



**THE INDONESIAN NATIONAL PROGRAM FOR
COMMUNITY EMPOWERMENT (PNPM)-RURAL:
DECENTRALIZATION IN THE CONTEXT OF
NEOLIBERALISM AND WORLD BANK POLICIES**

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List of Acronyms

ADB	Asian Development Bank
AI	Appreciative Inquiry
APBN	National Budget
APBD	Regional Budget
Bappenas	Badan Perencanaan Pembangunan Nasional / National Development Planning Agency
BPS	Biro Pusat Statistik/ Indonesian Center Bureau of Statistic
CDD	Community-Driven Development
CPS	Country Partnership Strategy
Depdagri	Departemen Dalam Negeri/ Ministry of Home Affairs
DSF	Decentralization Support Facility
FGD	Focus Group Discussion
GoI	Government of Indonesia
IDT	Inpres Desa Tertinggal/ Presidential Instructions for Underdeveloped Villages
IEG	Independent Evaluation Group
INFID	International NGO Forum on Indonesian Development
JPIP	The Jawapos Institute of Pro-Autonomy
KDP	<i>Kecamatan</i> Development Program
KPPOD	Komite Pemantau Pelaksanaan Otonomi Daerah/ Monitoring and Implementation Committee for Regional Autonomy
LG	Local Government
Menkokesra	Kementrian Koordinator Kesejahteraan Rakyat/ Ministry of Coordinating People's Welfare
PLA	Participation Learning and Action
PNPM	Program Nasional Pemberdayaan Masyarakat/ National Program for Community Empowerment
PRA	Participatory Rural Appraisal
PSF	PNPM Support Facility
PWC	Post Washington Consensus
Satker	Satuan Kerja/ Administrative Unit
WDR	World Development Report

Abstract

In the mid 1990s, the World Bank under president Wolfensohn changed its strategy on development. This was a response both to numerous criticisms as well as to failures of the previous strategy that only emphasized economics. This new strategy-labeled the Post-Washington Consensus (PWC), by Stiglitz and others, contains a broader approach to development and incorporates more dimensions than economic. Good governance, decentralization, bureaucratic reform and participation are the key words within the PWC. Many authors have argued that these key elements are part of a broader neoliberal agenda promoted by the Bank to achieve market efficiency.

As a strategic client, Indonesia has been supported by the World Bank in its fight against poverty. Massive amounts of aid were given to Indonesia when the country was recovering from the Asian financial crisis in the late 1990s. Since 1997 onwards, Indonesia has been enjoying financial and technical support under the flagship project PNPM (Program Nasional Pemberdayaan Masyarakat/ National Program for Community Empowerment). This program emphasizes a bottom-up approach based on community development and participation. The World Bank claims that this initiative would enable Indonesia to reduce poverty.

The implementation of the PNPM has been put into question. Besides its failure to reduce the nation's poverty level, the project has generated a negative impact on local society. Indonesia's decentralization policies which have been implemented since 2001, have further enhanced the possibility that the PNPM gets hijacked by local forces and that endemic corruption, elite captures, crony capitalism and horizontal conflicts are exacerbated rather than reduced.

This research project aims to investigate the impacts of PNPM on socio-political relationships at the level of the villages where PNPM has been implemented. Using a qualitative approach, this study will critically analyze how socio-political relations among villagers have changed. By doing this, it aims to generate new insights about social transformation in Indonesia and its relation to programs implemented by external actors.

Keywords

Neoliberalism, World Bank, PNPM, Decentralization, Participation

1 Introduction

This research focuses on the global agenda of development under the Post-Washington Consensus (PWC) promoted by the World Bank and how this pattern is formulated in Indonesia through its flagship project named PNPM (hereafter PNPM refers to PNPM-Rural) and more specifically the impacts of this project to social and political interaction at the village level.

According to the World Bank, the Program Nasional Pemberdayaan Masyarakat/ National Program for Community Empowerment (PNPM) is a good example of the World Bank poverty alleviation project in Indonesia (Jakarta Post, 2009). Previously named as *Kecamatan* Development Project (KDP), the project has been showing positive and negative impacts (further discussions see Carroll 2009; Fang 2006; Guggenheim S., 2006:111-144). On the positive side, the wide-array of success on building infrastructures and strengthening local governance has been claimed by the Bank to show that the program has lifted the poor out of poverty (World Bank, 2008). In addition, other countries replicate the concept of Community-Driven Development (CDD) that has been used in PNPM as convincing method for poverty reduction (World Bank, 2012). The World Bank assumes that using PNPM will foster Indonesia into the leading middle income country in South East Asia.

However, on the negative side, criticisms emerged during the implementation of PNPM. Independent reports as well as testimonies state that the project has numerous constraints (SMERU, 2011; IEG, 2006; interview, 2011). The evidences show that PNPM has problem of corruption and low quality of CDD (Voss, 2008; interview, 2011). More so, a report by Aditjondro (2012) presents that there is a serious concern towards PNPM which include:

- a) Low level of people participation
- b) Program orientation only and not empowerment
- c) There is no significant of synergy between government, society and stakeholders
- d) Aggregated corruption at village level
- e) Revolving fund is not dedicated to the poor
- f) Over emphasizing on infrastructures
- g) Erosion of social capital

In relation to the negative impacts, Hadiz (2004) argues that those impacts are caused by local bureaucrats who gain greater role in decentralized system. Their role has shaded the way of implementing PNPM at local level

2 Problem Statement

This research aims to analyze the impacts of the World Bank's development agenda under PWC on a specific developing country like Indonesia. This research will start from definition and practice of neoliberalism by assessing one particular World Bank's project in the country named PNPM that is seen as part of PWC. It is assumed that the power of the World Bank over developing countries like Indonesia might generate interventions. Often, the influence and interventions by the Bank do not necessarily end with

reduced poverty as the intended objective but on the contrary creates other undesirable social and political impacts as described in more detail below.

In Indonesia, democracy, decentralization, governance and participative development were implemented in the aftermath of the Soeharto regime. These agendas were introduced mainly by international interventions and in particular by the World Bank. In fact, these agendas do not yield their intended result. At the national level, the new imposing system has forced the old oligarchy to reorganize themselves into democratic system. At district level, the implementation of decentralization is faced with complexities and uncertainties. It is argued by Indonesian political scientist Daniel Springga that "Decentralization revived old political structures that probably were and are anti-democratic in nature. The awkward transition created a phenomenon of free-floating elites,"(Jakarta Post, 2008).

In Indonesia, there is an assumption that local managers of PNPM follow the Bank's instructions to achieve the intended goals. What is more, the Bank tends to ignore that local actors who are involved in PNPM have different interests that are not always inline with the Bank's objectives.

At village level where this program is implemented, the process for conducting PNPM has to deal with local complexities. Some examples of complexities are the following:

- a) First, this program is vulnerable for being captured by local elites. For instance, the quality of public meeting is doubted since marginalized people especially poor women are not involved and meetings are mainly dominated by local elites.
- b) Secondly, in the wake of decentralization, local actors (such as legislative member, religious leader, village head, program facilitator and member of political party) have greater power to influence such process. These actors have increased their interests in the village.
- c) Third, there is a possibility that PNPM generates social tension. In some cases, as caused by PNPM, the social and political interactions among people in the village have changed. This changing behavior and attitude may lead to social conflicts

All problems mentioned earlier lead to puzzle that need to be analyzed more.

3 Locating the Research: The World Bank, Neoliberalism and PNPM in Indonesia

3.1 The World Bank and Neoliberalism

In the mid-1990s, the Bank promoted the agenda of Post-Washington Consensus (PWC) of which it incorporated other dimensions than economic development. Promotion of good governance within PWC signaled that the Bank now has placed a political approach on its operation as well as poverty reduction, population growth, food security and cultural preservation (WDR,

2000). By political approach, it means that the World Bank sets certain policies for creating new institutions for enhancing growth and development (Prechel, 2007:8). In particular, the Bank emphasizes on institutional reform-as part of PWC- in developing countries as condition for better development outcomes. In the World Development Report (WDR) 2000, a special attention was given to the role of institutions as engine of development and also attention to the spread of decentralization as it is believed that this system will lead to political stability (WDR, 2000:106). Interestingly, the WDR's statement implies that the goal of the agenda (by the World Bank) is far beyond of making 'fundamental economics' work but largely to promote social transformation (Williams, 2008:6).

Some scholars provide definition of neoliberalism. Neoliberalism as noted by Gamble (2006:20-35) has two distinctive characters. First, it promotes *laissez-faire* and second it supports social market. The two terms signify market to be operated freely with no resistance as well as requires a 'guarantee' from the state to provide institutions to support free market. Gamble continued with his argument that in the form of support, state's intervention is allowed in various forms like structural adjustment, social capital, good governance, human capital, social responsibility and environmental protection. Following this, in late years of operation, the Bank is not only getting market rights but also generating platforms and institutions to entrench market liberalization. This strategy is clearly explained by Rodrik (2000) that in absence of adequate institutions, market faces the difficulties of unmanaged social conflict, fraud, anti-competitive behavior, rule of law and clean government. There is considerable attention towards how institutions and economic growth are connected. Thus, it is important for donors-as well as the Bank- to take caution that without sufficient institution, transaction cost and transformation in the process of production will be relatively high (Aron, 2000). Given experiences from three regions (Rusia, Latin America and Asia), Rodrik points to more advanced study of institutions that covers question of which institutions matter and how to acquire them (Rodrik, Ibid.).

Next, neoliberalism as emphasized by the World Bank notes that having adequate institutions is the pre-condition for fostering good governance. Donors are willing to support such activities for improved capacity in the organizations like mass media, police, state policy-making units, political parties, human rights organizations and the like (Moore, 1995). According to the World Bank, governance means 'the manner in which power is exercised in the management of country's economic and social resource for development' (Stevens and Gnanaselvam, 1995). More precisely, the World Bank's standard of good governance mentions that numbers of areas should be improved in terms of governance in accordance to poverty alleviation. These are rules for seeking and holding public office, adequate resources for sectors and local authorities, public expenditure and revenue, legal and regulatory framework and rules for economic management. (World Bank, 2001: Ch. 8). By definition, the term governance that the Bank used is merely based on governmental processes (state-centric model). Instead, the broader definition argued by MacLean et al stated that:

In our view, at the present conjuncture governance involves continuous pattern of relations, decisions and/ or policies among the heterogonous trio of state, market and civil society actors, over a diverse range of issues and

levels. Our conceptualization is therefore rather different from the conventional state-centric view that governance is the manner in which government officials and institutions manage the economic and social resources of a country. (MacLean et al, 2001:4)

Parallel with this definition, the World Bank ‘implicitly’ recognizes that the state-centric model of governance should be added with strong emphasis on triangular relations among business, democratic civil society and developmentalist (neo-Keynesian) state (WDR 1999/2000 as cited by MacLean, 2001:5).

3.2 The World Bank and PNPM

PNPM is an extended program of previously known as KDP (*Kecamatan Development Program*). The KDP was launched in 1998 when Indonesia struggled from Asian crisis. Based on the World Bank’s statement, the KDP is a flagship program which gains positive impacts to lift up the people from poverty. And, because of the success of KDP, the government of Indonesia has fully adopted this program into large and national-wide scope program since 2007 named PNPM (Depdagri, 2012).¹ Before KDP and PNPM, Indonesia had similar program named IDT (Inpres Desa Tertinggal/ Presidential Instruction for Underdeveloped Villages) that was started in financial year 1994/95 and ended in financial year 1997/98.² It was purely preliminary initiative of fiscal decentralization that was designed on three year basis (Akita and Szeto, 2000). Furthermore, within this scheme, regional authorities were given opportunity to channel the funds in their areas. This project was implemented in selected villages on the basis of the proposal for about Rp 20 million each (about \$ 9,000) per year (Daly and Fane, 2002). The allocated money was spent on different kinds of activities, one of which was a revolving fund (Okten and Osili, 2004). Given this fact, the community development program in Indonesia is not a new idea.

In PNPM, there are a number of types of programs (World Bank, 2010a). The development of these types shows that the GoI wants to cover larger area. The types of PNPM are as follow:

- a) PNPM-Rural (previously known as KDP), implemented in rural area-which this research dedicates to.
- b) PNPM-Urban (previously known as UPP/ Urban Poverty Project, implemented in urban area
- c) PNPM *Generasi* (in line with Millennium Development Goals in 178 sub-districts in five provinces).The aim is to fostering education and health.
- d) Green PNPM which supports natural resource management and renewable energy initiative.

¹ Officially, the PNPM was initiated and launched by Indonesian President Yudhoyono in Palu, Central Sulawesi at April 30, 2007.

² IDT was launched by the Government of Indonesia in August 1993 (Okten and Osili, 2004)

- e) PNPM-SADI, a program for supporting agricultural development initiatives through giving technical assistance and funding for small farmers.
- f) PNPM RESPEK, a special program for Papua and West Papua provinces to adopt with PNPM system through acknowledging their distinct conditions
- g) PNPM for Aceh and Nias that suffered from tsunami in 2004.

As a national program, PNPM is intended to integrate as well as to minimize over-lapping programs of other community-based programs which reside in 19 technical ministries (Bappenas, 2008).³ To operationalize the program, Depdagri was appointed as pivotal agency with support from Bappenas and the World Bank as coordinator of trust funds (PSF, 2009).⁴ Nowadays, PNPM has also been supported financially from a number of donors including Australia, Denmark, The Netherlands, The United Kingdom and Canada (PSF, 2011). In addition, the main components of PNPM are community development, community block grant, multi stake holders and local government empowerment and program management support (Bappenas, *ibid.*). All of these components are meant to achieve the overall goals of PNPM. The objectives of PNPM are:

- a) Increasing participation of communities in open planning process;
- b) Giving a direct transfer of funds to villagers with transparent process to alleviate poverty and;
- c) To increase capacity of central and local governments dealing with community in order to achieve better quality of public services (World Bank, 2010b).

Regarding these set of objectives, PNPM adopts CDD approach. CDD is a response to top-down system's failure on delivering development process. Different to the top-down approach, it encompasses community based approach that will foster better outcomes of development especially in tackling poverty (Dasgupta and Beard, 2007). As consequence, CDD allows villagers to be involved in development process and raise their interest through participative model. It also allows communities to take control and decisions to use the resources (Fang, 2006). As community-based approach, now the villagers are in the driver's seat of their own development. This mechanism of 'bottom-up' approach is inspired by Participatory Rural Appraisal that was

³ Numbers of ministries are involved. They are Coordinating Ministry of People's Welfare, which chairs the PNPM Program Steering Committee, an inter-ministerial coordinating body. The Steering Committee consist of representatives from the Ministries of Disadvantage Areas, Public Works, Finance, Home Affairs, People's Welfare, Cooperatives and Small Medium Enterprises, Agriculture, Communications and Information, Marine and Fisheries, and Industry and Trade. The Coordinating Ministry of People's Welfare also responsible for the Government's National Poverty Reduction Coordination Committee. The overall project oversight is a function of the Ministry of Home Affairs for PNPM-Rural and the Ministry of Public Works for PNPM-Urban, while day today coordination is undertaken by project management unit as assisted by administrative units (*satuan kerja* or '*Satker*') at different levels like central, provincial and district levels (World Bank, 2010)

⁴ PSF is stand for PNPM Support Facility, a specific mechanism that is set by Indonesian government and major donors to support funding and technical assistance to PNPM.

introduced by Robert Chambers. As Robert Chambers explained, participation has its root on community development of people from developing countries in the period of 1970s and 1980s mainly in Africa and Latin America. Based on Freirean methods, participation was developed into other types such as Participatory Rural Appraisal (PRA), Appreciative Inquiry (AI) and Participatory Learning and Action (PLA) (Chambers, 2005:101). Some practical methods were generated in PRA/PLA like in ground or paper participatory visual, social mapping, seasonal diagram and matrix scoring. These sorts of methods had been used by scholars and/ or activist who were dealing with community development. In CDD, especially Indonesian case, the willingness of ownership in the local level in fact is in contrast to the national level which proclaims that agencies or departments that are involved in this project have less responsibility to support the project (Marut, 2007).⁵

The process of CDD in PNPM follows series of steps. In one cycle, a PNPM program at least has four stages. It starts with information and dissemination and followed by planning. These two stages normally take 4-6 months. In addition, during these two stages, the roles of facilitators are very crucial.⁶ They help on disseminating information as well as guiding villagers to write a project proposal. The proposal preparation and verification is the next step of PNPM. Here, one village may submit up to three proposals that one of them should be proposed by women (or a group of women). All submitted proposals will be discussed in inter-village forum on competitive based. The next stage is project selection. At this level, proposals from villages are compared and selected in 2nd inter-village forum. Each of the successful proposals will be required to add detail on cost estimation. Again, the role of facilitator is important in this stage. At the end of the process, PNPM management and technical assistance will study the overall design of project and select it for approval (Guggenheim et al, 2004). Throughout these stages, transparency and accountability are the main points of each stage. The overall processes usually take 12-14 months from the first stage to the end (see the figure 1).

On financial management, head of sub district financial unit, sub district facilitator and a village representative share a legally registered bank account. Then, local government project officer endorses a finalized sub project agreement and send the copy of the agreement to government treasury office. Afterwards, the treasury will transfer the money to the bank account. The first installment of the budget will cover 40% of total budget and another 40% for the second phase of implementation. The last 20% will be given to the villagers with approval by district engineer (Guggenheim: Ibid.). Noteworthy, the current fund of PNPM is a mix of different sources. The fund is shared by APBN, APBD and grant or loan provided by multi donors (Bappenas, *ibid*). This scheme is different from KDP which only relied on the fund provided by the World Bank.

According to Bappenas, the government will continue PNPM at least until 2015. The first phase (phase I/ 2007-2009) was a learning phase. In this phase,

⁵ Paper presented in OECD Experts Workshop on *Ownership in Practice*, 27-28 September 2007, Paris.

⁶ Facilitator is a key person who is elected to assist villagers to prepare a program. They are hired by the World Bank. Normally, in one village, there are at least two facilitators that both of them are man and women.

the objectives were to learn participatory process, facilitate the process and provide block grant as stimulant. The next phase (2010-2012) is a self-reliance stage which stimulates partnership with other stakeholders, availability to use other financial resources and integration with regular planning. In the next phase (2013-2015), PNPM will adopt sustainability phase that establish wider partnership, generate pro-poor planning and budgeting of Local Government (LG) and limit the role of facilitator (requirement-based only). The final phase is called exit strategy which consists of replication of the project to other stakeholders that use the same system (LGs, NGOs and Corporate Social Responsibilities) (Yulaswati & Sumadi, 2010).

Accordingly, it is crucial to note that in the future, the sustainability of the PNPM is in the hand of LGs. The government of Indonesia (GoI) emphasized that the first phase (2007-2009) was a phase that the GoI wanted to scale up the project that cover 79.000 villages throughout Indonesia. This commitment of GoI was stated also by Indonesian Coordinating People's Welfare Minister (Menkokesra) who said that in 2012 the GoI would allocate about US \$ 1.73 Billion for PNPM (Jakarta Post, 2011a). According to him, in total, the GoI has spent US\$ 400 Million of community block grant since its inception in 2007. Whereas, the current phase (2010-2012) is a phase that gives LGs greater responsibility to handle PNPM (Yulaswati & Sumadi:Ibid.). Some LGs have already replicated this program.

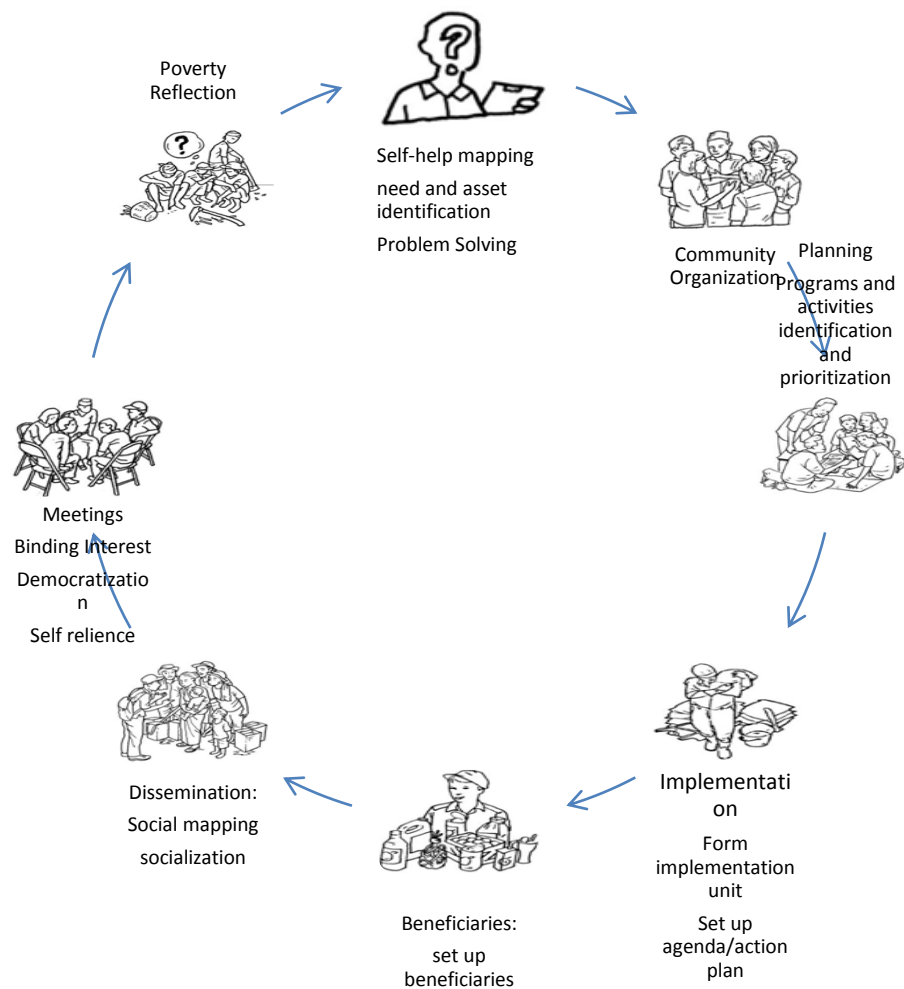


Figure 1: Life cycle of PNPM (Yulaswati & Sumadi, 2010)

3.3 PNPM in the context of Indonesia

To impose such development agenda to specific country is not without a controversy. First, there will be a power dynamic between the donor (the World Bank) and its recipient. The imbalance power between these two might lead to domination of one over another (further discussion on power is presented in the sample chapter). Second, it fosters a complexity like the implementing idea of good governance. The word complexity refers to uncountable issues of public sector which includes rule of the games of economic and political interaction, decision making structures, allocating resources, service delivery, reformed administrative system, human development and others (Grindle, 2004). In addition, doing good governance means reorganizing state and its bureaucracy into what is demanded.

It may be seen that the PNPM is patterning the World Bank agenda on shifting paradigm from economic development mainstream- so called Washington Consensus- to social development- so called Post-Washington

Consensus-. This new consensus was proclaimed by the World Bank's former president named James Wolfensohn (Engel, 2010:56). The mounting evidence of failures from the previous economic development strategies and extensive NGOs movements had forced the Bank to reform the agenda (Kapur et al, 1997:366). Putting social dimensions namely social capital (Fine et al, 2001:137; McNeill, 2004: 108-121; Fine,1999) and participatory approach was seen as "turning vehicle" of the World Bank's work into more "human face" of development (Engel, *ibid.*). Under Wolfensohn and still to date, this new strategy has been widely spreading out throughout developing countries that suffering from acute poverty. Recent updates on PNPM illustrate that the program is successfully promoting convincing outputs on inclusive development and improved local governance (World Bank, 2010c).

According to the World Bank's Country Partnership Strategy in Indonesia (CPS) for financial year 2009-2012, the focus of the Bank is transforming institution in the country to become accountable and effective for better development results (World Bank, 2008). This is a following up strategy from the previous CPS for financial year 2004-2009 which emphasized governance and this is also the theme that underlines the work of the Bank in Indonesia. Interestingly, the basic idea of setting up PNPM was simply a matter of "frustration" that was coming to surface because of corrupted regime and uncertainty of decentralization system (interview, 2011). Because of that "frustration", PNPM is pictured as an outstanding project due to its creation of independent bureaucratic lines and generate its own institutional formation away from existing ones. It means that the setting of PNPM excludes Indonesian common bureaucracy as it is known for corruption and therefore the fund for PNPM is transferred directly to local account (ADB, 2009). This points to further issues of power relation in particular at village level where the new line and relatively clean bureaucratic platform of PNPM collides with normal bureaucracy of state.

Earlier findings from the field confirm that there is a lack of coordination between local bureaucrats and local management of PNPM (interview, 2011). The PNPM projects are often overlapping with state projects and therefore this ends with inefficiency in terms of fund and resources. Another crucial issue is about the changing relation between villagers-to whom PNPM dedicated for- and their state bureaucrats. Reliable testimonies both from PNPM local management and village's staff confirm each other that there are tensions among them⁷. This is linear to what Guggenheim-the task leader of KDP-said on how the challenges of PNPM will be (Guggenheim, 2006:127-134). Further, he clearly said that one of the hindrances of KDP (PNPM) will be in the level of implementation where many vested interests meet.

3.3.1 Indonesia and Decentralization

Lifting up this research into surface finds its relevancy when the PNPM is implementing in the era of decentralization in which the success story of this new system seems to be questioned. Based on the Indonesian Presidential statement in his speech that PNPM will be operationally merged into the Indonesian system (World Bank, 2010), this raises the possibility of arisen

⁷ *Ibid.* The facilitator said that one of the reasons for not inviting local bureaucrats (village) because they often dictated the participative discussions into their own interests.

speculation of misleading conduct of the project as the allocated fund for PNPM project will be managed by the Indonesian government. Moreover, the Indonesian re-formation of bureaucracy which was echoed by reformists in the aftermath of Soeharto in the late 1998 identifies itself into more acute-predatory system by which new alliances of nepotic-clientism of old regime has re-emerged in the form of decentralization (Robison & Hadiz, 2004:52). To underline, unpredictable and chaotic context of Indonesia in the post Soeharto and current decentralization system confirms to what Robison named as 'strange bedfellows' (Robison, 2009:16)

Theoretically, at least two types of models are identified. First, decentralization means a transfer of some authorities from central to local government. These authorities include a greater opportunity of local government on maintaining revenues and expenditures. The second term is deconcentration which defines that the function of central government is distributed to offices in province and local government but the function itself is still in central government (Alm et al, 2001). Other scholars like Ranis and Stewart define that in the state of decentralization, there are three different kinds of systems which are deconcentration (there is central government employees at local level); delegation (delegation of power from central to local) and devolution (central government gives the power to local decision makers) (Ranis and Stewart, 1994). Based on Ranis and Stewart definition, in most cases, the transfer of functions from Jakarta to local or province level is integrated with local authorities and considered as autonomous (Shimomura, 2003:10). In these dichotomies, Indonesia is placed in deconcentration stage.

Also, decentralization is often linked with poverty reduction. Thus, international donors deeply emphasize the implementation of decentralization in developing countries in particular to countries which have acute poverty. The rationale of this is that giving more power to local authorities will enhance local responsiveness in terms of needs and interests (Smith, 2007:103). It is easier to tackle poverty if local elites know and are aware of these issues. Thus, Smith argues that decentralization deals with at least two elements; participation and responsiveness.

Noteworthy, in the light of decentralization, sub-level of bureaucracies have more autonomy than before. This impinges for such consequences as local actors now have more spaces to maneuver (Jakarta Post, 19 January 2008). This leads to open debates on the inquiries of 'who rules what' and 'how to get' in the local context. Hence, the villages where PNPM projects are implemented will be the 'meeting point' among different interests such as global scale power like the World Bank and local actors like Head District (Bupati), village head and legislative board members. The global agenda of PWC in which the PNPM is based might collides with local agendas and reactions that will be interesting values in this research whereas the villagers-the ultimate goal of development-are situated as the contesting subject.

3.3.2 PNPM: Challenges and Frontiers in Decentralization

Taking into account the PNPM strategy in Phase II which incorporates greater roles of LGs, some potential issues are emerging. Based on the study by Judith Edstrom on her evaluation of KDP, she mentioned that giving greater role to LGs would be the same strategy like the World Bank did in the 1990s

and possibly increased volatility of the program as the government is the place of corruption (Edstorm, 2002; INFID, 2008).⁸ This is linear with the Bank's report of CDD in which the KDP is a form of CDD that corruption is still taking place although there is a significant decrease in numbers (World Bank, 2005). There are examples of corruption cases in North Maluku and Southeast Sulawesi province and the GoI has suspended the fund for these two provinces for a year. Dealing with this case, the GoI is planning to train about 5.000 prosecutors to monitor the PNPM implementation (Jakarta Post, 2011b).

It is also interesting to acknowledge that PNPM is also seen as 'source' of fund by local district heads. The Jakarta Post reports that in Lampung province, some district heads are accused for skimming 7.5% off every PNPM loan that has been disbursed to sub districts within their jurisdiction. Districts of Central Lampung, North Lampung, Tulangbawang and Tanggamus regencies along with Way Kanan regency are examples of it (Jakarta Post, 2010). This case was well anticipated by the KDP team in Jakarta who said that this program would be a subject of elite capture (Guggenheim, 2004).⁹ This is the common feature of criticism in the age of decentralization where regional autonomy generates 'local kings' rather than local managers. Theoretically, this situation is contrast to the aim of decentralization that it will generate effective tool for acquiring local needs and be responsive to such local issues as it said by the World Bank (Kirkpatrick et al, 2002:390).

Moreover, low capacity of local bureaucracy may lead to domination by local leadership. Based on the results of the survey conducted by The Asia Foundation in 40 municipalities throughout the country in 2002 and 2003, most of the local heads aware of the importance of regional autonomy as well as their contribution to it (Antara, 2003). In summary, local district head is the key actor of development in decentralization. However, an evaluation done by the World Bank states that PNPM has issues on its local partner including local bureaucracy. Based on this report, local government is still not following the PNPM principles of transparency and accountability. The report also indicates the low level of ownership of the program by local government (PSF, 2011)

With CDD as the 'engine' of PNPM, there is little doubt that people are enjoying their greater participation in the development process. Through CDD, people's participation is assured in public meetings (in this sense is a village meeting). However, there is also mounting evidence which questions the quality of CDD. The SMERU Institute in their report on qualitative study in three provinces (West Sumatra, Southeast Sulawesi and East Java) has warned that the quality of CDD is one of the concerns.

What is not adequately anticipated by the program is the very complex social reality in the village. The low level of participation, transparency and accountability; the poor quality of village governance; the difficulty of welfare improvement; and the low level of village's independence are not simple problems that can be solved in a year or two by a program such as PNPM. There are still many aspects of social relationship, the established familial

⁸ Research by INFID in Central Sulawesi (District Donggala) found that PNPM fund was used by local government to pay teachers salary which was not part of the PNPM plan.

⁹ One example of elite capture was found at District Pamekasan in East Java. It was stated that local land owner had refused to allow PNPM project to build retaining wall in his land (World Bank, 2004)

relationship, and the lack of the poor's courage and confidence. These relationships have been created in the living process of the community for hundreds of years and have become the foundation of established social interactions. Poor farmers can survive because of among others, the moral support, and social and fund assistance from the elite which then becomes their patrons. In many cases they also depend on their family and relatives (SMERU, 2011:62-3)

Moreover, baseline report conducted by the World Bank in 2008 on the PNPM Rural presents that the quality of participation is low. According to this report '...Approximately 60% of households from the full sample reported that the only activity the household representative engaged in at meetings *was listening*. For poor and disadvantaged groups—households in the first quintile of per capita consumption, female-headed households, and households with heads with no primary education—rates of passive participation rose to 75 % (World Bank, 2008:16). This figure shows that the doubt of CDD quality finds its relevancy. More interestingly, the spill over of public participation in PNPM does not occur in other government development project activities. They participate only in PNPM. This finding is clearly stated by the other progress report of PNPM in year 2010 (PSF, 2010:63). The finding also incorporates the unchanged political structures in other development projects outside PNPM. The roles of government and traditional elites are still crucial. It contrasts with the roles of the same elites in PNPM.

4. Objectives of Research

Based on the identified issues above, the objective of this research is there-fold.

- a) The first objective is to assess the extent to which PNPM fit with the idea of PWC. It relates with the coherence between the idea of PWC at the global level and the implementation of PNPM at village level.
- b) The second objective is to unfold whether and how socio-political relation in the village has changed. This objective relates to the reality that villagers now have been enjoying a greater 'bargaining position' towards state. What has been changed is not only their bargaining position but also the way they act, behave and being critical to local bureaucracy.
- c) The third objective is to analyze how decentralization system is used as medium for social change. By social change, it refers to the notion that decentralization in Indonesia creates opportunities for local actors to articulate their interests and influence social and political relationship.

The interconnection of these three objectives entails to the primary attention to village and villagers as both a place for power contestation among stakeholders and as an actor in PNPM.

5. Research Questions

This Phd research focuses on the change of socio-political interaction in Indonesian villages. In doing this research, it elaborates other elements which contribute to the complexity of the issue. At least, some results of earlier researches are identified as follow:

1. The socio-political interaction in the village has changed in the World Bank's support project under GoI named PNPM. Implicitly, this generates questions whether the changes are part of intended outcomes or project's side effects.
2. The socio-political interaction has also changed because of decentralization system that set to 'hands-off' development to locals. Here, 'hands-off' means the process of development now is given to the locals as they have greater role.
3. Last, the socio-political interaction is possible to emerge because of the occurrence of CDD to which PNPM is highly indebted. This is the 'modern' way of the Bank's perspective on current development Through CDD, locals are assumed to be empowered; their voices are heard and their complaints are taken into account. In fact, this situation is very much different from the traditional way of relationship in the villages in the last hundred years that have been dominated by kinship and patronage kind of relationship. This radical change impacts on different ways of interaction in the village.

Based on the above complexities of the issue, this study will be guided by the following research question and sub questions:

How and to what extent has the implementation of PNPM at the village level in Indonesia created opportunities for local actors to further their own interests, and thereby brought about socio-political change that differed from the original objectives of institutional change?

In order to answer this question, I will divide it into the following set of sub questions:

1. How has the PNPM fitted into broader neoliberal agenda of institutional change?
 - a) What was the core of the agenda promoted by the World Bank: (a) in general in terms of the PWC, and (b) more specifically targeting Indonesia?
 - b) Has PNPM expressed neoliberal objectives related to the establishment of free markets, good governance and empowerment?
 - c) How is implementation of the PNPM shaped in terms of the institutional framework in Indonesia?

- d) What are the responses by the GoI in term of the Bank's mission in Indonesia?
2. How does decentralization system influence to the implementation of PNPM Rural?
 - a) Who are the main actors in the district level and what are their roles in determining such policy in the field?
 - b) How are different actors interacting in the PNPM Rural and how are their interests managed?
 - c) What are the consequences of such influences by actors in the village?
 3. How has PNPM Rural shaped the way people interact in the village?
 - a) How is CDD implemented in PNPM Rural?
 - b) How are power contestations among actors managed in the local community where PNPM is taking place?
 - c) What kind of responses have the villages adopted with PNPM? And what are the consequences?

6. Methodology

This research will apply qualitative methodology. Moreover, in order to answer the questions in this research, multiple methods will be applied. Multiple means more than one methods. In this sense, method corresponds with the type of data that will be used in the research. There are number of methods that will be used to answer the questions.

The first method is discourse analysis. This method is preferable to answer questions that need data that are mostly based on text. At first, discourse analysis has been used widely in the field of linguistics and psychology. But, recently, it is also used by other social fields such as sociology, politics, anthropology, management and organization studies, communication studies and social psychology (Tonkiss, 2001:246). Literally, discourse analysis rests upon text and document. However, it then develops further to social and political context. As Tonkiss argues, discourse analysis is not only interesting about language that seems to be understood in more transparent and in a direct interpretation, but also relevant to understand on how social reality is constructed and reproduced (ibid.). Thus, it is useful using discourse analysis to understand the World Bank strategies in Indonesia; to know what the Bank's perception is toward Indonesia in general and villages in particular and how this perception is manifested within the strategies. At the same time, this is also relevant to acknowledge the Indonesian government's response to the Bank's strategies and how they implement. In doing discourse analysis, the types of data vary. Not only text and document, but relevant newspapers articles, political speech, parliamentary debates and government policies are also useful sources (Ibid.:252).

The second method that will be used in this research is observation. This particular method is commonly used in qualitative methodology. In related to

the research on PNPM, the observation method will be used for following reasons:

1. The domain of this research is on the socio-political interaction in the village. To unfold the changing interactions in local community, the researcher needs to be in location in order to observe, get involve and participate on day to day basis.
2. Doing observation, the shared of norms, culture and beliefs in community can be explored not only from the perspective of the researcher but also from 'the eyes' of the researched. This argument is supported by Bryman. According to Bryman, he argues that qualitative method has five distinct components. They are seeing through the participants; description and context; process; flexibility and lack of structures; and concept and theory as the results of the research process (Bryman, 2004:266).
3. Observation enables researcher to observe facts about particular community whereby the facts are unlikely explored. This gives researcher a chance to be "insider" rather than "outsider" as many communities are often reluctant respond stranger. Being part of community produces more facts about the community (Walsh, 2001:218; Donge, 2006:180).

The third method that will be used in this research is semi-structured interview. In order to get information, most researchers who are dealing with qualitative methodology apply interview to obtain such information which is relevant and important. Interview is meant to be a tool to achieve personal's view about such event or phenomena. It is about subjective opinion by persons towards their experiences and opinions (Kvale and Brinkmann, 2009:1). Although, doing interview is sometimes understood as a simple and straightforward process, but conducting a good quality interview is an uneasy task. Interview is widely used to get information in many sectors from high-level bureaucrats in government agencies or international donors to low-level scale like people in villages. It also contains much information about life history, perception, opinion and shared experiences.

In relation to the research, interview will be applied. As this research recognizes three different layers namely global, national and local, thus, interviews are conducted to correspond with the layers. At least, interviews will be used to trace the World Bank's motives channeling aid to Indonesia through interviewing key informants. PNPM team in World Bank's office in Jakarta will be one of the key informants. Government officers at national level (ministries) and district level will also be interviewed to obtain information and perceptions about PNPM and its implementation. Last, the villagers, field facilitators and local elites are important elements that should be interviewed too.

The next method that is also important in this research is a focus group discussion (FGD). This method was known in economics in particular research about market. In fact, this method is also applied in social research as useful method for collecting rich data. The FGD is more or less about perceptions of

particular group on issues or events. In this method, people are encouraged to share their beliefs, norms and values informally (Parker and Tritter, 2006). More specifically, Parker and Tritter quote:

In focus groups ... the objective is not primarily to elicit the group's answers ... but rather to stimulate discussion and thereby understand (through subsequent analysis) the meanings and norms which underlie those group answers. In group interviews the interviewer seeks answers; in focus groups the facilitator seeks group interaction (Bloor et al, 2001:42-43)

To note, FGD relates to interview method as both are used as common method in qualitative research. The correlation between the two is mentioned below (Morgan, 1996):

1. FGD is followed up by individual interview to check the conclusions from their analysis
2. Interview is developed to explore more specific information on personal view that is not covered in FGD

FGDs will be used in this research to cover information about PNPM from different perspectives. As this method emphasizes on specific issue among people who shared relatively same point of view, this research will be benefit from using this particular method on exploring information on PNPM implementation among bureaucrats, NGOs, PNPM facilitators and villagers. For specific issues like gender and inequality among villagers, FGD is useful as this issue is sensitive and rarely addressed in public meetings.

7 Case Selection

In line with the goal of PNPM which is poverty reduction, this research will be conducted in East Java as this province has the biggest number of people who live in poverty. According to Indonesian Bureau of Statistics (BPS) 2011, at least 5.356.000 people live in poverty by which 3.587.000 of it live in rural areas (BPS, 2011). The fund for PNPM will be given on the basis of location and population. For a village which has $\geq 10\%$ household (of <3000)¹⁰ who live in poverty, the IDR 100 million (US \$ 10.752) of fund will be given. The more number of poor, the bigger fund will be allocated (Menkokesra, 2012). In East Java province, all districts and municipalities (in total 38) are allocated for PNPM (PNPM Rural and PNPM Urban) fund which counts in total Rp 916.853.000 FY 2012.

However, it is unlikely to name specific locations at this stage. Sufficient and non-bias information on PNPM Rural is difficult to find. There are many reports and update information about PNPM which are uploaded by the World Bank. Also, numbers of criticism on PNPM Rural have been found by local NGOs but its evidence may also be inaccurate. To solve this problem, it is useful to provide such indicators on how to select cases in research design. One article written by Odell (2001) provides a useful guidance on cases selection. He mentions that there are types of cases that could be chosen. In terms of types, three models are selected to choose cases in this research:

1. The Least-Likely (Theory Confirming) Case Study

¹⁰ This calculation only applies in Java area which the exchange rate 1 US\$= IDR 9.300

The aim of this case is to confirm theory that it will also be valid in less favorable conditions. In PNPM Rural, if the condition is mainly dominated by elite captures, less participation, corrupt regime and bad governance, the tendency to fail is high. Accordingly, to follow this type of case, this research will find the case of successful PNPM Rural (reduce poverty) within this condition.

2. The Most-Likely (Theory-Infirming) Case Study

It means that selecting case to show that a theory is invalid even in the favorable conditions. Then, it can be assumed that the theory will be much less accurate in non-favorable conditions. In relation to cases in PNPM Rural, the favorable condition according to theory is that poverty will decrease because of PNPM. Such conditions that determine the success of PNPM Rural are high-level of community participation, good governance and less corruption and no elite captures. Following this type of case, this research will find a case that shows favorable conditions for successful of PNPM Rural but it does not lead to reduce poverty.

To follow the category of cases mentioned earlier, this research will analyze the report by different agencies which work on PNPM. Such agencies like the Jawapos Institute of Pro-Autonomy (JPIP), Komite Pemantau Pelaksanaan Otonomi Daerah (KPPOD), NGOs and PNPM database made by Bapenas are doing evaluation and monitoring on PNPM. In line with this report, communication and network among local governments in East Java are also useful resources to help this research to find locations.

8. Dissertation Outline

In this section, I present the general structure of this dissertation:

Chapter 1: Introduction

- 1.1 Motivation and Position
- 1.2 Background of the research
- 1.3 Problem statement
- 1.4 Objectives and Contribution
- 1.5 Research Questions
- 1.6 Methodology
- 1.7 Limitations of the Research

Chapter 2: Conceptual Framework

- 2.1 Neoliberalism
- 2.2 Decentralization
- 2.3 Participation
- 2.4 Empowerment

2.5 Community-Driven Development

Chapter 3: Case studies

- 3.1 Introduction: PNPM Rural in Indonesia
- 3.2 PNPM-Rural in District X
- 3.3 PNPM-Rural in District Y

Chapter 4: Analytical Chapter 1

- 4.1 Understanding the work of the World Bank under PWC in particular in the context Indonesia
- 4.2 Understanding the implementation of PNPM and its relation to the establishment of free market, good governance and empowerment
- 4.3 Understanding the implementation of decentralization and the influence of it to PNPM
- 4.3 Understanding the interaction among different stakeholders in PNPM
- 4.4 Understanding the people interaction in the village under PNPM program
- 4.5 Understanding response and consequences of villagers toward PNPM

Chapter 5: Analytical Chapter 2

- 5.1 What are the Bank's missions in Indonesia? and why Indonesia?
- 5.2 How PNPM correlates with broader neoliberal agenda such as free market, good governance and empowerment?
- 5.3 How decentralization influences the way of implementing PNPM? How local actors use PNPM to foster their interests?
- 5.4 How different actors interact in PNPM and how they manage their interests?
- 5.5 Why people change their behavior in PNPM? And how these changes emerge?
- 5.6 What are the impacts of PNPM to socio-political interaction in the village? And how villagers respond to PNPM?

Chapter 6 : Conclusion

- 6.1 Drawing conclusion on PNPM and its impacts to socio-political interaction in the village level:
 - a) For the understanding of the World Bank's mission in Indonesia
 - b) For the understanding of decentralization and its influences to PNPM
 - c) For the understanding of local actors in PNPM
 - d) For the understanding of socio-political interaction in the village under PNPM

9. Time Schedule

Research Work Plan (2012-2015)

Period	Activities
November 2011-June 2012	ISS and CERES coursework Supervision sessions Literature review Preparing the Research Design Proposal and Seminar
July-September 2012	Preparing Field Work August-October 2012 Research at the World Bank office Jakarta Research at the involved ministries in Jakarta Literature review Reporting process to supervisory team Receiving feedbacks
October 2012-June 2013	Field work and stay at the village Observations

	Interviews Literature review Receiving feedbacks
July 2013- August 2013	Post field work seminar
August 2013- December 2013	Writing Chapter 3 Supervisory sessions Literature review Analyzing data
January 2014- March 2014	Writing Chapter 4 Supervisory sessions Literature review Analyzing data
April-June 2014	Writing Chapter 5 Supervisory sessions Literature review Analyzing data Progress seminar

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Interview with PNPM facilitator in Kabupaten Trenggalek, East Java, October 23, 2011

Interview with a village head in Kabupaten (sub-district) Trenggalek, East Java, October 23, 2011