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Indonesia 's Kecamatan Development Project Is It Replicable?

Design Considerations in Community Driven Development

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Copies of this paper are available from:
Social Development
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433 U.S.A.

www.worldbank.org/socialdevelopment
Email: socialdevelopment@worldbank.org

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Glossary and Acronyms

Adat	Traditional system of land rights in Indonesia
Bappeda	Regional Development Planning Agency at the province or district level
Bappenas Agency	National Development Planning
BAL	Basic Agrarian Law
BPKP	Finance and Development Supervision Agency
BPM	Ministry of Home Affairs
CBO	Community-Based Organization
CDD	Community Driven Development
GNI	Gross National Income
KDP	Kecamatan Development Program
Kecamatan	Sub-district containing 20 villages on average
LKMD	Village council
MFI	Microenterprise Finance Institutions
Musbangdes	Village development meeting
Musbangdes III	Meeting to report results of UDKPII meeting, to organize community implementation team to oversee project implementation, and to decide on the continuation of the village technical assistance
NGO	Nongovernmental Organization
NMC	National Management Consultants, located at the central level
PIU	Project Implementation Unit
PjOK	Project manager for KDP at the kecamatan level; section head PMD at the kecamatan level
PMD	Community Development Agency at the BPM
Rps	Rupiahs (Indonesia currency)
Simpan pinjam	Revolving microcredit schemes
TA	Technical Assistance
UPKP	Sub-district Council of village heads, includes additional village representatives as the KDP planning and decision-making body
UPKPII	Kecamatan-level meeting to decide which village proposals will be accepted and to elect members of UPK
UPK	Financial management unit usually composed of three people who handle the kecamatan and village finances for KDP
VIP	Village Infrastructure Project

Indonesia's Kecamatan Development Project Is it Replicable?

Design Considerations in Community Driven Development

The Kecamatan Development Project (KDP), launched in Indonesia in 1998, has been referred to as an outstanding model of participatory development, demonstrating community driven development in its most "evolved" state.[1] It is designed to operate on multiple levels in many sectors, involving both national and local institutions to allow villagers to propose virtually any investment they would like—from infrastructure provision to small-scale economic activities.

KDP takes into account both financial flows and flows of authority, and establishes a robust system of checks and balances to encourage transparency and social inclusion, with particular attention to gender issues. Moreover, it has achieved a national scope, and now covers approximately 30 percent of the rural subdistricts (kecamatans) in the country.[2] Of 67,500 villages in Indonesia, more than 20,000 have participated in KDP thus far (18 percent), with a total beneficiary population of almost 10 million people. This amounts to approximately 5 percent of the total population and 8 percent of the rural population, which has been especially targeted because of the greater incidence of poverty there. Under the second project (KDP II), it is estimated that the total beneficiary population will be approximately 20 to 30 million people with 200 kecamatans added per year.

A project design with these characteristics naturally invites inquiry as to its replicability in other contexts and countries. Are certain preexisting conditions necessary for its success? What components are essential? Can the KDP approach be applied in a single sector context, for example, a community-based water project?

There may be no clear-cut answers to these questions. However, in assessing its relevance for other country situations, some key features of the KDP project environment need to be considered. Some factors relate to fundamental issues, such as project objectives, power relationships, and the scale and scope of the program. Others, such as the human-resource base and salary levels, may seem more mundane, but are also as important to consider. Because every country context is unique, lessons learned from the KDP experience would need to be adapted.

The following study seeks to identify those features of KDP and the Indonesian sociopolitical landscape that contribute to its successful implementation, and thereby to contribute to the general knowledge base for those development practitioners who are contemplating replicating or adapting the KDP design elsewhere.

Project Objectives

KDP is a "programmatic project"–better characterized as a program than a project. The stated objectives of the second KDP project are to: "(i)

1 A description of the program is provided in the annex. A loan to finance KDP was approved by the Bank's Board in 1998, and a second project was approved in 2001.

2 Poverty in Indonesia is largely a rural phenomenon. Hence, KDP is targeted at this constituency. Approximately 60 percent of Indonesia's total population live in rural areas, and about 85 percent of the population in KDP areas live in rural areas. With respect to the allocation among the provinces, a few small provinces have an especially high density of KDP investments, for example, Aceh, NTT, Maluku, and South-East Sulawesi. In the larger, and typically wealthier, provinces of Java only 12–20 percent of the populations live in sub-districts where KDP is in place. As for poverty levels, in 1999 the poverty rates were approximately 22 percent of the population for non-KDP areas versus 30 percent for KDP areas. See World Bank 2001a.

support participatory planning and development management in villages; (ii) support a broad program of social and economic infrastructure construction in poor villages; and (iii) strengthen local formal and informal institutions by making them more inclusive, accountable, and effective at meeting villagers' self-identified development needs."[3] The objective to "raise rural incomes," included in the first KDP project, has been dropped, both due to the difficulty of measurement and to the primacy of the overarching objective—creating participatory institutions and processes. The essence of the program, therefore, is establishing vital participatory processes, rather than delivering tangible physical evidence of the investment, although the latter remains important for assessing project success. For example, the extent of participation and transparency is measured in terms of the proportion of the population served, their ability and willingness to maintain investment, repayment rates on loans, leakage of funds, and availability of information.

The project 's objective is fundamentally radical: it aims to institute transparency and democracy from the bottom up in a country where serious abuse of office and top-down planning have been endemic. It calls on villagers to demand accountability from both the government and their neighbors, and to take responsibility for the investments they deem important. This is a highly ambitious, indeed downright subversive, objective and one that is very risky in terms of program sustainability. The program will only achieve and sustain its objectives if people are able to insist on exercising and retaining this voice in decisions that affect them. This sustainability, therefore, is not based on maintaining the current level of KDP financial flows to the village level. In fact, these flows will most likely decrease once external financing ceases, even if the proportion of government spending targeted at the village level rises.

Consequently, the fundamental challenge for those inclined to adopt the KDP design is whether these objectives of transparency and participation are to be given sufficient priority, and whether they can be achieved and sustained. (This a challenge still confronting KDP as well.) The chief problem with partial achievement of these objectives—for example a modest level of empowerment—is that if people are unable to insist on democratic and accountable government at the level where they can see and feel it, both government and poor people may revert to former patterns of behavior.

Bypassing Government To Get Good Government

It is not surprising that with such bold objectives, a primary hurdle in launching a KDP-type program is ensuring government acceptance. Indonesia's sociopolitical context offers some instructive lessons. The KDP concept was launched[4] at a time when the government recognized that traditional means of gaining the patronage of rural people—pumping money downward through successive levels of government—had become counterproductive. Corruption was so rife[5] that few funds actually reached the villages, and the credibility of all levels of government had long been destroyed in the process. As a result, the target population's perception of government and, possibly more important, the government's own perception of its credibility with this population, were

3 Project Appraisal Document KDP-II, p.2.

4 Several design features of KDP were tested earlier in a Bank-financed Village Infrastructure Project (VIP). The objective of VIP was also "to reduce poverty in poor rural villages in new ways, by promoting village participation, transparency and decentralization." Each selected village was to build infrastructure of its choice (limited to 5 types of public infrastructure: roads, bridges, drinking water, communal sanitation units, piers), to receive (i) a one time grant, then equivalent to some $54,000, disbursed directly to the villagers from the local branch of the commercial bank selected (so bypassing some lengthier and less transparent bureaucratic processes); and (ii) technical assistance directly via the consultant field engineer assigned to a cluster of 5 villages. The central government organized and managed the system, including procurement, training of the engineers, audits and monitoring, and the local public works agency assisted with the public administration. See World Bank 1999b.

5 According to the *Corruption Perceptions Index 2001* published by the NGO Transparency International, Indonesia ranks number 88 out of 91 countries surveyed. The country has been at the bottom of the index ever since it was first established in 1995. Indonesia usually scores approximately 2 on a scale from 10 (highly clean) to 0 (highly corrupt). See under http://www.global corruptionreport.org.

so negative that the government was willing to experiment with a radical, new approach. KDP provided for funds to flow directly from a central project account to a joint village account at a local sub-district bank, processed by the branch office of the national Treasury. At no stage do funds pass through a government ministry. In these circumstances, government officials have supported KDP in the hopes of benefiting from the associated political capital, even though they have no access to the funds themselves.

KDP remains a calculated political gamble by the project team to improve government by temporarily bypassing it—through direct transfer of funds and the creation of parallel institutions to oversee program implementation. It runs counter to a Bank-wide trend during the 1990's to move away from heavy reliance on project implementation units (PIUs) by "putting government in the driver's seat," strengthening government institutions, and insisting that projects and programs be implemented by government agencies. In fact, the KDP National Management Consultants (NMC) office in Jakarta is in reality a PIU, or at best an in-house NGO. It also runs counter to some decentralization initiatives that originate with federal government offices, and subsequently cascade down through development plans prepared at various levels.

"Bypassing" government, however, may be too categorical a characterization of KDP. Indeed, KDP is not without precedent among traditional fiscal-decentralization measures, such as block grants to municipalities. And KDP funds are registered on local government books. In fact, the government itself channels funds through KDP. Technical advice and project management support are also provided by the kecamatan government staff, many of whom have become strong supporters of the program. Nonetheless, financial flows and critical areas of management and audit are outside normal government channels.

Full replication in other countries of this fundamental design feature requires an assessment of the extent to which existing government financial and technical advisory systems can be used. Introducing well-financed parallel structures can have the undesirable consequence of weakening government. Therefore, it should only be contemplated if the risks of undermining government financial processes do not exceed the prospects for reforming existing systems. Furthermore, the feasibility of using a combination of government and direct-funding channels in countries where some government agencies work more effectively than others depends on the likelihood that funding will not only reach municipalities, but rural areas as well. In Indonesia, the provincial government confronts the greatest potential for loss of power of any government level. This is attributable to the central government's strategy (unrelated to KDP) to allocate funds directly to all of Indonesia's 4,028 kecamatans. This also presents challenges in other countries, in terms of appraising the appropriate role of the province.

Commitment to a Cross-Sectoral Approach

As noted above, KDP provides a block grant directly to participating kecamatans, each containing about 20 villages. Villages participating in KDP can submit proposals for a wide range of activities, from village infrastructure projects to seed capital for small business creation or expansion—what is termed "open menu." Infrastructure projects include construction or repair of communal infrastructure (roads, bridges, sanitation) or the repair or expansion of buildings used for service delivery (health or education facilities). In the latter case, the village is required to obtain confirmation by the service provider that the facility will be staffed. KDP thus differs from traditional village infrastructure activities, such as those financed under the Village Infrastructure Project (VIP) that provide a menu of five types of infrastructure projects, all of which come under the jurisdiction of the public works authority (see footnote 2). The wide range of choice is a key design feature, because it reinforces the participatory processes necessary to sustain it. The process itself, therefore, cultivates community capacity and confidence to prioritize and select project proposals—a key program objective.

Community driven development (CDD) projects that do not embrace such an open menu cannot be qualified as "KDP-type" projects. (Indeed, a case can be made that a project without investment choice cannot be considered a community "driven" project.) This is not to say, however, that KDP succeeds in stimulating a preference for wildly distinctive projects. The majority of projects fall into the category of village infrastructure because that is what people are most familiar with, particularly following their experience with the VIP. There are few proposals for rehabilitation of social infrastructure, such as schools or health posts. This stands in contrast to the experience in social funds where education and health rehabilitation projects are often selected, demonstrating the important influence of Bank or government staff in shaping community preferences for specific infrastructure projects. KDP has also experienced difficulties in capturing the interest and technical support of sectoral ministries in participating kecamatans, the backing of which is important in advising on project options. Nevertheless, the carte blanche offered to villagers is an important signal of their ownership of the process and outcomes, and is essential to achieving KDP objectives. Any country considering replicating KDP would therefore be advised to include the cross-sectoral project design option.

Credit for Economic Activity as a Project Option

A feature of KDP's open menu that merits specific attention is the inclusion of both infrastructure and credit for economic activities as project options for villages. In KDP, financing is provided on a grant basis for village infrastructure projects; the funds are lent at market rates of interest for economic activities. Loan repayments are made to the kecamatan or retained in the village to finance new economic activities or public goods.

Credit schemes have for years been a controversial component of social fund projects.[6] Economic activities have often been excluded because of the difficulty of measuring returns, the risk of elite capture for private gain, low recovery rates, and the difficulty of providing suitable technical advisory support on a sustainable basis for widely diverse micro-schemes.[7]

KDP's credit program has not escaped these risks and weaknesses, and there was considerable debate within Indonesia whether to retain this component in KDP II. Repayment rates for economic activities vary greatly, but are improving. Nationwide they were only between 50 and 60 percent in KDP. On Java, where more than one-third of the KDP kecamatans are located, the repayment rates are 90 percent and higher. Criteria for allocating funds have been nearly impossible to adhere to, and technical and legal advice for small ventures has been close to nonexistent.[8] At the same time, the credit scheme has had some significant gains. Returning borrowers are proving to be good credit risks, and some of the small revolving credit schemes (simpan pinjam) are showing good internal credit discipline and providing community social safety nets. In addition, production schemes appear to be generating small-scale employment and trading networks. Anecdotal evidence suggests that KDP credit provides first-time credit access for poor people, and that the KDP's economic discussions are a key method for bringing in groups, such as women, who often do not participate in community decisionmaking. The credit program has been extremely popular in those Indonesian villages that already have basic infrastructure, particularly road access, as it has been used to increase agricultural, food processing, and trading activities.

6 See, for example, CGAP 2001.

7 According to a recent OED study about the Bank's experience with microenterprise finance institutions (MFI) between FY87 and FY97, only slightly more than half of the total number of 81 World Bank–supported projects are likely to have satisfactory outcomes and only 25 percent of the 40 projects providing funding at below-market rates were doing so efficiently. The overall result is that only 45 percent of Bank-supported projects are likely to be sustainable because, for sustainability, the MFI must be either fully self-financing or have clear, accessible resources to deal with any revenue shortfall. See World Bank 1999a.

8 These include requirements that borrowers have to (i) demonstrate ineligibility to access bank loans; (ii) pay a 20 percent rate of interest, and (iii) repay the loan within 18 months. In addition, only groups that have existed for more than one year can make a proposal, a specific cost proposal must be made, and further credit is denied to groups or villages that do not repay. KDP II improves the economic option in some of the following ways: all proposals must be verified by a consultant hired from a local bank; communities that are eligible for the economic option must show year-to-year repayment improvements of 20 percent or more (or already be greater than 80 percent); funds revolve at the village rather than kecamatan level, to increase social pressure for repayment; and communities adopting the economic option must use a portion of their technical assistance budget to contract a consultant who will train village members in basic bookkeeping.

A consultant review of the KDP microcredit scheme concludes that "the very same design that brought about project success doomed KDP's microcredit component to failure…(T)he participatory planning and decisionmaking process by which funds are competed for between villages…is good for allocating funds earmarked for public goods…(but is) incompatible with the sound management of credit and revolving funds."[9] In short, on grounds of financial sustainability, the evidence points to a negative return for the KDP microcredit scheme. KDP II is working to strengthen the credit component by linking it to pre-existing microfinance institutions or banks to the extent possible.

The inclusion of a credit finance component such as KDP's can be a considerable drain in cases in which resources are severely limited or administrative arrangements need to be kept as simple as possible. Whereas the kind of infrastructure supplied under project funding is generally perceived to be part of government's fundamental role, the provision of credit has usually been viewed by the international development community as the role of the market. Acknowledging that commercial credit markets often do not successfully reach the poor, government schemes have not proven sustainable in providing credit either. Adoption of credit as part of a community development program should therefore be approached with caution.

Project Scope: Scale From the Start

Launched in July 1998, KDP had its antecedents in a pilot program within the VIP. This phase was short (from June 1997 to June 1998), and the KDP design called for a very rapid national roll out, rather than gradual expansion of a pilot operation. The project reached 501 kecamatans the first year of implementation, and added 271 kecamatan the second year and 257 the third year, which now total 984 kecamatan. Whereas this entailed a "ready-fire-aim"[10] learning approach, it avoided the pitfalls inherent in "boutique" operations, with their heavy, often expatriate, technical assistance, their unrealistic cost structure, and their rarefied implementation environment. Not only did the program expand rapidly, but also the design called for—and succeeded in achieving—a short period between initial sensitization of a village and the completion of the village-level project. Key to the project's success was the four to six month long facilitation process leading up to project selection, at which point funds are transferred to the village account.

The average implementation period of village infrastructure projects was three to four months in the first year of KDP. In general, rapid roll out is important to test a project's replicability within a country, to retain simplicity, and to gain credibility and enthusiasm necessary to garner villagers' confidence. The simplicity and "direct-deposit" nature of the funding scheme, from central project account to deposit in a kecamatan account, has contributed to the speed of the KDP roll out. Substantial pre-implementation work and agreement with national partners is therefore essential, and should be factored into consideration to adopt a KDP approach.

Existence and Influence of NGOs

In contrast to many countries where NGOs are implementing agencies for community-based projects, KDP relies on village-level processes and institutions that interface with the civil administration. In some cases these are the local assemblies which, under recent decentralization directives, are now elected by villagers. Project briefings and selection of proposals are held in village meetings where all villagers are invited; these are supplemented by meetings at the hamlet (sub-village) level and with various groups of villagers. In many respects, KDP embodies direct democracy, where decisions are taken by all and in the presence of all.

Implementation is also broadly participatory, particularly for infrastructure. Because of the poor track record of contractors in terms of meeting commitments and eschewing corruption, work is organized by local implementa-

9 Holloh (2001).

10 This refers to a scaling-up approach that starts with a large number of trials early on to learn from, through as large a sample as possible, and to follow with refinement of approach for subsequent roll out.

tion teams with the assistance of a local government project manager, using village labor, which may be paid or voluntary.

Indonesia does not have a strong tradition of freely operating NGOs. Many existing NGOs have been found to collude with government, and have therefore been discredited. Moreover, since KDP aims at empowering individuals to participate as community members who insist on government accountability, intervention by any intermediary whatsoever, even well-intentioned NGOs, can be counterproductive. To the extent that NGOs often represent particular sectors, their preferences could be particularly detrimental for village prioritization of projects.

Over the years, many NGOs have proven to be significant advocates for the poor in many countries. Although NGOs are not implementing agencies in KDP, monitoring by independent advocacy NGOs and the media has been pivotal for the inclusion of civil society organizations. In addition, a legal advocacy pilot in two provinces pairs KDP project villages with national and district advocacy NGOs and university-based law faculties. However, the challenge remains how to best involve them constructively in KDP-type projects. That decision will likely depend on particular country contexts.

Regimes of Land Tenure

Indonesia's Basic Agrarian Law (BAL) of 1960 protected traditional land (*adat)* rights and wove principles of *adat* into the formal law, thereby supporting continuity and stability.[11] This in turn has permitted the development of a flexible land tenure system with many levels of security—a system that allows many low-income households to acquire land rights with some security where a more formal system (of registration and hence ownership) would not. As a consequence, a central feature in rural Indonesia, in contrast to many countries, is the small proportion of large landholdings and the associated number of tenant farmers: the average size of a farm is one hectare, and only 0.2 percent of all farms are 10 hectares or larger. More than 70 percent of farms in Indonesia are smaller than one hectare, compared with only 38 percent in the Philippines.[12]

Thanks to the relatively secure access of households to land for production, rural Indonesians can anticipate direct benefits from both infrastructure and economic investments. Their commitment to the KDP processes of both planning and implementation are therefore more assured. Building a bridge increases access to their fields or to markets for their produce. Microcredit obtained through the *simpan pinjam* can be used to clear a small plot and purchase some pepper seedlings; repayment of the loan prior to maturation of the pepper plants can be made from sale of another crop. In Indonesian villages, more powerful families may capture a disproportionate share of the benefits through their larger land holdings or ability to manipulate decisionmaking processes. However, their dominance does not normally totally shut out other villagers from benefits. Moreover, anecdotal evidence from KDP suggests that the relatively small size of the grants, coupled with the time commitment required for meetings, are too much bother to attract the wealthier members of the community.

In feudal land regimes, such as those in some Latin American countries where the majority of land at the village or district level is owned by one or a few families and a large share of the population works as laborers, it is unlikely that a KDP design would be able to counter the economic and political domination of the elite. Even in feudal systems, there would still be demand for public goods infrastructure, particularly that aimed at improving the lives of the poor, such as village water sup-

11 Two types of land systems existed in Indonesia before a unified system was introduced under the Basic Agrarian Law (BAL) of 1960. One type was that of the traditional *adat* rights, which still exists in many parts of Indonesia, where land is owned and handed down according to customary law without formal registration or title, and with ownership and holdings based on community acceptance of boundaries and claims. The second type was the more Westernized system of written land titles and land registration. The BAL established a system of land rights with varying degrees of tenure linked to citizenship requirements. In principle, the BAL also established its precedence over the *adat* system of laws, although rights acquired under *adat* prior to promulgation of the BAL were protected. Based on: MacAndrews 1986 and Behuria 1994.

12 The data are for 1993; Rosegrant and Hazell 2000, p.99.

ply and social service infrastructure. However, the stimulus that KDP infrastructure and credit attempt to provide to stimulate agriculture-based livelihoods would be muted. And the impact of KDP on accountability and responsiveness of local officials towards the population at large—the underlying process objective of KDP—would also be weak in the face of the concentration of power by a small elite.

Human Resources and Remuneration Levels

A key feature of the KDP design is the large quantity of high-caliber staff. During the second year, the program employed a total of 20,500 contract staff serving a population of almost 10 million. By far the largest percentage was at the village level with 15,300 village facilitators, or one facilitator for every 650 people. In addition, some 1,200 consultants from 16 private companies at the national (15), provincial (21), district (164), and kecamatan (959) levels provided technical assistance and guidance to the project. The UPK (*Unit Pengelolaan Keuangan*), the financial management arm of KDP, employs about 3,000 people countrywide, most at the kecamatan level.[13]

The large staff is due to the need for a relatively high degree of facilitation and financial oversight. The project identification and selection process at the village level is both time- and labor-intensive in order to ensure the participation of women, to mobilize interest at the sub-village level, and to promote transparency. While government staff from sector departments or public works are expected to provide specialized technical assistance, the project must also rely on its own technical staff to vet proposals and advise village implementation teams or groups undertaking microenterprise ventures. The UPK employs at least three staff at the kecamatan level for bookkeeping, expenditure reporting, overseeing any large procurements, and completion documentation. These job profiles require a well-educated cadre of staff: even at the village level, facilitators must have strong literacy, accountancy, and facilitation skills. KDP has been able to find staff with relatively high levels of education. Kecamatan facilitators are usually university graduates, and many village facilitators have a high school diploma or even some university education. With the economic downturn in Indonesia, these are often young people who have been unable to continue their studies or find jobs in cities, and have returned to their villages.[14]

While education levels are relatively high in KDP, salaries remain low. A village facilitator earns US$15 (October 2001 exchange rate) a month (on a five-month contract in the past, to increase to a full twelve months in KDP II[15] with probably the same pay). A kecamatan facilitator earns a monthly base pay of $135 to $170, depending on experience.[16] The project can therefore afford to employ a large number of well-qualified staff for both community capacity building and program oversight. These education and salary figures are consistent with Indonesia's overall education and income statistics relative to other countries of East Asia. While its average education level approaches the overall level for East Asia,[17] its GNI per capita is only 54 percent of the East Asia and the Pacific Region average for 2000. Average government salaries, which have some bearing on KDP salary levels, are low, at 414,000 Rps per month ($53 at 1999 rates).[18] During 1996-2000, the ratio of government wages to per capita GDP was 1:1 in Indonesia, compared with an average of 2.9:1 for the East Asia and the Pacific Region.[19]

In many countries, education and salary levels, and terms of employment would make the KDP model unaffordable. These include

13 Most staff are employed on temporary contracts of 5 to 12 months.

14 Even with this level of skills available, KDP leadership reports that they struggle with a dearth of trained staff at all levels to assist communities in local level planning and decision making. The importance of technically competent staff to provide assistance to communities should not be underestimated.

15 All dollar amounts are U.S. dollars.

16 In addition to base pay, the kecamatan facilitator gets about $70-80 for motorbike and house rental, a travel allowance, and funds for operating the office.

17 Primary gross enrollment ratios are greater than 100 percent on average in the East Asia and Pacific Region. The secondary gross enrollment ratio was 56 percent in Indonesia and 69 percent in the East Asia and Pacific Region in 1997. See World Bank 2001b.

18 Filmer and Lindauer 2001.

19 See http://www1.worldbank.org/public sector/civilservice/development.htm.

countries where average education levels are low and a secondary or university education commands a premium, where public sector salary levels are generally high, or where employment terms and expectations are less flexible. Indeed, the affordability of the KDP wage bill is due in part to the dramatic decline in value of the Indonesian Rupiah since the 1997 financial crisis.[20] Adapting KDP's personnel profile and density to higher-cost countries, as well as ensuring its sustained implementation within Indonesia, is likely to require innovations to reduce overall numbers and improve effectiveness of a more limited number of personnel. This will nonetheless be a challenge to countries such as Indonesia where intensive facilitation is required to overcome traditions of corruption, a lack of transparency, and top-down planning.

Locus of Project Responsibility

It is traditional wisdom in project design to identify as strong and capable a government agency as possible to champion a project, one whose staff embrace the vision of the program and can spearhead and sustain the necessary reforms and oversee implementation. A challenge to the success of community development programs has been the relatively weak staff and political clout of ministries of community development or social welfare. Bank staff have often steered clear of these agencies in favor of community development arms of economic or other sectoral ministries.

KDP has taken a contrarian approach. It has as its implementing agency the Community Development Department (*Pembangunan Masyarakat Desa-PMD*) of the Ministry of Home Affairs, an agency that is less powerful than other ministries in the Government. It nonetheless has a number of features in its favor:

- KDP is a bigger fish in the PMD pond than it would be in the portfolio of other ministries—it represents their opportunity for greater influence and therefore commands their growing attention and efforts;
- PMD has less vested interest in pushing one sector or another, and therefore buys into the open menu, community choice objectives of KDP;
- PMD is reluctantly willing to cede some of its power to the project management consultants in the interest of speedy and effective implementation; contracting out such project implementation details might be more difficult if the implementing agency were more powerful and able to intervene, potentially to the detriment of project objectives and transparency; and
- As part of Home Affairs, PMD—and particularly KDP—benefits from the administrative, logistical, and political support that extends from central to provincial and sub-provincial levels; this includes provision of office space and infrastructure as well as access to authorities at these levels.

The downside risk of implementation by a weaker ministry is the greater likelihood of unsustainability of funding and strong governance once project funding and oversight are no longer shepherding the program. These opportunities and risks among different implementing agencies are highly specific to each country, and need to be carefully weighed when considering the launch of a community driven program such as KDP.

Demands on the Bank

Design and implementation support for a KDP requires a large upfront investment by the Bank. The upstream work entails significant analytical work on community-level institutions and their interface with formal public institutions–the organizational structures, stakeholders, and the formal legal, regulatory, and political regimes. It requires fastidious attention to the details of procurement and accountancy practices and the flow of funds and goods. An understanding of gender dynamics is particularly important to determine how cultural practices can be respected while responding to the development priorities of both men and women. Tackling corruption requires an understanding of the incentives that drive it, creativity in design of counter-incentives, and fortitude to go public in cases

20 Whereas the average conversion rate between the Rupiah and the U.S. dollar in 1990 was 1,842, it stood at 7,855 in 1999 and at 8,500 in 2000.

of fraud. And finally, the Bank needs to ensure that its own advice and lending portfolio are internally consistent with and supportive of the objectives of KDP-type projects, particularly with regard to community choice and insistence on good governance.

It is unlikely that the Indonesia KDP would have been feasible in the absence of a highly capable international Bank staff member based in-country who was able to devote a large share of his/her work program and energies to KDP. Part of the KDP's success is attributable to a rapid response to project complaints, which has led to course corrections and practical solutions the villagers can see. It has also required the vigilance of Bank staff to minimize elite capture at local and national levels. Such work can simply not be carried out during periodic missions.

At the same time, the intensive preparatory and supervision work paid off in terms of rapid disbursement and project implementation. The project disbursed 25 percent faster than anticipated at appraisal, and scaled up by 50 percent more than was expected during each year of implementation. This occurred despite a period of political crisis in the country, and the fact that disbursements in the entire Indonesia portfolio averaged only 40 percent of the level anticipated at appraisal. Finally, KDP has been the training ground for a considerable number of Bank staff working on CDD issues in other countries.

Conclusion

To its supporters, the Indonesia KDP appears to be almost venerated as the ultimate community driven development. To its detractors, it is a parallel delivery system that cannot be sustained. In reality, it carries the benefits and risks of both, in its attempt to undertake a bypass operation in terms of development finance while stimulating communities to take greater responsibility for driving their development priorities and holding their government accountable.

However, the design of KDP is particular to the Indonesian context. The summary below shows which factors have shaped its features and contributed to date in its successful implementation, distinguishing between project characteristics that were influenced by the Bank task team and those external conditions on the ground.

Exogenous Factors

- The level of disempowerment of poor rural people was such that its bold process and outcome objectives—participatory processes, strengthened accountability of institutions and village infrastructure—were deemed worthy by a broad range of stakeholders;
- The high level of corruption in government and contract services led the government to agree to bypass its own financial processes and allow funding to go directly from a central project account to the local level;
- Broad-based land ownership or communal use of land permitted a wider range of village members to benefit from the program; and
- Relatively high levels of education and low salaries allowed KDP to retain a large number of well-qualified staff for implementation and capacity building.

Design Features

- The commitment to a multi-sector, open-menu approach provides the basis for villagers to genuinely choose the projects and activities that are most important to them;
- The inclusion of credit for economic activity, still a questionable method in terms of viable repayment rates, increases options for choice at the village level, and may provide a form of social risk management;
- The rapid roll out, designed as a scale operation from the start, provides credibility to villagers that the program is capable of providing benefits to them;
- Villagers are encouraged to speak out for themselves, rather than through intermediary NGOs or CBOs;
- Vesting implementation responsibility in a relatively weaker agency, but with structures at regional and local levels, has allowed the Bank to shape the program; and
- The Bank has been willing to commit a relatively high level of staff resources, based in-country, to see through the design and implementation of the program.

Design Feature	Adopt	Adjust	Abandon	Comments
Direct disbursement flows	X			Important to be rapid, responsive, reliable, and free from tampering. Independent audit
Open menu	X			Choice and decision process essential
Microcredit			X	Benefits mixed; if open menu for infra-structure in place, credit not essential offering
Project scope	X			Scale needs to be figured into design from the start; rapid roll out required to build and maintain confidence
Role of NGOs		X		Stronger NGOs bring advantages in roll out and disadvantages of NGO overpowering villagers' decision process
Land tenure		?		Concentrated ownership likely to stifle buy-in by poor but returns possible for social infrastructure
Human resources		X		Higher salary scales likely to require reduced numbers, contracting out, other facilitation modes
Locus of government champion		X		Governed by country context
Access to Information	X			Important to inform choice, ensure transparency of financial flows, underpin rapid roll out

The matrix above lays out which features are deemed indispensable, adjustable, and dispensable by the framers of KDP.

While no program can be directly replicated, those seeking to adapt a KDP approach should weigh each of the above characteristics to determine to what extent they might be adapted for successful adoption elsewhere.

Annex

A Summary of Indonesia's Kecamatan Development Project[1]

Introduction

The Kecamatan Development Program (KDP) is a Government of Indonesia effort to alleviate poverty in rural communities and improve local governance. The program targets the poorest kecamatans (sub-districts) in Indonesia. KDP aims to foster more democratic and participatory forms of local governance by strengthening kecamatan and village capacities and improving community participation in development projects. KDP provides block grants of approximately $43,000 to $125,000 a year directly to kecamatans and villages for small-scale infrastructure, and social and economic activities. The program works with village councils and kecamatan development forums. KDP is supported by facilitators and consultants from both the village and national level, who provide technical support and training.

Most importantly, KDP emphasizes the principles of community participation—especially for women and poor villagers, transparency, competition for funds, and sustainability. All KDP activities aim at allowing villagers to make their own choices about the kinds of projects that they need and want.

How Does The Program Work?

The KDP project cycle has several stages: information dissemination, planning, proposal preparation and verification, funding decisions, implementation, and follow-up. All stages aim to have a high degree of community participation and transparency throughout the process.

Information Dissemination. Information dissemination about KDP occurs in several ways. Workshops are held at the provincial, district, and kecamatan levels to disseminate information and popularize the program. The workshops involve community leaders, local government officials, local press, universities, and NGOs. Dissemination of information at the village level occurs through large village meetings as well as through group- and hamlet-level meetings to share information and encourage people to propose ideas for KDP support.

Planning. Planning meetings occur at the sub-village and village levels. Village and kecamatan facilitators disseminate information about KDP procedures and encourage villagers to submit ideas for KDP funding. To encourage the participation of women in the planning process, a women's-only meeting is held to discuss their proposal. At the second village meeting, villagers' discuss their ideas and the forum decides which proposals the village will put forward to the inter-village forum (UDKP).

Proposal Preparation. Each village administrative body (LKMD) can submit up to two proposals to the UDKP with a minimum of one of the proposals originating from women's groups. Proposals from one village can total up to a maximum of Rps 300 million ($33,300).

Project menus are open to all productive investments except those on a negative short list. The open menu policy is an important element of KDP. It allows villagers themselves to decide what they want. Proposals can include a mixture of various economic, social, and infrastructure activities if the villagers so choose.

1 Excerpt from internal memo, KDP, World Bank Indonesia office.

Verification. Verification of the proposals' technical elements occurs during the proposal review stage prior to project selection. A kecamatan verification team usually includes community leaders, the kecamatan facilitator, and appropriate technical staff recommended by the district engineer. The district engineer also does a final check before the results of the verification are presented and considered in the second kecamatan level meeting (UDKPII).

Project Selection. Village proposals are discussed and decided on at the UDKPII. The UDKPII forum reviews the findings of the verification team and discusses the merits and budgets of each proposal. Final decisions from the UDKPII meeting are posted on KDP information boards and shared with the villagers through the third village-level meeting (Musbangdes III) and at smaller sub-village and group meetings.

Project Implementation. Once it has been decided which projects should be funded, village technical assistance is mobilized and contracted. Contracts are signed with the LKMD and acknowledged by the district engineer. Technical designs are finalized and the mobilization of workers takes place. A community implementation team of five persons in each village is elected during the Musbangdes III meetings to oversee project implementation. The community contributions are also collected. The kecamatan facilitators and the kecamatan project manager (PjOK) who is appointed by the government, supports groups and LKMDs on administrative and financial matters. Communities, government officials, and KDP consultants supervise the implementation of activities. Village meetings report on the status of project implementation.

Figure 1: Indonesia Second Kecamatan Development Project
Project Costs and Financing Arrangements

$ '000

	Implementation Period				
	Year 1	**Year 2**	**Year 3**	**Year 4**	**Total**
Project Costs					
Kecamatan Grants & Pilots	80.5	103.5	103.5	23.0	310.6
Community Capacity Building	20.4	20.4	19.6	5.0	65.5
Implementation Support	10.2	11.1	11.1	8.0	40.4
Monitoring & Evaluation and Studies	0.7	0.7	0.7	0.7	2.9
Front End Fee	2.1				2.1
Total	**114.0**	**135.7**	**134.9**	**36.8**	**421.5**
Financing Arrangements					
IBRD/IDA	97.7	103.9	103.1	15.5	320.2
Government	5.8	18.3	18.3	18.3	60.8
Central	5.8	5.8	5.8	5.8	23.3
District	0.0	12.5	12.5	12.5	37.5
Beneficiaries	10.5	13.5	13.5	3.0	40.5
Total	**114.0**	**135.7**	**134.9**	**36.8**	**421.5**

Maintenance. Once the infrastructure is built, maintenance teams and user fees are established. Villagers form operation and maintenance committees that are responsible for overseeing the proper maintenance of facilities and fee collection. For economic loans, repayments are collected by the kecamatan financial management unit (UPK) for a maximum period of 18 months.

Management Structure of KDP

The management of KDP is the responsibility of the Ministry of Home Affairs (BPM). At the national level, BPM deals with the day-to-day operations of the project. Government coordination teams, representing various ministries, also assist with KDP. At the national level, the coordination team is headed by the National Development Planning Agency (Bappenas). At the provincial and district levels, coordination teams are headed by the Regional Development Planning Agency (Bappeda). At the kecamatan level, the role of the BPM section head (PjOK) is essential because he/she serves as KDP's local project manager. The PjOK is assisted by administrative staff from Home Affairs.

KDP is assisted technically by consultant teams. Some 3,800 consultants from 20 private companies at the national, provincial, district and kecamatan levels provide technical assistance and guidance to the project.KDP has also developed a comprehensive monitoring and evaluation system. In addition to semi-annual World Bank supervision missions and regular monitoring by field consultants and government officials, local journalists and 45 NGOs conduct independent, external monitoring of KDP in each province. KDP also established a Complaints Handling Unit to channel complaints and questions from the community and to follow-up on individual cases. The Government Audit Agency (BPKP), and the KDP Financial Supervision and Training Unit audit and provide supervision and training on local finances. Several thematic studies and impact evaluations have also been conducted to assess the program's benefits and impact.

Figure 2: Indonesia: Second Kecamatan Development Project
Sequence of Activities

Phase	Activity
Socialization Dissemination of Information	• Provincial and district workshops to publicize KDP among local government officials, press, universities and NGOs • Kecamatan Facilitator training • Kecamatan forum meetings (UDKPI) to publicize KDP and to evaluate project staff (just in old kecamatans) and select Year 2 villages (just in new kecamatans) • 1st village meetings (Musbangdes I) to publicize KDP in the village and select Village Facilitators • Train Village Facilitators • Information boards placed in all villages
Socialization in Hamlets and Activity Suggestions Collected	• Inventory of all village groups and locations of poorer villagers • Sub-village and group meetings, cross-visits • Updating information on village boards • Further dissemination of project information
Selection of Activities for Village Proposals	• Special meetings with women's groups • Special meetings with women's groups to discuss women's proposal ideas • 2nd village meetings (Musbangdes II) to discuss proposal ideas • Village TA for proposal preparation selected • Formation of team to prepare village proposals • Preparation of proposals, with designs and budgets • Updating information on village boards • Cross village visits to learn about process
Feasibility / Verification Stage	• Formation of verification teams • Field visits and inspections • Team meetings to compile results and recommendations • Feedback to villages and groups
Funding Decisions (Selection of Proposals to be Funded)	• 2nd Kecamatans Forum Meeting (UDKPII) to select village projects for funding and to select UPK (Financial Management Units), DPRD joint teams formed. • The team from one village visits another village to learn about process • Evaluation of project staff by UKDP II forum in old and new kecamatans.
Preparations for Implementation	• 3rd Village meetings (Musbangdes III) to discuss results of UDKP II meeting, elect community implementation Team, decided on village technical assistance and elect teams to control Implementation in village. • Updating information on village boards • Training for Implementation Teams, UPKs, Village TA • Administration • Release of funds: - from the state treasury in 3 stages (40%, 40% & 20%) - from collective village accounts as needed (not pre-set %)
Implementation	• Mobilization of village laborers • Procurement of materials and equipment - less than Rp 15 million, information from 3 sources (not written) - Rp 15 million or more, 3 quotations (written) evaluated by village teams • Implementation of village activities, loans disbursed • Supervision, monitoring, reporting and monthly meetings of facilitators • Village meetings to account for funds (when about 50% of funds expended)
Post Implementation Stage	• Formation of maintenance teams • Training for village councils and maintenance teams • Repayment of loans and relending of repaid funds, on UDKP instructions • Maintenance of infrastructure • Evaluation of project and staff by villagers • Village meetings for hand-over of completed projects, to account for funds used

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