

# The World Bank's Socio-institutional Neoliberalism: A Case Study from Indonesia<sup>1</sup>

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This paper demonstrates an early application of an analytical framework that assists us in understanding the new development agenda or the post-Washington consensus (PWC) *in action*.<sup>2</sup> Primarily, the framework centres around an analysis of the structures and ideology promoted in the new development agenda, the way in which these are promoted, and how this plays out on the ground. The framework is used here to analyse the World Bank's Kecamatan Development Program (KDP) in Indonesia – a massive infrastructure/governance project. The application of this framework reveals that the KDP, despite some appearances to the contrary (covered below), is actually an entirely consistent element within the broader PWC project.

The PWC project is highly political, and manifests in different forms (of which the KDP is but one form), with differing degrees of success in meeting reform objectives. In essence, the PWC in action (the broader project) is seen here as the promotion of a new form of neoliberalism – what I call socio-institutional neoliberalism (SIN). This concept plays a crucial role within my broader framework of analysis. What is unique about SIN, in comparison to earlier forms of neoliberalism, is that it is not just concerned with economic policy but is also vitally focused upon *the delivery* of a broad market-congenial institutional matrix. Notably, this matrix also includes a role for social institutions, in addition to economic and political ones.

As an example of SIN, the KDP demonstrates the intimate relationship between current neoliberal policies and concerns for their delivery well. What is particularly 'radical' about the KDP is its approach to delivery of reform. KDP uses the incentive of providing funds for infrastructure (and other elements) at the local level in an attempt to embed forms of market compatible behavior more generally. Crucially, in terms of actual implementation (as opposed to reform impact), the KDP

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<sup>2</sup> This paper is a downsized version of a larger piece that details the broader politics of the program analysed. Space constraints have meant curtailing the analytical scope of the article substantially. The paper is also part of a much larger research project that argues for a new framework for understanding the PWC. For other material by the author that elaborates the form of this new framework see Toby Carroll, 'Attempting to Limit Politics through 'Participation' and 'Partnership': A Case Study on the World Bank's Country Assistance Strategy in the Philippines', paper presented at the workshop on North-South Development Issues and the Global Regulatory Framework (April 2006), at the Institute of Social Studies in the Hague; Carroll, 'Efficiency of What and For Whom: The Theoretical Underpinnings of the post-Washington Consensus' Socio-institutional Neoliberalism', Asia Research Centre Working Paper no. 122, (July 2005) available online at: <http://wwwarc.murdoch.edu.au/wp/wp122.pdf> ; Carroll, 'The World Bank and the Politics of Development', in *ASIAVIEW*, (October 2004), available online: <http://wwwarc.murdoch.edu.au/asiaview/AsiaView2004.pdf> ; Carroll, 'Auctioning of Manila's Water Services: Market Extension, the World Bank and Socio-institutional Neoliberalism', paper presented at the 2006 Oceanic Conference on International Studies, Melbourne, July, 2006; Carroll, 'The Politics of the World Bank's Socio-institutional Neoliberalism', forthcoming, October, 2006.

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has been successful (at least temporarily) where many other neoliberal development projects have not. However, while KDP gets around many of the political impediments that plagued the implementation of earlier forms of neoliberalism, we should be concerned about its reproduction for several reasons – despite its impressive record on providing cheap infrastructure. Firstly, KDP is a mechanism for market extension which currently relies upon loan funding for its sustenance. In the absence of this funding it (and its impact) may quickly evaporate. Furthermore, in tandem with broader structural sources of inequality and given its debt funded structure, KDP could just be a successful example – to paraphrase Paul Cammack – of facilitating the further proletarianisation of the world's poor.

This paper begins by outlining the need for a different framework for analysing the new development agenda or the PWC in action.<sup>3</sup> In short, it is argued that current analyses of the PWC tend to focus too much on secondary sources for detailing and interrogating the PWC, rather than looking at examples of it operating in reality. More than this, they often accept the proclamations of the IMF and the World Bank *as* the PWC, rather than looking at the way in which the PWC has manifested on the ground in Bank projects and programs. After detailing an alternative framework for looking at the new development agenda, the paper applies this to the KDP. This is done in several stages. Firstly, I have provided an analysis of how the KDP works, because it does appear to be very different to most neoliberal development projects. Subsequent to this, the paper deciphers the political objectives of the KDP. In tandem, these two sections assist us in discerning what it is that is actually different about the KDP, and what places it firmly within the realm of SIN. Crucially, the paper argues that what is radical about KDP is not just its policy content but rather its approach to delivery. Here KDP can be seen as a project that successfully delivers (at least temporarily) its mix of neoliberal reform and we should perhaps anticipate that this alone will make it an increasingly attractive case for future neoliberal project designers.

### *The Need for a Different Framework for Understanding the New Development Agenda*

The new paradigm in development, often referred to as the PWC, has been highly influential since the late 1990s and is strongly associated with the World Bank. Stemming from a concern for addressing the problems in practice and dilemmas in explanation associated with the Washington consensus – that is the promotion by the World Bank, the IMF and US Treasury of orthodox neoliberalism – the PWC is now dominant.

However, contemporary conceptions of the new development agenda, including critical ones, are inadequate in elaborating a precise analysis of how it plays out in the field, and, thus, what it actually is. Rather, they are variously concerned with the PWC's intellectual and thematic underpinnings, advocating particular prescriptions, and drawing upon *World Development Reports* and other proclamations of the World Bank (and the IMF) to assess the PWC.<sup>4</sup> We therefore need a framework

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<sup>3</sup> The phrases 'new development agenda', 'the PWC in action' and 'the real-existing PWC' are used interchangeably in this paper.

<sup>4</sup> See for example Joseph Stiglitz, 'More Instruments and Broader Goals: Moving Toward the Post-Washington Consensus', the 1998 World Institute for Development Economics Research, Helsinki (January 1998), in Ha-Joon Chang (ed.), *Joseph Stiglitz and the World Bank: The Rebel Within*, (London: Anthem, 2001); Jonathon R. Pincus and Jeffrey A. Winters, 'Reinventing the World Bank',

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that moves beyond such analyses to comprehend the PWC as it actually exists. An analysis of the real-existing PWC allows us to gain a better understanding of both the politics that the approach stems from and that which it generates and encounters.

The framework that I propose here and elsewhere,<sup>5</sup> is based around making up for these analytical lacunae. It views the new development agenda (or the real-existing PWC) not simply as the pronouncements of the Bank (or figures that have been associated with it) but rather as a new form of neoliberalism – what I refer to as ‘socio-institutional neoliberalism’ (SIN) – that is now being implemented through World Bank projects and programs and elsewhere. SIN is underpinned, theoretically, by new institutional economics (NIE). NIE’s influence has generated some new policy content and, in turn, supplemented and altered the policies of the Washington consensus. Extending from this, institutional quality for market operation (‘good governance’) and NIE readings of ‘social capital’ are now essential components in the neoliberal development lexicon. Vitaly also, SIN builds in ‘delivery devices’ – that is, forms of political technology, like participation processes and particular project and program designs, to embed and maintain market-led reform. This concern with delivery is one of SIN’s most distinguishing elements. SIN’s proponents seek an ambitious realignment of economic, political and social institutions in a manner that supports the extension of the market into social life. SIN (consciously and unconsciously) depoliticises issues of class and inequality, while attempting to further policies that have very real impacts upon the very same elements. However, beyond looking at these elements in isolation from reality, we must look at their application in projects on the ground. This is essential in order to understand the broader political purpose of aforementioned content and the way in which SIN proponents seek to shape the institutional terrain in market-compatible ways. It also reveals much about the politics of development more generally.

### *The KDP and how it operates*

The KDP is an excellent test case for applying the framework outlined above because it draws in many elements associated with SIN, such as institutional emphases upon social capital and governance, and puts them into practice.<sup>6</sup> Indeed, the project is a massive delivery mechanism for neoliberal forms of governance. It seeks to change patterns of behaviour at various levels of society in significant ways (attempting to normalise transparency and accountability, and assist the decentralisation process, for example) by using infrastructure projects at the local level as an incentive. Importantly, KDP is different to many neoliberal development projects – especially in

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in Jonathon R. Pincus and Jeffrey A. Winters (eds), *Reinventing the World Bank*, (Ithaca: Cornell University Press, 2002); Ben Fine, Costas Lapavitsas and Jonathon Pincus, ‘Preface’, in Ben Fine, Colin Lapavitsas and Jonathon Pincus (eds), *Development Policy in the Twenty-First Century – Beyond the post-Washington Consensus*, (London and New York: Routledge, 2003); Ben Fine, ‘Neither the Washington Consensus nor the post-Washington Consensus’, in Ben Fine, Colin Lapavitsas and Jonathon Pincus (eds), *Development Policy in the Twenty-First Century – Beyond the post-Washington Consensus*, (London and New York: Routledge, 2003).

<sup>5</sup> See footnote one.

<sup>6</sup> In this regard, Tania Li has described the World Bank’s social development team in Jakarta as ‘pioneers in turning concepts into a program of intervention.’ Tania Li, ‘Neo-liberal Strategies of Government Through Community: The Social Development Program of the World Bank in Indonesia’, International Law and Justice Working Paper, no. 2006/2 (2006), available online: [http://www.iilj.org/GAL\\_2006\\_3\\_Li.htm](http://www.iilj.org/GAL_2006_3_Li.htm), 1.

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its approach to delivering reform. In this regard, the specific design of the project is quite radical. Here, KDP illustrates one example of the shift in approaches to conditionality that is also an important feature of SIN. In KDP, leverage for policy reform operates at a more local level, bypassing much of government, and giving people in villages choices. In many ways, especially when compared to earlier neoliberal development projects, this appears very progressive and different. In KDP resources are allocated to villages on a competitive basis, for projects that villagers actually propose. Also buffering its progressive appearance, the program emphasises the participation of women. Furthermore, KDP has a defining focus upon creating a type of governance that goes beyond that typically associated with the 'good governance agenda', in that it is seen, especially by significant people associated with its design, as having the potential to increase more broad and active forms of political participation and representation (beyond simple market-establishing concerns). In this respect it is more than ambitious, seeking nothing less than the reframing of citizenship in post-New Order Indonesia.

The KDP is associated with the World Bank's social development unit based in Jakarta, and it has received attention from academics and popular authors alike.<sup>7</sup> Indonesian government agencies describe the KDP as a project that aims to alleviate poverty and improve local-level governance in rural Indonesia.<sup>8</sup> For the Bank, it is described in a more formal manner as a project to 'support participatory planning, and development management in villages, through a broad program of social and economic infrastructure, [which] will also strengthen the local formal, and informal institutions, through greater inclusion, and accountability of basic development needs.'<sup>9</sup> It is classed as a community empowerment/social protection project by the Bank and its task leader, Scott Guggenheim, is also the lead social development specialist for the Bank in Indonesia.<sup>10</sup>

The KDP has gone through several phases – each one expanding upon the previous in size. Its pilot version covered twenty-five villages in 1997, its first major phase (KDP 1) reached 15,000 poor villages and in 2005 it was expected to reach just

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<sup>7</sup> See for example Li, 'Neo-liberal Strategies of Government Through Community: The Social Development program of the World Bank in Indonesia', cited previously; Sebastian Mallaby, 'The Cancer of Corruption' in Sebastian Mallaby, *The World's Banker: a Story of Failed States, Financial Crises and the Wealth and Poverty of Nations*, (New York, Penguin Press: 2004), 174-206. Tania Li's paper on the KDP draws upon Foucault's notion of 'government'. Her analysis has many synergies with the paper presented here, however, my approach differs somewhat in that KDP is seen as one example of the evolution and reproduction of neoliberalism more generally towards hegemony. Furthermore, the proletarianisation aspects of the KDP are seen as an important aspect of its potential, especially in the case of a project like KDP which is (at least temporarily) successfully implemented. In this regard, the framework here is more strongly centered around social conflict theory, Gramscian and other Marxist approaches.

<sup>8</sup> Ministry of Home Affairs (Indonesia), Community Development Agency, KDP National Secretariat and National Management Consultants, *Kecamatan Development Program, 1998-2002, Final Report* (Jakarta, June 2002), 8. Its key goals are stated as being to alleviate poverty, to strengthen local government and community institutions and to improve good governance. *Ibid*, 16.

<sup>9</sup> World Bank, *Indonesia Project Brief, 3<sup>rd</sup> Edition* (June 2003), 38; World Bank, 'Indonesia – Second Kecamatan Project Information Document', (May, 2001), available online: [http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2001/01/18/000094946\\_0101170531251/Rendered/PDF/multi0page.pdf](http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2001/01/18/000094946_0101170531251/Rendered/PDF/multi0page.pdf), accessed on January 11, 2006, 1-2.

<sup>10</sup> According to one of the Bank's senior poverty specialists in Indonesia, the Bank's social development unit in that country (SDU) is probably the biggest of any social development unit in the world (perhaps even bigger than that of the Washington head office). Interview with Bank Staffer, Jakarta, December 8, 2005.

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under half (30,000 or so) of all the villages in the country.<sup>11</sup> A version of it was used by the Bank in Aceh and North Sumatra to assist in the post-tsunami environment and similar projects are being recreated in Afghanistan, East Timor and the Philippines.<sup>12</sup> It is the biggest community development project in Southeast Asia<sup>13</sup> and has been a major example of what the Bank has called 'scaling up' – that is the often rapid increase in the size of new programs to reduce poverty. Furthermore, KDP's role in terms of cost-effective infrastructure is impressive. For example, KDP I saw US\$133 million in rural infrastructure construction, 16,700 roads (19,000 kilometers) built or upgraded, 3,500 bridges built or reconstructed and its estimated beneficiaries are quoted as 35 million people, with 25 million workdays generated, and the short-term employment of 2.8 million villagers.<sup>14</sup>

It is worthwhile having a look in detail at how the KDP operates. This is important in assessing both how different, and similar, KDP is as a Bank project, in comparison to other projects operated by the organisation. Indeed, it is seen (in particular by people closely associated with it) as being substantively different from 'standard development projects'.<sup>15</sup> A brief overview of KDP's structure illustrates where much of this perceived difference stems from. Here, the nature of reform delivery is key. KDP basically provides funds (block grants of US\$40,000 – US\$114,000) to the *kecamatan* or sub-district level.<sup>16</sup> The broad list of what KDP can finance is long and wide-ranging:

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<sup>11</sup> World Bank, 'Indonesia – Second Kecamatan Development Program', 1; Scott Guggenheim, Tatag Wiranto, Yogna Prasta and Susan Wong, 'Indonesia's Kecamatan Development Program: Large-Scale Use of Community Development to Reduce Poverty', a case study from 'Reducing Poverty, Sustaining Growth – What Works, What Doesn't, and Why. A Global exchange for Scaling Up Success', Scaling up Poverty reduction: A Global Learning Process and Conference, Shanghai, China (May 25-27, 2004), available online:

[http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2004/12/03/000090341\\_20041203153406/Rendered/PDF/307790IND0KDP0cty0devt01see0also0307591.pdf](http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2004/12/03/000090341_20041203153406/Rendered/PDF/307790IND0KDP0cty0devt01see0also0307591.pdf), date accessed, October, 2005, 1; World Bank, 'Kecamatan Development Project 3B', Project Appraisal Document (March 1, 2005), available online: [http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2005/03/09/000090341\\_20050309091816/Rendered/PDF/31566.pdf](http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2005/03/09/000090341_20050309091816/Rendered/PDF/31566.pdf), accessed on January 12, 2005, 2.

<sup>12</sup> World Bank, 'Community Recovery Through the KDP', available online: <http://web.worldbank.org/external/projects/main?pagePK=64312881&piPK=64302848&theSitePK=40941&Projectid=P097535>, accessed on January 12, 2006.; Li, 'The Social Development Program of the World Bank in Indonesia', 2.

<sup>13</sup> Scott Guggenheim, 'Crises and Contradictions: Understanding the Origins of a Community Development Project in Indonesia', (2004), available online: <http://www.cultureandpublicaction.org/bijupdf/guggenheim.pdf>, date accessed October, 2005, 2. Guggenheim remarks on the scale of the project within the World Bank's Indonesia portfolio, stating that between 2001 – 2003 it 'accounted for more than half of World Bank lending in Indonesia.' Guggenheim, 'Crises and Contradictions', 6.

<sup>14</sup> Further to this, 2,800 clean water supply units, 1,300 sanitation units, 5,200 irrigation systems were built. 400 public market structures were constructed, (16 were rehabilitated) and 260 rural village electrification activities were undertaken. See 'KDP Achievements', in Ministry of Home Affairs (Indonesia), Community Development Agency, KDP National Secretariat and National Management Consultants, *Kecamatan Development Program, 1998-2002, Final Report*, 23.

<sup>15</sup> Guggenheim, 'Crises and Contradictions', 4-6. This point was made to me by several Bank staff in the social development unit.

<sup>16</sup> The reason for targeting the *kecamatan* level is elaborated below. Guggenheim, Wiranto, Prasta and Wong, 'Indonesia's Kecamatan Development Program', 7; Mohini Malhorta, 'Learning from the Kecamatan Development Program', available online:

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KDP can finance productive infrastructure, social and economic activities. Proposals can include a mixture of various social, economic and infrastructure activities if the villagers so choose. Project menus are open to all productive investments except those on a negative short list [which includes military or paramilitary purposes, civil works for government administration or religious purposes, manufacture of environmentally hazardous goods, arms, or illegal drugs, or financing of government salaries. There is also a restriction upon land acquisition]. Villagers can prepare joint proposals, for example, for multi-village irrigation, road or water supply systems.<sup>17</sup>

Facilitators are involved in the program to help villagers make decisions on the use of the funds for 'infrastructure, social or economic activities.'<sup>18</sup> The manner in which the funds are distributed down to villages is itself very interesting:

The distribution of funds within the subdistrict is through a subdistrict forum to a village. The subdistrict forum consists of village heads plus additional, broadly represented persons (such as religious and traditional leaders, teachers, etc) and three representatives (one man and two women) from each participating village. The subdistrict forum also creates a unit called the financial management unit to manage KDP funds and to oversee any large procurement.<sup>19</sup>

Crucially, this funding arrangement is also associated with particular processes of 'socialisation' (to the ways of KDP), planning, proposals and project selection.<sup>20</sup> These processes are seen as critical to the project and illustrate the importance of its simple (yet strong) rules and the role of facilitators in the project's operation.

The socialisation stage of KDP is seen as a vital elementary stage to '...[support] the success of the processes and activities implemented in the following stages.'<sup>21</sup> The operational manual for KDP states that the intention of this stage is to form a uniform understanding of the program by its participants and to encourage participation and monitoring. Various forums are important in this process.<sup>22</sup> Initially, word about KDP is spread through workshops at the provincial, district and subdistrict levels '...to disseminate information and popularize the program.'<sup>23</sup> These '...workshops involve community leaders, local government officials, local press, universities and NGOs.'<sup>24</sup> Village, sub-village and group meetings are also held to further spread information about KDP and '...encourage people to propose ideas for KDP support.'<sup>25</sup> Planning meetings are then conducted at the sub-village and village

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<http://info.worldbank.org/etools/docs/reducingpoverty/doc/104/file/kdp%20FV%20Facilitator%20Report.pdf>, accessed on January 12, 2006.

<sup>17</sup> Guggenheim, Wiranto, Prasta and Wong, 'Indonesia's Kecamatan Development Program', 8. Importantly, KDP funds cannot be used at the district level for infrastructure, which has its own sources of funding. See *Ibid.*

<sup>18</sup> *Ibid.*

<sup>19</sup> *Ibid.*

<sup>20</sup> *Ibid.*

<sup>21</sup> World Bank, *KDP II, Operational Manual*, 16.

<sup>22</sup> *Ibid.* In addition to these forums mass media and religious and other community meetings are used to spread the word about KDP. *Ibid.*

<sup>23</sup> *Ibid.*

<sup>24</sup> *Ibid.*, 7.

<sup>25</sup> *Ibid.*

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levels. Here, facilitators are involved, from the village and sub-district level, to spread information about KDP procedures and to encourage the submission of ideas for KDP funding. At this stage, women also hold their own meetings in order to decide '...upon women's proposals'.<sup>26</sup> A subsequent village meeting is then held, where the respective ideas of the villagers are discussed and the ideas that are to be put forward to the sub-district (inter-village) forum are decided upon.<sup>27</sup> All in all, this socialising and planning stage takes about 1-2 months. Each village can submit up to three proposals to the inter-village forum, with one of these proposals coming 'from village women and a second from a women's savings and loan group.'<sup>28</sup> Proposals are written up specifying important information, such as the '...proposed location, number of beneficiaries, volume/dimension, and may include a rough cost estimation.'<sup>29</sup> These are then discussed at the inter-village level.<sup>30</sup>

A process verifying the fulfilment of the technical requirements of each proposal prior to project selection also takes place. For this, a team – usually comprising of 'community leaders, the Subdistrict facilitators, and appropriate technical staff recommended by the District Engineer' – is involved.<sup>31</sup> Some of the issues with which this verifying team is concerned are the economic and technical feasibility of a given project, the amount of people benefited by the project, the planning for maintenance or loan repayment – where loans are involved, the level of participation by people in the idea proposal process, and the local community contribution.<sup>32</sup> Proposals are then discussed at a second inter-village meeting to determine priority rankings.<sup>33</sup> After this, one more meeting of the villages occurs, proposals are selected and a grant agreement is drafted for the successful proposals.<sup>34</sup> This agreement is '...signed by the kecamatan manager for KDP, the person-in-charge from the village, the village chief, and the head of the Activity Management Unit.'<sup>35</sup>

Competition between individual proposals is also a vital feature of KDP. Where a strong consensus cannot be reached, villagers are given criteria in order to prioritise particular proposals, often with the assistance of a facilitator.<sup>36</sup> Interestingly, this competitive element was highlighted to me in a meeting of villagers in West Java as an undesirable facet of the project that should be eliminated.<sup>37</sup> One particular

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<sup>26</sup> Ibid.

<sup>27</sup> Ibid.

<sup>28</sup> Ibid.

<sup>29</sup> Ibid 7-8.

<sup>30</sup> Ibid.

<sup>31</sup> Ibid.

<sup>32</sup> Ibid.

<sup>33</sup> Ibid. Projects that are deemed not feasible are discussed with communities so that they have the opportunity to modify the proposal or at least gain an understanding of why the proposal was rejected by the facilitators. *While the facilitators can recommend rejection, the communities must still make the decisions themselves.* Ibid.

<sup>34</sup> Ibid, 9.

<sup>35</sup> Ibid.

<sup>36</sup> In an interview with people from the Ministry of Home Affairs, both of whom were very positive about KDP, the competitive element was iterated as one of KDP's key principles (along with transparency, decentralisation, being pro-poor and sustainability). They noted that while a facilitator was involved to assist where consensus couldn't be reached, they often don't need to do anything. Interview, Jakarta, December 13, 2006.

<sup>37</sup> Other people present at the meeting agreed with this sentiment. When I asked them what was good about it, people offered that its involvement of the community was good and that given the lack of money in the area any assistance from the government or the World Bank was generally to be welcomed. Meeting in Karawang, West Java, April 21, 2005.

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person also noted that the prioritisation of projects is difficult, with each village ranking itself highest, and with bargaining processes taking place between villages.<sup>38</sup> For Guggenheim (the program's team leader), however, conflict within KDP is not a major factor: '...we don't have conflict within KDP – or very little'.<sup>39</sup> One of Guggenheim's key colleagues in the Social Development Office is perhaps a little more cautious – especially in relation to consensus being met: 'consensus at the village level is generally met – although there are some conflicts.'<sup>40</sup> That said facilitators and consultants are vital to the management and operation of KDP – a point corroborated by numerous other people associated with KDP.<sup>41</sup> Indeed, a veritable army of private consultants (4,200 in KDP II) is involved at all levels down to the subdistrict level to '...implement the technical aspects of the project.'<sup>42</sup> Further to this, two (one male, one female) or three facilitators are elected for every village participating in KDP.<sup>43</sup>

All of this is managed at the national level by the Community Development Agency within the country's Ministry of Home Affairs (MOF) which is responsible for the management of KDP on a day-to-day basis and is, for World Bank purposes, the implementing agency.<sup>44</sup> Additionally, a deputy for regional development within BAPPENAS (*Badan Perencanaan dan Pembangunan Nasional*) – the national development agency – heads up the KDP's National Coordination Team, which '...provides oversight, strategic planning and evaluation' of the project.<sup>45</sup> Other ministries are represented by government coordination teams, which also assist with the management of KDP, and there is also a role played by province and district levels.<sup>46</sup>

The financing structure for KDP is also interesting and important, being indicative of both similarities and differences in the program. At the level of the World Bank and the Indonesian government, KDP is a combination of a credit (that is, a non-interest bearing loan – not a grant) and an interest bearing loan.<sup>47</sup> This point

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<sup>38</sup> Meeting with villagers in West Java, April 21, 2005.

<sup>39</sup> Interview with Scott Guggenheim.

<sup>40</sup> Interview with Victor Bottini, Community Development Specialist, World Bank, Jakarta, April 19, 2005.

<sup>41</sup> Interview with Victor Bottini; Interview with Tatag Wiranto; Interview with Richard Gnagey and Prabowo Ekasusanto. Almost all of the consultants are Indonesian and the case study on KDP II states that '[t]otal international TA [technical assistance] comes to less than one percent of the project budget.' World Bank, *KDP II Operational Manual*.

<sup>42</sup> Ibid. It is stated that private consultants (rather than government personnel) are used in order to avoid 'inflating the civil service payroll' and to provide 'more flexibility'. See *ibid.* For a detailed list of key KDP actors see World Bank, *KDP II Operational Manual*, 12-15.

<sup>43</sup> Guggenheim, Wiranto, Prasta and Wong, 'Indonesia's Kecamatan Development Program', 9. The KDP II manual actually specifies that three VFs (or village facilitators) are chosen at the village level (from village members), - two 'empowerment VFs and one 'as a technical cadre.' See World Bank, *KDP II Operational Manual*, 7/12.

<sup>44</sup> Ibid. See also World Bank, 'Updated Project Information Document (PID) – Report 32942', (May 2003) available online: [http://www-wds.worldbank.org/servlet/WDSContentServer/WDS/IB/2005/07/13/000090341\\_20050713092136/Rendered/PDF/329420PID1P079156.pdf](http://www-wds.worldbank.org/servlet/WDSContentServer/WDS/IB/2005/07/13/000090341_20050713092136/Rendered/PDF/329420PID1P079156.pdf), accessed January, 2006.

<sup>45</sup> Guggenheim, Wiranto, Prasta and Wong, 'Indonesia's Kecamatan Development Program', 9.

<sup>46</sup> Ibid. BAPPENAS's role is replaced '...by provincial and district planning boards'. Ibid.

<sup>47</sup> The Bank money, in US dollars from both IBRD and IDA, in the budgets for KDP I, II and III is as follows (accurate up to November 2003): KDP I, \$275 million; KDP II, \$320.2 million; KDP III, \$249.8 million. Ibid, annex 3. In the updated project information document for KDP III, the amount stated as being financed by both IBRD and IDA is stated as US \$246.4 million. World Bank, 'Updated Project Information Document', 17.



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itself is seen as a problem by various people, from a senior bureaucrat who was previously involved with KDP in significant ways to NGOs associated with the project.<sup>48</sup> KDP II, III (and IIIb) have drawn upon both the interest bearing International Bank for Reconstruction and Development (IBRD) funds and non-interest bearing International Development Association (IDA) funds of the Bank, with varying grace periods of five to ten years.<sup>49</sup> Nevertheless, the money supplied for KDP from both IDA and IBRD constitutes debt in a country that, in 2003, had US\$77 billion in public (government) debt, of which nearly US\$60 billion was bilateral and multilateral debt.<sup>50</sup> However, when asked about the financing mix associated with KDP, Guggenheim is adamant that using loans for a project like KDP is entirely appropriate – especially instead of relying on grants:

First of all there are too many grants... . I think that KDP has such high rates of return and reaches so many poor people [that] this is exactly what a loan project should be doing. Instead, what you do [with grants] is put in a false subsidy – that is very helpful operationally, because you can do all sorts of things with grants, but it reinforces this idea that unless there is all kinds of

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<sup>48</sup> Interview with Gunawan Sumodiningrat; Interview with Rahadi Wiratama.

<sup>49</sup> Several important notes should be made with regard to IDA and IBRD lending, especially in the context of KDP. Firstly, KDP I was funded by IBRD funding. Secondly, IDA lending is long-term and has no interest. Further to this KDP lending from IDA has grace periods of ten years before the principal needs to be repaid, and maturity periods of 40 years. This said, lending (or 'credits', as the Bank refers to IDA lending) amounts do incur a service fee (currently 0.75 percent of funds disbursed). Indonesia, is classed as a 'blend borrower', which means it can borrow from both IDA and IBRD. To be eligible for borrowing from IDA in 2004 countries had to have a per capita income of less than US \$965. Blend borrowers are those borrowers that have an 'adequate' per capita income and a creditworthiness sufficient to borrow from IBRD. IBRD funds are mostly raised on the international financial markets, whereas IDA funds need to be periodically replenished, mostly from contributions from wealthy countries. See World Bank 'IDA - Background', (2006), available online: <http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/IDA/0,,contentMDK:20051270~menuPK:83991~pagePK:83988~piPK:84004~theSitePK:73154.00.html> , accessed on January 18, 2006; World Bank, 'Indonesia Kecamatan Development Project 3B', (March 24, 2005) available online: <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/INDONESIAEXTN/0,,contentMDK:20411876~menuPK:287113~pagePK:141137~piPK:141127~theSitePK:226309.00.html> , accessed on January 18, 2006; World Bank, 'Indonesia: Third Kecamatan Development Project', (June 26, 2003), available online: <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/INDONESIAEXTN/0,,contentMDK:20117081~menuPK:287113~pagePK:141137~piPK:141127~theSitePK:226309.00.html> , accessed on January 18, 2006; World Bank, 'Indonesia: Kecamatan Development Project II (KDP II)', (no date), available online: <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/INDONESIAEXTN/0,,contentMDK:20026607~menuPK:287113~pagePK:141137~piPK:141127~theSitePK:226309.00.html> , accessed on January 18, 2006; World Bank, 'Indonesia Kecamatan Development Project', (no date), available online: <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/INDONESIAEXTN/0,,contentMDK:20026524~menuPK:287113~pagePK:141137~piPK:141127~theSitePK:226309.00.html> , accessed on January 18, 2006; World Bank, 'Indonesia: Kecamatan Development Project – Supplemental Credit', (no date), available online: <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/INDONESIAEXTN/0,,contentMDK:20026814~menuPK:287113~pagePK:141137~piPK:141127~theSitePK:226309.00.html> , accessed on January 18, 2006.

<sup>50</sup> Dadan Wijaksana, 'CGI slammed for being insensitive about RI's debts', in *The Jakarta Post*, December 13, 2003, 1; World Bank, 'External Debt Outstanding, December 1997-2003', available online: [http://siteresources.worldbank.org/INTINDONESIA/Resources/Country-Data/Ext\\_Domestic\\_Debt\\_Outs.pdf](http://siteresources.worldbank.org/INTINDONESIA/Resources/Country-Data/Ext_Domestic_Debt_Outs.pdf) , accessed on January 18, 2006.

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concessional finance then '[damn] the poor people'. Right, and we're happy to borrow money for airports but something that immediately benefits the poor, well, it's beyond the scope.<sup>51</sup>

National government contributions to KDP are essentially zero, although local government contributions and community contributions are counted as Government of Indonesia (GOI) contributions.<sup>52</sup> Furthermore, other funds also come from mid-level government which Guggenheim would like to see as a broader trend followed by other levels of government:

Because [KDP] was essentially developed through the crisis, we structured it in a way to, I wouldn't say falsify, exaggerate local government contributions. So BAPPENAS...doesn't actually contribute anything. When you look at the financing structure we count community contributions as Indonesian contributions, so at the national level there are essentially no contributions. The downside of that is that they see it as [a] one hundred percent World Bank project. Interestingly, at the other level, where the opposition [to KDP] was, at the mid-level government, we now get a tremendous amount of money. ... [I] would like to be able to regularise the financing structure in a way that sort of commits to different levels of government that 'you want it, you pay for it'.<sup>53</sup>

Under the existing structure, Bank money for KDP is transferred to the Bank of Indonesia (the Indonesian central bank - BOI) into a special account, then through the State Treasury Office as block grants down to collective accounts for the villages within each *kecamatan*. Instalments are then paid out of that account to villages in three tranches (40 percent, 40 percent and then a final amount of 20 percent), with the final amount only released once a process of certification has occurred.<sup>54</sup> Additionally, after each tranche has been utilised, villages have to report to their community to explain how the funds were used – illustrating some of the transparency/monitoring aspects that play such a significant role in KDP – which are taken up in more detail below. Community contributions to KDP are also high.<sup>55</sup>

Even somebody with only a cursory knowledge of World Bank projects should be surprised by the KDP's uniqueness – in particular its structure that allows villages to choose, albeit in a competitive environment, what they want to spend money on. Furthermore, it actually circumvents a lot of government, which is unusual for a World Bank project – remember national governments are the clients of the Bank. As we will see below, all of these facets are essentially related to reform delivery. While there are several other features that distinguish KDP as different for a World Bank project (covered below), what is crucial about KDP is the way in which it actually fits very comfortably within the reproduction of neoliberalism. Indeed, in many ways KDP can be seen as a somewhat rare example of a large-scale neoliberal institution building project that actually gets implemented in the way it was intended. This generates the related concerns regarding reform longevity and impacts upon

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<sup>51</sup> Interview with Scott Guggenheim, Jakarta, December 15, 2005.

<sup>52</sup> Ibid.

<sup>53</sup> Ibid.

<sup>54</sup> Guggenheim, Wiranto, Prasta and Wong, 'Indonesia's Kecamatan Development Program', 9.

<sup>55</sup> Ibid, 12.

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poverty. These issues are covered in the following section on what the KDP sets out to do as part of the reproduction of neoliberalism.

### *The purpose of KDP*

We have seen above how KDP operates – which emphasises much of what is different (and some of what is similar) about KDP in comparison to other World Bank projects and programs. It is also important to emphasise what exactly the purpose of KDP is. This is especially important in demonstrating how the KDP falls within SIN.<sup>56</sup> On one level the KDP appears to be largely about cost-effective infrastructure provision (and more) for villages – a fact Guggenheim, and various departments within the Indonesian government, point out.<sup>57</sup> Yet it is vastly more ambitious and political than that. The KDP in essence is a project that exudes the SIN market-extension foci on governance, social capital and decentralisation and it delivers its reform set via the incentive/leverage of the provision of infrastructure and other goods. The problem here is that the KDP, using debt-funded methods tolerable to the SIN paradigm, designed to create patterns of neoliberal governance, while ignoring many of the broader structural politico-economic impediments to development that countries like Indonesia face. Furthermore, and related, its links with the reduction of poverty are far from clear – even to Guggenheim.<sup>58</sup>

The KDP is both political and ambitious, in that it is designed to create certain institutional structures in the post-New Order<sup>59</sup> environment. In this regard, the program is associated with reworking notions of citizenship, in part by creating

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<sup>56</sup> Guggenheim is comfortable to note KDP's relationship to neoliberalism noting that he sees the project as an example of being able to pursue progressive aims within the neoliberal paradigm. Interview with Scott Guggenheim, Jakarta, December 15, 2005.

<sup>57</sup> With regard to this, Guggenheim noted to me 'Everyone agrees, I think, – even in finance – that you build infrastructure more cheaply this way than any other way. I couldn't make that argument in 1998 but now we can document it.' Interview with Scott Guggenheim, Jakarta, December 15, 2005.

<sup>58</sup> Even Guggenheim himself has questioned the link between projects like KDP and poverty reduction. At the World Bank supported 'Scaling Up' conference in Shanghai, 2004, Guggenheim provided a summary analysis of several case studies of community driven development (CDD), including KDP. A person who seems more than willing to highlight the problems of a particular project as well as its benefits, he frankly stated 'The three cases [programs in Brazil, Yemen and the KDP] give us a good way out of the divide between economic justice and economic growth.' However, he then went on to qualify that the relationship between these projects and the reduction of poverty just wasn't known and that while CDD could lower the cost of projects and that this potentially meant that the Government of Indonesia, for example, had more money to spend on poverty reduction, there was no proof that such projects lower poverty. See Scott Guggenheim, B-Span video presentation, (Shanghai, 2004), available online:

<http://info.worldbank.org/etools/reducingpoverty/casestudy.asp?type=case> , accessed January 12, 2006. This is despite the fact that the paper for the case study presented at this same conference (which Guggenheim co-authored) is entitled 'Indonesia's Kecamatan Development Program: A Large-Scale Use of Community Development to Reduce Poverty' (emphasis added); World Bank, 'Indonesia – Second Kecamatan Development Program', 1; Scott Guggenheim, Tatag Wiranto, Yogna Prasta and Susan Wong, 'Indonesia's Kecamatan Development Program: Large-Scale Use of Community Development to Reduce Poverty', a case study from 'Reducing Poverty, Sustaining Growth – What Works, What Doesn't, and Why. A Global exchange for Scaling Up Success', Scaling up Poverty reduction: A Global Learning Process and Conference, Shanghai, China (May 25-27, 2004), available online:

[http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2004/12/03/000090341\\_20041203153406/Rendered/PDF/307790IND0KDP0cty0devt01see0also0307591.pdf](http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2004/12/03/000090341_20041203153406/Rendered/PDF/307790IND0KDP0cty0devt01see0also0307591.pdf) , date accessed, October, 2005, 1

<sup>59</sup> The 'New Order' is the term given to former Indonesian President Suharto's three decades of rule.

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demand for behavioural change (i.e. attempting to instil norms of transparency and accountability), using incentives/leverage to drive the process. In short, improving governance is the KDP's primary output. Tania Li, writing on the Bank's social development team in Indonesia (which are so closely associated with the KDP), has noted this fetish for governance over other issues:

Although the Bank's social development team did not suggest that inadequate planning and failures of governance were the *only* source of poverty, they were the only sources taken up as the basis for the team's very large and expensive anti-poverty program. The exclusion of refractory relations – unequal relations of production and appropriation foremost among them – was intrinsic to the construction of communities as sites of intervention.<sup>60</sup>

Importantly, in relation to this governance fetish, the KDP works around much of government. As one Bank staffer noted to me, while the program is 'sold' to the government as a poverty reduction initiative (which the government is happy with), it actually circumvents government.<sup>61</sup> Somewhat telling here, is the manner in which the project's design uses the *kecamatan*s to by-pass existing political institutions to create or rebuild absent social and political institutions. Revealingly, a quote from Guggenheim explains just why the *kecamatan* level was chosen as a focus for the project:

*Kecamatan*s seemed advantageous for some additional reasons above and beyond their 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 stronghold over government in the districts was much weaker in the subdistricts. *Kecamatan*s 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 only met 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.<sup>62</sup>

The updated project information document (PID) for the KDP III is especially telling in the program's focus upon governance and where it stems from. What is particularly glaring here is the influence of neoliberal notions of social capital. 'Community Empowerment and Local Governance' is the first key section covered in the document and it refers back to a series of studies (the Local Level Institution – LLI – studies) that the Bank, BAPPENAS and the Ministry of Home Affairs carried out prior to KDP I (which obviously had an indelible impact upon the KDP's form).<sup>63</sup> According to the PID, the LLI studies 'identified a gap in local governance that exists in the large majority of Indonesian rural villages.'<sup>64</sup> The way that the concerns derived

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<sup>60</sup> Li, 'Neo-liberal Strategies of Government through Community', 9.

<sup>61</sup> Interview with World Bank Staffer, Jakarta, April, 2004.

<sup>62</sup> Guggenheim, 'Crises and Contradictions', 21.

<sup>63</sup> See also Li, 'Neo-liberal Strategies of Government through Community', 14.

<sup>64</sup> World Bank, 'Updated Project Information Document', 1.

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from this analysis are worked into the project information document draw upon a neoliberal version social capital-type analysis in that a lack of trust and dialogue is unproblematically connected to the present development situation and impediments to economic efficiency. Also evident is a concern for implementation, a pervasive theme in SIN:

This gap usually translates into a lack of trust, apathy and a low-quality dialogue about development. Externally induced development models that do not recognize the core problem of the local governance divide limit their own likelihood of success. Evidence of this root problem can be seen in the universally reported problem of poor public infrastructure construction standards and poorer maintenance in Indonesian villages, clear signs of little local ownership. As a result, social and economic resources are not as well used as they could be, particularly with respect to rural poverty reduction.<sup>65</sup>

Here it is implied that poor governance leads to a lack of social capital (in this case a lack of trust) which is, in turn, seen as the reason for poor infrastructure. This might seem a rather selective analysis to some, especially for a country with a stated (by the Bank) per capita income in 2003 of US \$810.<sup>66</sup> However, the lack of trust and problems of corruption in the post-New Order environment (which are dramatically real) are used to justify an expensive 'corrective programme' of governance, as if it were a root cause of Indonesia's situation.<sup>67</sup> Governance is seen in the KDP beyond a merely functional relationship with the market, in contrast to the more normative notion of governance endemic within the Bank.<sup>68</sup> However, the market element remains strong, and notably, in project documents the emphasis is upon the lack of governance and its impact upon market functionality rather than the more political notion 'citizenship'.<sup>69</sup>

Notably, in relation to the link between social capital and the KDP, the LLI studies that identified the 'governance gap' and which were an influential forerunner to the KDP (noted above), were part of a broader multi-country study on social capital and the ideas of Robert Putnam.<sup>70</sup> The LLI study had other specific findings that emphasised the potential within communities, the results of which can be seen as influencing the KDP and which effuse a certain fondness for Putnam's incarnation of social capital. For example, one finding demonstrated that community-owned projects performed better than government or NGO projects, had greater levels of participation

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<sup>65</sup> World Bank, 'Updated Project Information Document', 1.

<sup>66</sup> World Bank, 'Key Indicators of Development', in World Bank, *World Development Report 2005, A Better Investment Climate for Everyone* (Washington: the World Bank and Oxford University Press, 2004), 256.

<sup>67</sup> Li has also made a similar point. See Li, 'Neo-liberal Strategies of Government through Community', 9

<sup>68</sup> In addition to the quote regarding citizenship above, in a conversation with another member of the World Bank's Social Development staff in Jakarta it was emphasised to me that Guggenheim was more concerned with governance and its relationship to democracy than its relationship with the market. Conversation with World Bank social development staffers, Jakarta, April 18, 2005.

<sup>69</sup> This, of course, could be associated with the need to be politically savvy within the Bank, when social development staff have to describe a particular project in an official sense. However, the fact that this is required is in itself is important, as the section on social capital below demonstrates.

<sup>70</sup> Guggenheim notes this in his 'Crises and Contradictions' paper: '...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. Was "social capital" a useful way to think about building democratic institutions from the bottom up?', Guggenheim, 'Crises and Contradictions', 17.

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of the poor and women, in addition to more significant input from villagers.<sup>71</sup> Another finding demonstrated the multi-purpose focus of long-lasting community organisations in comparison to temporary development project organisations. A further finding pointed to disconnection between community organising capacities and government and yet another illustrated the benefit to communities of '...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.'<sup>72</sup> Given the demonstration of how the KDP works (above) it is not too difficult to see how resonance between such findings and the KDP. What is of concern here is the diagnosis of a particular problem via the LLI studies, with a particular technical cure, in the form of the KDP, that omits a larger political economy analysis of poverty.

We should, however, be careful not to illustrate the presence of social capital in the KDP as just another functional extension of 'the Bank's work' – this would be much too convenient an analysis. Indeed, the relationship between social capital, the KDP and the Bank needs to be characterised in a more nuanced fashion, which reveals much about the Bank's internal politics. For Guggenheim, social capital (the term and concept) was particularly useful for people working in social development within the Bank to talk to the Bank's power group – the economists – despite his own personal scepticism vis-à-vis the concept.<sup>73</sup> Here it seems that, in an environment dominated by a particular power group within the Bank, a particular language served the social development unit personnel to realise their goals, which in a non-social capital form may have met more resistance. Interestingly, this use of social capital marries up with John Harriss' discussion of social capital as a 'Trojan horse', where it is seen as a tool to change the development agenda from 'the inside'.<sup>74</sup> This is discussed below in a further interrogation of the KDP.

### *Radically Unorthodox or Radically SIN?*

Talking to several people within the social development unit of the Bank in Indonesia, one definitely gets the impression that there is a push to create change within. But what we must ask ourselves here, is what really is that different about the KDP in relation to the reproduction of neoliberalism. In essence, the answer here relates to policy delivery, which brings us back to SIN's pathological concern for implementation. While the governance element within the KDP exhibits a broader focus (mostly outside of official documents) upon citizenship than typical World Bank usage, Harriss points out that such a conception remains compatible with the World Bank's broader project, especially within the discourse of social capital and its attendant language of community development, empowerment and participation. It is worth quoting Harriss' summation of this relationship at length because it really does pertain to the question whether the KDP is different as a governance project:

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<sup>71</sup> Ibid.

<sup>72</sup> Ibid.

<sup>73</sup> Interview with Scott Guggenheim; Guggenheim notes in his *Crises and Contradictions paper*: '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.' See also Guggenheim, 'Crises and Contradictions', 16; Another staffer of the Bank's social development unit, noted to me that 'social capital' is not used on a day to day basis – rather it is used at a higher level as a discourse to connect with economic language. Meeting with two World Bank staff, Menteng, Jakarta, April 2005.

<sup>74</sup> John Harriss, *Depoliticizing Development, the World Bank and Social Capital*, (Anthem Press, London: 2001), 81.

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The point, for the purposes of the present discussion, is that current thinking about development is greatly concerned with 'good government', which is held to mean government that is transparent and accountable, working within a clear and consistent legal framework, such as will provide the conditions for effective and efficient markets. It is in this context that the ideas about 'civil society', 'decentralization', 'participation' and latterly – in some senses the queen of them all – 'social capital' have acquired such currency. The basic idea is that through 'participation' in 'voluntary local associations' (which may be confused with 'non-governmental organisations') people are 'empowered' in 'civil society' (defined as the sphere of voluntary rather than ascriptive association, that lies outside the state and the family and kinship). A vibrant civil society...acts both as a vital check upon the activities and the agencies of the state, and as a kind of conduit between the people and the government. A strong civil society should contain the expansion of the state ... and will make for 'good government' (that is, 'democratic', meaning responsive, accountable and transparent government). It is expected, too, that in the context of such a strong civil society people be broadly supportive of the market-led orientation of economic policy. ...The whole set of ideas is pitched specifically against the old 'top-down' development, which is seen as having failed. It is an extension to the old 'Washington consensus' rather than a radical rethinking of it ('post' Washington consensus, perhaps, but not 'past').<sup>75</sup>

If we adopt the 'expanded' governance framework (that is, even with the expanded focus upon citizenship) as a comfortable fit within neoliberalism, the KDP looks more like a poster child at the vanguard of SIN – rather than some radical anomaly within it. This sentiment is further countenanced when looking at the foci upon supervision and monitoring built within the project, which seem an important element for generating a local-level form of transparent market discipline. There are both internal and external monitoring aspects to the KDP. The internal monitoring is based around a Management Information System, which is maintained by a national oversight team which compiles information on the KDP and reports on its progress.<sup>76</sup> Externally, AJI, the Indonesian association of independent journalists, and independent provincial NGOs are contracted to monitor the KDP, with the AJI contract allowing for the visiting of KDP sites by journalists in order for them to write articles in regional and national newspapers on the project.<sup>77</sup> In this arrangement the journalists are seen as a conduit for airing the monitoring activities of NGOs and other civil society groups.<sup>78</sup> Additionally, the many village meetings and the scrutiny of procurement of materials is also important in this regard.

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<sup>75</sup> Harriss, 78-79.

<sup>76</sup> World Bank, 'Updated Project Information Document', 21.

<sup>77</sup> In an interview with Rahadi T. Wiratama from LP3ES, an NGO based in Jakarta which is associated with KDP (they produce reports for the Ministry of Home Affairs that analyse KDP coverage in the media) this media monitoring is emphasised as vital. Wiratama offers that this system is successful and unique, although he offers that there are not enough journalists to do the work. This said, KDP is seen by Wiratama as 'spectacular' compared with other projects – being better for the poor. Interview with Rahadi T. Wiratama, LP3ES, Jakarta, Tuesday, December 13; See also, Guggenheim, 'Crises and Contradictions', 5.

<sup>78</sup> World Bank, 'Updated Project Information Document', 20

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This emphasis upon transparency and monitoring, and indeed the KDP's governance focus more broadly, is clearly related to dealing with corruption. Corruption is of course a massive problem in Indonesia, both for the Bank and more generally.<sup>79</sup> However, the question here is whether the governance focus at the local level, coupled with market extension should be one of the main pushes to address poverty and whether indeed it is possible to make sustainable changes in environments of massive economic and political asymmetries to alter governance at such levels anyway. At another level, the approach seems to take a perspective that extends from the Bank's analysis of problems being country specific, when indeed there are clearly 'incentive problems' that can only be corrected at very different levels to that of 'the local'. What seems to be facilitated is market participation with a system of surveillance and monitoring to instil a technically 'idyllic' market where – returning to the two branches of new institutional economics – transaction costs are low and information flows freely.<sup>80</sup>

The way KDP deals with corruption within the actual program is something Guggenheim is clearly keen to point out, especially in relation to how it measures up against other development projects previously run by the Bank.<sup>81</sup> Elsewhere, he has been more abrupt stating that design principles for CDD (like KDP) projects need to be simple and enforcement needs to be strict:

Tough love is the only way to stop a few small mistakes becoming pervasive damage to a large-scale development project.<sup>82</sup>

This isn't just tough talk – Guggenheim offers the example of corruption in North Sumatra, where rather than 'doing better next time', the district was dropped from the project.<sup>83</sup> Neoliberal conditionality, then, has moved down from the national level to the local.<sup>84</sup> However, despite the monitoring and surveillance aspects of KDP, from the point of view of some villagers, corruption was undoubtedly still a problem in KDP and in particular facilitators were highlighted as potential perpetrators at the village level.<sup>85</sup> That said, compared to other projects it seems to have a much better reputation in terms of levels of corruption.<sup>86</sup>

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<sup>79</sup> Transparency International ranked Indonesia 137 (out of 158 countries) in its corruption-perceptions index in 2005, see 'Corruption Perception Index 2005', available online:

[http://www.transparency.org/policy\\_and\\_research/surveys\\_indices/cpi/2005](http://www.transparency.org/policy_and_research/surveys_indices/cpi/2005), accessed on January 30, 2006; Sebastian Mallaby, 'The Cancer of Corruption', in Sebastian Mallaby *The World's Banker, A Story of Failed States, Financial Crises, and the Wealth and Poverty of Nations* (The Penguin Press, New York: 2004), esp. 177-185; Murray Hiebert and John McBeth, 'Corruption – Stealing from the Poor', *The Far Eastern Review* (July 29, 2004), 16-18.

<sup>80</sup> In the updated project information document for KDP III, the language of the information theoretic approach to NIE is evident in one of the six problem areas highlighted that governance through the KDP is intended to deal with, '*Information does not flow freely*'. World Bank, 'Updated Project Document, Third Kecamatan Development Program', May 30, 2003, available online: [http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2005/07/13/000090341\\_20050713092136/Rendered/PDF/329420PID1P079156.pdf](http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2005/07/13/000090341_20050713092136/Rendered/PDF/329420PID1P079156.pdf), accessed on January 30, 2006, 1. The politics of KDP within the Bank might explain this language as indicating political pragmatism rather than genuine belief in NIE principles on the part of the social development office people, as the final section on politics illustrates below.

<sup>81</sup> Interview with Scott Guggenheim.

<sup>82</sup> Scott Guggenheim, B-Span video presentation, cited previously.

<sup>83</sup> Ibid.

<sup>84</sup> Li, 'Neo-liberal Strategies of Government through Community', 11.

<sup>85</sup> Meeting with villagers in West Java, April 21, 2005.

<sup>86</sup> Interview with Tatag Wiranto; Meeting in West Java.



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Beyond the issue of corruption, yet still related to it in several ways, KDP seeks to support governance in relation to another important SIN area – decentralisation, which the World Bank has supported for some time now.<sup>87</sup> Hadiz, like Harriss (above), has noted the relationship between decentralisation and the sort of ‘social development’ associated with KDP:

Significantly, ‘decentralisation’ has become, along with ‘civil society’, ‘social capital’ and ‘good governance’, an integral part of the contemporary neo-institutionalist lexicon, especially for those aspects which are intended to draw greater attention to ‘social’ development.<sup>88</sup>

KDP’s citizenship focus is important here and is part of a project that attempts to instil particular behavioural norms and demands to assist in filling the institutional vacuum left by the departure of the centralised New Order. When asked about KDP’s potential to influence citizenship and the subsequent possibilities for political change at higher levels, Guggenheim is keen to reveal that this is the project’s defining intent:

Well that’s the sort of guiding idea behind it right [influencing types of citizenship and facilitating political change]. It’s not that it can do it by itself, but in a big agricultural country, the standard model of political reform is very top-down: you get a constitution, then you get a parliament, then they start to roll out a series of regulations, eventually they get to the provinces and then somewhere down the line they hit the villages. ...In...East Timor, Indonesia and Afghanistan, I think there’s absolutely no question that the bottom-up model is already influencing national politics.<sup>89</sup>

One of KDP’s key roles (the reader will recall from earlier) is to strengthen local government and community institutions. Together with another of its goals – the improvement of governance – KDP’s relationship to decentralisation is obvious. It seeks to assist the process by attempting to create the institutions (norms, informal and formal institutions) in a post-New Order Indonesia.

Here, participation and empowerment – two important features of KDP and SIN – are intended to play roles. Participation here means more than it does in most Bank projects. KDP is highly participatory and it is difficult to criticise it for alienating groups from the decision-making process at the local-level. Yet the following paragraphs on empowerment and community participation in the KDP seems to bring it all back to the more neoliberal notions of governance associated with the Bank:

In terms of program benefits, villagers report greater access to markets, schools, health facilities, clear supply and sanitation, and other economic opportunities.

There is also increasing evidence of improved local governance and community empowerment practices in many KDP areas. KDP has had a multiplier effect on approaches to community-level development. For

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<sup>87</sup> Vedi Hadiz notes that the World Bank and other development organisations have invested lots of resources in decentralisation. Referring to a Bank published document, Hadiz quotes a figure for the number of completed Bank projects effectively supporting decentralisation (for the period between 1993 and 1997) of 12 percent. Vedi Hadiz, ‘Decentralization and Democracy in Indonesia: A Critique of Neo-Institutionalist Perspectives’, *Development and Change*, vol. 35, no. 4 (2004), 706.

<sup>88</sup> Hadiz, ‘Decentralization and Democracy in Indonesia’, 700.

<sup>89</sup> Interview with Scott Guggenheim.

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example, villages are holding local government more accountable and demanding greater transparency within other government-sponsored programs. Villagers are transferring KDP procedures and financial management skills to other development projects. All these changes signal incremental progress in empowering communities and improving the interest and role of local government in responding to community needs.<sup>90</sup>

Of course, corruption is bad and improved schooling, health facilities and sanitation are all highly desirable, as is cheaper infrastructure of a decent quality. But as a governance/decentralisation project, the KDP is an expensive (in terms of Indonesian debt) micro-focussed project (with macro objectives) that has everybody watching everybody within the dubious poverty alleviation mechanism of the neoliberal market. Questions also remain over its sustainability and impact. Hadiz, for example, has portrayed a fairly bleak picture of decentralisation that draws into question the capacities of a program like the KDP and 'neo-institutionalism', more generally:

Decentralization and democratization in Indonesia have been characterized by the emergence of new patterns of highly diffuse and decentralized corruption, rule by predatory local officials, the rise of money politics and the consolidation of political gangsterism. In the Indonesian context, the main question to ask, therefore, is who has benefited most from this decentralization and this type of democratic system?

It is not difficult to identify the beneficiaries. By and large, they are individuals and groups who had earlier functioned as the local operators and apparatchik of the previous New Order – small to medium-size, but politically well-connected business people with big ambitions, as well as an array of the regime's former henchmen and enforcers.<sup>91</sup>

Thus, while the KDP has big ambitions in the area of governance it faces formidable obstacles, variations of which face any institution building reform project. While the KDP's governance focus goes beyond the version of governance typically associated with the Bank, especially its notion of citizenship, the important point is that the program never breaches the dominating confines of SIN. The KDP is merely a large-scale attempt to enshrine the market and its perceived requisite institutional structures in environments of chronic inequality.

### *Conclusion*

This paper has argued that the KDP, on the surface, appears quite different for a neoliberal development project. However, what is different about the program is its approach to reform delivery. Indeed, rather than some anomaly within neoliberalism, it is an highly political attempt to build and reform institutions, en masse, *around government*, in a way that exhibits strong neoliberal tendencies – without dealing with broader structural drivers of inequality and poverty. Issues of governance are seen as essential elements to be rectified within a broad SIN governance program. The KDP uses the funding of particular projects as 'carrots' to be dangled in front of the often highly marginalised in order to enshrine neoliberal norms such as competition, transparency and accountability.

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<sup>90</sup> Ministry of Home Affairs (Indonesia) et al, *Kecamatan Development Program, 1998-2002, Final Report*, 10.

<sup>91</sup> Hadiz, 'Decentralization and Democracy in Indonesia', 711.

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Given that the KDP is so widely spread, ongoing assessment of it is required to deduce whether it should really be seen as a poverty reduction project or just another element in Cammack's characterisation of the Bank's efforts towards the 'proletarianisation of the world's poor'. Furthermore, and related, we should be interested in the longevity of the KDP's influence, which is considered fragile even by Guggenheim, once Bank funding for the program stops (which is soon).<sup>92</sup> Interestingly on the very question of whether KDP's governance output can be overturned, Guggenheim is more than clear that it can be.<sup>93</sup> Thus, a project to build certain social institutions may well fail at the hand of other social institutions.

Issues related to reform longevity aside, KDP fits more than comfortably within the dominant paradigm of SIN. Indeed, there are no fundamental contradictions between neoliberalism and the KDP – despite its perceived difference by those within the SDU and others in the Bank. This perhaps explains why KDP (and its 'sister projects' elsewhere) have been so palatable to many within the broad orthodoxy. And KDP, whether it fails or succeeds in reducing poverty or sustaining reform, could still become the norm rather than the 'other' within SIN. This might seem surprising given that the previous paragraph suggests that the KDP's impact might be short-lived. However, in comparison to other Bank projects KDP is particularly popular (though not totally) at various levels within Indonesian society. For example, villagers like it – although several mentioned to me that in such desperate situations they would take money from whomever was giving it out, the World Bank being no exception. Furthermore, KDP actually gets implemented, at least temporarily, and those associated with it can make great claims about its comparatively low levels of corruption and low-cost provision of infrastructure and other elements – which no doubt resonate well within the Bank, itself hardly overwhelmed with such success stories. This point, however, brings to the fore the issue of whether KDP is part of the proletarianisation of the world's poor or a force for their emancipation from the shackles of poverty.

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<sup>92</sup> Indeed, even at the higher levels of politics KDP is coming up to a testing time where its future looks uncertain. Interview with Scott Guggenheim.

<sup>93</sup> Interview with Scott Guggenheim.

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