



# Can Information Improve Local Accountability?

Workshops in Peru inform citizens about how they can keep government accountable for the revenues they receive from the mining industry.



Extractive industries around the world generate billions of dollars in taxes and royalties each year, but they also can disrupt rural communities through environmental damage. To help communities cope with the negative side effects of mining, firms and governments often promise a portion of revenues for rural development. However, some communities never receive the promised resources.

In Peru, the law provides democratic channels through which citizens can hold leaders accountable for lost or misspent funds, but rural residents rarely know how to access these mechanisms. Over time, when communities do not experience any benefits from nearby extractive activities, they can resent such industries. Not knowing how to improve the situation through peaceful

political processes, community members may turn to protest.

Better information may help citizens participate more and hold their leaders accountable for such spending. If information leads to better accountability, and local officials respond by spending more on community development, protest and conflict around extractive industries may diminish.

A researcher from New York University collaborated with Innovations for Poverty Action (IPA), Propuesta Ciudadana (PC), and Centro de Investigación y Promoción del Campesinado (CIPCA) to evaluate this approach to improving accountability and reducing conflict in Peru. CIPCA ran information workshops in randomly selected rural communities, informing residents about: (1) how the central government distributes revenues to communities, and how their own local government has spent the funding; (2) the participatory budgeting process through which citizens can be involved in deciding how to spend the funds; and (3) how to democratically remove local government leaders who mispend resources.

The evaluation found that workshops increased participants' knowledge on all these topics. While, on average, the workshops lowered citizens' participation in local government, workshop communities with relatively ineffective local leaders responded differently than communities with higher performing leaders. In communities with low-performing mayors, the information workshops increased support for a recall, and decreased citizen involvement in participatory budgeting. In contrast, in communities with higher performing mayors, the workshops had no effect on meeting participation or support for recall. Those who learned the most from the workshops were in communities with lower average education.

In the longer term, however, this increased accountability did not have uniformly positive implications for subsequent government performance. For district governments that were already

performing at a high level (at the 75<sup>th</sup> percentile of budget execution or higher), each additional treated community produced an additional percentage point increase in budget execution in the six months following the workshop. In contrast, in poor performing districts each additional treated community, perversely, caused on average nearly a percentage point *decrease* in budget execution.

The results indicate that workshop participants internalized the information and acted accordingly: supporting the democratic removal of low-performing leaders and disengaging from local politics where they perceive the process to be ineffective. Good performers responded by improving their activities, but poor performers, recognizing that they were thus more likely to subject to removal, on average performers began to shirk more often.

Researchers concluded that the workshops were an effective way to disseminate important information about accountability and community participation in democratic processes, but that the welfare implications are potentially troubling: improving government performance for the places it is already relatively good, and worse for places it is already bad.

## Context

Extractive industries represent a major part of the local economy in many rural parts of Peru. In seven of Peru's 25 regions, mining represents more than 30 percent of the regional GDP. Extractive industries in Peru are also marked by conflict, including armed violence. Data from the Peruvian government indicate that over 70 percent of local level conflicts in the country are linked to mining production, representing at least 103 distinct conflicts nationwide.

By law, Peru's central government must return a portion of revenues from extractive industries to the local governments where the mines are located. The process that governs this

revenue redistribution is called the *canon minero*. Local governments and mayors are responsible for stewarding the funds they receive from the central government and using them to implement development projects meant to benefit the community. Community members can help decide how funds are used through a participatory budgeting process, and can also attend accountability meetings, in which citizens request details about the progress of projects funded through the *canon minero*. Community members who are dissatisfied with this spending can move for the removal of their town's mayor, through a formal recall process. Citizen knowledge of all these processes is low.

## **Extractive Industries Transparency Initiative (EITI)**

EITI is an international transparency standard meant to improve the governance of tax revenues from extractive industries by informing public debate. Around the world, 51 countries are implementing the EITI transparency standards; the EITI secretariat reports that nearly \$2 trillion in revenues from extractives have been disclosed in EITI reports. Whether these standards achieve their aim of improve local government accountability, however, is unknown.

Propuesta Ciudadana (PC) is EITI's main partner in Peru. Their affiliate, Centro de Investigación y Promoción del Campesinado (CIPCA), worked with researchers and IPA to bring information workshops to rural Piura.

## **Workshops for Information and Transparency**

The workshops focused on the results of Peru's EITI transparency report and the *canon minero*. Participants viewed a video about oil and gas production in Piura, the participatory budgeting

process by which local governments determine how to spend revenues from extractive industries, and how much funding local governments receive and spend in Piura. Participants also learned about accountability meetings and the process for carrying out a democratic recall of a district mayor or departmental president.

While CIPCA welcomed all members of the communities to participate in the training, recruitment to the workshops focused on community leaders.

## **Evaluation**

Researchers randomly assigned eighty communities across nine districts in Piura to either host a one-day training workshop or to serve as a comparison group.

IPA surveyed 643 community leaders in both groups, to assess their knowledge about the *canon minero*, participatory budgeting, and recall processes, as well as to understand their attitudes towards accountability, protest, and participation.

In addition, researchers collected budget execution information from Peru's Ministry of Finance, which tracks quarterly budget allocations and expenditures for each municipality. The proportion of the *canon* budget that a mayor successfully spends is key for understanding whether communities receive the benefits of mining revenues. Mayors in Piura spent between 65 and 95 percent of their *canon* budget, so researchers considered any mayors who spent less than 70 percent of the funds a low-performing mayor.

## Results

- **The workshops increased participants' knowledge** about the canon minero, participatory budgeting, and recall processes. Respondents from communities in which trainings were held answered 34 percent of questions about the canon minero correctly, as compared to 26 percent of those surveyed in comparison communities. Respondents who participated in the workshops answered 52 percent of the canon minero questions correctly.
- **On average, the workshops lowered participation** in budgeting and accountability meetings, as well as satisfaction with mayors.
- **However, in communities with low-performing mayors, the information workshops increased support for a recall of these underperformers**, and decreased reported participation in budgeting meetings. In contrast, in communities with higher performing mayors, the workshops had no effect on meeting participation or support for recall.
- **These workshops lead to improved budget execution for high performing governments, and worse execution for poor performers** during the six months following the workshop. It appears that increased pressure only works in places where the mayors feel they have a good enough shot of being retained and have the capacity to respond.
- Education levels seem to affect how participants respond to workshops:
  - Those from workshop communities with **lower education levels learned more about the disbursement, budgeting, and accountability processes** than those in higher education communities.
  - The workshops also **increased reported participation in public budgeting meetings in lower education communities**, but workshops decreased this participation in higher education communities.
  - **In lower education communities, workshops decreased support for protesting** lower performing mayors, but not in higher education communities.
  - **In communities with higher education, workshops increased support for a mayoral recall**; there is no parallel decrease in lower education communities.

## Conclusions

Taken together, the evaluation results indicate that workshops helped participants by improving their knowledge about important governance and accountability processes in which they can be involved. In communities with low-performing mayors, participants responded to the information by supporting the democratic removal of low-performing leaders and disengaging from local politics where they perceive the process to be ineffective. The workshops were an effective way to disseminate information about accountability and community participation in democratic processes—especially in the low-education communities where such information is most needed. That said, the longer-

term implications of an exclusively information-driven intervention does not appear to include welfare improvements for those in areas with low-performing governments.

Looking forward, it appears that capacity improvements must be coupled with accountability improvements for low-quality local governments in order to produce better welfare for all citizens, rather than just those who are in areas with relatively high quality government.