

Crises and Contradictions: Understanding the Origins of a  
Community Development Project in Indonesia  
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It was a brilliantly clear morning in Central Sulawesi when the villagers first spied the large pile of lumber. One of the delivery truck drivers stood lazily by the wood, smoking a cigarette that he blew over his steaming coffee. He'd come from Palu, the provincial capital. The golden lettering embroidered on his hat told the villagers that he and the silent man in the neatly pressed green safari suit also sipping his coffee worked for the Public Works Department there.

The villagers were curious. Just last year they had gotten funds from the Kecamatan Development Project to build a stone road from their rice fields to the market route, and now here were the materials to repair a bridge. Had the government finally noticed their plight?

“Friend, what is this wood for?”

“It's to build a bridge”

“How much wood is there? What did it cost?”

“That's none of your business. Just be thankful that the government will be building you a bridge.”

“But we want to know. This is our new rule here. You have to come to the *balai desa* and tell us about the project. Then you have to post a signboard so that all of us know how much this bridge costs. If KDP does it, we want you to do it too.”

“You are mistaken. KDP is KDP and it has KDP rules. This is a government project and we follow our rules. Just be thankful that you are getting a bridge”.

The villagers were troubled. That night the village elders met. Some people said they should just accept the wood because the village needed the bridge. But many more villagers were angry. This was now the era of *reformasi* and people had a right to know about projects.

Early the next morning, even before the first rays of sunlight pierced the dark clouds, the villagers had heaved the wood back onto a large truck owned by the son of the village council head. Two truckloads of villagers and scores of motorcycles joined the procession to the district parliament. When the first parliamentarians arrived for work that morning, they were met by a quiet delegation of villagers standing atop a large pile of wood wrapped in an enormous white cloth.

“What is this? They asked”

“This is the cloth we use to wrap our dead,” the village head replied, “and dead is what this project is. We would rather have no bridge and no wood than go back to the corrupt ways of the New Order. From now on we only want projects that involve us in decisions. If KDP can do it, other projects can do it too.”

And with those words, the villagers got back on their trucks and went home.<sup>1</sup>

## **I. Introduction**

KDP – the Kecamatan Development Project – is the largest community development project in Southeast Asia. Covering more than 20,000 villages, the billion-dollar program extends from the northern tip of Sumatra to West Papua/Irian, three time zones away.

KDP is among the first large development projects funded by the World Bank to draw directly on social theory, and, in particular, on writings from agrarian studies and comparative history. KDP supports development plans made and approved by communities. By focusing primarily on the process by which local development projects are planned and managed rather than on what gets built, KDP marks a sharp departure from the traditional ways in which large development projects are conceived and carried out.

This paper is about the genesis of KDP. In keeping with the overall theme of this volume, the paper will primarily look inwards, towards the opportunities and constraints that challenge social scientists working within large development bureaucracies. KDP provides a useful way to organize such a discussion. For while there is much to be said for the role played by the World Bank as a forum for testing and provoking critical thinking about international development, what the World Bank actually does is lend very large sums of money to developing countries. Social scientists who think that the Bank must change the way it does development must find a way to change its operations.

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<sup>1</sup> Story collected by Enurlaela Hasanah.

The paper is divided into three sections. The first section of the paper describes the project and raises the question of what specific historical factors opened the space to allow for an experiment like KDP. While KDP undeniably draws on a broad range of community development experiences both in Indonesia and elsewhere, it is also true that the “here” and “now” questions pose an analytical problem that is crying out for answers: how could what must have been seen as a progressive and potentially risky project move forward in a large, highly centralized, quasi-military government that was Indonesia in 1998.

In the second section, I will give a brief overview of KDP’s ethnographic roots. The purpose of the argument in this section is to show that KDP is substantively different from standard development projects, and that this difference reflects not only changing fashions in development – which to some extent it does – but also the effect of seeing community-state relationships through the glasses of an anthropologist rather than those of a development economist, rural planner, or an irrigation engineer.

The concluding section of the paper draws the case study back to the over-arching theme of this book, the question of how development’s vocabulary can be expanded to include the critical insights of social scientists. The argument here is that while the scope for structural alternatives to standard models may be limited, it is not insignificant. Social scientists can play catalytic roles, but to so effectively, they must learn to work in the culture of development institutions. Applied social development must deliver results that matter in the language and terminology used by decision-makers within government and big agencies such as the World Bank. Very few of those people are social scientists.

This paper carries with it an internal contradiction that must be acknowledged upfront. The author is both informant and analyst. As a project team leader inside the World Bank, this gives me one kind of special advantage when writing about historical events such as what really happened behind the closed negotiating doors – for most of the closed door sessions referred to in this paper, I was sipping tea at the table as we argued about

terms and conditions. Enough has been written on the virtues and faults of introspective anthropology that for the moment a word to the wise about the problems that self-reporting poses to any ethnographic account is sufficient to warn readers about the inherent partiality of the discussion that follows below.<sup>2</sup>

## II. KDP in Brief<sup>3</sup>

The Indonesian administrative system consists of provinces, districts (“kabupaten”), subdistricts (pronounced “ketchamatan”), and villages. There are anywhere between some 20-50 villages in a kecamatan; on average a Javanese Kecamatan will have about 50,000-75,000 people in it, while a kecamatan in the sparsely populated eastern islands can have as few as 10,000-12,000 inhabitants. Although many kecamatans were mapped onto the boundaries of pre-existing principalities, off-Java kecamatans are often large enough to contain a number of different cultural groups, particularly in the areas of high immigration.

The basic architecture of the Kecamatan Development Project is deceptively simple. It consists of a system to give block grants directly to kecamatan councils, which they can use to fund development plans prepared through a 4-6 month long participatory planning process. The funds, which range from approximately US\$60,000-\$110,000 per

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<sup>2</sup> Even though much of the discussion in this paper is written in the first person, in fact the analysis, the ethnography, and the project are from first to last the product of a very large number of people, only some of whom can be acknowledged here. Michael Cernea not only survived mentoring me for many years in the ways of giant bureaucracies, but his writings on social organization as “entry points” for development shaped much of my own thinking. Ben Fisher, now retired, was the founder of the Bank’s social and environmental group for Indonesia. Gloria Davis led the three-country local-level institutions study. Team leaders for the LLI studies were Kamala Chandrakirana, Pieter Evers, Kastorius Sinaga, Leni Dharmawan, Anna Wetterberg, Silvia Werner, Yando Zakaria, and Erwin Fahmi. Anna Wetterberg in particular deserves a special acknowledgment. Ibnu Taufan, Muhammed Roesli, Sentot Satria, Enurlaela Hasanah, Susan Wong, Sri Kuntari, Steven Burgess, Linda Citra, Taufik Rinaldi, Richard Gnagey, Victor Bottini, and Nani Zulminarni are daily contributors to KDP. Herman Haeruman, Tatag Wiranto, Bito Wikantosa, Samsul Widodo, Ayip Muflich and the late Pramono provided critical insights into how the government sees community development. Thanks for comments on drafts of this paper go to Kamala Chandrakirana, Sarah Cliffe, Leni Dharmawan, Cyprian Fisiy, Enurlaela Hasanah, Richard Manning, Lant Pritchett, and Susan Wong.

<sup>3 3</sup> For a particularly fine summary of KDP that provides many more details on its design and performance, see the first phase evaluation report, “Kecamatan Development Program Phase One Final Report, 1998-2002” It is available from the Ministry of Home Affairs, Community Development Agency in both Indonesian and English.

kecamatan, can be used for almost anything villagers believe to be a development priority. As in many poor parts of the rural world, villagers tend to place a premium on roads, bridges, and irrigation, but in both theory and practice KDP funds can be used for almost any kind of public good as well as for village-level revolving funds.<sup>4</sup>

The kecamatan councils are themselves somewhat of an odd beast. Formally composed of the elected heads of the village planning group and chaired by the subdistrict head, for many years they were inert, meeting at most once a year. Under KDP they have been revived. Additional non-voting members are elected by popular acclaim. All project proponents are also invited to join the meetings, which means that the final gathering for the competition among proposals can be very large.

Each village can submit up to two proposals to the kecamatan council. This always leads to more proposals than there are funds, so the villagers must negotiate among themselves which proposals are the most worthy. KDP rules require that any village group submitting a proposal must send a delegation of at least two women and one man to the kecamatan decision meeting where villagers present and decide on which proposals will be funded. Negotiations lead to plenty of horse-trading among villagers.

Once the kecamatan forum agrees on which proposals merit funding, nobody further up the system can modify them. Funds are released from the provincial branch of the national treasury directly to a bank account held in the name of all of the villages. They do not go through the different levels of government, though they are recorded in provincial and district budgets, and this direct transfer system is not only one of the under-appreciated keys to the project's success but also an endless source of frustration for neat and orderly public administration specialists.

Planning is helped by a tiered system of facilitators. In each KDP village, the villagers elect a man and a woman to represent the village within the project. Their main

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<sup>4</sup> A small negative list bans items such as paying official salaries, purchasing weapons, planting tobacco, buying pesticides, etc.

job is to introduce the project to all of the informal as well as the formal institutions within the village, which in effect means that they spend large amounts of time in the hamlets rather than the village proper. The next level up is the kecamatan, where the project places a social and a technical facilitator. The social facilitator explains the project's rules, monitors participation, and trains the village facilitators; the technical facilitator helps the villagers assess the quality of their infrastructure and trains them in maintenance. District engineers<sup>5</sup> supervise the quality of physical works, and at the province there is a management unit that conducts training, supervises progress in the field, and acts on complaints received from villages.

For me, some of the most interesting bits of KDP lie in the details of how the project helps (and sometimes hinders) villagers take control of how the money gets spent. For example, when villagers buy construction materials, they have to get prices from three different suppliers and read them out to a village meeting. Initially many villages do not want to do this – they have their own favorite suppliers where they have bought goods for decades. They are nearly always shocked to find that comparative shopping lowers costs. Villagers also form monitoring teams that, for example, count the contents of delivery trucks as they arrive to make sure that what suppliers send is what the villagers purchased. They report their checklist back to the village forum.

The project has a strong battery of monitoring instruments. Most interesting, given that it was conceived in the waning days of the New Order government, is that the project has the legal obligation to contract independent NGOs in each province, and to provide a blind contract for the Indonesian Association of Independent Journalists to publish stories on how the project is performing in the villages. [The “blind contract” means that the project funds an intermediary NGO to pay for a fixed number of trips to the field but the project never knows who is going where nor is there any prior review of what the journalists publish]. So far the journalists have published some 850 articles in regional newspapers, about a third of which deal with corruption or other forms of abuse.

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<sup>5 5</sup> “Districts” are the translation of “kabupaten”, which are also called “regencies” in the literature. Indonesian districts are quite large, and can have as many as two or three million inhabitants, although one million is closer to the norm for Java.

Monitoring also includes kecamatan cross-audits and participatory monitoring by villagers themselves, and a number of case studies on special topics, such as women's participation in meetings or how villagers adapt the core design to "adat" (customary) forms of organization. The case studies are summarized in a colorful bi-monthly newsletter that goes to all 20,000 villages. During one ten-day trip across Java, I asked all the villagers I met which of the case studies they thought was the most interesting. It was no contest. The hands-down winner was the story of the village head who went to jail for stealing KDP funds from his village.

KDP has evolved over time<sup>6</sup>. In its first years nearly all of the focus was on firming up the planning system, defining roles for the facilitators, and breaking through the government's taboos on using loan funds to involve NGOs and independent monitoring in development projects. Its second phase consisted of strengthening village internal capacities by sponsoring broad-based training programs in book-keeping and procurement, infrastructure assessments, and village-wide development planning. The current installment is trying to institutionalize the system by helping the district government pass regulations that promote more democratic village government. These include guidelines on how village heads and councils are elected and recalled, how village development planning happens, consolidating village rights to review development projects proposed for them, and so on.

KDP also serves as a laboratory for a number of experiments. In 2001, two provinces ran pilots to provide legal aid services to poor villages; this will now be scaled up to cover five provinces<sup>7</sup>. Another large pilot linked to KDP works with a group of women's NGOs to help widows in conflict areas, primarily through training, micro-credit, and an impressively innovative use of documentary photography. In Papua, the program found that it simply could not find sufficient numbers of trained Papuan

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<sup>6</sup> A summary of the structural changes to KDP between 1998-2003 is given in the Project Appraisal Document for the Third Kecamatan Development Project, available on the World Bank website,

<sup>7</sup> KDP also provides technical assistance for villagers seeking legal redress; by 2002 at least 12 government officials had been fined or jailed for unauthorized uses of KDP funds on the basis of complaints brought by villagers.

engineers, so it developed its own two-year training program for more than 200 Papuan students recruited from different rural kecamatans. The current year is running a competition to see which field teams can come up with the most creative ways to actively involve women in village-wide decision meetings<sup>8</sup>.

The preceding discussion should, hopefully, convince anyone familiar with standard international development projects that KDP is a creative deviant from the norm. And yet KDP is not a small pilot operation tucked away amidst a huge program of dam and airport building. From 2001-2003, KDP has accounted for more than half of World Bank lending in Indonesia. What explains why a quasi-military government as was Indonesia's New Order regime in 1998 would borrow large amounts of money to bypass its own bureaucracy, assign paralegals to rural villages, and pay independent journalists to publish newspaper stories on development corruption? Why would the World Bank abandon its love of highways and irrigation networks to embrace micro-investments in thousands of impossible to manage communities? Perhaps the timing was right.

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<sup>8</sup> See also C. Buchori et. al. 2003.

### **III. Indonesian Development in 1998: Three Institutions in Crisis**

Indonesia under the late New Order -- Few countries have traversed the path from crown jewel to tarnished paste as rapidly as Indonesia. When I first arrived in Indonesia in 1994, the country was a tribute to the power of the neoclassical development model. Between 1976 and 1993, Indonesia's census figures reported that poverty dropped from 40.1% of the population to less than 15%. Between the early 1960s to the late 1980s, average per capita calorie and protein supplies rose by 45% and 50% respectively.<sup>9</sup> Universal education was assured by a mass building program that saw 200,000 schools built within five years, and a country whose people had no problem recalling what foods they ate during the recurrent famines were suddenly facing the bizarre problem of rising rates of heart attacks from too much fat in their diet and too little exercise in their homes. In 1995, the United Nations crowned President Suharto as a "Hero of Development", a reward he received with reserved grace in the large ranch he maintained in the hills of Western Java.

By 1999, all of the praise showered on Indonesia had vanished in the cloud of smoke that rose over the fallen regime. Exposed as the architect of New Order kleptocracy, and accused of the systematic violation of human rights in East Timor, Aceh, Papua and elsewhere, few people today would call Suharto a Hero of Development. "Corruption, collusion, and nepotism" have become the virtual anthem for a generation of commentators on Indonesian development practice. World Bank reports speak of Indonesia "muddling through," and development in Indonesia today is more concerned with preventing catastrophe than it is with bounding along the path of sustainable growth.

Despite the current scorn for the achievements of the Indonesian New Order, it is worth reviewing the mechanisms that the government used to obtain those impressive results. The macro story of stability and a secure and predictable investment environment

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<sup>9</sup> H. Hill, 1996.

is well known by now, as is the country's welcoming of large amounts of foreign investment to help turn its abundant natural resources and large population into productive assets for fuelling its development push. But the New Order government's social achievements should not be downplayed. Mass programs to immunize children, build primary schools, and construct economic infrastructure all across the sprawling archipelago also contributed enormously to Indonesia's development spurt.<sup>10</sup>

By the mid 1990s, however, it was increasingly clear that not all was well in Indonesia. Suharto's success brought with it problems whose severity were already casting a pall across the country even before the May 1998 uprisings that eventually toppled the New Order government. Among analysts of the time, the main concern lay in the fact that while Suharto had successfully institutionalized not just one-party but also one-person rule, he had failed to find a way to identify a successor who would be sufficiently competent to run the country and yet not so competent that he would threaten Suharto's own grip on power.<sup>11</sup>

Corruption had always been endemic to Indonesian development. But with the maturity of Suharto's children, corruption attained an entirely new magnitude. Very few of the national industries, banks, commodity trading companies, or development projects were free of their grasp. But corruption was not confined to national elites. Subsequent developments were to make shockingly clear the extent to which the entire political system had come to depend on illegal rents.<sup>12</sup>

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<sup>10</sup> A key insight into why New Order mass development programs is in Lant Pritchett and Jessica Poppele's Poverty Report (World Bank, 2000), where they argue that the highly centralized New Order development agencies should be compared to the design of the equally centralized armed forces. National programs such as school building or immunization campaigns could be delivered through centralized military-like campaigns. Programs requiring local adaptation or close attention to quality rather than quantity were simply beyond the capabilities of organizations designed for mass, standardized delivery.

<sup>11</sup> A. Schwartz, 2001

<sup>12</sup> The 2001 Corruption Perception Index (CPI), released by Transparency International in June 2001, ranks Indonesia as 88<sup>th</sup> out of a survey of 91 countries, above only Nigeria and Bangladesh. The survey is a 'poll of polls' from various different sources and attempts to measure perceptions of corruption across countries. Transparency International, 2001.

Commentators, including analysts inside the government, increasingly noted that many people in Indonesia believed that inequality was worsening across the country. Quantitative reviews did not support this perception. Nevertheless, the government's more sensitive political antennae had already detected the currents of popular disillusionment. Even before analysts or donors voiced concern over rising inequality, planners in the powerful National Planning Agency (Bappenas) began to prepare a series of targeted programs to reduce poverty.

Just how fragile the New Order had become by the late 1990s is blindingly clear in retrospect, but it was not so obvious at the time. People were not so naïve as to think that Indonesian growth was without its flaws, but the primary concerns were about how to consolidate gains so that Indonesia could successfully make a transition into the company of middle-income nations. To be sure, there were some Cassandras calling out that the end of the New Order was nigh, but the common speech in development circles was one of “course corrections” rather than structural reform.

Nevertheless, the government itself perceived a need to shore up its base among the masses. In the middle part of the decade, the government launched a series of poverty reduction programs called the Inpres Desa Tertinggal (“the program for left-behind villages”). These were a series of block grants given to poor villages across the country. The brainchild of a university professor at the country's largest university<sup>13</sup>, the IDT program built on Hernando de Soto's views<sup>14</sup> that the problem of poverty was not lack of skills, but government red tape and insecure property titles. Above all, the Indonesian interpretation of de Soto argued that all these barriers blocked poor people from access to the seed capital that they needed to launch their own micro enterprises that would left their families out of poverty. IDT would provide it.

As the core of a final push in its war on poverty, the New Order government adopted IDT and declared it to be the country's premier national anti-poverty program.

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<sup>13</sup> See, for example, Mubyarto, 1996.

<sup>14</sup> De Soto, 1989

Backed by the personal support of Suharto himself, the project was directly managed by the powerful National Planning Agency rather than any technical agency so that the country's top planners and project administrators would make sure that the project was well planned and managed. Approximately \$200 million of government money was committed to the first phase of the project, with an assurance of more to follow. The World Bank and UNDP were asked to provide independent monitoring of the project, and the government formed a high-powered IDT Secretariat to make sure that the program would not become too bureaucratic.

Initially supported by academics and NGOs, the program soon soured when it became clear how corrupt the local administration of the program had become. IDT's objectives were laudable and the project's targeting appeared to be reasonable, but the program simply could not be implemented through the government bureaucracy. Large amounts of money went missing; when the money did reach the village, all too often village heads preferred to give it to local elites with a demonstrable track record of using money effectively rather than poor people who would be unlikely to pay it back. An ex post statistical evaluation of IDT three years after it was halted found a total net impact on poverty of zero.<sup>15</sup>

Other programs followed suit. Emergency public works to counter-act the spreading economic crisis became watchwords for corruption and theft, to the point of triggering mass demonstrations outside of the once all-powerful Ministry of Planning. But the government was trapped. The consolidation of a rentier bureaucracy had left the government with virtually no way to implement its own programs, even when it genuinely wanted to shore up its base among the increasingly restive population.

The World Bank – If Indonesia was feeling a little shaky as the century drew to close, the World Bank was facing its own crisis of legitimacy both within the world at large and within the smaller world of Indonesia. As shown by J. Fox and others<sup>16</sup>, the rise

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<sup>15</sup> Molyneau and Gertler, 1999

<sup>16</sup> See Fox and Brown, 2001

of the world environment movement brought into the open a range of difficult questions about the impacts of Big Development that until then had been shrugged off as the necessary costs of growth. Independent scrutiny of several of the biggest development schemes supported by development agencies around the world confirmed that their costs were much higher and their benefits much lower than internal appraisals had suggested.<sup>17</sup>

Involuntary resettlement had proven to be a particularly ugly problem. Following the deeply critical independent review of the Narmada Sardar Sarovar Projects in western India<sup>18</sup>, the Bank commissioned an internal, bankwide review of all projects that involved involuntary resettlement to see what measures would be needed to bring Bank funded operations in line with institutional policy<sup>19</sup>. Although the Bank was funding only a small percentage of projects that caused resettlement, these projects were often the largest and most visible development activities within a country and they came to symbolize the development mentality as a whole<sup>20</sup>.

World Bank support for the New Order government had been consistent and strong for nearly thirty years, and it is no surprise that the Bank was closely identified with the New Order's development ideology as a whole. Within Indonesia, activists singled out two projects in particular for special attention: the multi-billion transmigration programs; and a large dam called Kedung Ombo, which displaced more than 35,000 villagers as part of a multipurpose irrigation project for Central Java. NGOs rallied around the two projects as illustrations of destructive development. The Bank initially ignored the protests, but over time the pressure to acknowledge the problems mounted even as internal doubts grew about what was going on in the two projects and

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<sup>17</sup> <sup>17</sup> Within the World Bank, the single biggest impetus was the traumatic events associated with the Narmada river development projects. Public criticism reached such a pitch that the World Bank's then president, Barber Conable, commissioned an independent review chaired by Bradford Morse, a former UNDP administrator. Unfortunately, for the most part the independent review confirmed the criticism, particularly with respect to the poor planning for the 200,000+ people who would be involuntarily resettled by the project (Morse et. al. 1992). A follow-on internal review of World Bank projects causing resettlement that was produced by a team led by Michael Cernea and myself (1994) documented the pervasiveness of the resettlement problem and the failure of ensure that people displaced by Bank financed projects would receive compensation sufficient to restore their lost living standards.

<sup>18</sup> Morse et. al. 1992

<sup>19</sup> Cernea and Guggenheim, 1994

<sup>20</sup> Rich, 1994

what role the Bank should be playing as it became clear that too many of the accusations were turning out to be true.

The 1994 Bankwide Review on Involuntary Resettlement highlighted the wide deviations between the World Bank's own resettlement policy and the projects funded by the Bank in Indonesia (among others). The two biggest systemic problems appeared to be the wide gap between the standards and rules required by the Bank's policies and those used by the Indonesian government; and the fact that within the Bank's operational programs there was virtually nobody who knew the social impact policies well or had a special interest in making sure that they were properly implemented, especially if that would lead to a slowdown in the approval of projects.

Responses to the Bankwide review varied across the World Bank's country departments. In Indonesia the response was to form a small environment and social unit that would report directly to the country director. The unit's tasks were to oversee the environmental and social aspects of the Bank's portfolio in Indonesia, and narrow the gap between Bank and government policies. Four people joined the unit; I was one of them.

It soon became clear that this was going to be too little, too late. Resettlement's problems were but a symptom of a much bigger problem with the Bank's relationship with Indonesia. Evidence that the "Indonesian miracle" was not all it was cracked up to be was mounting: even the Bank's own managers were starting to raise questions about how come rural services in the villages they visited looked so bad when the project reports kept highlighting how well projects were performing.

Three events in particular brought the rising doubts to a head. The East Asian crisis that began in 1997 not only brought out into the open the fragility of the country's banking system and the systematic looting of the economy that had been going on, but it also saw nearly half the country suddenly drop below the poverty line. How could this have happened when report after report had shown Indonesia's success at reducing

poverty at an unprecedented rate? Suddenly the objectivity of Bank analysis and reporting was called into question.

The second event that rattled the Bank was the extent to which the crisis revealed just how effectively the fragility and corruption of the financial system had been hidden from the Bank and IMF. Bank macroeconomic staff in particular were genuinely shaken that not only did it turn out that the country was effectively bankrupt, having seen its banking system eviscerated of its resources to fund the money-losing enterprises of the country's elite, but that their most trusted counterparts were either not aware of what was going on, or, more likely, were too cowed to speak. This ex post realization that the IMF and Bank's own monitoring and reporting had failed produced a crisis of self-confidence that reverberated all the way back to the top floors of Washington.<sup>21</sup>

At least as damaging were a series of revelations showing that the Bank was aware of the extent of corruption within Indonesia's development projects. With development agencies no longer protected by government censorship of Indonesian critics and the rationalizing comfort of 7% annual growth, civil society groups and political leaders freely criticized the Bank for having willingly aided and abetted the New Order government in looting the country and papering over the facts, even whilst claiming to be supervising its projects. Nationalist and reformist politicians in the new government and parliament quickly joined in the chorus of criticism. The Bank found itself on the defensive.

That it was the New Order's government's own bureaucracy – the Bank's statutory counterparts -- that lay at the root of the economic crisis presented the Bank with three major problems. First, the pressure to find ways to prevent a poverty and humanitarian crisis across the collapsing economy – which freakishly coincided with a recurrence of El Nino-caused crop failures – was met by a realization that the tools to act either did not exist or were themselves likely to divert much of any aid that might be delivered. Second, the scale of the popular backlash against the government's chief

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<sup>21</sup> P. Blustein, 2001

financier alarmed World Bank management and demoralized the staff. Third, the Bank itself was over-exposed on Indonesia's debt, and a debt moratorium by an incoming government would have affected the World Bank's credit rating worldwide. Thus, by mid-1998, the World Bank in Indonesia was facing a crisis of its own.

The crisis of leadership in Indonesian Villages -- Indonesia's 65,000+ villages had not escaped the New Order's social transformations. On Java, the "closed corporate peasant community" described by Eric Wolf in the early 1950s had ceased to exist,<sup>22</sup> replaced by a system of village government defined by the Village Law of 1979 and the implementing regulations that followed.

As with all New Order administrative designs, the two keys to the new Village Law were the standardization of bureaucratic form and the centralization of authority and resources. The new law forced all hamlets<sup>23</sup> to come under the authority of a village. The village head was notionally elected, but his election needed to be ratified by the district head, which in effect gave him veto power and control over who would be acceptable or not. Village chiefs, in turn, became the pre-eminent source of power within the village; they were the statutory heads of the village planning (LKMD) and consultative councils (LMD), while the wife of the village head became the head of the mandatory association of women.

Having established an administrative structure to bring Indonesia's diverse village organizations into the ambit of state control, the next twenty years saw the systematic weakening and often destruction of all alternative sources of social organization. In most areas, government land titling and water user programs replaced traditional forms of land and water management groups. Traditional law was subsumed by the civil code, which,

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<sup>22</sup> <sup>22</sup> If, indeed, it had ever existed at all. See E. Wolf, (1957, 1986) and Koentjaraningrat 1967.

<sup>23</sup> "hamlet" here is the translation of "dusun", a co-residential spatial unit below the village. Hamlets are not part of Indonesia's formal public administration.

however overwhelmed and ineffective the courts were, could find no space to accommodate traditional dispute resolution mechanisms.<sup>24</sup>

Development programs were active contributors to this state-building project. Virtually all development programs channeled their resources through the village chief or the LKMD, which was itself chaired by the village head. Development programs also naively and sometimes not so naively funded the user groups that competed with traditional forms of social organization, and the fact that they brought with them resources and skills as well as government approval gave strong advantages to the people who joined.

Without access to state institutions or development resources, traditional leaders lost much of their space to maneuver. In many areas, particularly off-Java, marginalization of traditional leadership actually led to an increase in appeals to “culture” – the importance of exerting authority through magic, tradition, spirituality and ethnic distinctiveness since these were the domains that remained open to them. But changing demographics weakened this strategy since the large number of immigrants generated through transmigration and off Java job creation brought with them populations who simply did not believe in the efficacy of cultural means of control and would not accept culturally based claims to village governance.<sup>25</sup>

Understanding the crisis of village leadership also requires understanding that not all of these changes were perceived to be for the worse. Indonesian villages before the New Order were not homogenous, egalitarian or solidary. The New Order’s changes opened up much welcomed opportunities for many people on the bottom rungs of the social ladder. Similarly, for all their problems of patronage, poor quality, and mandated participation, the mass construction programs brought broad-based benefits to villagers that paid off in longer life spans and higher incomes. Our field interviews across rural

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<sup>24</sup> Strictly speaking, traditional “adat” institutions were not banned outright from playing a role in local governance, but regulations specified that adat mechanisms could play a role in local government only if they contributed to Pancasila, support national stability, and are guided by the government (see Evers, 2000).

<sup>25</sup> K. Chandrakirana, pers. comm. 2003

areas suggest that the strategies of opposition embedded in notions of peasant resistance can easily oversimplify perceptions of development in Indonesia. Most villagers saw development as a mixed bag that brought with it desirable opportunities as well as unwanted risks and controls.

If this mix of regulatory marginalization and economic competition created a crisis among traditional leaders, the government leaders who that competed with them did not rest on very secure foundations either. Lacking a base of popular support within the communities, village chiefs in particular cultivated close ties to the district head both for political support and also to release development resources and budgets. District heads relied on village leadership to secure political loyalty and to ensure political stability, and the failure to deliver either was the most common grounds for dismissal. Development soon became both the justification and the reward for consolidation of the new political order.

Finally, a third factor affecting both traditional and modern leadership was the achievement of universal education. For the first time, children of both the traditional and modern elite could attend school beyond primary levels and, with that education, get reasonably good jobs in Indonesia's rapidly growing cities. Many did.<sup>26</sup> This rural to urban demographic transition dramatically shrank the pool of future village leaders, a point that was repeatedly commented upon by reflective villagers when the Bank started its first round of village ethnographies in 1996.

#### **IV. The Roots of a Development Project**

It would be nice to be able to write that the design for a billion dollar, nationwide community development program came from an initial grand concept that guided the team from the outset. Nice, but it would not be true. If the argument of the first part of this section is that the historical conjuncture of crises within the Indonesian government,

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<sup>26</sup> Between 1976 and 1991 alone, Indonesia's census figures show that the country went from 26% urban to 45% urban.

the World Bank, and village leadership opened the door to what became the Kecamatan Development Project, the argument of this section is that it is largely a matter of historical coincidence that a project like KDP fell through it.

My version of KDP history begins with a series of village case studies we began in 1996. Called the Local-Level Institution studies, the LLI research program was part of a three-country study to see if the ideas on social capital published in Robert Putnam's book on Democracy in Italy made sense in the context of other developing countries<sup>27</sup>. Was "social capital" a useful way to think about building democratic institutions from the bottom up?

For many of us in the World Bank's social group, the social capital vocabulary served an additional function. It provided a much needed bridge to the Bank's economists in a way that the traditional vocabulary of social structure, social organization and the like didn't. While to some extent we all recognized that there was a certain amount of "old wine in new bottles" re-packaging going on, the social capital framework also provided an exciting chance to put to the test a number of questions about how social organization pragmatically links into political structure and notions of political leadership. Putnam's notion that a diverse associational life provided the kinds of learning games that could translate well into different kinds of social controls on local governance passed the intuitive test of why all projects in culturally rich Bali seem to work well no matter how much development experts screw up their designs. And, given the rumblings of social change that could be heard off in the Indonesian horizon, the theory gave some direction for why it would make sense to focus on grassroots organizing and not just national political actions should the New Order finally be giving way to a more broad-based form of government.

The LLI studies began in 1996, when the luster of the Indonesian development may have been fraying a bit at the edges but by and large among most Bank staff, the country's star was still shining brightly. Villagers had been the beneficiaries of thirty

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<sup>27</sup> R. Putnam, 1993

years of development, and numerous studies had documented the positive changes transforming the countryside as a result. I didn't quite buy into this vision – Indonesian villages didn't look all that different from the peasant villages I'd studied in Latin America – but I was having a hard time making sense of the dissonance between the glowing reports circulating in the development world and what appeared to be somewhat unimpressive results in the field. On the time-honored principle that when in doubt, commission a study, we launched LLI both to provide an empirical assessment of what was really happening in Indonesian villages as well as to provide a rigorous cross-country test of new thinking on social capital.

The LLI teams selected three provinces as far apart as possible – NTT in the east, Central Java, and a newly colonized part of Sumatra, the province of Jambi -- to carry out a 1,200 HH survey and 48 village ethnographies on the nature and quality of social capital, community capacities, and village government<sup>28</sup>. Developing the study's methodology involved a much closer relationship than the Bank's usual arms-length relationship with consultants. Ensuring that the researchers would have the space to carry out time-consuming ethnographic research rather than rapid rural appraisals or random, easy to quantify surveys required the hands-on involvement of the Bank's core social staff, including repeated visits to the field sites over the course of the study.

All three LLI studies produced the same core findings.<sup>29</sup> The first set of questions looked at local capacity within villages, with “capacity” defined as the ability of villages to solve self-identified problems. Here the studies found that villages carry out nearly the

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<sup>28</sup> Research was conducted in two districts in each of the three provinces selected in order to pursue relationships in different local institutional, geophysical, and political contexts. The research was conducted in two phases. The first phase, which was prior to KDP, was conducted between 1996 and 1997. The first phase involved a 1,200 HH survey and 48 village mini-ethnographies on the nature and quality of social capital, community capacities and village government; this study team also constructed a unique database of more than 800 village development projects classified by type, quality, coverage etc. The same villages and households were re-studied in 2001, after the economic crisis and fall of the New Order government. Six-week mini-ethnographies were conducted in five villages, followed by week-long rapid appraisal exercises in all 40 villages and a 1,200 HH re-survey of the original panel. (the re-study had one few district than the original because of civil unrest and natural disasters in West Timor).

<sup>29</sup> This section draws heavily on the individual team reports: P. Evers (2001); K. Chandrakirana (2000); L. Dharmawan (2002); and A. Wetterberg (2002).. The reports can all be located on the World Bank Indonesia website.

same range and scope of projects that government and development agencies were doing, and that community-owned projects performed better than projects from the government or from NGOs. Community owned projects also had higher participation of the poor, greater participation of women and significantly greater contributions from the villagers themselves.

The second set of questions compared the morphology of community owned organizations versus the organizations formed by the government for development purposes. Again there was a high contrast: community organizations had existed for long periods of time, were multi-purpose, and had played a social role beyond their immediate practical purpose. By contrast, development project organizations sprang up for specific project purposes and left behind a litter of organizational shells. Community organizations also included mechanisms that would allow members to challenge leaders and to call for reflective “breaks” should disputes remain unsettled. By contrast, development project organizations did not brook challenges to leadership, and where villagers were directly involved in them at all, it was primarily to carry out the project, not to criticize its founding assumptions. A final structural difference was that while development projects functioned at the level of the villages formed by the 1979 Village Laws, in the villages studied the effective unit of local planning was the much smaller hamlet, not the village.

The third set of findings came from looking at organizing capacity from a dynamic perspective: what led to the strengthening or weakening of capacity in communities? Here the studies pointed to a strong disconnect between community organizing capacities and the government. The government’s bottom-up planning system was ineffective – less than 3% of the village proposals generated through the mandatory annual development planning process ever got funding – and there was no evidence that the government ever provided incentives or rewards for the communities that did manage to organize well. Most strikingly, there appeared to be an inverse correlation between the presence of a project-based organization and the participation of the poor in that same activity. That is, not only were elites capturing development project organizations, but the

very presence of such organizations actively undermined and weakened the organizations that the village poor joined. This finding later received statistical validation.<sup>30</sup>

Finally, the studies looked at cases of local development success stories. The patterns were striking. First, in the best cases, government officials from the sub-district level made a positive difference even on community projects because they could play roles of conflict mediation, coordination, facilitation, and problem solving together with community leaders and village-based extension workers. Second, in both high capacity and low capacity villages, effective groups could take advantage of project schemes that provided them with funds, clear accountability rules, and the space to implement their own projects without interference. Third, communities benefited from strong leadership and somebody who could play a facilitating role to share information, invoke dispute resolution procedures, and help villagers find external assistance when that was needed. Finally, there were a number of success cases where villagers formed alliances with civil society groups operating at the level of the district.<sup>31</sup> In such cases, outside organizations could provide access to technology or engineering skills, but, more importantly, they could curb problems of corruption or other abuses of authority.

It is important to be clear about the challenges that LLI raised to the familiar ways of doing community development projects in Indonesia. Standard project designs recognized many though not all of the problems turned up by the LLI teams, but they treated them as technical problems that could be solved with more technical assistance, better fiduciary controls, and tighter supervision by project managers. By contrast, the LLI studies suggested that these methods could never lead to sufficient improvement because the root of the problem lay with the fundamental assumptions being made about projects, about villages, and about the implementing agencies themselves. What was needed was a radical departure away from the model of “projects as tools for resource delivery” and towards a framework where projects provided resources and opportunities, but where communities would make their own interpretations and adjustments. That is,

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<sup>30</sup> V. Alatas, L. Pritchett, and A. Wetterberg, 2003

<sup>31</sup> Political parties were banned from villages by decree, and few NGOs were given the necessary permits or space to work in villages.

away from a construct that sees projects as something that delivers a particular product and towards a model that sees projects as a way to trigger and support a process that would help villagers solve self-identified development problems.

The LLI studies served an additional purpose that sounds like a minor side benefit but is highly relevant to the purposes of this volume. Whereas standard World Bank contact with villages is through one-off visits to supervise the quality of project funded infrastructure, with the LLI team there was an entire pool of reasonably well-studied villages that would reveal a far from ordinary story to visiting World Bank officials. Fortunately, the World Bank's President, James Wolfensohn, had recently launched his "spend a week in a village" re-education program for World Bank staff, so ambitious Washington managers were on the lookout for opportunities to write movingly eloquent back-to-office reports on how they had directly experienced the lives of the poor.

I remember the first time I was able to accompany the World Bank's country director – the Bank's top official working on Indonesia – to one of the LLI villages in Central Java. Aside from me, nobody from the Bank or the government joined the field trip. We had planned to stay for two days, including over-nighting in the house of one of the villagers where we would get a de-briefing from the field team that was just finishing up their interviews

We arrived towards the end of the rainy season. One side of the highway was flooded; the other side was suffering from drought. The contractor who built the highway had ignored the design requirements to build culverts so that water could drain across the barrier formed by the newly built road. As a result, farmers on both sides of the road had lost their crop. We next walked to an irrigation drain, where two farmers were prying open a large iron gate. Our hopes to hear a song of thanks for bringing precious irrigation to the fields were dashed when one of the farmers explained that what they were actually doing was trying to tear down the gates, which had been so poorly hung that they were leading to salt water intrusions onto their fields. (Fortunately, it was a project funded by the Asian Development Bank). And so it went: water supply projects that stopped

producing water just weeks after the NGO that provided them left; a health clinic with no medicine in it because it was being rented out to a television-watching rental business owned by the village head's family; and a dam safety project whose quality was so poor that the engineers overseeing the reservoir re-lining fled under cover of night so that the villagers wouldn't catch them. Stories like these lasted well into the night, with villagers and our young research team laying bare for our visiting director just how different life in the villages was from what the reports arriving on her desk were describing.

Other opportunities for Bank managers to contrast the reports with the reality of village life followed. My personal favorite picked up on an LLI finding that one reason (not the only one) why village schools were in such bad shape was that many districts had passed regulations that prohibited village groups from maintaining primary schools and clinics, requiring instead that all maintenance be done by district contractors. After passing through the 7<sup>th</sup> village studded with collapsed government school buildings that were surrounded by immaculately maintained private houses and gardens, a Bank director (whose professional background was in research on educational economics) who joined us on a long slog through 15 poor villages in West Java couldn't resist commenting that he was starting to get some sense of an emerging pattern. Amusingly enough, the only reply from the Minister of Education to whom he passed his field report was that his sample wasn't statistically representative.<sup>32</sup>

## **V. Building the Kecamatan Development Project**

LLI described the problem of community development primarily as one of changing the development project process. That is, the problem with projects lay not with what they did, but how they did it, whatever the "it" was. Top-down needed to change into bottom-up, or, as we phrased it for the internal market, projects needed to respond to community demand, not to agency supply. Turning the findings from 48 village studies into a nationwide development project required a giant leap across disciplinary and

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<sup>32</sup> A follow-on education project in West Java that switched over to direct school grant financing for primary school construction, though far from perfect, achieved an immediate average cost reduction of 40%.

cultural boundaries, from the world of critical research to the world of projects. Fortunately, there were several stepping-stones along the way.

What always strikes me about KDP is how simple the core design is. Stripped to its essentials, the entire project consists of little more than a disbursement system linked to a facilitated planning and management procedure. Financial records are kept on stripped down formats, and no form in KDP is more than three pages long. (By way of contrast, the standard contract required on development projects is a minimum of 80 pages of densely packed legalese). Unlike most projects, KDP has virtually no “content”, no specification about the kinds of groups that can join the project and make proposals.<sup>33</sup>

This simplicity is no accident. Indonesia is one of the world’s most diverse countries. Virtually any assumption about what the social content of the project should be would be sure to be wrong for big swathes of the population. While at the time there was no alternative and several advantages to using the formal administrative system – the *kecamatan* – as the project’s formal management unit, making the project be about the community planning process itself provides virtually unlimited scope for allowing communities to adjust the project to local conditions.

Since the fall of the New Order government and the subsequent resurgence of regionalism across the country, communities increasingly alter, revise, and improve the way they go about developing proposals. Several provinces have produced their own operational manual, which most typically replaces the *kecamatan* with the negari, mukim, or marga in West Sumatra, Aceh, and North Sumatra respectively. *Kecamatans* have also invented a rich diversity of variants on the core design. Of special interest are their proposals for adding different “wise people” to the village and *kecamatan* councils, people outside the government whose job is to ensure transparency, mediate disputes, and certify to villagers who could not attend the meeting that their proposal was reviewed fairly.

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<sup>33</sup> Building on LLI findings about un-rooted project-created shells, however, KDP does specify that groups must have existed for at least a year. The project also includes some positive rules about an earmarked allocation for proposals from women.

Why kecamatans? Working in subdistricts rather than either further down the system, in villages, or further up the system, in districts, was a critical initial gamble. Kecamatans are one of those “neither fish nor fowl” administrative units that crop up in large rural countries where the formal administrative units are either too big or too small. Districts see the kecamatan as a technical outpost where the district head can post a representative and where managers from some of the line agencies that need to be in regular touch with villages (i.e. education, rural extension agents) can supervise their field staff. LLI showed that villagers saw the kecamatan as the last level of government that they could approach, both because they could travel back and forth to the kecamatan reasonably easily, but also because the sociological distance between a villagers and a kecamatan official was a lot less than they faced entering the powerful and intimidating district office complexes.

Kecamatans seemed advantageous for some additional reasons above and beyond their relative accessibility to villagers. Because they were not a fully autonomous unit of government, they had no budget and contracting powers of their own. This meant that the collection of commercial and political interests that had a stranglehold over government in the districts was much weaker in the subdistricts. Kecamatans also had a requirement to “coordinate” village development through a kecamatan council that included all of the village heads, but because the kecamatan had no budget of its own to invest, most of these councils met only once or twice a year. And last, having villagers compete for KDP funds in kecamatan meetings would, we hoped, encourage the kinds of direct negotiations and cooperation that would provide a basis for rebuilding the supra-village horizontal institutions destroyed or neglected by the New Order.

From a project design perspective, the two key stumbling blocks facing the development of a program to support village planning were how to get the money to the villagers without going through the government transfer system, and how to introduce facilitators who were not part of the government bureaucracy. But neither concept was entirely alien to government development planners. For all of their flaws, the poverty programs of the early 1990s had, in fact, worked on the basis of a block-grant like system

– each village received a flat amount of Rps. 20 million. Furthermore, the annual national development planning process, though dysfunctional, did mean that large numbers of people were already familiar with the idea of development planning. KDPs only apparent twist to this system was that rather than have the plans flow to the center for aggregation and review, the funds to support them would move down the system, directly from the center to the villages.<sup>34</sup>

Contracting consultants outside of the bureaucracy to work in villages was not entirely unfamiliar either. A genuinely innovative predecessor of KDP called the Village Infrastructure Project, also assisted by the World Bank, assigned a consultant engineer to clusters of villages who would help them manage small road, bridge, and water supply projects. KDP borrowed quite a bit from this program, particularly the operational manuals and financial management formats, although it again introduced a twist to the idea of consultants who support villagers by specifying that they should first and foremost be people familiar with general social facilitation, as recommended by the LLI studies, rather than being limited to engineers.<sup>35</sup>

KDP's third building block was in some ways the hardest. Everyone can agree in principle that promoting transparency in development projects is a great idea; yet the collective wisdom on how best to do this in thousands of rural villages is extremely limited. KDP relies on two kinds of mechanisms, neither of which works perfectly and both of which pose interesting challenges for anyone interested in actually doing a community development project.

The first consists of the internal rules and procedures that promote transparency. At the national level, these can consist of requirements to publish audit reports, adopt project transparency policies, and release procurement committee reports. Procedures

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<sup>34</sup> Yogana Prasta of the World Bank's Jakarta office was the inspired person who with one sharp blow cut right through the Gordian knot of Indonesian fiscal transfers to figure this disbursement system out.

<sup>35</sup> Other innovative aspects of KDP were slightly more technical in nature and are not relevant for what is being discussed here. For example, KDP included methods to avoid extensive pre-financing by the government, and, in later phases, a unique form of direct procurement of the facilitators. These are described in the project's formal documentation, the project appraisal report, which can be found on the Indonesia page of the World Bank web link, [www/worldbank.org](http://www.worldbank.org).

used within villages can also promote transparency: a KDP example is the requirement that all suppliers present their quotations within public meetings, not through sealed bids given to local officials. As the example noted at the opening of this article shows, KDP's requirement to post all financial information on signboards that are displayed in public places is a sharp departure from practices of the past.

In all these examples, it is important to note that they are applications of the formal rules and requirements that any project requires in its operational manuals. They are not examples of winning the hearts and minds of a constituency eager to see more transparency in development. Yet with bureaucracies, the formal rules are key tools: that single instruction from the Ministry of Home Affairs to post project budgets on signboards in public places led to 20,000 villages knowing for the first time just what their daily wage entitlement was for work on a government development project.

The other main mechanism used to promote transparency in KDP is simply to increase the number of non-governmental actors involved in the project. Rather than invent entirely new "stakeholder forums" or the like, KDP uses the existing administrative institutions of government but requires that communities elect additional representatives at each one whose job is to monitor transactions and report to the community at large. At the national level, the government contracts independent NGOs to monitor each province, and it has also managed a "blind" contract with the association of independent journalists to investigate and publish, without any prior review, stories of KDP performance in the villages.

It is impossible not to pause here for an anecdote. The blind contract with the journalists is actually a legally binding condition of the project, which means that project funds from the World Bank could not flow without it being followed. Surprising enough all by itself, what is even more surprising is that at the time the condition was written, the Independent Journalists Association was a legally banned organization by a government all too aware of the threat posed by an independent press. And yet the condition was not a last minute afterthought slipped into the legal documents without the government's

awareness – it was discussed and agreed with the very sophisticated negotiating team that spent two days in detailed review of each clause within the project loan documents. It would be hard to find a clearer example of the contradictions of government policy at the end of the New Order era.

The final building blocks for KDP have been the new or reformulated institutions created by Indonesia’s ongoing decentralization program, primarily the ones that provide some checks and balances on the overly powerful and unaccountable executive positions of the New Order. KDP’s initial strategy to improve the quality of local governance was simply to increase the involvement and awareness of people who joined the village and kecamatan meetings where decisions about the project were made. Project staff and their World Bank advisers were not convinced that the new groupings were not just new platforms for domination by the familiar village and district elites. But a second round of LLI studies documented that *reformasi* had triggered unexpected changes in a large number of villages across the country. Many of the old leadership dynasties were out; the new village leaders and councils had been democratically elected and were indeed more responsive to village needs. Providing support to help the new leaders do their jobs is a constructive intervention that KDP can do well provided that stays flexible enough to match its support with local capacities.<sup>36</sup>

How well has KDP performed? Clearly it is too soon to make any definitive assessment of KDP’s impacts on local governance, nor could KDP effects be convincingly extracted from other events more linked to Indonesia’s tumultuous political economy. While this is not the place to enumerate all of the project’s flaws<sup>37</sup>, it is worth highlighting some of the main problems, particularly the unexpected ones. Nobody expected a highly participatory project implemented through a bureaucracy nurtured on top-down development to be smooth sailing, and many of the initial problems have to do with various attempts by line agencies and local government to “explain” to the villagers what their best development choices are. Unpunished corruption is also an anticipated but

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<sup>36</sup> Ministry of Home Affairs, 2002

<sup>37</sup> A future technical paper on KDP will address these issues in more detail.

always disconcerting event.<sup>38</sup> Central government management of the project has been erratic, ranging from highly supportive and helpful for solving problems, to causing long delays because of in-house squabbling and inefficiency.

Other problems have been less predictable. We clearly hadn't appreciated just how effective the New Order restriction on access to villagers had been at preventing the development of a cadre of facilitators skilled at community development. Both the quality of facilitators and the practicality of the training programs given in the project have been problematic. While there is some exciting innovation taking place in the field, for the most part facilitators see themselves as contractors whose job is to implement project manuals, not to enable local responses to development problems.

How powerful local contractors are is another unanticipated finding. KDP itself can resist most attempts to impose contractors rather than use village labor on projects. But this is only because there is a strong project there to back the villagers. When local governments adopt their own version of KDP, which many now do because of its local popularity, the very first item to go are the limits on using contractors. While there are some cases where contractors can bring in machinery and technologies not available to the villagers, by and large contract management remains poor, un-transparent, and resistant to any form of redress for poor quality works. This continued reliance on contractors does not bode well for the long-term sustainability of KDP.

KDP faces a number of dynamic challenges in coming to grips with decentralization and the revival of traditional ("adat") institutions. Adat varies greatly in its rules and strength, but across the country very few adat institutions are especially democratic when it comes to the voices of the poor or open to the participation of women. In many cases, KDP has found ways to negotiate with adat leadership so that the program can work within the adat umbrella and still remain inclusive, but all such arrangements are ad hoc. It is too soon to tell how many of the new restrictions will

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<sup>38</sup> KDP has produced some interesting documentation on corruption and how the project recovers missing funds. See Woodhouse, *op. cit* (2002) and the KDP Final Report (2002), both available on [www.worldbank.org](http://www.worldbank.org).

become formalized and what opportunities there are to work out more progressive accommodations.<sup>39</sup>

Finally, KDP's record at reaching the very poorest of the poor is at best mixed. The program's approach of negotiating decisions through group meetings carries built-in limits for involving the highly vulnerable. Many of these problems could be overcome with better training for facilitators and a more flexible planning structure that would allow intensive training in small groups. But KDP's design and management structure are too rigid to allow this on a large scale. A pilot program in four provinces run by a strong women's advocacy NGO to help organize widows to the point where they can collectively rejoin group decision making has shown that positive solutions to the problem of subvillage poverty targeting are possible – but without significant changes to its management design, KDP will not be the structure for doing it.

Nevertheless, the anecdotal body of evidence that KDP jars open stuck doors is large and growing. Three domains have been of particular interest. First, the significant participation of women in KDP processes stands out, and this separates KDP from both standard development projects but also from traditional adat decision-making. Of course women's participation in KDP varies from mutely sitting against the back wall of village meeting halls, to equal participation in all parts of the process. Evidence on changes is both quantitative and anecdotal<sup>40</sup>. There are a small number of cases where all of the women's proposals in a kecamatan get funded and none from the men do. There are even anecdotal reports of spillovers from KDP to adat, such as an unverified case in Nias where the wife of a village chief marched into a community meeting and declared that if she and the other women could co-manage KDP discussions, they could damn well sit in the adat councils too. We still do not know if what followed was just a stunned silence or

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<sup>39</sup> For example, before the latest fighting in Aceh, KDP, the NGO forum, and the leaders of adat institutions (“mukim”) had formed a working group to identify opportunities to work together constructively under Aceh's special autonomy rules.

<sup>40</sup> KDP has not yet conducted a proper evaluation of whether increased women's participation within KDP carries over to other cultural domains or whether – and which -- villagers simply bracket KDP as something apart from local practice. .

genuine acquiescence, but field staff continue to report a major change in the gender make-up of village meetings.

The second notable domain where change can be seen is in the area of corruption, both its incidence and the tolerance of villagers for it. Infrastructure built through KDP costs significantly less than roads and bridges built by public agencies and traditional projects, even controlling for quality and technical sophistication. While some of KDPs lower costs can be attributed to very high voluntary labor contributions from the villagers, most of the cost savings are due to KDPs use of transparency and social controls. That per unit costs of KDP construction are so much lower than through public agencies is not going unnoticed by other levels of government, which under the new decentralized administration must worry about fiscal efficiency and delivering the goods in time for elections.

But more interesting than the “facts” of corruption are the perceptions of it and an understanding of the triggers that would make villagers act to end it. A Bank-funded study called “Justice for the Poor” is documenting villager’s willingness to pursue corruption cases in KDP using both informal and formal dispute resolution procedures. Nearly 1,400 cases of financial abuse of different kinds were reported over the project’s first three years<sup>41</sup>; in nearly half of them, most or all of the money was recovered. KDP villagers are surprisingly vocal, and as confidence that there will be a response to their complaints grows, villagers file more and more reports of abuses by officials that would have been hushed up in the past<sup>42</sup>.

The third domain is the revival of interest in village and kecamatan meetings tied to issues of governance. Village meetings in Indonesia are usually attended only by a core elite, while the kecamatan forum is in most places close to defunct. But in KDP areas, attendance at both levels is usually high, with as many as 60-100 people joining the

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<sup>41</sup> To give a sense of proportion, however, there were 55,000 subprojects.

<sup>42</sup> An ongoing controlled experiment within KDP is quantifying corruption responses to different kinds of social controls by using different methods to increase villager participation; results will be posted on the World Bank and KDP websites.

village meetings and 200-300 villagers making the trip to the kecamatan decision-forum. Having a focal point for villagers to meet government has a number of immediate benefits. On Java in particular, growing numbers of technical agencies and parliamentarians are attending kecamatan meetings to review programs and meet constituents. Another possible spillover benefit currently being studied by KDP is the apparent pattern that villages that have gone through kecamatan negotiations are less likely to join the ethnic and religious disputes that have ripped apart large areas of Indonesia's Outer Islands<sup>43</sup>.

To what extent these changes carry over into other areas of community decision-making is the true test of KDP's success or failure. KDP's village and kecamatan facilitators are the key actors who can break through the informational monopolies that constrained village development, but over time their role should become less essential as people assimilate KDPs patterns into routine action. There is some evidence that this is happening, and even more evidence that where it does happen, it will be resisted. KDP's current phase seeks to give the reformed village and kecamatan councils a foundation in the legal structure created by the decentralization laws, but it remains an open question whether they can avoid slipping back into the authoritarian traditions of rural politics.

KDP continues to evolve, and we all continue to learn from its mistakes and many inadequacies. From being an innovative little project intended to test some hypotheses about social capital in development, KDP is now at risk of being mainstreamed in both Indonesia and the World Bank, with all the rigidities and complacencies that mainstreaming entails. Nor does KDP replace in any way the need for a more fundamental restructuring of state-society relationships in Indonesia. But the project does show that even within the narrow confines of large international organizations, there are ways to do development differently.

## **VI. Reflection**

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<sup>43</sup> See C. Smith, 2003.

This article has tried to explain how a project like the Kecamatan Development Program came to exist. It has argued that historical developments in Indonesia and the World Bank created a dynamic that opened the door for a national community development program that at once aimed to transfer resources to poor villages and to contribute to the re-working of state-society relationships in Indonesia.

Yet the motivations that made KDP possible varied among the different players involved, a point which is important. Much modern writing on development emphasizes the importance of “stakeholder ownership” for successful projects. But the KDP that the government owns is not quite the same KDP as the one supported by the Bank. Senior ministers in government support KDP because it builds large amounts of infrastructure in hard to reach areas, because it disburses its funds faster than any other project supported by the World Bank in Indonesia, and because it requires next to no pre-financing from the national treasury. The Bank’s management likes it because it provides a way to engage poverty and governance reform at a time when its portfolio of lending to Indonesia shrank by 75%. Bank staff like it because it is very rewarding to hear villagers openly state that they like a project and think that this one is different from how they have encountered development previously.

In this concluding section, I would like to reflect on my own role in this process since I was both team leader for the LLI studies and, until recently, have also been what the World Bank calls a “task manager” – the project head – for the KDP program. While it is what Indonesians call “malu” to talk about oneself in an article that purports to present an analysis of a historical case (at least while the author is still alive), it would also be disingenuous to pretend that the team leader was just someone I happened to interview in passing!

An understanding of the role that social science discourse has played in the Bank’s Indonesia program begins not in Jakarta, but in Washington. There is no question whatsoever that any of the changes that have taken place in the Indonesia program would have been possible had the Bank not been headed by the socially aware president James

Wolfensohn. And, as noted earlier in this paper, much of the overall impetus to reform the Bank came from the growing criticism of international groups who no longer accepted the Bank's self-perpetuating calculations of the costs and benefits of giant development schemes.

Responses inside the Bank to these pressures varied. The World Bank's Indonesia team responded to the criticism of its resettlement management by forming a social and environmental impact unit staffed by four core staff members who reported directly to the country director. By contrast, the Bank's India department, which had received even more criticism for its deviations from World Bank resettlement policy, confined itself to carrying out further internal reviews, without any structural change to its internal team organization.

In Indonesia's case, the decision to form a free-standing social and environmental impact unit meant that there were individuals within the organization who had an immediate interest in opening channels to critical groups in Indonesian civil society who had previously been closed to the idea of contract with the Bank and who were generally bypassed by Bank staff members. My own experience on the Bankwide resettlement review had been a good lesson in the value of external alliances for introducing unpopular changes inside the organization. Activities undertaken during the group's first years included reviews of NGO operating environments, land policy in traditional communities, parks and other protected areas, and a series of meetings between Bank president Wolfensohn and leading members of Indonesian civil society and growing human rights movement.

Reflecting on the KDP experience, there were three specific challenges to the standard project model where familiarity with social science made a direct contribution. The first of these was something that lies at the heart of anthropology: the continuing tradition of ethnographic fieldwork. Ethnography is often treated in the literature as a particularly anthropological methodology, but this to me seems incorrect. It is far more

accurately defined as an epistemology, a way of knowing reality that is different from that of the deductive disciplines.<sup>44</sup>

For the case of the World Bank in Indonesia, legitimating ethnography as a style of inquiry was a two-step process. One step required the immersion of trained social researchers in villages for a long enough time for them to unravel at least some of the complicated relationships and histories that lay beneath individual events. But it was just as important to be able to translate those findings into a language that could be grasped by the Bank and government officials in charge of development. For that, the field visits proved to be key<sup>45</sup>. Field-based research of differing qualities and depth has now spread to several other areas of Bank work in Indonesia.<sup>46</sup>

The second specific challenge lies in the explicit focus of KDP on the political institutions of community development. KDP is not about how to help government agencies bring development to villages, nor is it a way to simply give resources to village organizations. The project focuses on the relationship between villagers and the state, and it uses the institutions of both.<sup>47</sup> KDP begins with a focus on both the social capital embedded within local culture and social structure, but over time it increasingly concentrates on moving upwards, towards what Woolcock has called the “linking social capital” that would bind well-grounded community organizations into a healthier relationship with the organizations of a democratic state.<sup>48</sup>

The third challenge has been to introduce the idea of historical process to Bank analyses of local politics and local economies. Very few people, for example, realized the

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<sup>44</sup> See, for example, Geertz, 1971, Wolf 1964.

<sup>45</sup> It is important to repeat the importance of the signal from the top to pry open the door here. J. Wolfensohn’s order for managers to visit villages may in some senses sound naïve, but it nevertheless made senior managers find time to do it. Some benefited more from the experience than others, of course.

<sup>46</sup> See, for example, S. Teggeman on field studies of corruption and the urban poor; K. Kaiser on participatory public expenditure reviews in Aceh, etc. These can be found in the Indonesia website, [www.worldbank.org](http://www.worldbank.org).

<sup>47</sup> Village-based development is of course not the only way to formulate this problem. The KDP model in fact for the most part excludes super-village networks and associations that may be critical institutions that operate within villages.

<sup>48</sup> M. Woolcock, 2000

extent to which the villages they were visiting for their projects were the creation of a 1979 law on village structure; still fewer were aware that the lamentable loss of traditional mechanisms for social control was the direct outcome of development interventions meant to improve it. Today there is much more humility and uncertainty in the Bank's program; people are both conscious of their own mixed history and also quite aware that there aren't any simple formulas that can predict where Indonesia will go next.

The paper has argued that the participation of social researchers in the shaping and management of KDP has made a difference to how the project has developed. The LLI and other ethnographic studies "proved" that direct support to local organizations was a better starting point for community development projects than was working through the official hierarchy. But even the LLI findings would have made little impact without a way to express the language of social research in a vocabulary that could be assimilated by a development institution.<sup>49</sup> The core argument here, hopefully made without too much self-justification, has been that to have social specialists sitting in the belly of the beast allowed a translation of ethnographic findings into project designs and mechanisms that would not have happened otherwise.

### **Concluding Remarks**

So there you have it, warts and all.<sup>50</sup> KDP's innovations and on the ground performance should not be over-estimated, and this narrative perhaps does not give full voice to the problems and difficulties that can make project work so frustrating. Corruption; authoritarianism; incompetence; resistance to change, resistance to involving the poor, resistance to the participation of women; KDP provides almost as many

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<sup>49</sup> For example, one sympathetic WB economist noted that "An important part I think of the space created within the Bank for KDP was tied to the use of four terms: "incentives", "competition" (between proposals), "demand-driven" and "budget transparency" which appealed strongly to an audience of economists within the Bank not normally convinced of pink and fluffy social projects." pers. comm..

<sup>50</sup> For fascinating, more in-depth examples of some of the warts, see A. Woodhouse on corruption in "Village Corruption in Indonesia" (forthcoming, 2003); and N. Zulminarni on the straitjacket of KDP's "project" mentality in her review paper, "Program Pemberdayaan Perempuan Kepala Keluarga", ms. 2003. Both papers are available in draft format on the World Bank website.

materials for seeing the failures of development projects as it does for studying the potential for change..

As we approach the end of this discussion, it might be useful to recapitulate what the underlying premises, strengths, and weaknesses of the program are, at least as seen from the perspective of community development in a transitional time of Indonesia's history. I hope that two core arguments have stood out in this review. The first is the extent to which KDP is a product of a particular set of histories. KDP came about at least in part because the project concept provided a way out for powerful institutions that were each facing a major crisis of credibility. Reforming community development both met a perceived need in each of the institutions involved in formulating the program, and it also provided a way to introduce new notions of process into a development model that had bypassed it. For these very same reasons, we can expect KDP to become obsolete, and indeed, in some areas it may already be possible to see how KDP could be a step backwards rather than the beacon of progress it often likes to think that it is<sup>51</sup>.

The second argument threading through this discussion has been that a development project like KDP can contribute towards a re-ordering of local political relationships. The New Order's model for development obviated political process as a necessary foundation for programs that require local adaptation and ownership. Cast in the language of participation, transparency, and accountability, KDP has been a bet that Indonesia's reform succeeds in moving away from the development authoritarianism of the New Order government and towards a model built on representative institutions. The tale of the white shroud for the unwanted lumber that began this story shows that villagers have their own moral economy of development.<sup>52</sup> Whether and how stories like these multiply depends on developments far outside the control of KDP or the villagers, but small steps forward matter. KDP's underlying premise has been that villagers learn about democracy by practicing it. The avid interest shown by villagers across Java in the

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<sup>51</sup> KDPs rootedness in Indonesia's historical context are also why proposals to "replicate" or "scale-up" the model should be treated with great caution.

<sup>52</sup> KDP abounds with anecdotes about how threatening authorities find KDP's disclosure rules. One subdistrict head for example, actually passed an official regulation banning the public posting of financial information about development projects.

stories about officials jailed for stealing KDP funds testifies to their wish to believe that their actions count.

Late in 2002 I was visiting Aceh to see how the ill-fated cessation of hostilities agreement would play itself out in that beautiful but battered landscape. It wasn't my first visit there; I'd been to Aceh several times when the project was first starting so that I could help the KDP facilitators thread a neutral way between the government and rebels. We always made a point of joining those earliest village meetings to repeat the message that they and only they could decide how to use their KDP funds. During those first visits I'd at times be taken aback (and a bit amused) by the toughness of the questioning. "Why should we believe you?" seemed to be the dominant theme, and indeed, the story of development in these broken villages was an unending tale of broken promises and barely disguised theft.

But now we were sitting on the tiled floor outside of the village mosque drinking young coconut juice and lazily swatting flies as the villagers walked us through their record books and pictures. They still seemed a bit suspicious, as if I was one last hurdle come to snatch back the money or to tell them that they had done a rotten job designing the stone road that now led from their bright green *sawah* to the town market. But the frowns smoothed into smiles as we talked about how they had decided who would be the village facilitators for KDP, and then how the whole village had joined in laying the stones for the road.

I knew one of the old women who was talking from the time of my first visit to this village. She was a tough old crank, who would very disconcertingly interrupt conversation to lean over and spit tobacco juice on the ground. The last time we had spoken she'd either had an exceptionally large plug of tobacco in her mouth or else was even more expressive than the rest of the village as they had listened to us explain that KDP's fate lay entirely in their hands. So I decided to ask her straight out whether she thought that KDP had done anything worthwhile or whether it was just more meaningless

words and promises. She looked at me for a long, long while before the shadow of a smile cracked her wrinkled face. “Not bad,” she said, “Not bad at all.”

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