *Decentralization, Democracy, and Development*, p. 113

⁶⁶ World Bank 2016

to 1980.⁶⁷ The significant slowdown is even more surprising as the Philippines didn't experience an economic downtrend that particular time. It's therefore more than likely that the weak performance in the social sector can be traced back to a weak performance in the political sphere. The empirical evidence suggests that the Marcos regime showed some significant deficits in the provision of public services, especially in the health and education sector. The studies by David R. Philipps (1986) and Alejandro N. Herrin (1990) draw a similar conclusion. Both studies reveal several deficits in the social policy of the Marcos regime. Within the health sector these deficits included a low level of health care utilization, poor environmental sanitation improvements, high levels of infant and child malnutrition and a too strong emphasis on hospital based curative care, which focused mainly urban areas.⁶⁸ Within the education sector the picture was not much more flattering. Although the Marcos regime was able to absorb the rapidly increasing school-age population, the quality of basic education didn't improve significantly. This is indicated by a slow progress towards increased literacy rates and by low survival rates among elementary and secondary students.⁶⁹ The authoritarian regime implemented by Marcos significantly slowed down social development. To top it all, the Philippines entered a new economic crisis in 1984, aggravating the social problems which were already serious.

The downfall of the Marcos regime in 1986 was therefore a welcome opportunity for effective social reforms. Besides the restoration of democracy in the Philippines, the new government under president Corazon Aquino faced a huge task improving the social welfare which suffered from a stagnation of effective reforms and a severe economic crisis. Moreover, the Aquino administration was under immense pressure, as the revolution was only possible through civil society activism and the mobilization of NGOs. Members of the movement, who represented lower class groups, now demanded pro-poor reforms.

Indeed, the new formed government embarked upon some serious reforms in the health and education sector. In the health sector, the Aquino government followed a three-tier model: First, emphasis shifted from curative care to the neglected preventative and basic health care. Ambitious programs like the Expanded Program on Immunization soon followed. Aim of the program was to increase the number of immunized children from 25 % in 1985 to 90 % in 1990. In 1988, the Department of Health reported that already 70 % were immunized. Secondly, health care coverage should be expanded, this at lower costs. The Generics Act of 1988, one of various programs, aimed to reduce the costs of drugs through the use of a generic terminology. Finally, to improve access to healthcare, the support value of the social insurance, Medicare, was restored. Implemented in August 1971 the Philippine Medical Care Act (Medicare) provided a comprehensive and coordinated medical care program. Medicare was a basic health insurance covering hospital, surgical and medical services according to a fix schedule. Although the establishment of Medicare represented a significant and innovative attempt to improve health care in the Philippines, the program was underfunded just a few years later. The original support value of 70 % (30 % were paid by the insured persons as a co-payment) decreased to only 30 % in 1987.⁷⁰ The Aquino government restored the support value to 90 % in 1990.

In the field of education, the programs largely concentrated on quality improvement. These programs focused on key activities such as the introduction of a new curriculum, retraining of teachers and school administrators, production of textbooks and other instructional materials, and upgrading of school facilities.

⁶⁷ World Bank 2016

⁶⁸ Herrin, Alejandro 1990: An assessment of population, health and education policies in the Philippines, 1986 to 1988, p. 10

⁶⁹ Herrin, Alejandro 1990: An assessment of population, health and education policies in the Philippines, 1986 to 1988, p. 15

⁷⁰ Herrin, Alejandro 1990: An assessment of population, health and education policies in the Philippines, 1986 to 1988, p. 13

6.2 Social Spending Trends

Although the Aquino administration was eager to improve the social welfare of the Philippines, social spending remained moderate ten years after transition. A look at the central government expenditure of the Philippines from 1981 to 1996 unveils, that the democratic regime proportionately didn't allocate more money on health, education and social protection than the last years of the Marcos regime. From 1981 to 1986 the Marcos regime spent on average 17.2 % of the central government budget on social services (table 3). The following Aquino administration (1987 -1992), which made social policy to a political priority, spent, however, only 16.5 % on same services. The deepest point reached social spending in the transition period of 1986 and 1987, with 15 % and 14 % respectively. Only in 1995 and 1996, under the government of president Fidel Valdez Ramos, social spending increased significantly to 21 % and 23 % respectively, this, like in Indonesia, due to a significant increase in education spending. Overall, the first ten years of democracy spent therefore 17.7 % of the total budget on the social sector.

Surprising, is the picture if one considers social spending as a share of GDP (figure 6). Here, the transition to democracy did constitute a considerable change. Social spending as a share of GDP clearly increased after the transition from 2.6 % in 1985 to 4.4 % in 1995. Still, this numbers are relatively low compared with other countries in the region. Although the Philippines spent 3.8 % of its GDP on social services in 1989, this was still half of the social spending of Malaysia. Only Indonesia spent with 1.1 % of its GDP less than the Philippines (table 4).

Table 3: Philippine Social Expenditure as share of Central Government Expenditure 1981 – 1996 (percentage)

	Authoritarianism									
	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Social expenditure % of total	xxx	xxx	xxx	xxx	18	18	18	16	18	15
Education	xxx	xxx	xxx	xxx	12	13	12	12	13	12
Health	xxx	xxx	xxx	xxx	4	4	5	4	4	3
Social Protection	xxx	xxx	xxx	xxx	1	1	1	1	1	1
	Democracy									
	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Social expenditure % of total	14	17	18	17	16	17	16	18	21	23
Education	11	13	14	13	11	13	12	14	17	18
Health	3	3	3	3	3	3	2	2	3	3
Social Protection	1	1	1	1	1	1	1	1	2	2

Figure 5: Philippine Social Expenditure as share of Central Government Expenditure selected years (percentage)

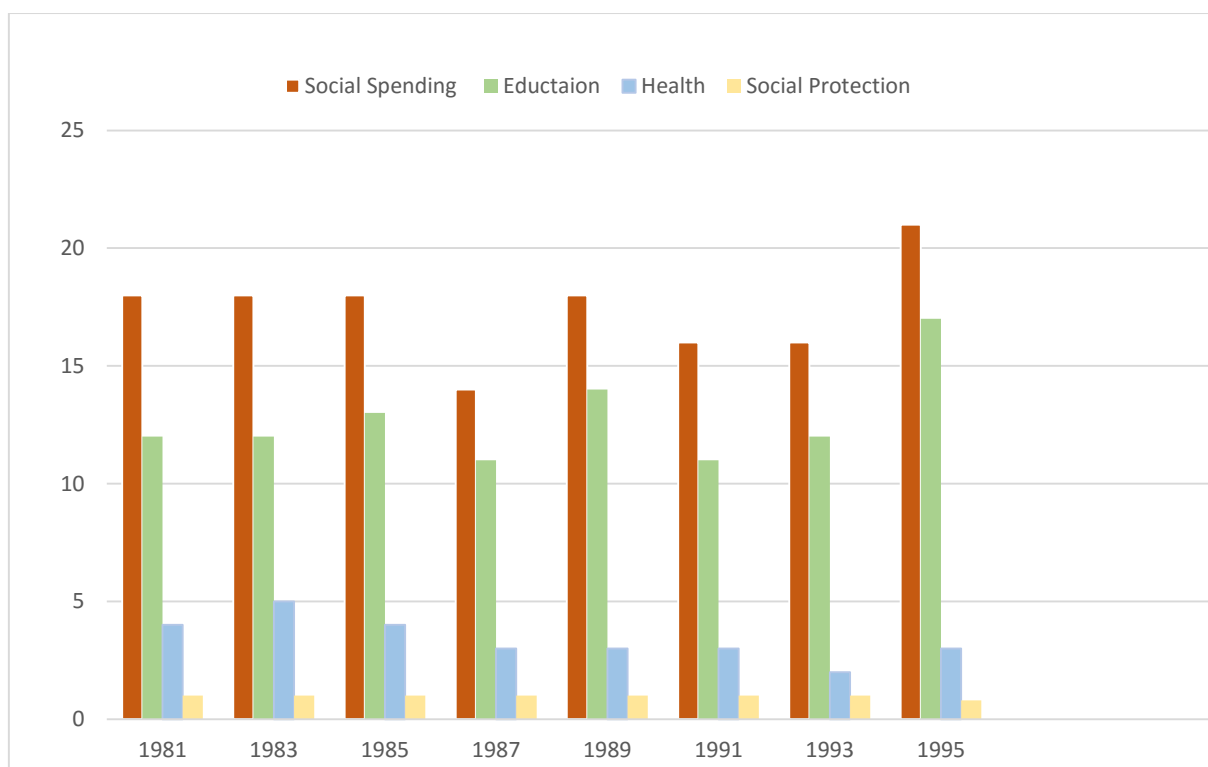


Figure 6: Philippine Social Expenditure as share of GDP 1991 – 2007 (percent)

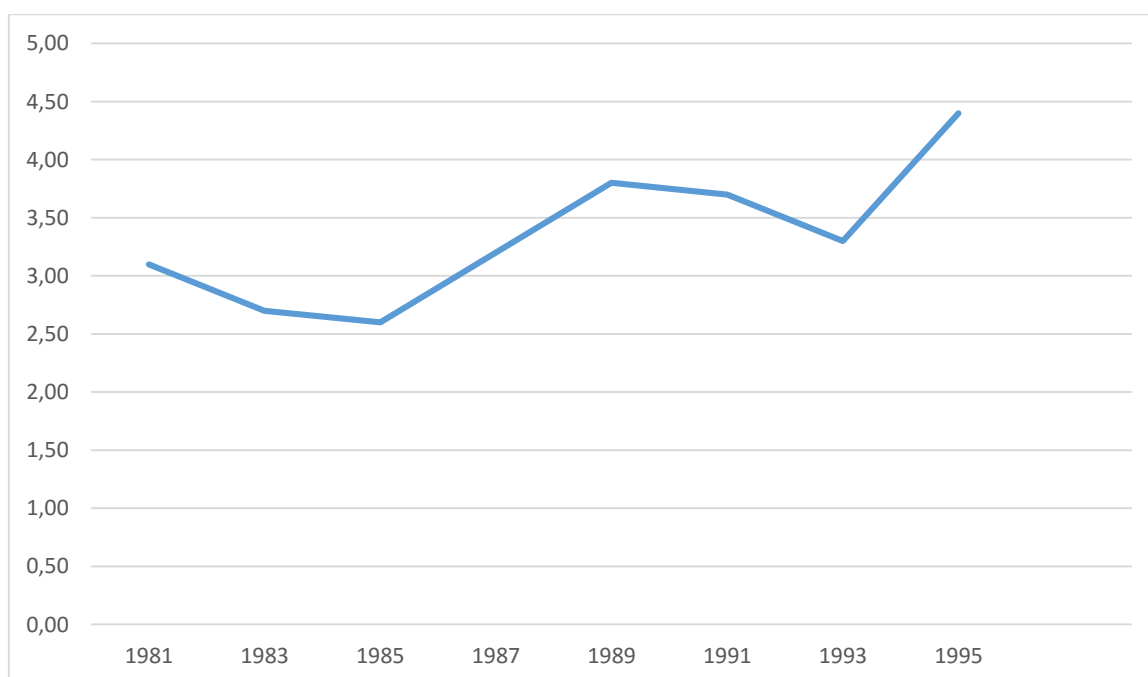


Table 4: Spending on Social Services, Education, Health and Social Protection as percentage of GDP for 1989

	Social spending	Education	Health	Social Protection
Malaysia	8.9 %	5.5 %	1.4 %	1.9 %
Thailand	xxx	xxx	xxx	xxx
Philippines	3.8 %	3 %	0.7 %	0.1 %
Indonesia	1.1 %	0.8 %	0.3 %	xxx

6.3 Impact of Decentralization

The Local Government Code (LGC) of 1991 was a fundamental and deep-seated change in the Philippine governance as it shifted substantial power, responsibility and resources from the central government to the subnational level. As in the Indonesian case, decentralization was highly controversial among national elites who wanted to remain their extensive authorities over planning, budgeting and expenditure. Especially the members of the congress, who eventually passed the LGC, have always been strong rivals of local government officials who demanded more power.⁷¹ Despite these reservations on national level, president Corazon Aquino signed the Local Government Code on the 10th October 1991 which legally took effect on the 1st January 1992, but in practical terms only was introduced after May 1992, after the elections for local government, congress as well presidency. Aquino's successor Fidel Valdez Ramos (1992 – 1998) proclaimed on several occasions his dedication to the five “Ds” (devolution, deregulation, decentralization, democracy and development).

The approval of the LGC was a big surprise for major parts of national politicians, who didn't expect such a radical change at such an early stage. A team of writers from the national Economic and Development Authority even termed the Code as a “Saturday morning surprise”.⁷² That the Code came into existence was the result of two factors which were also essential in the “Big Bang Decentralization” of Indonesia ten years later: First, a democratic spirit as a reaction to the previous authoritarian regime; and, second, demands by local governments for more autonomy.

Unlike in Indonesia, were fears of a disintegration of the archipelago overwhelmed, decentralization in the Philippines can largely be interpreted as a protective mechanism against a re-imposition of authoritarianism. In order to prevent a revival of authoritarianism, the Philippine constitution of 1987 established several mechanisms dispensing power on different levels and guaranteeing absolute democracy to all citizens. The involvement of NGOs in the policy making process is one example of such a mechanism. Another mechanism is the extended autonomy of the regions, promised by the constitution of 1987. Article II, Section 25 of the constitution explicitly recognizes local government units as important and autonomous components of the overall government structure: “The State shall ensure the autonomy of local governments”.⁷³ Article 10, Section 6 even states that local governments should obtain financial support by the national government: “Local government units shall have a just share, as determined by law, in the national taxes which shall be automatically released to them.”⁷⁴ Both articles aimed to limit the power of the central government, but also provided the legal basis of decentralization. Decentralization has been perceived as an additional way to diffuse power from the center and prevent an authoritarian regime from re-emerging in the future.⁷⁵

⁷¹ Rood, Steven 1998: Decentralization, Democracy, and Development, p. 116

⁷² Rood, Steven 1998: Decentralization, Democracy, and Development, p. 116

⁷³ Diokno, Benjamin E. 2009: Decentralization in the Philippines After 10 years, p. 163

⁷⁴ Diokno, Benjamin E. 2009: Decentralization in the Philippines After 10 years, p. 163

⁷⁵ Porio, Emma 2012: Decentralisation, Power and Networked Governance Practices in Metro Manila, p. 11

A second essential factor, although less pronounced in the Philippines than in Indonesia, was the demand by local governments for more autonomy. The Philippines have been a highly centralized country during the authoritarian leadership of Ferdinand Marcos from 1965 to 1986, especially after the declaration of martial law in 1972. But even before and after this authoritarian interlude, local governments were extremely limited in its authorities and responsibilities by the centralized system. Almost the complete public service; whether it was a doctor, policemen, teacher or nurse; was employed by and responsible to officials in Metro Manila. Major development projects have been planned, funded and exercised by the central government, without any consultation of local governments. Opportunities to raise local revenue were very restricted and national government funds often dispensed based on personalistic and political considerations; and therefore unpredictable.⁷⁶ Left with little space for self-determined governance, local politicians were highly encouraged to lobby for decentralization. One prominent figure in this endeavor was Luis Villafuerte, governor of Camarines Sur and prime mover on forming the League of Leagues, an alliance of the League of Governors and League of Mayors, which strongly advocated a devolution of power.

The LGC was one of the most remarkable changes that has taken place in the Philippines since the downfall of the Marcos Regime in 1986. Several basic functions, previously sole responsibility of the central government, have been transferred to local government units, together with more than 70,000 national government civil servants which are now employed by and responsible to the local governments. However, decentralization in the Philippines followed a different pattern than in Indonesia. Unlike in Indonesia - where the provinces obtained relatively few functions, while the districts obtained a major part of the devolved functions (including the complete responsibility for education, health and social protection) – the LGC dispersed more responsibilities to the provinces and even divided key sectors – like health – to different subnational levels (figure 7). In general, provinces are assigned functions that require the inter-municipal provision of services, such as provincial hospitals whose catchments cover more than one municipality. Municipalities are generally responsible for basic services, such as primary health care.⁷⁷ One big exception in this devolvement principle is education. In contrast to most decentralized countries, including Indonesia, education remained the key responsibility of the central government. Only the construction and maintenance of school buildings was devolved to local governments.

Certainly the most important element of the LGC, from the perspective of the local governments, was the transfer of significant financial resources. The LGC paved the way for a truly decentralized budgeting, enabling the local governments to set their own fiscal priorities. Since 1992 local governments receive their revenue from mainly two sources: first, their share from the Internal Revenue Allotment (IRA); and, second, revenue from own taxes.

Section 284 of the LGC provides that 40 % of the central government revenues, collected 3 years before the year of distribution, should be transferred to local government units as internal revenue allotment. The IRA applies hereby a two-stage process to calculate the exact entitlement of each local government unit. The first stage distributes the total IRA by the level of local government (province 23 %, city 23%, municipality 34 %, barangay 20 %), while the second stage allocates the distributable pool available to each level of local government according to a formula based on population, land area and equal sharing.⁷⁸ The IRA is the most important source of revenue for the local governments. Transfers from the central government, within the IRA framework, accounted approximately 60 % of total local government revenue in 1996.⁷⁹ Especially for the provinces and municipalities the IRA is the most important source of revenue (accounting sometimes 95 % of local revenues).⁸⁰ Furthermore, the LGC significantly upgraded the taxing powers of the local government units. Local governments

⁷⁶ Rood, Steven 1998: *Decentralization, Democracy, and Development*, p. 115

⁷⁷ World Bank 2004: *Decentralization in the Philippines*, p. 2

⁷⁸ Diokno, Benjamin E. 2009: *Decentralization in the Philippines After 10 years*, p. 164

⁷⁹ World Bank 2004: *Decentralization in the Philippines*, p. 19

⁸⁰ World Bank 2004: *Decentralization in the Philippines*, p. 5

are entitled to collect real property taxes, local business tax and specified other taxes (franchise tax, community tax etc.), accounted for approximately 36 % of total revenue in 1996.⁸¹

Figure 7: Philippines – Functions by level of government⁸²



⁸¹ World Bank 2004: Decentralization in the Philippines, p. 19

⁸² derived from: Porio, Emma 2012: Decentralisation, Power and Networked Governance Practices in Metro Manila, p. 12

Barangays (41,820)

- Agricultural support services including collection of produce and buying stations
- **Health centre and day care centres**
- Solid waste collection
- Village justice system
- Roads and infrastructure funded by the village
- Information and reading centre

7. Philippines – Revolution, Elites & Social Policy

Just as in Indonesia, the long tradition of elitism and patronage politics hasn't stop with democratization. The 1986 Philippine People Power Movement (PPP) was at no time a significant danger for the elite hegemony over Philippine politics. The congressional and local elections of 1987 – 88 saw the comeback of many politicians and political clans of the pre-authoritarian era.⁸³ Scholars of Philippine politics described the restored democracy therefore often cynical as an “elite democracy” (Bello & Gershman 1990), “clientelist electoral regime” (Franco 2001) or “cacique democracy” (Anderson 1988). However, there is a noteworthy difference to Indonesia, which can be traced back to the different form of transition the Philippines experienced. The revolutionary uprising of the PPP resulted in a set of constitutional privileges for lower class groups as well as NGOs. The crucial costs of participation, which enhance the chance of social reforms, were therefore much lower in the Philippines than in Indonesia.

7.1 The Impact of the People Power Revolution

The transition in the Philippines was actually more promising to create a democratic system characterized by good governance. In contrast to the transition in Indonesia, the Philippine People Power Movement represented a real political revolution, coming at the end of a long period of struggle by civil society organizations, NGOs and the Catholic Church. The PPP is a success story as the movement could not only overthrow the authoritarian regime by Marcos, but also influenced the design of the new constitution. The 1987 constitution implies several privileges for lower class groups to participate in national as well as local legislative politics. The most central element is here a special arrangement, reserving 50 seats for representatives of lower class groups (workers, farmers, youth, women) in the lower house legislature. These representatives come directly from civil society organizations and were until 1998 appointed by the president. Another feature of the constitution is the special role of NGOs, which was included as an appreciation for their important role in the anti-dictator struggle. The constitution of 1987 recognizes NGOs as an integral part of the Philippine development. Article II, Section 23 provides that the state encourages non-government, community-based, or sectoral organizations that promote the welfare of the nation. Furthermore, Article XIII, Section 15 guarantees, that the state respects the role of independent people's organizations to pursue legitimate and collective interests and aspirations through peaceful and lawful means. Shortly after the introduction of the constitution the number of NGOs mushroomed. From 1984 to 1993 the number of registered NGOs grew by 148 % to 58,000.⁸⁴ Never before in Philippine history lower class groups had so many opportunities to influence national politics to such an extent.

⁸³ Quimpo, Nathan G. 2009: The Philippines: predatory regime, growing authoritarian features, p. 149

⁸⁴ Clarke, Gerard 1998: Non-Governmental Organizations (NGOs) and Politics in the Developing World, p. 36

However, also in the Philippine case patronage politics prevailed and soon disaggregated the once so prestigious mobilized mass movement. Turning point was the presidential pre-election of 1992. Aspirants for the presidential election ranged across a political spectrum from left to right. Jovito Salonga, a liberal senate veteran and the most leftist candidate, soon gained the majority of movement support as he was in line with the ideology of most social movements. Several support campaigns, for instance “Women for Salonga”, were organized around his person. Moreover, a coalition between activists and liberal political groups “*Koalisyon Pambansa*” emerged in order to support candidates, who explicitly advocated progressive positions.⁸⁵ Social society movements played an active role in the electoral process, this on the bases of ideological considerations and only accountable to the lower class groups they represented.

The results of the pre-election were a shock for all social movements across the country. Out of seven presidential candidates, the movements favorite Salonga only bet one. Salonga even lost against Imelda Marcos, the wife of the former dictator Ferdinand Marcos, a person deep involved in patronage politics. Many social movements draw the conclusion, that ideological electoral politics at national level was a losing proposition.⁸⁶ Henceforth, social movements followed different electoral strategies. While some focused on the new emerging opportunities on local level, others began entering alliances with elitist parties. According to Vince Boudreau the consequences of these event were already observable in the following presidential elections of 1998: “...every presidential slate could boast of some movement support. Everyone had their leftist, and (given what by then was the advanced stage of movement fragmentation) there were enough leftist to go around. General election alliances, even those that included activist formations, became non-ideological, because patronage is non-ideological and depends only on exchanges promised by any candidate to win.”⁸⁷

Although not by far all social movements entered alliances with patronage parties and abandoned their ideological beliefs, the once so prestigious PPPM lost substantially its integrity. Jose J. Magadia’s conclusion on the state of the PPPM at the end of the 90s is even more discouraging. According to Magadia, the movement which once overthrew the Marcos regime, in order to end elitist enrichment and patronage politics, was effectively disaggregated by precisely these elites they once defeated.⁸⁸

7.2 The Role of NGOs in the Local Health Policy Making

The Local Government Code didn’t devolve the full responsibility of social services to local governments. Education remained the core responsibility of the central government in Manila, while other sectors, like health or social protection, were transferred to different levels of local government. Similar to the local government units in Indonesia, the Philippine provinces, municipalities and barangays now also received a bigger share from the IRA and could also levy own revenues. Hence, Philippine local governments in 1992 were sufficiently equipped with legal and financial opportunities to create innovative health policies or social protection schemes. In order to involve lower class groups in the development process, local health boards (LHB) were established. Local health boards are not an entirely new approach in the Philippines. The concept goes back to the 1950s when health boards were still accountable to the centralized health department. That time, members of these boards have been exclusively officials employed by the central government. Key function was the implementation

⁸⁵ Quimpo, Nathan G. 2007: *Contested Democracy and the Left in the Philippines after Marcos*

⁸⁶ Boudreau, Vince 2009: *Elections, repression and authoritarian survival in post-transition Indonesia and the Philippines*, p. 111

⁸⁷ Boudreau, Vince 2009: *Elections, repression and authoritarian survival in post-transition Indonesia and the Philippines*, p. 111

⁸⁸ Magadia, J. Jose 1999: *Contemporary civil society in the Philippines*

of development projects, planned and funded by Manila. Decentralization fundamentally changed the concept of the LHBs. Since 1992 health boards are advisory committees, which are tasked to propose annual budgetary allocations for the operation of health services, advise the legislative council and create advisory committees on personal selection, promotion and discipline, bids and awards, budget review etc. Members of the committee are the head of local government as a chairman, the local health officer as the vice chairman, local councilor for health, a representative of the department of health, and a member of a NGO. The NGO representative is thought to represent the position of lower class groups. The Code mandates that these bodies meet at least once a month. LHBs symbolize the very basic idea of the People Power Movement and the constitution of 1987, as they were meant to become a key mechanism for broader community participation and involvement in local health development. Thus, not only a few scholars assumed a positive outcome of these boards for local health development. The impact of local health boards has been analyzed several times with ambiguous results.

In 1994, the Senate and the Department of Health found that of the health boards that had been established, the majority met only once or twice a year – far less than the monthly meetings required by the LGC.⁸⁹ Another study by Ramiro et al, looking at the decision making process as well as the NGO involvement, concluded that the central function of local health boards, the broader community participation and involvement in local health development, was often not fulfilled: “...the results of the study raise legitimate questions regarding LHBs as the primary mechanism for community participation and empowerment in health decision making.”⁹⁰ According to the study the local government heads have the greatest impact on the planning process, this for several reasons. First, the LHB is only an advisory body and the final decision obliges by the mayor. Secondly, there is only one member of an NGO representing the community as a whole. Often this member is chosen by an arbitrary method. Thirdly, the studies found out that the NGO members are often not aware of their function within the board, and therefore contribute just little feedback on topics discussed. Finally, the opportunity of community participation was further reduced, when the boards did not meet regularly, something what happened more than often as the Department of Health found out.⁹¹

Also a third study questions the state of community participation on local level. Enrique Niño P Leviste’s study concerning the decentralization process in Calapan City comes to a similar conclusions as Ramiro.⁹² According to Leviste, the health policy making process is totally “politicized”, with political interests (including elections) determining the selection. Given the highly elitist environment, health policymaking is therefore also a part of patronage politics. Moreover, Leviste found out that NGO involvement was often perceived as negligible, as NGOs have no influence on budgetary questions.

The participation of NGOs in local health boards was actually related to hopes that the costs of participation, in the terminology of Lake/Baum, shrink and that lower class groups could influence the local policy making process to a greater extent. Despite having the constitutional right guaranteeing that special role of NGOs, their influence remains minor. This is mainly due to the advisory character of the health boards, which excludes NGOs from the actual policy making process. Therefore, costs of participation are still high and local government heads can still act independent, as the studies by Leviste and Ramiro unveiled.

⁸⁹ Langran, Irene V. 2011: Decentralization, Democratization, and Health, p. 369

⁹⁰ Ramiro et al. 2001: Community participation in local health boards in a decentralized setting: cases from the Philippines, p. 67

⁹¹ Ramiro et al. 2001: Community participation in local health boards in a decentralized setting: cases from the Philippines, p. 68

⁹² Leviste, Enrique Nino P. 2004: Bounded Pluralism: Politics and Participation in Health Policymaking

8. Conclusion

Purpose of this thesis was to highlight the ambiguous relationship between elitist democracy and social policy, this on the basis of the social spending behavior of Indonesia and the Philippines. The analyzed data supported our assumption that democratization didn't constitute a significant change in the priorities of politicians. Social spending on national level remained mainly the same ten years after transition. This phenomenon can largely be traced back to the continued power of elites in both societies. Although Indonesia and the Philippines executed an institutional change from authoritarianism to democracy, the political actors largely stayed the same. Especially in Indonesia this was the case. Almost the complete democratic government in the early post-Suharto period belonged to a circle of elites with affiliations to the old New Order regime and resembled therefore, as Vince Boudreau already put it, more a "reproduction of old political systems minus Suharto".⁹³ Chances for lower class groups, to influence national politics to their favor, have been greater in the Philippines in 1986. Here, the mobilized opposition could provide the next president and was involved in the constitutional process. However, patronage politics soon disintegrated opposition and fragmented civil society movements.

Also on local level it's questionable if democratization improved the provision of social services. Indonesia as well as the Philippines applied a strategy of decentralization to improve public services. However, the limited data available as well as academic literature suggests, that the results were moderate. The "democratic advantage" couldn't develop its full potential as democratic mechanisms were consistently bypassed by local government heads. In Indonesia, several district heads applied strategies of patronage distribution to succeed in local elections. In the Philippines, NGOs couldn't meet their responsibility within the Local Health Boards and were largely pushed back by majors and other government officials within the board.

By applying the theory of Lake/Baum, it becomes clear that the core of the problem can be often traced back to the political actors, more specifically the elitist politicians of Indonesia and the Philippines. The biggest obstacle for social policy in Indonesia and the Philippines are not politicians who simply block social reforms or exploit funds allocated for social projects, although there have been several cases (see chapter 5.2), rather it's their rent seeking attitude which undermines democratic mechanisms. Through the consolidation of patronage networks, clientelism, money politics, corruption and various other means; elites in both countries push back lower class groups from politics and are less accountable to the population they represent. As long as democracy can't effectively constrain these elites in their rent-seeking behavior, a significant progress in the social policy of Indonesia and the Philippines is unlikely.

Of course, democratization in Indonesia and the Philippines hasn't been a complete failure. The opposite is the case. People in Indonesia and the Philippines enjoy a lot more civil rights and political opportunities than in the authoritarian period. Furthermore, all elections on national level were held largely free, fair and peaceful; proving a certain degree of commitment to democracy. Also in the social sector the first ten years brought some positive changes. The *Bantuan Operasional Sekolah* program in Indonesia provided free basic education for 34.5 million students in 2005, with numbers increasing the following years.⁹⁴ Also the Expanded Program on Immunization in the Philippines was a great success, increasing the number of immunized children significantly (70 % in 1988). It was not the intention of this thesis to argue that democratization failed and achieved no positive social outcomes. Rather, the intention was to highlight that deficits in the democratization process have a considerable impact on social policy. In order to improve social welfare in Indonesia and the

⁹³ Boudreau, Vince 2009: Elections, repression and authoritarian survival in post-transition Indonesia and the Philippines, p. 112

⁹⁴ International Labour Organization (ILO) 2016

Philippines, it's therefore not only necessary to invest in social capital and increase social spending, rather the strengthening of democracy, on national as well as local level, can achieve a positive change.

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Appendices

Table 5: Cross National Empirical Studies of the Effects of Democracy on Social Policy and Social Outcomes

POSITIVE EFFECT ON SOCIAL POLICY/OUTCOMES		
Habibi (1994)	67 countries, 1984	social spending
Przeworski et al. (2000)	141 countries, 1950 - 90	health spending
Kaufman & Segura_Ubiergo (2001)	14 Latin American countries 1973-97	health and education spending
Bueno de Mesquita et al. (2003)	Global sample, 1960 - 90	health and education spending
Dion (2004)	49 middle-income countries, 1980 - 99	social spending
Rudra & Haggard (2005)	59 developing countries, 1975 - 97	social spending
Stasavage (2005)	44 African countries, 1980 - 96	education spending
Nooruddin & Simmons (2006)	137 countries, 1980 - 97	education spending
Moon & Dixon (1985)	116 countries, 1970 - 75	PQLI
Shin (1989)	109 countries, 1960 - 80	PQLI
London & Williams (1990)	Global sample, 1970	PQLI
Weede (1993)	Global sample, 1987	HDI
Wickrama & Mulford (1996)	Global sample, 1988 & 1990	HDI
Boone (1996)	96 developing countries (excluding OPEC), 1971 – 75, 1976 -80, 1981 – 85, 1986 - 90	Infant mortality
Brown (1999)	94 developing countries, 1960 - 87	Primary school enrollment
Zweifel & Navia (2000)	138 countries, 1950 - 90	Infant mortality
Lake & Baum (2001)	37 to 110 countries, 1970, 1975, 1985, 1987, 1990, 1992	17 indicators of education and health
Lake & Baum (2001)	Global sample 1967 - 97	Female life expectancy and female secondary education
Gerring & Thacker (2002)	188 countries, 1995	Infant mortality
Bueno de Mesquita (2003)	Global sample, 1960 - 99	Years of schooling, literacy, infant mortality, immunization, access to water, 9 health measures
Ghobarah, Huth & Russett (2004)	179 countries, 2000	Life expectancy
Franco, Alvarez-Dardet, & Ruiz (2004)	140-62 countries, 1998	Life expectancy, infant mortality, maternal mortality rates
Shandra et al. (2004)	59 developing countries, 1997	Various measures of globalization
AMBIGUOUS EFFECT ON SOCIAL POLICY/OUTCOME		
Brown & Hunter (1999)	17 Latin American countries, 1980 - 92	Social spending, but differences diminish with level of income
Lott (1999)	99 countries, (1985 – 92)	Authoritarian countries have higher education expenditures but lower health spending

Baqir (2002)	100 countries, 1985-98	Democracy positively associated with within country variation in social sector spending, but not with cross sectional variation
Avelino, Brown, & Hunter (2005)	19 Latin American countries, 1980 - 99	Positive associated with education spending, but not with social security or health spending
Brooks (2005)	59 countries, 1980 - 99	Democracy lowers probability of pension privatization
Nooruddin & Simmons (2006)	137 countries, 1980-97	Positive associated with education spending, but not with health spending
Frey & al-Roumi (1999)	87 developing countries, 1970, 1980, 1990	Positive effect on PQLI in 1970 and 1990, but not in 1980
Gauri & Khaleg-ian (2002)	175 countries, 1980 - 97	Higher levels of immunization in poorer developing countries, but lower levels of immunization in middle-income countries
NEGATIVE EFFECT ON SOCIAL POLICY/OUTCOME		
Ross (2004)	156 – 69 countries, 1970 - 2000	Infant mortality
Mc Guire (2002)	92 developing countries 1990, 47 developing countries, 1995	Multiple measures of basic health care provision
Lindert (1994)	21 countries, 1880-1930	Social spending
Mulligan, Gil, & Sala-i-Martin (2004)	102 to 110 countries, 1980-90	Education spending, pesnions ornon-pension social spending
Huber, Mustillo, & Stephens (2004)	22 Latin American countries, 1970 - 2000	Social security spending
Williamson (1987)	80 developing countries, 1970	PQLI

Table 6: Social Spending of Indonesian Districts 2001 -2008 (RP Billion)

Year	2001	2002	2003	2004	2005	2006	2007	2008
Total	71378	89468	109185	118401	131931	186500	230675	277859
Social Spending	30148	37569	43209	48583	50766	59658	86444	106935
Education	25450	31301	35215	39758	40539	45993	64613	80180
Health	4381	5705	7242	8148	9249	12317	20336	25000
Social Protection	317	563	752	677	978	1348	1495	1755

Table 7: Expenditure by Function, Central Government 1989 – 2008 (Indonesia)

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Total (Bn Rupiah)	no data	38720	41319	52200	54983	61866	66723	77964	112893	174099
Social expenditure (Bn Rupiah)	no data	4450	5198	6339	6976	11315	11918	14645	18091	25027
Social expenditure % of total	no data	11,5%	12,6%	12,1%	12,7%	18,3%	17,9%	18,8%	16,0%	14,4%
Social expenditure as % of GDP	no data	2,1 %	2,1 %	2,2 %	2,1 %	3,0 %	2,6 %	2,8 %	2,9 %	2,6 %
Education (Bn Rupiah)	no data	3512	4053	5076	5479	6045	6042	7040	8531	11918
Education % of total	no data	9,1%	9,8%	9,7%	10,0%	9,8%	9,1%	9,0%	7,6%	6,8%
Health (Bn Rupiah)	no data	938	1145	1263	1497	2011	1723	1962	2435	3889
Health % of total	no data	2,4%	2,8%	2,4%	2,7%	3,3%	2,6%	2,5%	2,2%	2,2%
Social Security and welfare (Bn Rupiah)	no data	0	0	0	0	3259	4153	5643	7125	9220
Social Security and welfare % of total	no data	0,0%	0,0%	0,0%	0,0%	5,3%	6,2%	7,2%	6,3%	5,3%
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total (Bn Rupiah)	225874	no data	359038	323182	395953	447305	266220	427598	504776	573431
Social expenditure (Bn Rupiah)	31541	no data	48741	38175	49503	49160	35062	58306	74744	84824
Social expenditure % of total	14,0%	no data	13,6%	11,8%	12,5%	11,0%	13,2%	13,6%	14,8%	14,8%
Social expenditure as % of GDP	2,9 %	no data	3,0 %	2,1 %	2,5 %	2,1 %	1,3 %	1,7 %	1,9 %	1,7 %
Education (Bn Rupiah)	14349	no data	13433	13264	20887	17741	25988	43287	54067	64029
Education % of total	6,4%	no data	3,7%	4,1%	5,3%	4,0%	9,8%	10,1%	10,7%	11,2%
Health (Bn Rupiah)	5186	no data	4542	3747	7316	6174	7038	12730	17467	17270
Health % of total	2,3%	no data	1,3%	1,2%	1,8%	1,4%	2,6%	3,0%	3,5%	3,0%
Social Security and welfare (Bn Rupiah)	12006	no data	30766	21164	21300	25245	2036	2289	3210	3525
Social Security and welfare % of total	5,3%	no data	8,6%	6,5%	5,4%	5,6%	0,8%	0,5%	0,6%	0,6%

Table 8: Expenditure by Function, Central Government 1981 – 1996 (Philippines)

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Total (Mn Pesos)	no data	no data	no data	no data	49083	51142	55811	68510	80262	121339
Social expenditure (Mn Pesos)	no data	no data	no data	no data	8632	9370	9845	11074	14610	18333
Social expenditure as % of total	no data	no data	no data	no data	18%	18%	18%	16%	18%	15%
Social expenditure as % of GDP	no data	no data	no data	no data	3,1 %	3,0 %	2,7 %	2,1 %	2,6 %	3,0 %
Education (Mn Pesos)	no data	no data	no data	no data	6125	6627	6695	8121	10749	14128
Education % of total	no data	no data	no data	no data	12%	13%	12%	12%	13%	12%
Health (Mn Pesos)	no data	no data	no data	no data	1921	2294	2685	2468	3275	3531
Health % of total	no data	no data	no data	no data	4%	4%	5%	4%	4%	3%
Social Security and welfare (Mn Pesos)	no data	no data	no data	no data	586	449	465	485	586	674
Social Security and welfare % of total	no data	no data	no data	no data	1%	1%	1%	1%	1%	1%
	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Total (Mn Pesos)	154542	167761	202137	258705	295239	291693	313746	327768	392450	416139
Social expenditure (Mn Pesos)	22051	28723	35395	43605	46397	50971	49236	57905	84122	96028
Social expenditure as % of total	14%	17%	18%	17%	16%	17%	16%	18%	21%	23%
Social expenditure as % of GDP	3,2 %	3,6 %	3,8 %	4,0 %	3,7 %	3,7 %	3,4 %	3,4 %	4,4 %	4,4 %
Education (Mn Pesos)	16988	22046	27378	33528	33510	37696	38986	45131	64948	74682
Education % of total	11%	13%	14%	13%	11%	13%	12%	14%	17%	18%
Health (Mn Pesos)	4245	5632	6532	7962	9178	9908	6984	7902	11788	11254
Health % of total	3%	3%	3%	3%	3%	3%	2%	2%	3%	3%
Social Security and welfare (Mn Pesos)	818	1045	1485	2115	3709	3367	3266	4872	7386	10092
Social Security and welfare % of total	1%	1%	1%	1%	1%	1%	1%	1%	2%	2%