

**The Indonesian National Program for
Community Empowerment (PNPM)-Rural:**
Decentralization in the context of
neoliberalism and World Bank policies

Anggun Trisnanto Hari Susilo

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**The Indonesian National Program for Community
Empowerment (PNPM)-Rural:
Decentralization in the context of neoliberalism and
World Bank policies**

**Het Indonesische Nationale Programma voor
Community Empowerment (PNPM) voor het
platteland:
Decentralisatie in de context van
neoliberalisme en Wereldbank-beleid**

Thesis

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TABLE OF CONTENTS

| | |
|---|-----------|
| LIST OF ACRONYMS AND INDONESIAN TERMS..... | xii |
| ACKNOWLEDGEMENTS | xv |
| ABSTRACT..... | xvii |
| SAMENVATTING | xix |
| CHAPTER 1 : INTRODUCTION | 1 |
| Introduction..... | 1 |
| 1.1 Research Background..... | 2 |
| 1.2 Problem Statement | 3 |
| 1.3 Research Objectives | 4 |
| 1.4 Research Questions | 5 |
| 1.5 Methodology | 6 |
| 1.5.1 Case Selection | 6 |
| 1.5.2 Methods..... | 7 |
| 1.6 Organization and limitations of the research..... | 8 |
| Conclusion | 9 |
| CHAPTER 2 : LOCATING PNPM THEORETICALLY | 11 |
| Introduction..... | 11 |
| 2.1 Towards a theoretical understanding of the PNPM framework | 12 |
| 2.1.1 Post-Washington Consensus..... | 12 |
| 2.1.2 The Murdoch School | 15 |
| 2.1.3 Structural political economy | 16 |
| 2.1.4 Socio-institutional Neoliberalism | 17 |
| 2.2 Decentralization..... | 22 |
| 2.2.1 Conceptualizing decentralization | 22 |
| 2.2.2 Environment for decentralization | 23 |
| 2.2.3 Relation between administrative layers in decentralization..... | 24 |
| 2.2.4 Problems in decentralization | 24 |

| | | |
|-------|---|---------------|
| 2.3 | Poverty reduction | 30 |
| 2.3.1 | Definition of poverty | 30 |
| 2.3.2 | Empowerment | 31 |
| 2.3.3 | Community-driven development..... | 32 |
| 2.3.4 | Facilitator..... | 33 |
| | Conclusion | 35 |
| | CHAPTER 3 : THE INDONESIAN CONTEXT | 37 |
| | Introduction..... | 37 |
| 3.1 | Indonesia in brief..... | 38 |
| 3.1.1 | Demography | 38 |
| 3.1.2 | Government and politics..... | 40 |
| 3.2 | Decentralization in Indonesia..... | 45 |
| 3.2.1 | Decentralization in the transition era..... | 46 |
| 3.2.2 | Decentralization in the Reformasi era..... | 47 |
| 3.3 | Current situation..... | 49 |
| 3.3.1 | Control of corruption..... | 49 |
| 3.3.2 | Clientelism | 51 |
| 3.3.3 | Bureaucratic politics..... | 53 |
| | Conclusion | 56 |
| | CHAPTER 4 : PNPM AS AN EXPRESSION OF NEOLIBERALISM | 57 |
| | Introduction..... | 57 |
| 4.1 | Is PNPM a legacy of Socio-Institutional Neoliberalism?..... | 58 |
| 4.1.1 | Inpres Desa Tertinggal and the Kecamatan Development Programme..... | 58 |
| 4.1.2 | Program Nasional Pemberdayaan Masyarakat | 60 |
| 4.2 | The relation between the World Bank and Indonesia..... | 70 |
| 4.2.1 | Perception..... | 70 |
| 4.2.2 | PNPM Road Map | 72 |
| 4.2.3 | Commitment to PNPM..... | 73 |
| 4.3 | Politicisation of bureaucracy and government coordination in Indonesia .. | 75 |
| | Conclusion | 80 |

| | |
|--|----------------|
| CHAPTER 5 : PNPM IN THE VILLAGE OF GADINGKULON..... | 82 |
| Introduction..... | 82 |
| 5.1 Local conditions in Gadingkulon..... | 83 |
| 5.1.1 Local conditions in 2009..... | 87 |
| 5.1.2 Local conditions in 2013..... | 93 |
| 5.2 PNPM projects in Gadingkulon 2009-2012..... | 95 |
| 5.2.1 PNPM in 2009..... | 95 |
| 5.2.2 PNPM in 2010..... | 98 |
| 5.2.3 PNPM in 2011..... | 100 |
| 5.2.4 PNPM in 2012..... | 102 |
| 5.2.5 PNPM in 2013..... | 105 |
| 5.3 The dynamics of PNPM..... | 109 |
| 5.3.1 On understandings of PNPM..... | 109 |
| 5.3.2 On participation | 111 |
| 5.3.3 On elite domination | 112 |
| 5.3.4 On benefits of PNPM | 113 |
| 5.3.5 On the role of village government | 114 |
| 5.3.6 On social interaction..... | 115 |
| 5.3.7 Key actors in PNPM | 115 |
| 5.4 PNPM and local government..... | 119 |
| 5.4.1 PNPM and Malang district..... | 120 |
| 5.4.2 PNPM and the sub-district of Dau..... | 122 |
| 5.4.3 PNPM integration process with local development planning | 123 |
| 5.5 PNPM impacts..... | 128 |
| 5.5.1 Impacts of PNPM on empowerment | 129 |
| 5.5.2 Did PNPM reduce poverty in Gadingkulon?..... | 129 |
| 5.5.3 Impacts on socio-political interactions..... | 130 |
| Conclusion | 132 |
| CHAPTER 6 : PNPM IN THE VILLAGE OF NGADIREJO | 135 |
| Introduction..... | 135 |
| 6.1 Local conditions in Ngadirejo | 136 |
| 6.1.1 General information about the village | 136 |

| | | |
|-------|---|----------------|
| 6.1.2 | Local conditions in 2009..... | 140 |
| 6.1.3 | Local conditions in 2013..... | 145 |
| 6.2 | PNPM projects in Ngadirejo, 2009-2012..... | 148 |
| 6.2.1 | PNPM in 2009..... | 148 |
| 6.2.2 | PNPM in 2010..... | 151 |
| 6.2.3 | PNPM in 2011..... | 152 |
| 6.2.4 | PNPM in 2012..... | 153 |
| 6.3 | The dynamics of PNPM..... | 161 |
| 6.3.1 | On understandings of PNPM..... | 161 |
| 6.3.2 | On participation | 162 |
| 6.3.3 | On elite domination | 163 |
| 6.3.4 | On benefits of PNPM..... | 164 |
| 6.3.5 | On the role of village government | 165 |
| 6.3.6 | On social interaction..... | 165 |
| 6.3.7 | Key actors in PNPM | 166 |
| 6.4 | PNPM and local government..... | 172 |
| 6.4.1 | PNPM and Malang district..... | 172 |
| 6.4.2 | PNPM and the sub-district of Kromengan..... | 174 |
| 6.5 | PNPM's impacts..... | 176 |
| 6.5.1 | Impacts of PNPM on empowerment | 176 |
| 6.5.2 | Did PNPM reduce poverty in Ngadirejo? | 177 |
| 6.5.3 | Impacts on socio-political interactions..... | 178 |
| | Conclusion | 179 |
| | CHAPTER 7 : CONCLUSION | 181 |
| 7.1 | Reflection..... | 181 |
| 7.2 | The legacy of Neoliberalism in Indonesian poverty reduction programs..... | 184 |
| 7.2.1 | The application of SIN | 184 |
| 7.2.2 | The technocratic approach, elite capture and marginalization of the poor | 185 |
| 7.2.3 | Indonesian government's response to World Bank policy | 187 |
| 7.3 | PNPM in decentralization | 188 |
| 7.3.1 | The pervasive impact of elite capture..... | 189 |
| 7.3.2 | Clientelism | 190 |
| 7.3.3 | Politics and bureaucracy..... | 191 |

| | | |
|-------------------------|--|------------|
| 7.3.4 | Government coordination | 192 |
| 7.3.5 | PNPM and the sub-district | 192 |
| 7.4 | Implementation of PNPM..... | 193 |
| 7.4.1 | Participation..... | 193 |
| 7.4.2 | Power and empowerment | 194 |
| 7.5 | PNPM results..... | 195 |
| 7.5.1 | Regarding poverty..... | 195 |
| 7.5.2 | Regarding social and political relations | 196 |
| Conclusion | | 197 |
| REFERENCES | | 199 |
| CURRICULUM VITAE..... | | 221 |

LIST OF TABLES

| | |
|---|-----|
| Table 4.1 Poverty reduction programs in Indonesia (1994-2014)..... | 60 |
| Table 4.2 World Bank’s commitment to PNPM, 2008-2014 | 74 |
| Table 5.1: Education level in Gadingkulon, 2009 | 88 |
| Table 5.2: Health facilities in Gadingkulon, 2009 | 89 |
| Table 5.3: Poverty in Gadingkulon, 2009 | 90 |
| Table 5.4: PNPM poverty mapping 2010 in Gadingkulon, 2010..... | 91 |
| Table 5.5: Education level in Gadingkulon, 2013 | 93 |
| Table 5.6: PNPM-identified problems in Gadingkulon, 2010 | 98 |
| Table 5.7: Problem leading to <i>Posyandu</i> establishment, 2012 | 102 |
| Table 5.8: Problem in <i>Princi</i> 2/2012..... | 104 |
| Table 5.9: Summary of PNPM, 2009-2012..... | 104 |
| Table 5.10: Criteria for project scoring at inter-village meeting..... | 125 |
| Table 6.1: Education level in Ngadirejo, 2010 | 142 |
| Table 6.2: Health facilities in Ngadirejo, 2010 | 143 |
| Table 6.3: Poverty in Ngadirejo, 2010..... | 143 |
| Table 6.4: Analysis of poverty in Ngadirejo | 153 |
| Table 6.5: Summary of Ngadirejo PNPM projects, 2009-2012 | 160 |
| Table 7.1: Strands of enquiry and locations in this thesis..... | 182 |

LIST OF IMAGES

| | |
|--|-----|
| Figure 3.1 Indonesian rule-of-law hierarchy | 42 |
| Figure 3.2 Decentralization under Law 32/2004 | 43 |
| Figure 4.1 Sectoral commitments to PNPM, percent of total funds, 2009-2014.. | 74 |
| Figure 5.1: Princi household with semi-permanent house..... | 94 |
| Figure 5.2: <i>Musyawarah</i> held in Gadingkulon 2009 | 95 |
| Figure 5.3: Road construction in Princi, 2010..... | 99 |
| Figure 5.4: Construction of retaining wall, 2011 | 101 |
| Figure 5.5: Kindergarten project 2013 | 106 |
| Figure 5.6: Contributions to the PNPM budget for Dau from the national budget (APBN) and the Malang district budget (APBD), 2009-2013 (IDR billion)..... | 121 |
| Figure 5.7: Village heads discussing project scoring | 126 |
| Figure 5.8: Project scoring results from Dau inter-village meeting, 2013 | 126 |
| Figure 6.1: Road construction 1 | 154 |
| Figure 6.2: Road construction 2 – workers finishing the road, 12 November 2012 | 155 |
| Figure 6.3: Contributions to PNPM budget in Kromengan from the national budget (APBN) and the Malang district budget (APBD), 2009-2013 (in IDR billion)..... | 174 |

LIST OF ACRONYMS AND INDONESIAN TERMS

| | |
|----------------------|--|
| ADB | Asian Development Bank |
| APBD | Anggaran Pendapatan dan Belanja Daerah/ local government budget |
| APBN | Anggaran Pendapatan dan Belanja Negara/ national budget |
| <i>Arisan</i> | Rotating savings and credit association |
| <i>Bappenas</i> | Badan Perencanaan Pembangunan Nasional/ Indonesian national development planning agency |
| BI | Bank Indonesia/ Indonesia's central bank |
| BKIA | Balai Kesehatan Ibu dan Anak/ mother and children health centre |
| BKKBN | Badan Kependudukan dan Keluarga Berencana Nasional/ national bureau for demography and family planning |
| BLT | Bantuan Langsung Tunai/ unconditional cash transfer |
| BPS | Badan Pusat Statistik / Indonesian Bureau of Statistic |
| BRI | Bank Rakyat Indonesia/ people's bank of Indonesia |
| <i>Bupati</i> | District Head |
| CDD | Community-Driven Development |
| CDF | Comprehensive Development Framework |
| CP | Community Participation |
| CPS | Country Partnership Strategy |
| <i>Depdagri</i> | Departemen Dalam Negeri/ Ministry of Home Affairs |
| <i>Desa</i> | Village |
| DPD | Dewan Perwakilan Daerah/ Senate |
| DPR | Dewan Perwakilan Rakyat/ the legislative |
| <i>Dusun</i> | Hamlet |
| FDI | Foreign Direct Investment |
| FK | Facilitator <i>Kecamatan</i> |
| FT | Facilitator Teknik/ technical facilitator |
| <i>Gotong-royong</i> | Working together |
| HRW | Human Rights Watch |

| | |
|--------------------------|---|
| ICW | Indonesian Corruption Watch |
| IDT | Inpres Desa Tertinggal/ Presidential Instruction for underdeveloped village |
| IEG | Independent Evaluation Group |
| IPPMI | Ikatan Pelaku Pemberdayaan Masyarakat Indonesia/ Indonesian union of empowerment society sector |
| IPTW | Insentif Pembayaran Tepat Waktu/ incentive for on-time payment |
| JICA | Japan International Cooperation Agency |
| JMC | Joint Membership Committee |
| <i>Kabupaten</i> | District |
| KDP | <i>Kecamatan</i> Development Program |
| <i>Kecamatan</i> | Sub-district |
| <i>Keppres</i> | Keputusan Presiden/Presidential Decision |
| KPK | Komisi Pemberantasan Korupsi/ corruption eradication commission |
| <i>Krakalan</i> | Harvest tax |
| KY | Komisi Yudisial / judicial committee |
| LKMD | Lembaga Ketahanan Masyarakat Desa (village council) |
| LPU | Lembaga Pemilihan Umum/ public election body |
| MA | Mahkamah Agung/ Supreme Court |
| MAD | Musyawarah Antar Desa/ inter-village meeting |
| <i>Menkokesra</i> | Coordinating Ministry of Social Welfare |
| <i>Menkoperekonomian</i> | Coordinating Ministry of Economy |
| MK | Mahkamah Konstitusi / constitutional court |
| MPR | Majelis Permusyawaratan Rakyat / People's Consultative Assembly |
| <i>Musrenbang</i> | Musyawarah Perencanaan Pembangunan/ development planning meeting |
| <i>Musyawarah</i> | Public meeting |
| ODI | Overseas Development Institute |
| OECD | Organization for Economic Co-operation and Development |

| | |
|-------------------------|---|
| PJOK | Penanggung Jawab Operational Kegiatan/ people responsible for operations and activities |
| <i>Polindes</i> | Poliklinik Desa/ village health clinic |
| <i>Poskesdes</i> | Pos Kesehatan Desa/ village health centre |
| <i>Posyandu</i> | Pos Pelayanan Terpadu/ integrated health centre |
| PP | Peraturan Pemerintah/Peraturan Pemerintah Pengganti UU/ government regulations |
| PPLS | Program Pendataan Perlindungan Sosial/ social protection data program |
| PRSP | Poverty Reduction Strategy Paper |
| PSF | PNPM Support Facility |
| <i>Pulung</i> | Luck |
| PWC | Post-Washington Consensus |
| SPE | Structural Political Economy |
| <i>Sunatan</i> | Circumcision |
| <i>Swadaya</i> | Self-finance |
| <i>Tanggung-renteng</i> | Shared liability |
| TNP2K | Tim Nasional Percepatan Penanggulangan Kemiskinan/national team for the acceleration of poverty reduction |
| TPK | Tim Pengelola Kegiatan/ community project implementation team |
| TPU | Tim Pembuat Usulan/ proposal unit team |
| <i>Undang-undang</i> | Law |
| UNDP | United Nation Development Programme |
| UPK | Unit Pengelola Kegiatan/ sub-district financial management unit |
| ViCIS | Violent Conflict in Indonesia Study |
| <i>Wayang</i> | Traditional Javanese puppet performance |
| WDR | World Development Report |

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ABSTRACT

Indonesian poverty reduction programmes have been in place since the 1990s. The first was *Inpres Desa Tertinggal* (IDT), a presidential instruction for underdeveloped villages initiated from 1995 to 1997. This was followed by the World Bank's *Kecamatan Development Program* (KDP), which operated from 1997 to 2006. The World Bank claimed the KDP a success, leading the government of Indonesia to duplicate it in 2007 under a flagship initiative named the *Program Nasional Pemberdayaan Masyarakat* (PNPM); in English, the National Program for Community Empowerment. This programme was implemented under the Yudhoyono administration (2007-2014). When President Joko Widodo (Jokowi) took power in 2014, PNPM was sustained under Village Law 6 enacted that year. Indonesian observers characterized this law as 'PNPM Plus', with the 'Plus' referring to the law's addition of community-driven development to the elements previously used in PNPM.

As the current research emphasizes, all of these programmes (IDT, KDP, PNPM and now the Village Law) are expressions of neoliberalism, with institutional reform and political technology (participation and consultation) forming their very backbone. The problem started when these programmes confronted the Indonesian social and political context. First, they faced the exercise of power and advancement of interests by a range of actors, from national to local level. Second, they clashed with existing social and political structures, particularly at the village level. Recognizing the situation, PNPM needed an anticipation strategy. Ultimately, the strategy chosen to anticipate these issues was to bypass national administrative and bureaucratic structures. Indeed, the Indonesian bureaucracy was known to be heavily influenced by vested interests, elite capture, rampant corruption and the practice of informal politics (in particular in the context of decentralization). The design of PNPM used this bypassing strategy until 2010. From 2010 onwards, the programme was integrated into the national development planning system. That integration was achieved with the enactment of presidential instruction (*Instruksi Presiden* or *Inpres*) 5/2010. A key way in which PNPM was brought into the national development planning system was with the merging of PNPM's inter-village project vetting and fund allocation meeting with the meeting held to gather ideas for the national development plan.

Nonetheless, PNPM's integration into the national development system raised serious concerns about the programme's vulnerability to being hijacked by the different interests embedded in the context of Indonesian decentralization. In addition, PNPM was considered susceptible to intervention by elites in its implementation at the village level. This study therefore analyses how existing power structures and various interests in Indonesia influenced PNPM processes and outputs.

This study analyses two cases, reflecting the dynamics of PNPM in terms of programme implementation and its degree of capture by local interests. Both cases were in Malang regency. The first case concerns PNPM implementation in Gadingkulon, in the sub-district of Dau; while the second case looks at PNPM in the village of Ngadirejo, in the sub-district of Kromengan.

In both Gadingkulon and Ngadirejo, PNPM processes and outputs were largely determined by four factors: local context, power dynamics, the work of facilitators and, most importantly, decentralization. In Ngadirejo, elite conflict had particular influence on PNPM processes. The influence of elites was magnified there by a weak facilitator's role. In contrast, PNPM processes were relatively smooth in Gadingkulon, due to an absence of conflict, the presence of a skilful and experienced facilitator and good coordination by the PNPM management unit. However, both cases share commonalities. First, both had low rates of community participation in decision-making. Second, in both cases, PNPM empowered a few individuals instead of the community as a whole. Last and most importantly, in both cases bureaucratic complexity and deliberate elite capture were identified.

This research contributes to debates and discussions about development, with the final conclusion being that development inexorably involves power struggle. This research also provides useful lessons for the further implementation of the Village Law in Indonesia, as this newer legislation seems to have experienced similar problems as PNPM.

SAMENVATTING

Sinds de jaren negentig bestaan er armoedebestrijdingsprogramma's in Indonesië. Het eerste was *Inpres Desa Tertinggal* (IDT), een presidentiële instructie voor onderontwikkelde dorpen die van 1995 tot 1997 van kracht was. Hierop volgde het *Kecamatan Development Program* (KDP) van de Wereldbank, dat van 1997 tot 2006 liep. Volgens de Wereldbank was het KDP een succes, en de Indonesische overheid nam het in 2007 over in een toonaangevend beleidsinitiatief genaamd *Program Nasional Pemberdayaan Masyarakat* (PNPM): Nationaal Programma voor Community Empowerment. Dit programma werd ingevoerd door de regering Yudhoyono (2007-2014). Toen president Joko Widodo (Jokowi) in 2014 aantrad, werd het PNPM voortgezet krachtens de Dorpswet 6 die dat jaar werd aangenomen. Indonesische waarnemers noemden deze wet 'PNPM-plus' omdat hierin ook door de gemeenschap geïnitieerde ontwikkeling was opgenomen, een element dat in het voorgaande PNPM ontbrak.

In dit onderzoek wordt benadrukt dat al deze programma's (IDT, KDP, PNPM en nu de Dorpswet) uitingen zijn van neoliberalisme, waarbij institutionele hervorming en politieke technologie (participatie en raadpleging) de pijlers vormen. Deze programma's bleken niet probleemloos te kunnen worden ingevoerd binnen de Indonesische sociale en politieke context. In de eerste plaats was er sprake van machtsuitoefening en de bevordering van eigenbelang door allerlei actoren, van nationaal tot lokaal niveau. Ten tweede botsten de programma's met bestaande sociale en politieke structuren, vooral op dorpsniveau. Om deze problemen het hoofd te bieden, besloten de beleidsmakers uiteindelijk om de landelijke bestuurlijke en bureaucratische structuren te omzeilen. Het was immers bekend dat de Indonesische bureaucratie sterk werd beïnvloed door gevestigde belangen, elitepolitiek, ongebreidelde corruptie en informele politiek (met name op het gebied van decentralisatie).

Bij de opzet van het PNPM is tot 2010 gebruikgemaakt van deze omzeilingsstrategie. Vanaf 2010 is het programma geïntegreerd in de nationale ontwikkelingsplanning. Die integratie kwam tot stand met de bekrachtiging van de presidentiële instructie (*Instruksi Presiden of Inpres*) 5/2010. De samenvoeging van de PNPM-bijeenkomst voor de doorlichting van het dorpenproject en de toewijzing

van middelen met de bijeenkomst om ideeën te verzamelen voor het nationale ontwikkelingsplan was cruciaal om het PNPM in de nationale ontwikkelingsplanning te integreren. Niettemin leidde het opnemen van het PNPM in het nationale ontwikkelingsstelsel tot ernstige bezorgdheid over het risico dat het programma zou worden geëkaapt door de verschillende belangengroeperingen binnen de context van de Indonesische decentralisatie. Bovendien werd de kans op interventie door de elite bij de invoering van het PNPM op dorpsniveau aanzienlijk geacht. In deze studie wordt daarom nagegaan hoe bestaande machtsstructuren en conflicterende belangen in Indonesië het verloop en de resultaten van het PNPM hebben beïnvloed.

Dit onderzoek bestaat uit twee casestudy's waarin de dynamiek van het PNPM tot uitdrukking komt in de implementatie van het programma en de mate waarin plaatselijke belangengroeperingen het zich toe-eigenen. Beide casussen waren in het district Malang. De eerste casus betreft de implementatie van het PNPM in Gadingkulon in het subdistrict Dau. De tweede casus gaat over het PNPM in het dorp Ngadirejo in het subdistrict Kromengan.

Zowel in Gadingkulon als in Ngadirejo werden het verloop en resultaten van het PNPM grotendeels bepaald door vier factoren: lokale context, machtsdynamiek, inbreng van degenen die het proces coördineren en decentralisatie. Deze laatste factor was de belangrijkste. In Ngadirejo had vooral het conflict binnen de elite invloed op het verloop van het PNPM. De invloed van de elite werd daar vergroot door een zwakke rol van de coördinator. In Gadingkulon verliep het PNPM daarentegen betrekkelijk soepel. Er waren geen conflicten, er was een bekwaame en ervaren coördinator en een goede begeleiding door het PNPM-management. Toch vertonen beide gevallen overeenkomsten. Ten eerste nam de dorpsgemeenschap in beide gevallen slechts in geringe mate deel aan de besluitvorming. Ten tweede heeft het PNPM in beide gevallen slechts enkele individuen meer zeggenschap gegeven, in plaats van de gemeenschap als geheel. De laatste en belangrijkste overeenkomst was dat er in beide gevallen sprake was van bureaucratische complexiteit en opzettelijke beïnvloeding door de elite.

Dit onderzoek levert een bijdrage aan debatten en discussies over ontwikkeling, met als uiteindelijke conclusie dat ontwikkeling onlosmakelijk verbonden is met machtsstrijd. Uit dit onderzoek kan ook lering worden getrokken bij de verdere implementatie van de Dorpswet in Indonesië, aangezien bij deze nieuwere wetgeving soortgelijke problemen lijken te spelen als bij het PNPM.

CHAPTER 1

INTRODUCTION

Introduction

When visiting Trenggalek Regency in East Java in 2011, I met the village head. During our conversation, he said: ‘because of PNPM, the villagers are now against me. This never happened before’ (Interview with village head, 2011). For many Indonesian observers of rural areas, it is very unusual to find ordinary villagers challenging the village elite, and in this case a village head. For hundreds of years, the Indonesian rural elite, especially that in Java, has dominated all social and political relations. It was almost impossible to resist the power of this group.

The Trenggalek story inspired me to investigate the *Program Nasional Pemberdayaan Masyarakat*/ national program for society empowerment (PNPM) and the ways in which this program has impacted people’s behaviour, especially in rural contexts. In this study, I direct my attention to the factors that are enabling villagers to stand up against the village head and what means they have been choosing to do that in the context of PNPM.

It was 24-27 March 2015 when the World Bank held its Second Asia Regional Conference, ‘Scaling Up and Mainstreaming Community-Driven Development’ (World Bank 2015b). The event took place in Cebu, The Philippines, and was attended by more than fifteen delegations from countries across Asia, including Indonesia. The conference was about sustaining and mainstreaming community-driven development (CDD) (World Bank 2015). In Indonesia, CDD had been mainstreamed with the enactment of Village Law 2014. According to a senior social development specialist at the World Bank office in Jakarta, the Village Law continued CDD practices that had been embedded in the *Program Nasional Pemberdayaan Masyarakat* (PNPM) (Interview,

8 July 2013). In other words, Indonesia's Village Law 2014 could be characterized as 'PNPM Plus' (Interview, 8 July 2013).

During implementation of Village Law 2014 (which at the time of this writing was in its seventh year), various problems became evident. One of these problems was corruption. A report by Indonesia Corruption Watch (ICW) suggests that corruption rose considerably during the 2015-2017 period. Specifically, 17 cases were documented in 2015, 41 in 2016 and 96 in 2017. Of these 154 corruption cases during this three-year period, 112 involved village funds (Dana Desa) (Indonesia Corruption Watch 2018).¹ ICW noted several causes of this type of corruption, including limited villager participation in the development planning process, malfunctioning village institutions like the village council, lack of capacity of the village head and high cost of village elections (Indonesia Corruption Watch 2018). These problems underline the importance and urgency of drawing lessons from PNPM experiences, as the Village Law is largely a continuation of PNPM. In addition, mapping out and analysing experiences under PNPM could point to solutions regarding implementation of the Village Law in Indonesia. The next sections focus on the ideas behind PNPM as well as its implementation and practices in Indonesia.

1.1 Research Background

This research focuses on PNPM.² According to the World Bank, PNPM is a good example of the Bank's approach to poverty alleviation projects (*Jakarta Post* 2009). PNPM was initiated as a follow up to the Kecamatan Development Program (KDP), which had demonstrated positive impacts (though it also had negative ones; for further discussion, see Carroll 2009a and Fang 2006). Particularly, the KDP had a wide array of successes in building infrastructure and strengthening local governance. These were claimed by the World Bank as evidence that the programme had lifted many poor out of poverty (World Bank 2008). Because of this, other countries

¹ *Dana Desa* (village fund) is an amount of money from central government given to village. This is actually a mandate from Village Law 2014. Each village is given roughly US\$ 6 Million per year, depending on the size of the population, coverage area and poverty level.

² In the rest of this study, PNPM refers to PNPM-Rural

replicated the concept of community-driven development (CDD), which had been at the heart of both KDP and PNPM, viewing it as a promising method for poverty reduction (World Bank 2012). The World Bank assumed that using CDD would make Indonesia the leading middle-income country in South East Asia.

However, criticisms emerged during PNPM implementation. Independent reports and testimonies observed the programme's numerous constraints (SMERU 2011; IEG 2006; Interview, 2011). Evidence showed, moreover, that PNPM was experiencing problems of corruption, as well as low-quality CDD (Voss 2008; Interview, 2011). Aditjondro (2012) raised the following serious concerns regarding PNPM:

- Low level of participation
- Programmatic orientation only and not empowerment
- Insignificant synergy between government, society and stakeholders
- Corruption at village level
- Microfinance insufficiently dedicated to the poor
- Overemphasis on infrastructures
- Erosion of social capital

Apart from these problems, there is evidence of negative impacts caused by local bureaucrats who gained a greater role in the decentralized system, as argued by Hadiz (2004b).

1.2 Problem Statement

This research project analyses processes and dynamics of the World Bank's development agenda implemented in the context of a specific developing country. Thus, this research starts from the World Bank's mission in Indonesia, which focuses especially on poverty reduction programmes and accompanying interventions. Interventions by the World Bank do not necessarily result in poverty reduction, though this may be the intended objective. On the contrary, other undesirable social and political impacts may emerge. For example, World Bank initiatives may lead to power struggles in communities where these programmes are implemented. An example illustrates the problems that have been caused by donor programmes in the country.

In Indonesia, democracy, decentralization, governance and participative development programmes were implemented in the aftermath of the Suharto regime. These programmes were introduced mainly by international organizations, in particular the World Bank, but they generally did not yield their intended results. At the national level, the new system compelled the old oligarchy to reorganize and become part of the democratic system. At the district level, implementation of decentralization faced complexities and uncertainties. As Indonesian political scientist Daniel Sparingga argued, ‘Decentralization revived old political structures that probably were and are anti-democratic in nature. The awkward transition created a phenomenon of free-floating elites’ (*Jakarta Post* 2008).

Administrative structures of donor programmes are generally quite complex. Three particular complexities related to the PNPM warrant mention:

- PNPM proved vulnerable to capture by local elites because, for instance, the quality of public meetings was doubtful, since marginalized people (especially poor women) were not involved and meeting proceedings were dominated by the more powerful participants.
- In the wake of decentralization, powerful local actors such as legislative members, religious leaders, village heads, programme facilitators and members of political parties had greater power to influence decisions.
- PNPM could generate social tension, as in some cases the programme instigated changes in social and political interactions among villagers. These changes in behaviour and attitudes sometimes lead to social conflict.

All of these complexities, as well as the problems mentioned earlier, constitute the research puzzle analysed in this study.

1.3 Research Objectives

Based on the issues identified above, the objective of this research is three-fold:

- To understand better the poverty reduction programme of the World Bank in Indonesia.
- To explain how decentralization in Indonesia influenced processes in the PNPM poverty reduction programme.

- To draw lessons and document experiences of the Indonesian poverty reduction programme for the benefit of other countries with similar programmes.

At the intersection of these three objectives is the village and villagers. This is thus where the primary focus of this research lies. The village and villagers are both the arena and target of PNPM implementation.

1.4 Research Questions

The current research focuses on the dynamics of power struggle in PNPM implementation. As PNPM was a programme implemented in a context of decentralization, it created space for actors at the national, regional/district and local/village levels to further their interests. It became an arena of power contestation between elites in these various administrative layers. The forthcoming chapters examine how that contestation rolled out from the central administrative layer down to the village layer. Moreover, this research exposes social and political change at the village level linked to PNPM.

Based on the issues mentioned above, this study is guided by the following main research question:

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

To answer this question, I broke it down into three further research questions, each of which contains two or three separate strands of enquiry, as follows:

1. Did PNPM conform to socio-institutional neoliberalism (SIN)?
 - Was PNPM an expression of SIN in regard to its emphasis on participation as a political technology element?
 - What were the Indonesian government's responses to the World Bank's agenda in Indonesia?

2. How did decentralization influence implementation of PNPM-Rural?
 - What forms did decentralization take in Indonesia?
 - How did existing problems in decentralization shape PNPM implementation on the ground?
3. How did the institutional arrangements under PNPM shape the way people in the village interacted?
 - How was CDD implemented under PNPM?
 - How were power contests managed in local communities where PNPM was implemented?
 - Did PNPM achieve its chief objectives, which were poverty reduction and an empowered community?

1.5 Methodology

1.5.1 Case Selection

As poverty reduction was a main goal of the PNPM, this research was conducted in East Java Province, as this province has one of the highest poverty rates in Indonesia. The selection also considered location and population. Regarding poverty, PNPM funds allocation was dependent on the poverty rate within a village. For villages in which 10% or more of households (more than 3000 households) lived in poverty, IDR 100 million (US \$ 10.752) in funding was given.³ The greater the number of poor, the more funds were allocated (Menkokesra 2012). In East Java Province, all districts and municipalities (in total 38) were allocated PNPM funds (PNPM Rural and PNPM Urban), amounting to IDR 916,853,000 (US \$9 million) in 2012.

Malang *Kabupaten* (*Kabupaten* means ‘district’) was chosen as the research location for two main reasons: number of poor and access. This district had the second highest number of poor residents in East Java – just slightly less than the first-ranked district of Jember. In addition, Malang was chosen because this area is my hometown and thus was more accessible to me in my capacity as researcher than other districts. Within Malang, two villages were selected based on their PNPM performance. The first village represents more successful PNPM implementation, with the second being

³ This calculation only applies in Java, where the exchange rate was 1 US\$= IDR 9,300.

less successful. As the World Bank office in Jakarta provided no clear indicator of success under the programme, I categorized villages as more or less successful based on their project completion track record. 'More successful' was taken to mean that all projects were completed in a one-year period, whereas 'less successful' means that not all projects were completed in the one-year period.

1.5.2 Methods

This research applies a qualitative methodology, using multiple methods. Methods were selected to correspond to the type of data used to answer the study questions.

The first method is document analysis, which is appropriate for answering questions for which data are mostly available in the literature and publications. The second method is observation. Observation is commonly used in qualitative research. Regarding PNPM, my observation served several purposes. First, observation allowed me to unfold changing interactions within the local community. As the domain of this research is power dynamics and socio-political interaction in the village context, I needed to be on location, to see, interrogate and participate on a day to day basis. Observation also enabled me to explore shared norms, culture and beliefs in the community, not only from my own perspective as researcher but also from 'the eyes' of the research subjects:

Observation enables researcher to observe facts about particular community. Also, this gives researcher a chance to be 'insider' rather than 'outsider' as many communities are often reluctant responds stranger. Being part of community produces more facts about the communitiy (Dong 2006: 180 citing Walsh 2001: 218)

According to Bryman (2004: 266), qualitative method has five distinct components. These are seeing through the eyes of participants; description and context; process; flexibility and lack of structures; and concept and theory as the results of the research process.

The third method used in this research is the semi-structured interview. Most researchers applying a qualitative methodology use interviews to obtain information that is relevant and important. The interview is a tool for gaining personal views about events or phenomena under study. It provides subjective opinions of persons towards their experiences and events (Kvale and Brinkmann 2009: 1). Though doing interviews is sometimes understood as a simple and straightforward process, conducting a good interview is by no means easy. Interviews can be used to gain information across a wide spectrum of sectors and levels of respondents, from bureaucrats highly placed in government agencies, to international donors and the populace of rural villages. Interviews may seek information about respondents' life history, perceptions, opinions and shared experiences.

In the current research, I conducted various types of interviews. As this research recognizes three administrative layers, namely the central, district and village, the interview strategy was designed to correspond with these layers. In total 35 interviews were conducted: 8 with PNPM Support Facility (PSF) staff in Jakarta; 2 with Ministry of National Development Planning (*Bappenas*) senior staff; 3 with officials at the Ministry of Home Affairs (MoHA) (by phone); 1 with an expert on Indonesian villages based in Jogjakarta; 10 with local government representatives; 1 with a PNPM coordinator; 6 with people within the district; and 4 with villagers.

The final research method used is the survey. To better understand perspectives on PNPM, two purposive samples were selected, respectively, of the poor, which were the target group of the PNPM, and of elites. In total, some 100 households were surveyed in the two study villages (50 each). Twenty representatives of the elite were surveyed (10 in each village).

1.6 Organization and limitations of the research

This dissertation contains seven chapters. Following this introductory chapter, Chapter 2 presents the theoretical framework for the research. This clarifies the theory and concepts applied. Each strand of theory and each concept used in the research provides an analytical tool. Following each concept's introduction, a question is posed as a 'hook', to be answered in the chapters to follow.

Chapter 3 presents the general context of the research, which at the most general level is Indonesia. Decentralization and its embedded problems are particular aspects of the Indonesian context that are explored. The objective of this chapter is to introduce readers to specifics about the location and context in which PNPM was implemented.

Chapter 4 zooms in on PNPM. This is important not only to gain an understanding of PNPM as a neoliberally slanted poverty reduction programme, but also to answer the research questions posed in this chapter. Specifically, Chapter 4 explores the neoliberal characteristics of both PNPM and, more broadly, the World Bank's poverty reduction mission in Indonesia.

Chapters 5 and 6 present the village case studies. These chapters answer questions regarding power struggle between elites in the context of decentralization, particularly at village level. The chapters also investigate socio-political changes in the villages.

Finally, Chapter 7 reflects back on the questions posed in the previous sections, answering them, summing up and concluding the research.

Before proceeding, some limitations of this research should be noted. First, it took considerable time from the inception of the research to arrive at this stage. In total, the research spanned almost 10 years. There were delays due to personal reasons, and the process of completing the PhD took longer than first anticipated. This does not detract from the urgency of the research, as Village Law 2014 has confronted many issues in implementation. These issues have forced Indonesian observers as well as community development workers to seek out and read studies such as the current research, both as a valuable reference and a guide to derive lesson learned.

Conclusion

Implementation of Indonesia's Village Law 2014 has raised serious issues and concerns which call for practical solutions. Key among these are rampant corruption, elite capture and low participation. In the search for solutions, research and lessons from previous programmes can be highly valuable. The present research provides such insights and lessons.

This research demonstrates the clash between the particular approaches taken within the World Bank's poverty reduction programme in Indonesia and the broader context in which the programme operated. More specifically, the study focuses on the clash between the program objectives and the power and interests of particular groups, either at national or at local level. PNPM is an example of this. Evidence and prior research demonstrate that PNPM could hardly be separated from its local context – particularly the process of decentralization which was implemented in Indonesia at the time, in which power and interests are embedded. Added to this, PNPM tasks and objectives became integrated into the regular development planning bureaucracy, which raises the question of whether and if so how the programme's characteristics were sustained within this system. The research also tests the neoliberal-patterned approach of PNPM as it confronted existing social and political structures in Indonesian society. Ultimately, this research demonstrates that development is not only about 'public goods' and collective action; rather, development is also about power struggle.

CHAPTER 2

LOCATING PNPM THEORETICALLY

Introduction

PNPM emphasized a number of the World Bank's core concepts, such as attention to institutional setting, participation and empowerment. According to Carroll (2009b:452), however, the problems arise when implementing these on the ground, because the existing social and political context determines how these concepts roll out. As observed in Chapter 1, decentralization was a key feature of the context in Indonesia.

In a nutshell, decentralization in Indonesia was characterized by the dominance of 'informality' both in government administration and in politics, from the national level to the district and village levels. Informality in politics included such practices as vote-buying, bribery, corruption, patronage and clientelism. These appeared to be more dominant than the co-existing formal rules, institutions and incentives. This has been recognized by numerous authors, such as Robison and Hadiz (2004) on reorganizing the political elite; Berenschot (2015) on clientelism in South East Asia and Aspinall and Sukmajati (2016) on the Indonesian election of 2014. Their writings are similar in that they problematize Indonesian decentralization. In fact, the design of PNPM anticipated these issues by insulating the programme from the regular government bureaucracy.

Insulation is a 'typical' World Bank populist strategy for poverty reduction programmes. Insulation here means a separation between markets and politics. Hutchison et al. (2014:2) described this as follows:

Perhaps the predominant approach has been that championed by the World Bank, aimed at insulating markets from the contending rationality of politics and constructing a technocratic form of authority that could rise above vested interests. Subsequently, we have seen more populist strategies aimed at bypassing the predatory interests that form within and around the governments of developing economies and which seek to directly mobilise civil society behind the market agenda.

With regard to PNPM, insulation was aimed at separating implementation of the programme from corrupt bureaucratic interference.

From 2010 to 2014, PNPM implementation was merged into the regular national development planning system. This raised concerns about how the context of decentralization might affect implementation of the programme's tasks and objectives. This chapter presents the analytical frameworks and concepts with which we delve into these issues.

2.1 Towards a theoretical understanding of the PNPM framework

A number of theories and concepts are important to understand PNPM's theoretical underpinnings. These are outlined below.

2.1.1 *Post-Washington Consensus*

The ten reforms were the following:

- Fiscal discipline
- Reordering public expenditure priorities
- Tax reform
- Liberalizing interest rates
- Competitive exchange rates
- Trade liberalization
- Liberalization of inward foreign direct investment

- Privatization
- Deregulation
- Property rights

The World Bank and International Monetary Fund (IMF) long deemed these reforms appropriate for application in developing countries. In particular, they were implemented across Latin America starting in the 1950s (Williamson 2009:7). In his concluding remarks to his 1989 paper, Williamson argued that these reform policies encompassed three core ideas, namely ‘disciplined macroeconomics policies, the use of markets and trade liberalization’, all of which had been identified as important by the international financial institutions (IFIs) (Williamson 2009:22). This combination of reform policies has variously been referred to as ‘market fundamentalism’ and ‘neoliberalism’ (Williamson 2000:2). In a similar vein, Stiglitz (2004: 1) argued that the Washington Consensus reflected a development strategy which emphasized privatization, liberalization and macro stability, alongside limiting the role of government.

The failure of the Washington Consensus became evident when these policy reforms fell short in addressing issues of poverty (Williamson 2000:11). The Washington Consensus was also challenged by the relative success of the developmental state model in East Asian countries,⁴ compared to the market fundamentalism model promulgated by the Washington Consensus (Stiglitz 2004:3). In relation to the role of the state, Stiglitz (1998: 1) went on to say, ‘Making markets work requires more than just low inflation; it requires sound financial regulation, competition policy, and policies to facilitate the transfer of technology and to encourage transparency, to cite some fundamental issues neglected by the Washington Consensus (Stiglitz 1998:1).

In the mid-1990s, the World Bank promoted a new agenda, named the Post-Washington Consensus (PWC), which incorporated other dimensions besides economic development, not least a political dimension. Promotion of good governance under PWC signalled the World Bank’s shift to a more political approach in its operations, with targets identified for poverty reduction, population growth, food security and cultural preservation (WDR 2000). ‘Political approach’ meant that the World Bank developed policies specifically for creation of new institutions to enhance growth and development (Prechel 2007: 8). In particular, the World Bank

⁴ The developmental state model emphasizes the role of the state.

emphasized institutional reform – as part of PWC – in developing countries as a precondition for better development outcomes.

The 2000 World Development Report (WDR) gave special attention to the role of state and social institutions as an engine of development. It also considered how decentralization could benefit the poor. The World Bank believed that institutional reform and decentralization could work to safeguard political stability (WDR 2000: 106). However, statements in the report point to a wider goal of the PWC agenda (subscribed to by the World Bank), beyond making ‘fundamental economics’ work; indeed, extending to promotion of social transformation (Williams 2008: 6).

Based on this idea, in the ensuing years the World Bank focused not only on getting market rights but also on generating platforms and institutions to entrench markets. This strategy was clearly explained by Rodrik (2006). Without institutions, markets were said to face problems, such as social conflict, fraud, anti-competitive behaviour, lack of rule of law and compromised government. Moreover, without appropriate institutions, transaction costs and transformations in processes of production would be relatively high (Aron 2000:100). It was important for donors – like the World Bank – to pay attention to this. As such, donors have been willing to support activities to improve the capacities of institutions, like the mass media, police, state policymaking units, political parties, human rights organizations and the like (Moore 1995:89).

Next to institutions, the governance element is an important part of PWC. While the World Bank noted that having adequate institutions is a precondition for good governance, the Bank (1994: vii) defined governance as ‘the manner in which power is exercised in the management of a country’s economic and social resources for development’.

The World Bank’s standard of good governance notes the need for improvement in a number of areas, particularly, rules for seeking and holding public office, adequacy of resources for sectors and local authorities, public expenditure and revenue, legal and regulatory frameworks, and rules for economic management (World Bank 2001: Ch. 8). In this regard, the term ‘governance’ has been used by the World Bank merely to refer to governmental processes. In its sub-Saharan Africa report of 1989, the World Bank defined governance similarly as ‘the state’s institutional arrangement; the process

for formulating policy; decision-making; and implementation; information flows within government; and the overall relationship between citizen and government' (World Bank, 1989: 3). The World Bank implicitly recognized the need to supplement the state-centric model of governance with a strong emphasis on triangular relations between the developmentalist (neo-Keynesian) state, businesses and democratic civil society (WDR 2000, as cited by MacLean 2001: 5).

2.1.2 *The Murdoch School*

In this sub-section, I discuss the approach to political economy of the 'Murdoch School'. This label refers to the work of a number of scholars who are associated with the Asia Research Centre at Murdoch University, Perth, Australia. Grounded in Marxist political-economy analysis, the Murdoch School stresses that 'political outcomes are primarily determined by struggles between socio-political forces, especially social classes and class fractions, but also ethnic religious, gendered and state-based groupings. Such groups have different social, economic and political positions, resources and agendas, and they struggle against one another to obtain power and control over resources, forming coalitions to advance and defend their interests' (Hameiri and Jones 2020:15). Although Murdoch scholars have been addressing a range of different issues, the discussion in this section focuses on how state institutions are perceived in analyses of the Murdoch School.

As political outcomes are understood as the products of power struggles, state institutions are seen in a similar way. Murdoch scholars argue that institutions are never neutral because they 'distribute power and resources, they are always fought over – sometimes violently – by social groups seeking to entrench their preferences as policy, to empower themselves and/or their allies, and to direct resources towards favoured entities' (Hameiri and Jones 2020:15). Taking this analysis further, it is assumed that state institutions (and state programs such as PNPM) are subject to political interests and elite intervention. Hameiri and Jones(2020:16) also emphasize that the power struggle is embedded within (changing) processes of global social relations.

Operating within the theoretical framework of the Murdoch School, Hutchison et al. (2014) presented an analysis of power struggles and their dynamics operating within international aid relations. These authors referred to their analysis as 'structural

political economy' (SPE). The SPE approach is felt to be very relevant for the analysis of PNPM and therefore the next sub-section presents some more detail about this interpretation.

2.1.3 Structural political economy

Considering the context in which PNPM was implemented, as stated in Chapter 1, from the start PNPM was understood to be vulnerable to appropriation by vested powers and interests. A number of theories or frameworks can serve to explain these. First is structural political economy (SPE) theory, developed by Hutchison et al. (2014). SPE, in general, provides a different route for interpreting development, including its features, the roles of institutions and the power dynamics and struggles among the people touched by a development process. SPE, in addition, pays explicit attention to the deeper, underlying political-economy structures of power and interests.

Two key details of SPE theory make it especially appropriate for use in this research. First, SPE concerns the way markets may be insulated from the predatory interests embedded in government by applying a bypassing technique (Hutchison et al. 2014:2). This reflects the PNPM design, as the programme was designed in such a way as to be set apart from the regular bureaucracy. Second, SPE recognizes 'social capital' as a driving force for the market agenda (Hutchison et al. 2014: 3). This is similar to a core principle of PNPM, which was to use existing social institutions such as public meetings (*musyawarah*). Third, SPE is concerned with power struggle, in particular, regarding the institutional frameworks that regulate social behaviour.

SPE theory thus brings to the fore a crucial component largely neglected by other approaches, such as public choice political economy (Hutchison et al. 2014:2). In particular, in development projects people seem to use their power to influence the project and get more resources from it. Chambers (2006a) stated that people obsess over getting more power and this becomes a zero-sum mindset in which 'one's gain sounds like another's loss'. In addition, power is linked to 'authoritarianism, bossing, control, discipline, domination' (Chambers 2006a). Power is an important element in SPE theory. To understand it more fully, the concept of power is examined below.

Power

Different people understand power in different ways. Mostly, power is found in social relations (Dahl 1957, Dahl 2002:8-25). Dahl concluded that, ‘*A* has power over *B* to the extent that he [sic] can get *B* to do something that *B* would not otherwise do’ (Lukes 1986:2). Further, he proposed that persons with greater resources also have greater power. Here, things that can be classified as resources are respect, rectitude, affection, well-being, wealth, skill and enlightenment.

In fact, power need not be limited to the above-mentioned zero-sum game in which one person’s win means another person’s loss. A research group at the Institute of Development Studies (IDS) proposed a multidimensional approach and understanding of power. Instead of defining power as a zero-sum game, the group identified four categories of power as follows (Powercube 2017):

- *Power over* : the ability of the powerful to affect the powerless.
- *Power to* : the capacity to act.
- *Power within* : possession of a sense of identity, confidence and awareness.
- *Power with* : synergy caused by partnership and collaboration with others or processes of collective action and alliance-building.

With regard to these categories, the *power to* is most relevant to the PNPM context, as the programme sought to empower people in a particular category.

Sub-section 2.1.2, which discussed the general tenets of the Murdoch School’s approach to political economy, indicated that institutions are never neutral instruments of politics and policy making. The next sub-section focuses on the work of Murdoch scholar Toby Carroll, which provides an institutional analysis of the Post-Washington Consensus and its implementation in Southeast Asia (especially Indonesia).

2.1.4 Socio-institutional Neoliberalism

The next concept of importance in this research is socio-institutional neoliberalism (SIN), as proposed by Toby Carroll. Carroll (2009a: 448) defined SIN as ‘a bundle of prescriptions and a set of methods and mechanisms to shape the political terrain in the underdeveloped world towards the establishment and sustenance of

liberal market societies'. Carroll saw SIN as a bedrock for the PWC's promotion of neoliberal development governance. Carroll (2009b: 450) went on to point out that SIN incorporates political technology (participatory process and consultation) as well as the role of institutions.

SIN is also a form of governance promoted by both the World Bank and IMF aiming to establish liberal markets (Carroll 2010a:2). This political project, according to Carroll, comprises two crucial components: the state market reform agenda and mechanisms to sustain that agenda. SIN's emergence can be attributed to the fact that the World Bank's development projects had been characterized by low participation and exclusive policymaking processes, though these were recognized as obstacles to the establishment of market societies (Carroll 2010a:vii). Why is SIN important in this research?

SIN is embodied in the World Bank poverty reduction strategy in which the overall goal is 'the perpetuation of the institutional and infrastructure required for global capitalist accumulation and the transformation of social relations (proletarianization) that this entails' (Carroll 2009c:450). Further, Carroll argued that SIN is a next step in the evolution of neoliberalism, providing 'a massive and innovative delivery mechanism for extending capitalist social relations and the infrastructure (hard and soft) that these are thought to require' (Carroll 2009c:452). It can be drawn from this that SIN is a path for capital accumulation and deep marketization. The following paragraphs present concepts related to SIN.

Institutions

One prominent difference between the Washington Consensus and PWC is in the emphasis placed on institutions to improve market systems (Fine et al. 2003:xvii). The New Institutional Economics (NIE) proposed by Douglass North was influential here. North (1986) defined institutions as follows:

[I]nstitutions are the rules of the game of a society or more formally are the humanly-devised constraints that structure human interaction. They are composed of formal rules (statute law, common law, regulations), informal constraints (conventions, norms of behavior, and self imposed codes of conduct), and the enforcement characteristics of both.

More importantly, institutions were said to play a significant role in development. As written in the 2002 World Development Report (WDR), the World Bank believes that effective institutions enhance market development. Accordingly, '[i]nstitutions are rules, enforcement mechanisms and organizations' (World Bank 2002:6). Furthermore, Hoff and Stiglitz (2001:397) argued that institutions can be 'informal, personalized networks of relationship that impede development of market' and pervasive elements of 'political and social life (rules, norms, procedures)' (Mahoney and Thelen 2010:4). Following SIN, there are also social institutions, which are briefly explored below.

Social institutions

The term social institution refers to 'a set of mores, folkways and patterns of behaviour that deals with major social interests: law, church and family' (Marshall 2005:316). Another definition of social institution is 'social practices that are regularly and continuously repeated, are sanctioned and maintained by social norms, and have a major significance in the social structure' (S. Hill et al. 2000:200). In short, social institutions are more about practices embedded in society.

There are various types of social institutions; particularly, the economy (responsible for goods and services distribution), politics (for the use of and access to power), stratification (for distribution of resources and position), kinship (marriage, family and youth) and culture (for religion, science and art) (S. Hill et al. 2000: 201). Another perspective views social institutions as a systemic structure of social interaction (Hodgson 2006). Recognition of institutions in economics is considered an important part of economic development, due to the considerable role institutions play in economic policies. In a similar vein, sustained economic growth can hardly be achieved if economic policies disregard history, culture, ecology and power relations (Pronk 2002:ix).

Participation

In recent decades, concepts such as participation, empowerment and poverty reduction have dominated development paradigm (Cornwall and Brock 2005a:1044). Green (2010:3) defined participation as, 'the possibilities for groups with divergent

perspectives and interest to enter into temporary collaborations around shared objects of management'. In addition, participation encompasses other components, namely, effectiveness and efficiency, mutual learning and transformation (Mohan 2014:132). Here, 'effectiveness and efficiency' means that beneficiaries may improve institutions by getting involved in development projects. Whereas mutual learning is devoted to gaining better outcomes through teaching others and transformation for social change (Mohan 2014:132)

One of the leading scholars on participation, Sherry Arnstein, cited by Cornwall (2011:3), observed, 'My answer to the critical 'what' question is simply that citizen participation is a categorical term for citizen power. It is the redistribution of power that enables the have-not citizens, presently excluded from political and economic processes, to be deliberately included in the future.' Accordingly, the popular Arnstein's ladder of citizen participation extends from the non-partisan typology, namely, therapy and manipulation, to tokenism, which is consultation, informing and placation. The highest level of participation is called 'citizen power', which includes citizen control, delegated power and partnership (Cornwall 2008:270). The underlined message in this definition is that power eventually liberates people. Scholars like Robert Chambers, Paulo Freire and Arturo Escobar locate participation as a tool to gain power. At the same time, it is used for controlling government (Alejandro Leal 2007). In relation to implementation, most notably in development projects, several specific characteristics of participation can be named (Oakley 1991):

1. Participation is an input in development projects that entails economic benefits. The aim of participation is to enhance the success of a project.
2. Participation is used as an influential component in development projects that have been promoted by government or international donors.
3. Participation is concerned with the higher control over resources.

As a widely used concept, participation's meaning indeed depends on the context in which it is applied. Botes and Rensburg (2000) exposed obstacles that might hinder the participation process. They based their analysis on studies in South Africa, mainly in the context of urban upgrading. Ultimately, they concluded that a participation model is doable but the process is difficult, complex and challenging. Some of the obstacles, according to Botes and Rensburg (2000) are the following:

- Domination, manipulation and determination by professionals.
- Different perspectives on participation between people and government.
- Reports on a participation process mostly concern the success of it.
- People who participate are selected.
- Participation is regarded as a convenient way of implementing a project rather than as a valuable input.
- Conflicting interest groups in end-beneficiary communities.
- Gate-keeping by local elites.
- Excessive pressure for immediate results.
- Lack of concern for the public interest.

With all of these problems, participation would indeed seem difficult to implement. From sceptical point of view, Kothari (2001:141) argued that knowledge in participatory development is not embodied in practice but only demonstrated in material realities. Thus, she argued, participatory development ‘can unearth who gets what, when and where, but not necessarily the process by which the knowledge produced through participatory techniques is a normalized one that reflects and articulates wider power relations in society’. Criticism of participation also comes from field studies. Participation seems to be paradoxical and political, as it does not necessarily mean sharing power (White 1996). For the most part, people who participate in a development project are only involved as workers for pre-determined goals set by project management (Parfitt 2004).

All of these discussed theoretical elements will be useful for interpreting PNPM’s policy slant and underpinnings. In particular, these elements will be used, in Chapter 4, to answer the first research question related to whether and to what extent PNPM expressed a socio-institutional neoliberalism (SIN) agenda. Further, the theoretical elements introduced here will serve to analyse, through the case studies in chapters 5 and 6, whether PNPM was an expression of SIN in these instances, particularly with regard to its emphasis on participation as a political technology element.

Before moving onto the next section, which focuses on decentralization, let me provide a summary of the main elements of the discussion thus far. Chapter 1’s discussion of the program logic of PNPM and the context where it operated, showed that interests and the exercise of power at the central level in Indonesia were

very important determinants for the implementation of PNPM. Section 2.1, which provides the main theoretical building blocks for this research, emphasized that the political-economy analysis of the Murdoch School is a suitable approach for the analysis of PNPM. In particular, the attention within this approach to issues of power and interests, and to the role that power struggles play in the shaping of institutions, offers a solid foundation for the study of PNPM. Within the analysis of the Murdoch School, structural political economy focuses on the impact of the struggles over power and resources on development. Next, the analysis of socio-institutional neoliberalism identifies how neoliberal agendas of institutional reform are expressed in development programs. The next section zooms in on some theoretical dimensions of decentralization, which are important to understand the implementation context of PNPM.

2.2 Decentralization

Having explored the theory and concepts used in PNPM, I now move to the context in which PNPM was applied, specifically the influence of decentralization.

2.2.1 *Conceptualizing decentralization*

Decentralization can be conceptualized in three categories: political, administrative and fiscal (Von Braun and Grote 2000, Work 2002). Political decentralization refers to the transfer of political power and authority. Administrative decentralization generally refers to the transfer of selected resources, authorities, public provision and decision-making processes to local levels. Fiscal decentralization means budget reallocation from central to local levels (Work 2002). In addition, decentralization can take several forms: namely, devolution, delegation and deconcentration (Work 2002). According to the (Independent Evaluation Group 2008),

1. Devolution is full transfer of power and responsibility from central to local government where local government is fully autonomous and independent.
2. Delegation is partial transfer of power where there are still agencies of central government operating at the local level.
3. Deconcentration is transfer of responsibility to central administrative units in local government.

Among these three, devolution is considered the most ambitious form of decentralization whereas deconcentration is the least far-reaching (Independent Evaluation Group 2008).

2.2.2 *Environment for decentralization*

Decentralization takes place in an environment, which can enable or hinder effective decentralization. As decentralization brings government closer to its citizen, there is an assumption that a smaller-scale country might have more effective decentralization (Rondinelli et al. 1983). Though size does matter, research provides evidence that decentralization depends in larger part on political commitment than on scale (Jütting et al. 2005). Political commitment refers to the degree that political elites, in both central and local government, commit to the reform (Jutting et al 2004). Heymans et al. (2004) listed conditions for effective decentralization as follows:

- Structural factors, such as redistribution of power and access to resources.
- Functional autonomy, as it is important for local government to have autonomy in addition to definite roles and responsibilities; in this regard, coordination between levels of government is crucial.
- Supportive legislation, particularly, the set of regulations on decentralization should be clear and unambiguous.
- Clear fiscal framework, including clarity on revenues, expenditures, grants and borrowing.
- Accountability, monitoring and regulation, with both upward and downward accountability being crucial.
- Capacity development, to ensure the ability to organize, mobilize and manage resource allocation.
- Continuity and consistency in the process of reform over time.

Rondinelli et al. (1983) noted the importance of cultural context in determining the outcome of decentralization. Here, cultural context refers to the attitudes of locals towards government, as well as traditions and customs, such as the processes of participation determined by patriarchy found in Java, Indonesia (Widianingsih 2005:80). In this example, women may hesitate to come to public meetings for development planning because these meetings are dominated by men.

2.2.3 *Relation between administrative layers in decentralization*

Relations between administrative layers change when a portion of power is devolved to local authorities, as promised in decentralization. So-called ‘big bang’ decentralization, in the case of Indonesia, reduced the powers of central government but added powers and tasks for local government. The district and municipality were given authority over education, health, public works, arts and natural resource management (Hidayat and Antlöv 2004). Further, the relation between central and local government is marked by a fiscal arrangement in which the local government’s share of revenues is bigger.

Administrative relations between central and local government can worsen after decentralization if coordination is lacking. De Mello (2000) argued that transparency and institutional clarity between government tiers are required in order to avoid inefficiency. Not only that, coordination between administrative layers is likely to fail if the preferences of the layers differ after decentralization (Bird and Vaillancourt 1998:4). As an example, in a heterogeneous country like Indonesia, the various regions are entirely different from one another in their basic needs. Thus, at national level, designing a programme that can be applied throughout the country is extremely difficult (Shah et al. 1994). The solution proposed by Heller (2001: 138) is ‘coordinated decentralization’, in which ‘articulation between levels allows for resource coordination, the diffusion of innovation and information feedback’. Beyond this normative understanding of decentralization, some of its systemic problems warrant exploration.

2.2.4 *Problems in decentralization*

Elite capture

Dutta (2009:3) defined elite capture as a ‘phenomenon where resources transferred for the benefit of the masses are usurped by a few, usually politically and/or economically powerful groups, at the expense of the less economically and/or politically influential group’. Here, the elite are understood to be groups possessing power. In addition, the elite have been defined as ‘coalitions of incumbents on top positions in various social sectors such as politics, media, civil service and business’ (Engelstad 2007:2).

Conditions for elite capture

Regarding enabling conditions for elite capture, elite capture usually arises due to a gap between the objective of a development project and the existing local context. Development projects usually come from outside a community, and collide somewhat with existing social structures, especially in rural areas (Beath et al. 2011). Further, as also identified in other countries, elite capture is a result of asymmetric information, meaning that only a few people, normally the elite, are informed about the benefits a project will bring (Dutta 2009). Interestingly, the phenomenon of elite capture is also linked to relations between administrative layers. In order to *strengthen patron-client relations*, the elite in central government may establish strong connections with their counterparts in local government by facilitating elite capture at the local level (Crook 2003). However, elite capture is not always negative for development, as argued by Dasgupta and Beard (2007a). Based on their analysis of Indonesia's Urban Poverty Project (UPP),⁵ they found that projects controlled by the elite were benefiting the poor. Describing a case study in Malang City, East Java, they stated:

UPP in Kelor is an example of a project that is controlled by elites. Yet we found no evidence that project benefits are captured or ill appropriated. On the contrary, local residents characterize community leaders as fair and responsible caretakers of the poor. One possible explanation is that elites are capable of internal, horizontal monitoring when they derive their power from diverse sources, such as their role as teachers, civil servants and long-time residents in the community (Dasgupta and Beard 2007c:238).

Mitigating elite capture

Strengthening accountability, particularly among key stakeholders, is thought to limit elite capture (Johnson 2001). In addition, there seems to be a connection between vertical accountability and incidence of elite capture. When vertical accountability (upwards and downwards) is weak, problems such as corruption and elite capture are more likely to emerge. Though difficult, as elites have power resources, it is advised that they be excluded from decision-making processes, according to Wong (2010). This means that elites would not be invited to public meetings. This is risky, however,

⁵ UPP was a 'sister' program of KDP, implemented in urban areas.

because elites are part of their larger community. Leaving them out could create future problems. Therefore, community development projects must provide space for interaction between elite and non-elite groups (Fritzen 2007).

Corruption

There is serious concern about corruption in developing countries. In general, corruption is defined as an act to gain private benefit from public office, or '[o]fficials simply steal state assets' (Rose-Ackerman 1975). Another scholar defined corruption as 'involving a blurring of the distinction between the public and private spheres' (Manuhaia 2007:5). Corruption, further, has been defined as 'abuse of public power for private gain' and 'the misuse of entrusted power for private gain' (Manuhaia 2007:5). Likewise, Transparency International, an international non-governmental organization (NGO) concerned with corruption, has categorized corruption as 'grand, petty and political depending on the amounts of money lost and the sector where it occurs' (Transparency International 2015). Political corruption regards 'transactions between the public and private sectors such that collective goods are illegitimately converted into private-regarding payoffs' (Heidenheimer and Johnston 2011:6). Examples of political corruption include bribery, nepotism, patronage and misappropriation of funds. In terms of causes, according to (Lambsdorff 2006:3-50), the occurrence of corruption may be linked to the following elements:

- Size of the public sector, with larger governments associated with more corruption.
- Quality of regulation, with bad policies leading to corruption.
- Lack of economic competition, as restricted competition creates opportunities for politicians to gain profit.
- Government structure, with democracy thought to gradually reduce corruption.
- Forms of democracy, with presidential democracies tending to be more corrupt than parliamentary democracies.
- Decentralization, which reduces corruption by bringing government closer to citizens.
- Culture, as a high level of social trust helps to combat corruption.

Patron-client relations

Patron-client relations is a term widely applied in anthropology and political science. In the current study kinship and reciprocity are central (Boissevain 1966, Bearfield 2009). The relation between patron and client is always asymmetric, with the patron having more power than the client (Blunt et al. 2012). In agrarian societies, power resources (such as land) are commonly owned by a patron, with the client serving the patron by supplying labour and loyalty (Scott 1972).

However, the concept extends more widely into politics. In politics, patron-client relations are used to gain benefit (most commonly by the patron) especially in elections. Thus, the patron promises some reward to clients while clients provide political support (such as votes) as compensation. Resources are then distributed to party loyalists in return for their votes; this is also referred to as clientelism (Keefer and Vlaicu 2002). Such distribution of resources can take different forms, one of them being giving out jobs to supporters (something that is usually called patronage). Robinson and Verdier (2002) argued that the degree of loyalty demonstrated by a client to the patron largely determines the type of job that client receives.

‘Gifts and promises’ is another model of patron-client relations observed in developing countries. Simandjuntak (2012) linked this with public elections, observing that ‘corrupt practices and electoral democracy could be two sides of the same coin, especially in societies where patron-clients relations are significant’. Here again, it merits noting that the term client generally refers to the poorer counterpart. In the form of ‘money politics’, political elites manipulate the vertical relation between themselves and the poor in order to gain more votes (Roberts 2016). The relationship is mutual, however, because the poor needs money and elites need votes. To deepen the mutual dependency, the poor may be used as a political machine, recruited as the in-group to ensure a certain candidate wins (Aspinall and Sukmajati 2016).

Unsurprisingly, political parties in many developing countries have developed a negative reputation, due to their continuous practicing of patron-client relations, as argued by Tomsa and Ufen (2013). In remote areas, this may be even more in evidence. Barter (2008: 1) demonstrated that ‘in remote regions and specific sectors, decentralization has meant a weaker state, more clientelism and continued environmental destruction’. Thus, in contexts of decentralization, the strength of patron-client relations may have weakened the state’s control over remote areas.

Interestingly, clientelism is not always exploitative, as Barter (2008) observed. The relationship can be a mutual and beneficial one, for example, with the patron manipulating state budgets to use for rewarding clients.

Relations between politics and bureaucracy

The relation between politics and bureaucracy often involves what is called 'bureaucratic politics', or the interaction between government administration and political establishment (Peters 2001:182). These interactions may involve either 'informal' institutions or formal institutions (officialdom) (Peters 2001:183). The first refers to the need to incorporate inputs from pressure groups, political parties and loyalists. Meanwhile, the second points to relations with other governmental agencies, which shape the policymaking process.

The policymaking process is a result of bargaining, consultation and compromise (Daniarsyah 2015:86). Because of this process and the associated relations, gaps arise between policy, policy implementation and policy outcomes. Grindle (1980:4) argued that policy content and policy context are two factors that cause these gaps. For Grindle (1980), the second factor, which is policy context, is of more import for policy outcomes in developing countries. Specifically, according to Grindle,

In the process of administering any given program, many actors are called upon to make choices about specific allocations of public resources and many others may attempt to influence decisions. A brief listing of those who might be involved in the implementation of any particular program would include national level planners; national, regional, and local politicians; economic elite groups, especially at the local level; recipient groups; and bureaucratic implementers at middle and lower levels. These actors may be intensely or marginally involved in implementation, depending upon the content of the program and the form in which it is administered. Each may have a particular interest in the program, and each may seek to achieve it by making demands on allocation procedures (Grindle 1980:10-12).

In position, bureaucrats are usually subordinate to their political masters. Nevertheless, they have expertise and experience in policy implementation (Page and

Jenkins 2005:10). Thus, the bulk of policy work and implementation rests especially with mid-ranked bureaucrats.

Instead of being autonomous and professional (the ideal type according to Weberian bureaucracy), the bureaucracy in Indonesia is close to politics and special interests. In the literature, there is an assumption that a bureaucracy will perform better if there is limited intervention from political masters. In contrast, subordination is said to lead to poor performance of bureaucracy (Fukuyama 2013:10).

Government coordination

Following on the New Public Management (NPM), modern countries, most notably members of the Organisation for Economic Co-operation and Development (OECD), moved to create specialized agencies to support better public services. But to carry out their functions, these agencies must coordinate among themselves, and high levels of specialization have been associated with more severe coordination problems (Bouckaert et al. 2010:10). Indeed, the problem of coordination is one of the oldest issues facing public sector management (Bouckaert et al. 2010:13). What is coordination?

According to Lindblom (1965:154), coordination is ‘mutual adjustment between actors’ with a more deliberate interaction producing positive outcomes for the participants and avoiding negative consequences. In addition, Hall et al. (1977: 459) described coordination as ‘the extent to which organizations attempt to ensure that their activities take into account those of other organizations’. We may conclude that coordination involves each agency thinking about actions taken by other agencies and promoting synergy among them. To create such synergy, government agencies are asked or forced to align with other organizations, so as to achieve greater coherence while also reducing redundancy (Bouckaert et al. 2010:16). Furthermore, the act of coordination is closely related to integration as a consequence of agency specialization. In practice, integration can be formed into ‘joined working, joint ventures and mergers’ (Bouckaert et al. 2010:18).

This section has discussed understandings of decentralization from the literature and outlined several systemic problems that are associated with decentralization.

This relates to the research question regarding how Indonesia's specific form of decentralization influenced implementation of PNPM-Rural. Chapters 5 and 6 return to this question, discussing the relationship between PNPM and the local government of Malang district.

2.3 Poverty reduction

Another key concept for this research is poverty reduction; specifically, the poverty reduction approach adopted in PNPM. To understand this we must first better understand poverty, as well as the closely associated goal of empowerment. Indeed, programmes of the government of Indonesia link poverty reduction with empowerment. Other important components of Indonesia's poverty reduction approach are community-driven development (CDD) and the role of a facilitator, which are examined below.

2.3.1 Definition of poverty

International donors, academia and development practitioners are working hard to alleviate poverty. However, poverty is a complex phenomenon. Additionally, it is a consequence of interacting factors, including political, economic and social processes, with all factors reinforcing the others, possibly leading to a deepening of the deprivation of the poor (World Bank 2001). Not only is poverty a complex phenomenon, its definitions and measurements also vary. The dominant definition uses a monetary approach, defining poverty based on income (Sen 2006:32). Other approaches characterize poverty in relation to capabilities, social exclusion and participation (Laderchi et al. 2003).

Different to the monetary approach, the capability approach rejects income as the core parameter for defining poverty. Instead, it understands poverty as a lack of achievement of basic capabilities, with capabilities defined as 'the ability to satisfy certain crucially important functionings up to certain minimally adequate levels' (Nussbaum and Sen 1993:41). The capability approach then becomes an alternative for the monetary approach. The United Nations Development Programme (UNDP) has adopted this approach and rolls it out in its Human Development Index (HDI) (Clark 2009). The monetary and capability approaches to poverty definition are driven

by external actors (see Chambers 2006b:3), while the participatory approach is built around a community's self-understanding of poverty. The participatory approach asks people to define poverty in their own terms, based on their own knowledge (Chambers 1994). The next problem is then its measurement.

2.3.2 Empowerment

The idea of empowerment is closely connected to power transfer. For Oakley (2001:16), empowerment is a process of giving power to powerless groups in order to gain more balance with powerful ones. According to him, empowerment enables people to undertake some form of action, develop relations with other institutions and/or to gain access to economic resources like credit and inputs.

Power inequality in the context of development is inevitable. Women and marginalized groups are examples of those for whom empowerment efforts are dedicated. In this regard, empowerment is a means of generating personal and collective action for those suffering from inequality (Cornwall and Brock 2005b). In most cases, donors like the World Bank, as cited by Narayan (2002: 14), define empowerment as the “expansion of assets and capabilities of poor people to participate in, negotiation with influence, control, and hold accountable institutions that affect their lives”.

Empowerment in practice

As empowerment is mainly about power transfer, Wils (2001:59) argued that its focus should be on transferring power in decision-making processes to the excluded. The term ‘excluded’ here refers to people normally left out of the decision-making process. It may refer to the poor, disabled, women and children. Wils (2001) suggested that it is useful to distinguish two categories of empowerment: as an end in itself and as a means. In the first category, empowered persons as the object of empowerment are given power in decision-making processes, whether these be economic, social or political. A case in point would be that of a more confident woman who stands for election. The second category refers to empowerment as a vehicle to achieve other goals.

Problems with empowerment

Numerous issues come to the fore when empowerment is implemented. One is the need for outsiders. It is a fact that empowerment sometimes cannot be generated from within. Empowerment initiatives therefore often invite an outside facilitator. Yet, skill, dedication and impartiality are required of facilitators when self-empowerment is hard to obtain. In addition, where facilitators are involved, additional issues may arise, like facilitator capacity, and interventions may lead in unanticipated directions, rather than the initially intended outcomes (Rowlands 1995).

2.3.3 Community-driven development

Before delving into community-driven development (CDD), it is important to first define what a community is. The word ‘community’ appears throughout thinking and the literature on bottom-up development. However, its definition has never been settled. Emanating from social policy work, George A. Hilery compiled definitions of ‘community’ in 1955, finding 94 different understandings of the word (Plant 1978). For human ecologists, community means a merger between a localized population and their demands. Another example definition is ‘a group of people with diverse characteristics who are linked by social ties, share common perspectives, and engage in joint action in geographical locations or settings’ (MacQueen et al. 2001:1929).

Most conventional definitions understand the community as being static and space-based. However, another approach is to define community from a dynamic point of view. Thus, a community would be considered a process that embraces social relations and that changes over time (Walsh and High 1999).

Definition of community-driven development

While its prominence in the literature and practice is evident, definitions of CDD in fact vary. (Mansuri and Rao 2004) defined CDD broadly as ‘community-based development projects in which communities have direct control over key project decisions, including management of investment funds’. In a similar vein, the World Bank has defined CDD as ‘projects that increase a community’s control over the

development process' (Dasgupta and Beard 2007b). Further, the Bank uses the concept technically as 'a way to provide social and infrastructure services, organize economic activity and resource management, empower poor people, improve governance and enhance security of the poorest' (Dongier et al. 2003). Though some of the definitions mentioned earlier differ somewhat, the conclusion they indicate is similar; namely, that the community is now being given a greater role in its own development.

Implementation of community-driven development

In implementation, CDD normally goes through several stages. These are (1) problem identification, (2) motivation and mobilization, (3) collective action and (4) creating a supportive environment (Bowen 2005). A component that might influence the process of CDD is the sentiment within the community regarding organization of, for example, collective action. CDD is more likely to be successful if people in the concerned community share a common view of such organization, and social interactions towards achieving it are the norm, such as informal visiting, borrowing or lending tools and asking for help (Chavis and Wandersman, 1990) . Meanwhile, attitudes towards organization are also important as they relate to the actors in a CDD project, such as whether they are chosen in elections by the people they represent or are appointed by other authorities (Zakus and Lysack 1998).

Nowadays, CDD is often used in developing countries, and has gone on to be scaled up in many donor-funded projects. This is done in the viewpoint that CDD is a form of governance, which is normally set in parallel with an existing bureaucracy. As noted by Levy (2014:161), '[CDD] bypasses the public sector entirely and embraces parallel, participatory arrangements for service provision'. Further, he observed that CDD is also an attempt to generate bottom-up institutions.

2.3.4 Facilitator

CDD in large part depends on the availability of people who are able to introduce, mobilize and guide, as well as to monitor, a programme, though the community may share some of these functions. Put simply, CDD needs facilitators.

Who is the facilitator?

Quoting Robert Chambers, the leading scholar of participation in development, Parfitt (2004) noted that a facilitator is someone who facilitates, mediates and mobilizes people in a participation process. Facilitators are usually middle-aged, male, economically better off and from the dominant group. Most of them, in addition, are non-locals. This is intended to avoid bias in participation. However, some projects employ locals for facilitating activities. This is thought to reduce the potential of pitfall of outsiders driving development while neglecting local needs (Mohan 2006:153-167).

The role of the facilitator

Drawing on Alkire's (2002) writing on deliberative participation, Crocker (2007) presented four facilitator roles: preventing prejudgement based on past projects' impacts; facilitating group members in clarification, scrutiny and ranking; assessing and reporting on achievements of the group; and reporting on funding.

In practice, to be a facilitator is an uneasy task. In South Africa, facilitators were reportedly encouraged to patiently wait and see in processes of participation, rather than asking people to do something they did not want to do (Emmett 2000). For effective and fair participation, it is argued that various environmental conditions need to be met, such as the following:

the careful selection of representative group of stakeholders, a transparent decision making process, to build trust among the participants, clear authority in decision making, unbiased group facilitator, regular meetings and adequate financial resources to support the group process during the potentially long learning and decision making process. (Irvin and Stansbury 2004)

The role of facilitator is, then, to create a 'flexible and relaxed environment in which participants can share control over the training and contribute to the learning themselves' (Rietbergen-McCracken and Narayan-Parker 1998:10). Attributes for an effective facilitator include a warm personality, adequate social and leadership skills, a teaching manner, well organized, knowledge of subject, enthusiastic, skill in handling

problems and flexibility. However, participative processes can also be interrupted or, worse, dominated by the facilitator. Thus, it can be argued that the facilitator can both undermine and generate superior participation processes (Kapoor 2002).

This section has discussed poverty reduction strategy through CDD implementation and introduced the role of the facilitator in participation processes. This relates to our third research question on CDD implementation in Indonesia and whether it contributed to poverty reduction. Chapter 5 and 6 answer this question.

Conclusion

This chapter outlined the theory and concepts underpinning PNPM. These indicate the complexity of a poverty reduction programme like PNPM. Complexity is due not only to the specific components within the programme but is also a function of the wider context in which the programme is implemented. As a national programme for poverty reduction, PNPM's complexity was increased due to its global neoliberalist underpinnings, which were adapted for the Indonesian situation. The process of adaption was indeed an uneasy task. Another point of adaptation was in implementation of the global agenda. PNPM designers were fully aware of this.

As a poverty reduction programme, PNPM was designed for the context of Indonesian decentralization. Our research question on whether decentralization influenced PNPM implementation interrogates that fact. In short, PNPM was implemented in a socio-political context marked by power struggle. Thus, it would seem important to include that reality in our perspective on this programme, rather than treating the programme merely as a 'public good', following international donors like the World Bank. This understanding draws on Murdoch School and, in particular, structural political economy interpretations of power struggles in socio-political relations, at they get expressed in development programs such as PNPM.

Under decentralization in Indonesia, PNPM confronted pervasive problems embedded in the system. These ranged from corruption to 'bureaucratic politics'. This, ultimately, raises the question of how PNPM dealt with those problems. The World Bank and PNPM designers apparently anticipated these issues and sought to insulate the programme from the national bureaucracy. However, concerns emerged

when PNPM was later merged into the national development planning system, as this latter was rife with problems like elite capture, poor government coordination and bureaucratic politics.

This chapter outlined a number of concepts and presented the structural political economy (SPE) theory, as an overarching framework for understanding the situation. Emphasizing power and elites, SPE locates development as an arena of power contestation. It was relevant to the Indonesian political context at the time of this research, as that context was dominated by practices of informality. This dominance of informality, to some extent, created opportunities for elites to intervene in development programmes, like PNPM. Elite intervention and informal politics was found in almost all administrative layers in Indonesia. This is explored in the following chapters. Chapter 3 looks at informal politics in the Indonesian political system. Next, Chapter 4 looks closer at PNPM as the national poverty reduction strategy. Chapters 5 and 6 investigate how elites used PNPM as a vehicle for furthering their own interests.

CHAPTER 3

THE INDONESIAN CONTEXT

Introduction

Chapter 2 underlined the dependence of PNPM implementation on the context of Indonesia, and this is the main notion of the current chapter. Here, the term ‘context’ refers to the political system, state bureaucracy and decentralization in Indonesia. This chapter begins by examining the Indonesian context. It presents an overview of general facts about Indonesia, including its demography, economy, rule of law and government. It then explores the nature of decentralization in Indonesia, as decentralization was a determinant factor in PNPM implementation on the ground. An exploration of Indonesia’s regular development planning system is also presented, as PNPM was ultimately integrated into that system. Finally, the chapter examines a few remaining crucial issues related to Indonesian society and the state bureaucracy.

PNPM was implemented from 2007 to 2014. Within this timeframe, Indonesia adopted a system of decentralization. That decentralization was ideally posed as a response to the need for better public service provision. Expectations of decentralization were high. Local administrative layers were given much more power and space to improve local public services. However, pervasive challenges arose. Among these were corruption, money politics, clientelism and elite capture. These worsened at times when direct elections were held. The second part of this chapter explores these problems, followed by a presentation of the Indonesian development system into which PNPM was merged.

The role of this chapter is to answer the research question posed in Chapter 1 regarding the influence of Indonesian decentralization on PNPM implementation. Particularly, it examines how problems in the decentralization system shaped PNPM

implementation. Before doing so, however, information is provided about the general context of Indonesia.

3.1 Indonesia in brief

Many developing countries have experienced a series of catastrophic obstacles to their development, ranging from domestic instability to disintegration of leadership and economic turmoil. These affected Indonesia as well. In the post-World War II period, especially under the Old Order of President Sukarno (1945-1967), Indonesia suffered from political chaos as well as deep poverty. Nonetheless, the situation was relatively stabilized when the New Order (1967-1998) regime was in power.

Under the New Order, Indonesia experienced rapid development. One of its key achievements was self-sufficiency in rice (another was the family planning programme). This was in the early 1980s. Despite its successes in development, criticisms remained. Among others, Western observers noted that the country was under authoritarian rule. The authoritarian regime ended in 1998 and was replaced by a democratic system. Three years later, the country initiated decentralization, which was one of key agenda points in the 1998 '*Reformasi*' or reform programme. This programme particularly influenced relations between administrative layers in Indonesia, as will be presented later. First, some general facts about Indonesia serve to illuminate the broader context.

3.1.1 Demography

Population

According to Indonesia's Central Bureau of Statistics (*Badan Pusat Statistik*, BPS), in 2010 the country was home to 237,641,326 people (Badan Pusat Statistik 2015) and overall population growth from 2010 to 2014 was 1.49%. West and East Java were among the most populous provinces. Total population in these provinces was 43,053,732 and 37,476,757, respectively, in 2015.

With its large population and huge total land area of 1.9 million square km, Indonesia is one of the biggest countries on Earth. No less than 17,000 islands are under Indonesian territory. Major islands are Sumatera, Java, Kalimantan, Sulawesi and Papua. Java, in particular the capital city of Jakarta, is the most populous, with

12,335-people per square km in 2008 (Badan Pusat Statistik 2015). In contrast, West Papua is least populous, counting 6 people per square km, with the other provinces falling in between.

Ethnic composition and religion

In 2010, the Indonesian population counted more than 1,300 ethnic groups, most with their own language (Badan Pusat Statistik 2011:8). About 40.2% of the total population was Javanese. The second largest group was the Sundanese (15.5%), followed by the Batak (3.6%). It is noteworthy that the different islands have their own ethnic groups. The island of Papua, for example, has some 266 ethnic groups, though having only 1.14% of the country's total population. Similar figures are found for other smaller islands, such as Maluku, Nias and Nusa Tenggara.

As regards religion, five official religions are recognized. These are Islam, Protestant, Catholicism, Hinduism and Buddhism. Among these, Islam is the majority religion, counting 207.2 million followers, amounting to 87.18% of the total population. Protestant ranks second, counting 6.96% of the population. Catholicism is third (2.91%), followed by Hinduism (1.69%) and Buddhism (0.72%) (Badan Pusat Statistik 2011:10). From these statistics, it can be concluded that Indonesia is a diverse country in terms of ethnicities and religions.

Economy

Indonesia is regarded as a lower middle-income country in the Asia-Pacific region, according to the World Bank (2015a). Economic growth was expected to be no more than 5% in 2015. The country elected Joko Widodo as president in 2014. Under the new leadership, the country focused on improving its economy by accelerating the construction of infrastructure, which was known to be a foremost obstacle, in particular, for attracting foreign investment (President of Republic Indonesia 2014:9). In addition to poor infrastructure, unemployment, poverty and corruption have been important obstacles to development.

On employment, the International Labour Organization (ILO) estimated that the unemployment rate among Indonesian young people (ages 15-24) was 13.52% in 2019 (World Bank 2020c). In 2019, Indonesia's GDP was US \$1.119 trillion (World

Bank 2020a). In 2017, ILO categorized the country's three main job sectors as agriculture, industry and services. Among these, agriculture contributed less than the other two sectors. Moreover, from 1990 to 2016, agriculture's contribution to GDP fell from 21.5% to 13.4% (International Labour Organization 2017:7). The services sector contributed some 43% of GDP in 2016 (International Labour Organization 2017:7). Extreme poverty was estimated at 4% of the total population in 2019; that is, 11,477,962 people (using US \$2 per day as the threshold) (World Poverty 2020). The country's GINI index was 41 in 2015 but had fallen to 39 by 2018 (World Bank 2020b).

Indonesia's economic performance is diminished by corruption (OECD 2015:28). This problem has caused fluctuations in foreign direct investment (FDI), which is one of the main sources of financial capital for the Indonesian economy. Such fluctuation during the 2004-2014 is confirmed by data from Bank Indonesia (BI) (the Indonesian central bank), cited by the OECD. In addition, Indonesia Corruption Watch (ICW) estimated that one-third of the national budget was misused (KPK 2015). Several attempts had been made to deal with the issue, such as bureaucratic reform and the 2002 establishment of the anti-corruption agency named *Korupsi Pemberantasan Korupsi* (KPK).

3.1.2 Government and politics

Government

Indonesia's government has a presidential system (Kementrian Sekretariat Negara Republik Indonesia 2010). In addition, the country applies a democratic system with *trias politica*. The president serves as the executive, while the *Majelis Permusyawaratan Rakyat* (MPR)/People's Consultative Assembly and *Dewan Perwakilan Rakyat* (DPR)/House of People's Representatives form the legislative branch⁶. The judiciary is the third component, represented by three institutions: the *Mahkamah Agung* (MA)/Supreme Court, the *Komisi Yudisial* (KY)/Judicial Committee and the

⁶ MPR is supposed to be the highest institution under Indonesian Law to formulate regulations. However, the role of legislator has never been implemented due to amendments. Meanwhile the DPR, whose role is also to draft laws, is composed of representatives from political parties (Setiadi 2019). Up to now, there is no clarity on this matter.

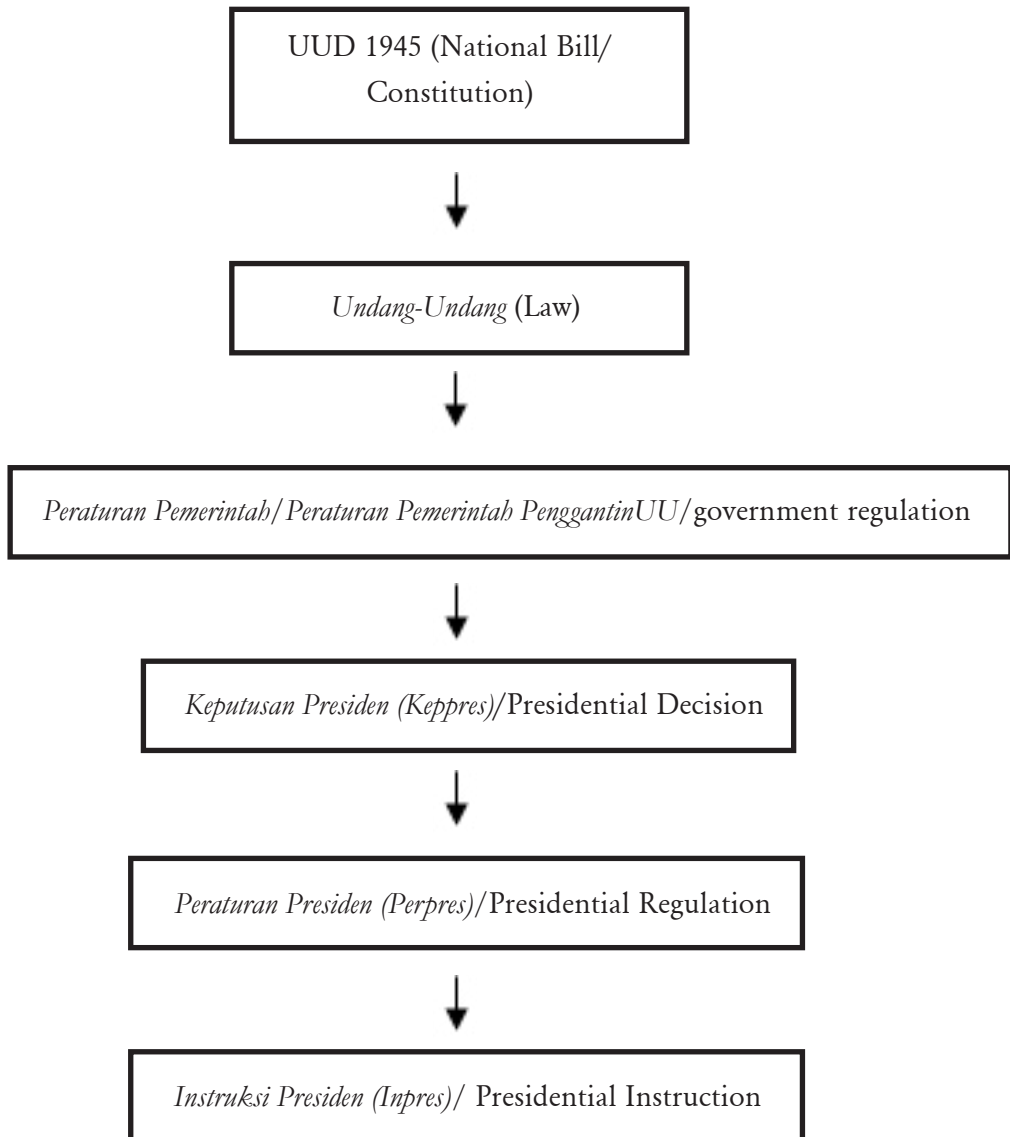
Mahkamah Konstitusi (MK)/Constitutional Court (Kementrian Sekretariat Negara Republik Indonesia 2010). These are the central judicial institutions. Next to these are lower courts.

The president is the chief of the executive branch of government and presides over the presidential cabinet in which leaders of the national ministries answer directly to the president (and not to the legislative branch, or parliament). In relation to elections, two national public elections are held. The first is for the legislative branch, thus electing representatives to the DPR; the second is the executive election in which the president is directly elected. The elected president then appoints ministers. These come from various backgrounds, most notably from political parties. However, many of them, nowadays, are professionals and academics. Cabinet ministers are often the head of a political party or a representative of a political coalition. Appointing ministers from a political coalition is beneficial to the president, to garner support for presidential positions in the DPR. Similar mechanisms are found in the lower bureaucratic layers as well. Both at the provincial and district levels, the heads of the respective governments are elected in executive and legislative contests in their region. In view of the large number of provinces and districts across the country, more than three hundred elections are held every five years.

Rule of law

Figure 3.1 presents the Indonesian rule-of-law hierarchy. Highest ranking in this hierarchy is the Constitution, called UUD 1945. All legal instruments must be in line with this.

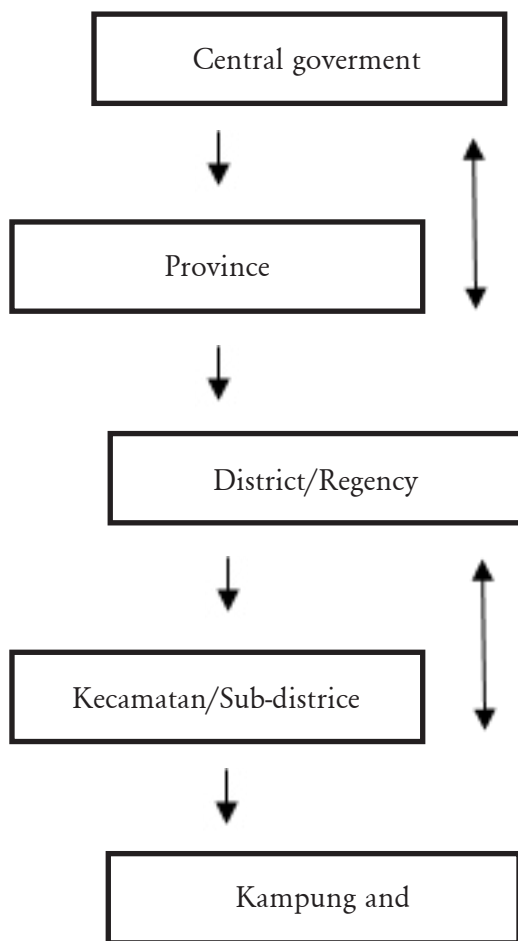
Figure 3.1 Indonesian rule-of-law hierarchy



Relations between central, provincial and district government

Under Law 32/2004, on decentralization, considerable power was transferred to district government. Figure 3.2 presents the nature of the relation⁷.

Figure 3.2 Decentralization under Law 32/2004



Note: Straight lines represent direct control and dashed lines represent coordination. Double arrows refer to accountability relations.

⁷ As of this writing, in 2020, Indonesian decentralization was under Law 23/2014. This was the third revision from its earliest version, Law 22/1999. Compared to the previous versions (Law 22/1999 and Law 32/ 2004), this latest revision gives more power and authority to the province, whereas earlier versions vested that power and authority with the district. In relation to PNPM, this programme was implemented under Law 32/2004.

Law 32/2004 gave considerable power to the district. Thus, the districts were no longer accountable to the province as they had been under the previous government regulation, UU 22/1999. Under decentralization, the province only coordinated with the districts. The same applied to the relation between villages and subdistricts. Coordination meant that villages were no longer accountable to the subdistrict but, rather, to the district.⁸ The double arrows in the figure indicate accountability mechanisms, showing that the village was accountable to the district, and the district was accountable to central government.

Politics

As stated, Indonesia has a democratic system. Characteristics of this system are the periodic public elections, acknowledgement of a multiparty system and freedom of press. Since independence in 1945, the country has successfully held twelve national elections, in 1955, 1971, 1977, 1982, 1987, 1992, 1997, 1999, 2004, 2009, 2014 and 2019. According to Indonesian observers, the first election, held in 1955, was the most democratic in modern Indonesian history (Perpusnas 2006). Thirty political parties participated in that election. The largest four parties were PNI (nationalist party), *Partai Majelis Syuro Muslimin Indonesia* (Islamic party), *Nahdatul Ulama* 1955 (Islamic party) and PKI (Indonesian communist party).

There was a change when the Suharto New Order regime was in power. During that administration, which was known as one of corporatist politics, Suharto shrunk the number of political parties by forcing parties to merge (Suryadinata 1997:193). From 1977 until 1997, only three political parties participated. Two of them were the PDI (formerly PDIP), *Partai Persatuan Pembangunan* (PPP)/Development Unity Party; an Islamic arm party and *Golongan Karya* (Golkar); a functional group as also known as government party (Antara 2014). Suharto managed his power via Golkar, according to the Indonesian election portal *RumahPemilu*. At that time, Golkar was a government party. Because of this, elections held during Suharto's presidency were driven to Golkar victories. The public election body, *Lembaga Pemilihan Umum* (LPU), was set under the Ministry of Home Affairs (Rumah Pemilu 2015). This structure ensured that Golkar was the only 'game in town'. The situation changed upon the

⁸ When the Suharto New Order was in place, decentralization operated under Law 5/1974. In this regulation, villages were ruled by the subdistrict (*Kecamatan*).

start of *Reformasi* in 1998. In the latest elections (2019), Golkar was in third place (Komisi Pemilihan Umum 2019). It has thus remained a powerful political party in the post-Suharto era.

Apart from elections and the multi-party system, Indonesia claims to embrace freedom of press. News media, publishing via printed and online outlets, have flourished, especially since the 1998 reforms. However, following a visit to Indonesia in 2014, the Washington-based press watchdog Freedom House did warn of serious threats to press freedom:

An international delegation visiting Indonesia last week raised concerns about the current state of media freedom in the country, calling on the Widodo administration to take a new approach towards freedom of expression. Criminalisation of online speech, a climate of impunity for attacks against journalists, the concentration of media ownership among five moguls and the politicisation of media outlets are all current areas of concern (Freedom House 2014).

Freedom House (2017) categorized the country as partly free in regard to press freedom. Incidents of intimidation and threats to journalists have been attributed to both state and non-state actors, including the police and military. The unsolved case of Fuad Muhammad Syafruddin (pen name Udin), a journalist who was murdered in 1996, and others have led to calls for President Jokowi to solve these issues.

3.2 Decentralization in Indonesia

Having described Indonesian politics, this section looks closer at the context of Indonesia under decentralization. The main objective here is to provide a better understanding of the context in which PNPM was implemented. As stated in Chapter 1, Indonesian decentralization was a determining factor in how PNPM operated. Problems experienced in PNPM and the dynamics of the programme were influenced by decentralization. The country has been ‘experimenting’ with decentralization since 1999, with changes and revisions leading to the version designed in 2004, under which PNPM was implemented.

3.2.1 Decentralization in the transition era

Government regulations 22/1999 and 25/1999)

The call for reform emerged soon after the Suharto regime's collapse in 1998. His successor, President B. J. Habibie was called upon to initiate changes in the then-climate of uncertainty. Habibie's reform agenda focused on legal reform, among others. His administration is said to have drafted sixty legal reforms that needed to be passed (Seymour and Turner 2002). Two of these were government regulation 22/1999 and 25/1999 on decentralization. The first concerned regional autonomy, whereas the second was about fiscal decentralization. This section delves into these reforms in more detail.

Disintegration as a result of decentralization

The centralized power of Indonesia's past was no longer an option under decentralization. For some provinces, especially provinces with immense natural resources, like Riau and Papua, decentralization brought a chance to be free from Indonesia (Buehler 2010). These provinces opposed Jakarta and were eager to separate themselves from the national authority. In a nutshell, Indonesia under decentralization was subject to disintegration (Lloyd 2000). In 2001, numbers of districts grew significantly, from 292 prior to decentralization to 434 after decentralization. This was called *pemekaran* ('blossoming'). Reasons could be found in geographic, political and ethnic diversity factors as well as natural resources (Fitriani et al. 2005). The key motivation for forming the new districts was to gain more resources, since decentralization provided the districts greater power and autonomy.

Apart from the political rationale, decentralization in this period was seen as a mechanism for transferring to local authorities more of the burden of work mandated by the central government (Firman 2009). Before decentralization, the bulk of administrative tasks was the central government's responsibility. After decentralization, the district government became responsible for almost all public sectors, leaving only strategic matters, such as national security, religion and the national economy, in the hands of Jakarta. This new responsibility required new administrative capability, including sufficient local staff (Ahmad et al. 2000). It was

at this time that capacity and capability issues of local authorities came to surface. In sum, in the era of transition from the New Order regime to *Reformasi*, decentralization was achieved. However, a problem arose of rich provinces, like Riau and Papua, wanting to separate from Indonesia.

3.2.2 Decentralization in the Reformasi era

Government regulation 32/2004 on decentralization

The most influential factor behind government regulation 32/2004 was the ineffectiveness of the previous regulation 22/1999, particularly its devolution of powers. As mentioned earlier, regulation 22/1999 was rapidly enacted among many other reforms. It became the subject of considerable criticism. Particularly, it was considered ‘pseudo decentralization’, as the districts and municipalities were still reliant on financial back up from central government. Another factor was the lack of clear guidelines from central government on how local administration should be managed. With growing numbers of new districts, the lack of clarity on such matters became grave (Carnegie 2008). In many cases, districts interpreted laws based on their own interests, such as for more local taxation and exploitation of natural resources (Wollenberg et al. 2009).

The replacement regulation, 32/2004, was relatively well designed. Compared to its predecessor (regulation 22/1999), 32/2004 brought clarity not only on objectives but also on local elections. Under the new law, the head of the region (from province to district) and members of parliament were to be elected (Tikson 2008). Elections were to be organized by a local election commission (*Komisi Pemilihan Umum Daerah*, KPUD). This was a big difference compared to the earlier phase in which the heads of regions were appointed by parliament. Nevertheless, massive protests and demonstrations broke out against the new law because the elections were unfair and rife with fraud. Nonetheless, the overall result of the elections during this time was satisfactory (Tan 2006). For one, this was due to the active participation of NGOs and community members who observed election processes.

Setting and implementation

Decentralization entitled districts to a larger portion of financial resources from central government. In poor districts, nearly 80% of revenue came from the central government through a mechanism called the general grant, or *Dana Alokasi Umum* (DAU). Alongside the DAU, central government also provided financial assistance from tax income and natural resource revenue (Green 2005: 5). Green (2005) observed that this system held advantages for the rich provinces, as they received revenue from both natural resources and the DAU from central government.

The desire to obtain a larger share of both the DAU and other financial assistance triggered some areas to form new districts, as allowed under the decentralization law. Indeed, decentralization allowed districts to manage their own natural resources, while also providing budget for them. Thus, growing numbers of new regions were registered and became entitled to receive money from Jakarta. The Ministry of Home Affairs (MoHA) listed 217 new regions in the period 1999-2013 (Kementrian Dalam Negeri 2014). This included 8 new provinces, 175 new districts and 34 new municipalities. The rise in regional entities led to other issues, such as capacity gaps.

Many government officials were shifted from the central to the district administration. This was aimed to fulfil the need for improved service provision and increase accountability, especially to local society, regarding government expenditure on public services, as indicated by the World Bank (Skoufias et al. 2011). Nonetheless, as elsewhere, the improved service provision that had been promised under decentralization, required increased human resources capacity (Alm et al. 2001). In many cases, district governments required close technical guidance from central government (Guess 2005). Another serious issue was budget. The increased demand for better public services brought a need for greater financial resources within local governments. Unfortunately, the needed resources were lacking. One lesson learned from this experience was that decentralization is a difficult task, especially for local government. It requires the transfer of additional funds, as well as power. Furthermore, in order to make good on the promise of better public services, which many local governments failed to fulfil, decentralization requires increased capacity within the lower government layers.

3.3 Current situation

This section describes the context of Indonesia at the end of my study period, thus in around 2018-2019. Many believe that decentralization has been good for the country. However, a few critical issues have remained. A few of these – corruption, clientelism and bureaucratic politics – are examined below.

3.3.1 Control of corruption

Indonesia, as many developing countries, grapples with corruption, though attempts have been made to combat the problem. This section first presents some background on anti-corruption measures more widely and in Indonesia. It then discusses the establishment of the anti-corruption agency, *Korupsi Pemberantasan Korupsi* (KPK).

Background on anti-corruption measures

The very notion of anti-corruption came into prominence in the field of development. Coined by former World Bank president Jim Yong Kim, corruption is ‘public enemy number one in developing countries’ (World Bank 2013). Pervasive cases of corruption in developing countries cause stagnation of economic growth, though the relation between these two is indirect. Studies suggest that in the long run, corruption deeply affects economic domains such as FDI, competition, entrepreneurship and government efficiency (Anticorruption Working Group 2013, Haggard et al. 2008). Transparency International functions as a watch dog organization, indicating the transnational importance of the issue.

Transparency International’s Corruption Perceptions Index indicates the extent of corruption in a country, based on compiled data from business surveys, academia and other reputable institutions. In 2018, Indonesia ranked 89 on this index, down from 180 in 2016 (TI 2019). In a similar vein, Indonesia Corruption Watch (ICW) produces a corruption index. In line with the objectives of the current research, I focus on corruption at the village level. According to ICW, there is a trend of increasing corruption in Indonesian villages in relation to elections. Based on ICW data, numbers of corruption cases in villages increased from 17 in 2015 to 96 in 2017. In these three years, a total of 154 corruption cases was reported (Indonesia Corruption

Watch 2018:1). These resulted in a total loss of US \$4.7 billion (Indonesia Corruption Watch 2018:2). ICW also noted the three primary causes of corruption at the village level as low participation in village development planning, low competence of village officials and the high political cost of village elections (Indonesia Corruption Watch 2017: 4). Further, ICW observed that the village head was the dominant actor in village-level corruption (Indonesia Corruption Watch 2018:2). Unfortunately, cases of corruption were also found in higher administrative layers such as the district.

Local parliaments, then, were being used as a place for corrupt deal making by local legislators and public officials (Aspinall 2010). In addition, Sjahrir et al. (2013) observed that these processes were not transparent, and there was a lack of auditing by both internal and external agencies. This predatory predilection was evidenced in the 2017 ‘mega’ corruption case connected to the Indonesian electronic identity card (*Kartu Tanda Penduduk*). The case involved politicians and corrupt public officials robbing roughly US \$440 million from state budgets (Taufiqurrahman 2017). It began with collusion between politicians, high officials in the Ministry of Home Affairs (MoHA) and private businesspeople. KPK stated, ‘one politician named in the indictment allegedly accepted [US] \$5.5 million, while a former minister was alleged to get \$4.5 million’ (Taufiqurrahman 2017). Collusion involving the state apparatus, the business sector and the political establishment is typical of the type of corruption found in the country, down to the local level.

However, it is unfair to generalize all public officials and politicians as bad and corrupt. Some performed well under decentralization, though it was extremely difficult for them to survive under predatory politics (Hadiz 2010:28). Corruption was embedded in the Indonesian bureaucratic system, from the village level to central government.

Establishment of KPK

A key item on the reformation era agenda was to eliminate corruption. Although existing state institutions like the police department and Supreme Court were also mandated to address corruption issues, KPK was assigned as a lead player. KPK was established in 2002, and given several important tasks (KPK 2015):

- In conjunction with other institutions, to coordinate actions to combat corruption.
- To supervise institutions facing corruption cases.
- To initiate investigation into and prosecution of corruption cases.
- To prevent corruption.
- To monitor the state apparatus.

KPK has had success not only in preventing and monitoring corruption but also in bringing the criminals into court, including high-ranking bureaucrats and business tycoons, who had hitherto operated undisturbed, particularly during the New Order regime (Husodo 2014). However, many institutions have opposed KPK. Husodo (2014) observed that attacks on KPK by political party leaders and the Indonesian police department were due to corruption within these two institutions (Husodo 2014). Criminalization of top KPK leaders by the police and attempts by parliament to weaken KPK's position are examples of outcomes of KPK being in the 'hot seat' (see also Butt 2011).

KPK has faced other obstacles, too, such as limitations in staff capacity and mandate area. In relation to the first, staffs' home institutions, most notably the police, have pulled out investigators working at KPK as a result of prolonged tensions between the organizations. KPK has addressed this by setting up its own human resources system, with its own recruitment, salary structure, training and bonuses. In terms of numbers, it recruited 650 people in 2009 (Schütte 2012). Despite its relative success in attracting human resources, KPK's issues in regard to mandate area have remained. Being an ad hoc committee, which only operates in the central government, KPK lacks capacity to trace corruption in local areas. In addition, to combat corruption at the local level would require extra local investigators who know the situation well (Jacobs and Wagner 2007).

3.3.2 *Clientelism*

The idea of clientelism is important in this research because there is a link between corruption and abuse of power and elections, especially elections at the village level, as the aforementioned ICW reports observe. In reference to clientelism,

Berenschot (2015:557) argued that countries in South East Asia have ‘a long and venerable history on political clientelism. It is part of and embedded in Indonesian practice of decentralization’(see Simandjuntak 2012). Yet, the problem of clientelism is deeper when it comes to elections. Rather than strengthening the middle class, Indonesian elections have resulted in stronger relations between patrons and their clients through an intensive process of interaction and communication, especially between the poor and local elite (Roberts 2016). Equally important, these practices are more widespread in rural contexts.

In rural Indonesia, where populations are disproportionately poor, clientelism is particularly pervasive. Barter (2008) observed that, ‘[i]n remote regions and specific sectors, decentralization has meant a weaker state, more clientelism and continued environmental destruction’. In the form of money politics, the poor is commonly utilized under *tim sukses* (success teams) ‘paid by [a] candidate to win the election’ (Aspinall and Sukmajati 2016). The poor needs money while the candidate, in return, needs their votes.

A 2017 study of village elections in Indonesia draws two conclusions. First, the elite use vote buying to continue their domination of a village. Second, it is important for the village apparatus to keep in touch with the state apparatus at higher bureaucratic levels, to gain political support and also to get development projects (Aspinall and Rohman 2017). In relation to the first, the elite continued to dominate because they are the only group with money and wealth. With regard to the second, the village apparatus can secure resources from the sub-district level: ‘Village officials spend time and money to locate and lobby for these resources’ (Antlöv and Eko 2012). As such, the elite gain more benefit than the majority. Such situations were common in Indonesia.

Actually, the topic of elite capture in Indonesian decentralization is not new. Hadiz (2004a) argued that the decentralization process, particularly in Indonesia, is rife with interests that may come from a predatory elite. Furthermore, elite interests gain ascendancy in public service provision. A general understanding is that elite capture is the bottleneck in public service provision because the benefits of decentralization go to local elites instead of to the larger community, as shown by Bandiera and Levy (2011). Decentralization mandates that policymaking be brought closer to the concerned community. In fact, close relations between these

two can present an opportunity, giving the local elite access to policymakers (Azis and Wihardja 2010:312). In this regard, institutions that are commonly captured are public procurement auctions, local regulations and social programmes, as these provide a ‘meeting point’ between local leaders and private operators (Azis and Wihardja 2010:321). They have substantial resources, too, with budgets that can be subject to capture.

3.3.3 Bureaucratic politics

Though discussions about clientelism are important and have gained traction in regard to Indonesia’s current decentralization, attention to bureaucratic performance and politics, as well as coordination between ministries, departments and line agencies, cannot be overlooked. As previously mentioned, Indonesia’s bureaucracy, especially at the district level, has long been overburdened with administrative work, while its performance has remained poor.

Indonesian bureaucracy

Labolo (2013: 167-168) from the Indonesian Institute of Governmental Affairs, *Institut Pemerintahan Dalam Negeri* (IPDN), observed several characteristics of the Indonesian bureaucracy, as follows. First, instead of solving problems, the bureaucracy tends to maintain them. Second, personal interests tend to predominate within the bureaucracy. Third, there is a tendency to avoid problems. Fourth, Indonesia’s bureaucracy lacks innovation. Fifth, there is a lack of merit-based systems for recruitment and promotion. Kasim (2013:18) similarly stated that instead of meritocracy in recruitment processes, recruitment in the Indonesian bureaucracy is based more on patrimonial and political considerations. This could be argued as caused by the extremely low salaries. Tjiptoherijanto (2012:3) suggested that low salaries stimulate tendencies to seek additional income from corruption.⁹

Unfortunately, these characteristics of the Indonesian bureaucracy were particularly apparent and dominant in policymaking during the administration of President Yudhoyono (2004-2014) (Sherlock 2015:106). Moreover, the problem

⁹ There is a good example of corruption practices by bureaucrats in the education sector in Indonesia. On this, see Widoyoko (2011: 165).

appears to be linked to the high expectations of the Indonesian bureaucracy under decentralization. However, international donors have allocated resources to help carry out reforms. The United Nations for instance, listed governance and bureaucratic reform as a key priority in its Indonesia Framework 2011-2015 (Holzhacker et al. 2016:11). Holzhacker et al. (2016:12) noted the same priority in regard to other donors, including the World Bank. The World Bank Development Policy Review 2014 for Indonesia states an agenda of ‘streamlined bureaucracy for enhanced accountability’.¹⁰ How might business communities view Indonesian bureaucratic performance?

Indonesia Investment estimated that more than half of public expenditures in the decentralized system fell under the purview of subnational government. However, reports on subnational government spending are lacking. This means it is difficult to trace government debt and borrowing (Indonesia Investment 2016). President Jokowi admitted that the Indonesian bureaucracy was not favourable for the business and investment climate. He said, ‘Prior to arriving in Indonesia, the foreign investors are really enthusiastic. But once they arrived, we all know how complicated it is dealing with permits in our country’ (TEMPO 2019). One obstacle is the many regulations in Indonesia, Jokowi continued. Indonesia is the worst place for investment, saying that this is due to the ‘country’s inflated and rotten public system’ (Ward 2017). This data and information suggest that the ineffective Indonesian bureaucracy has a serious impact on the business and investment climate. In short, bad bureaucracy means lack of investment.

Relation between politics and bureaucracy

In Indonesia, there are obvious links between politics and the bureaucracy (see Azhari 2015: 73). This is especially true for policymaking processes. Political interests are incorporated in all policymaking processes. Thus, the Indonesian bureaucracy is not neutral or professional. A study by Knowledge Sector Initiative (KSI) found that the Indonesian bureaucracy did not follow a normal policy cycle based on rational and problem-solving mechanisms. Instead, policymaking tended to be dominated by political interests (Blomkamp et al. 2017:33).

¹⁰ About the fat Indonesian bureaucratic structure, see also Prasajo (2015).

Another example of the relation between the political establishment and bureaucracy relates to elections, specifically, the role of bureaucrats in elections. Instead of being neutral, Dutch observers, including Berenschot (2019), found that in many cases bureaucrats were deeply involved in political campaigns. Why? One answer is that many Indonesian bureaucrats and politicians are reliant upon one another to secure their careers. In short, if the bureaucracy performs well in delivering public services, numbers of votes for politicians will likely be higher. Thus, politicians provide incentives to bureaucrats and advance loyal bureaucrats' careers (Harsasto and Utomo 2018:3). This illustration points to the conclusion that processes of decision-making in Indonesia hardly escape political interests.

Government coordination

The last feature embedded in the Indonesian bureaucracy relates to government coordination, such as cross-institutional activities, consultations and joint activities involving ministries (at national level) and line agencies or departments (at the provincial and district level). Herein, coordination is key as the crucial component of policy or project implementation. Prior to exploring government coordination in further depth, the fact that the Indonesian bureaucracy has issues with this should be underlined. The following paragraphs provide evidence of this claim.

(Saner and Winanti 2015:15) found that economic performance in Indonesia cannot improve unless the government pays serious attention to ministerial coordination:

Increasing economic competitiveness, for example, can only be achieved through better policy coordination and strengthened value chain integration. Since different elements of the supply and value chain are linked to different government ministries, the mechanism and practice of interministerial policy coordination becomes crucial to ensure successful policy implementation. Without successful interministerial policy coordination, ministries will not harmonize their policies and a comprehensive value chain approach cannot be implemented.

In addition to economic competitiveness, infrastructure projects also require government coordination. An example is the construction of an airport. In this case there was a delay due to a lack of coordination between the central, provincial and regional government (PwC 2016: 13). The administrative layers often work at cross-purposes to their respective authorities.¹¹ In many cases, authorities overlap, so coordination between the involved parties becomes increasingly important, though nonetheless lacking (I. K. Nasution 2016:694). If a conflict of authority arises between the provincial and district levels, the role central government is to mediate this (A. Nasution 2016:4).

Conclusion

This chapter explored the Indonesian context under decentralization and argued that the country has gone relatively unchanged for decades. The situation today is little different to that found in New Order era. Many years back, Hadiz and Robison (2004) observed that Indonesia under *Reformasi* was not diminishing the old New Order practices. The situation can be summarized as follows.

Problems have persisted in Indonesian decentralization. After several revisions, decentralization remains far removed from its original objectives. Incidence of corruption, clientelism and bureaucratic politics as well as lack of government coordination are easily found throughout the system. As long as this persists, the ultimate objective of decentralization, which is improved service provision and closing the gap between government and society, is unlikely to be achieved. I argue here that this ‘pathology’ becomes even more intense when direct elections are being held.

Considering all of these problems, this research sought to understand how PNPM was influenced, and how strategies to anticipate the problems fared. To answer these questions, Chapter 4 explores PNPM and its neoliberal precepts in more detail.

¹¹ See Chapter 6 as an example of this.

CHAPTER 4

PNPM AS AN EXPRESSION OF NEOLIBERALISM

Introduction

- This chapter overviews the design and implementation of PNPM within the context of the Indonesian bureaucracy. In addition, the chapter addresses the first question posed in Chapter 1. That question is, ‘Did PNPM conform to socio-institutional neoliberalism (SIN)?’ The investigation is broken down into two strands of enquiry, as follows:
- Was PNPM an expression of socio-institutional neoliberalism (SIN) in regard to its establishment of participation as a political technology element?

What were the Indonesian government’s responses to the World Bank’s agenda in Indonesia?

To answer these questions, the following sections examine the building blocks of PNPM, which represented the continuation of KDP. Indeed, these two programmes had similarities, particularly, both were designed to bypass the regular bureaucracy. For PNPM, this bypassing was in place during the 2008-2010 period. Bypassing was a favourite model of the World Bank for community-driven development (CDD), starting in the 1990s (Levy 2014:161). However, PNPM differed from KDP, in regard to mandate coverage, financial resources and integration into the national development planning system.

In relation to material resources, this chapter relies on PNPM documents – specifically, the PNPM manual, guidelines and monitoring and evaluation reports – as well as independent studies conducted by NGOs and scholars, and interviews

done with PNPM Support Facility (PSF) officials and one village expert in Jakarta. As PNPM was incorporated into Village Law 2014, all materials used here represent the 2008-2014 period, during which the programme operated. The section below begins the exploration by examining the relation between PNPM and broader agendas of neoliberalism and institutional change.

4.1 Is PNPM a legacy of Socio-Institutional Neoliberalism?

This section seeks to answer whether PNPM was an expression of SIN. But first it outlines Indonesia's experience with poverty reduction programmes, which PNPM was claimed to be.

4.1.1 *Inpres Desa Tertinggal and the Kecamatan Development Programme*

Indonesia embarked on several poverty reduction programmes in the early 1990s. The two main programmes in that era were the Presidential Instruction for Underdeveloped Villages, *Inpres Desa Tertinggal* (IDT), which operated from 1994 to 1996, and the *Kecamatan* Development Programme (KDP), which operated from 1997 until 2006. Both programmes pursued a similar objective, which was to address rural poverty. IDT was designed to provide small funds to groups of people to develop small businesses (Sayogyo 12 January 1994), with the groups consisting of about 30 participants. So one village could have more than one group. At that time, the total allocated budget for each village was IDR 20 million or US \$8,700 (Kompas 7 January 1994, Sumodiningrat 1995). IDT allowed communities to define poverty for themselves, by consensus, and to identify target beneficiaries. Next to this role, the local government (sub-district and village) was to provide technical assistance. The village head and the sub-district head (*Camat*) were responsible for approving project proposals and supervising project implementation. To prevent corruption, academia, NGOs, legislative boards and the mass media were asked to monitor (Try Sutrisno 29 March 1994). Also, by design, funds were transferred directly from the Ministry of Finance (MoF) to the Bank Rakyat Indonesia Head Office (People's Bank of Indonesia) in Jakarta and then forwarded to BRI branch offices. At these local branches, located in the sub-districts, IDT groups could access the funds in cash (Kompas 31 January 1994). Under these arrangements, IDT seemed to work well, but

like many other government programmes in the New Order era, there were many IDT-related corruption cases. This was the main reason why IDT was not sustained.

KDP, which was supported by the World Bank, replaced IDT in 1997. The World Bank incorporated the principles of transparency and local democracy into KDP's design (Edstrom 2002a, Guggenheim et al 2004). As an external observer, Edstrom 2002b: 2 said, 'It calls on villagers to demand accountability from both the government and their neighbours, and to take responsibility for the investments they deem important.' Transparency was seen in KDP public meetings, with their open processes which all participants could observe. The World Bank (2014: 6) claimed that KDP was relatively free from local interests. This was because the programme was designed to bypass Indonesia's corrupt bureaucracy, especially in the transfer of funds. The World Bank also claimed that KDP had succeeded in providing basic infrastructures. It recorded 19,000 km roads built, 3,500 bridges constructed, 5,200 irrigation systems and about US \$1.8 billion spent on education and health facilities. KDP was also said to have generated 25 million workdays, with 28 million villagers earning money from infrastructure building and about \$40 million disbursed for microfinance schemes (Guggenheim et al 2004). KDP was a success story, the World Bank claimed. The programme ended in 2006, to be followed up by PNPM (see the account of KDP-PNPM relations in Carroll 2010b: 187).

Despite the claims that KDP had been a success story, the program was also subject to criticism. Criticism was voiced because KDP was implemented amidst serious power contestation (Barron et al. 2011:11). In their analysis of KDP, Barron et al. presented evidence of situations where KDP created some tension among villagers. Barron et al. (2011:1-5) give the example of Wates village in the district of Ponorogo in the province of East Java, where competition between bidders to obtain funds led to (non-violent) conflict. They indicate: 'Although KDP was not designed to reduce local violent conflict, it provides a particularly interesting lens through which to examine relation between development processes (including projects, programs and policy reforms) and local conflict' (Barron et al. 2011:ix). The implementation of KDP in Wates village was not the only example of conflict. (Gibson and Woolcock 2008:161) refer to the case of the district of Pamekasan district in East Java. These examples illustrate that KDP did not only lead to improvement of infrastructure but also created tensions and conflicts among villagers.

4.1.2 Program Nasional Pemberdayaan Masyarakat

During President Yudhoyono's administration (2004-2014), the government of Indonesia continued to operate a poverty reduction programme. This national anti-poverty and community empowerment programme was Program Nasional Pemberdayaan Masyarakat (PNPM). The president launched PNPM in Palu, Centre Sulawesi, on 30 April 2007. Within two years, by 2009, the Indonesian government claimed that PNPM had reached more than 70,000 villages across the country. PNPM was also declared an 'umbrella' for community development projects across the country. The term umbrella meant that anti-poverty programmes in Indonesia were to be integrated into PNPM. This integration of programmes was part of an agreement, signed 23 May 2006, by the Coordinating Ministry of Social Welfare (Menkokesra) and the Coordinating Ministry of Economy (Menkoperkonomian) (PNPM 2014). A few months later, on 12 September 2006, Indonesia's national development agency, the Coordinating Ministry for the People's Welfare Bappenas and other ministries concluded that PNPM would be used as 'an instrument for accelerating poverty reduction and for enhancing full employment on the basis of community empowerment' (PNPM 2014). Thus, PNPM seems to have been presented as a breakthrough in the Indonesian effort to eradicate poverty, especially in the post-New Order era. But, actually it was not. Although PNPM was initiated in the post-New Order era, it was very similar to IDT and KDP; and those two programmes had been in place years before.¹² Table 4.1 summarizes evidence for this claim.

Table 4.1 Poverty reduction programs in Indonesia (1994-2014)

| Name | Period | Objective | Main source of funding | Budget allocation | Types of project | Numbers of village covered | Fund disbursement method |
|------------|-----------|-------------------|------------------------|--------------------------|---|----------------------------|--------------------------|
| IDT | 1994-96 | Poverty reduction | Indonesia | US\$ 8,700/ each village | -Village infrastructures -Microfinance | 20.633 | Bypassing bureaucracy |
| KDP | 1997-2006 | Poverty reduction | World Bank | US\$ 1M/ sub-district | -Village infrastructures -Microfinance | ≥30.000 | Bypassing bureaucracy |

¹² In fact, IDT was implemented in the New Order era.

| | | | | | | | |
|-------------|---------|-------------------|-----------|--------------------------|---|---------|-------------------------------------|
| PNPM | 2007-14 | Poverty reduction | Indonesia | US\$ 1M/ sub-district | -Village infrastructures -Microfinance | ≥70.000 | -Bypassing bureaucracy (2007-10) |
|-------------|---------|-------------------|-----------|--------------------------|---|---------|-------------------------------------|

Source: author's compilation

It is clear from table 4.1 that in design, PNPM was similar to IDT and KDP, as all three programmes provided basic infrastructure and microfinance. There are other similarities too, particularly in programme objectives, with the main aim being poverty reduction. Next to this, PNPM resembled IDT and KDP in funds disbursement. All of the poverty reduction programmes used bypassing designs to sidestep the Indonesian bureaucracy (Levy 2014:161). Due to similarities between these three programs, it is worthwhile to look at whether any element of PNPM signals a deepening of the neoliberal agenda compared to IDT and KDP.

This inquiry was inspired by Toby Carroll that KDP was a delivery mechanism of socio-institutional neoliberalism (SIN). The next section explores evidence on the relation between PNPM and neoliberalism.

Does PNPM embrace Neoliberalism?

In order to answer whether PNPM embraced neoliberalism, I analysed documents from two sources: the World Bank (as one of neoliberalism's main proponents) and the Indonesian government. I began by tracing the relation between neoliberalism and institutional reform (its type and marketization of social relations). In this regard, neoliberalism is commonly associated with reform aimed at deepening market-oriented institutions. The World Bank believes that institutional reform for this purpose is good for market efficiency, which is the core of neoliberalism. In its World Development Report (WDR) 2002, entitled *Building Institutions for Market*, the (World Bank 2002:6) noted the following:

Markets allow people to use their skills and resources and to engage in higher-productivity activities if there are institutions to support those markets. *What are these institutions? Rules, enforcement mechanisms, and organizations supporting market transactions.* Extremely diverse across rich and poor communities and nations, they help transmit information, enforce property rights and contracts, and

manage competition in markets. All market-supporting institutions do one or more of these things. And in so doing, they give people opportunity and incentives to engage in fruitful market activity.

From this, it is clear that, according to the World Bank, institutions work for the market. Moreover, institutions are said to encompass ‘rules, enforcement mechanisms and organizations supporting market transactions’ (see above). Here it merits pointing out that an institution can be formal (as in the World Bank’s definition) or informal, with examples of the latter being local norms and culture.

Formal institutions here refer to those like the ones mentioned by the World Bank above: rules, enforcement mechanisms and organisations supporting market transactions. To identify such formal institutions, as defined by the World Bank, and examine them in the Indonesian context, I referred to the World Bank Country Partnership Strategy (CPS) for Indonesia. A CPS is a document setting out the strategy applied by the World Bank in a specific country and produced in collaboration with that country. In Indonesia, CPS 2009-2012 clearly targeted Indonesian institutional reform. Indeed, CPS 2009-2012 was titled, ‘Investing in Indonesia’s Institutions for Inclusive and Sustainable Development’. The definition of institution, according to this document was as follows:

arrangements and organizations, not only of the State (government, the legislature and the judiciary at all levels i.e. national, provincial and district), but also private sector actors, financial institutions, civil society and community-based organizations (CSOs and CBOs), academia (including, in particular Indonesian universities), think-tanks, professional organizations and the media. The main focus of the CPS is on improving accountability and building capacity of select state and non-state organizations to meet Indonesia’s development objectives. The strategy recognizes the importance of strengthening both the capacity and accountability of key executive institutions (e.g., ministries and agencies), as well engagement with non-executive Institutions of government (e.g., audit, parliament). At the same time, the CPS recognizes that non-government counterparts can play an important role in enhancing accountability (World Bank 2008: 13).

Based on this, it seems reasonable to conclude that both WDR 2002 and the Indonesian CPS 2009-2012 emphasise the role of institutions for strengthening the market. Then, what about PNPM? Did PNPM seek to use institutions to enlarge and strengthen the market? The answer is yes, with two critical points as evidence. First, microfinance was a default project under PNPM (and KDP as well), with the aim of stimulating beneficiaries to become part of the market. Microfinance loan recipients were urged to become, as Toby Carroll termed, ‘market citizens’. In further detail, Carroll explained that ‘KDP is a social development project – that seeks to change patterns of behaviour at various levels of society – attempting to normalize transparency and accountability, and assist the decentralization process, for example by using the provision of funds at the local level as an incentive’ (Carroll 2010c:181). Bateman (2012:591-592), too, argued that microfinance (which he actually termed microcredit) is an attempt at neoliberalizing rural finance by stressing strict free market and for-profit principles at one point and dismantling state interventionist rural finance at another.

Regarding PNPM, neoliberal principles were found in the microfinance schemes for women. These projects not only introduced groups of women into market activities, but the granting of microfinance was conditional on accountability, autonomy and a for-profit orientation. With regard to the last, the total profit from women’s microfinance nationally was IDR 335 billion, equivalent to some US \$28 million in 2013 (Sutiyo et al. 2020:106). Second, PNPM encouraged people to propose infrastructure projects, for the purpose of market expansion. Actually, in the eyes of Indonesian villagers, infrastructure projects were not really expected as part of a rural development programme. But they nonetheless welcomed these projects, as ‘something is better than nothing’ (Li 2016:83). In other words, they considered it better to get an infrastructure project out of PNPM than to wait for a government agency to provide it. PNPM took a broad view of infrastructure projects, seeing them not only as a means of improving the physical performance of, for example, roads, schools and dams, but more importantly, as a way of transferring knowledge to villagers and government officials on ‘participation, accountability and pro-poor sensitivity’ (Li 2016:88). The very notion of neoliberalism was expressed in PNPM in its practice of bypassing the state bureaucracy. As stated by Li (2016:88), ‘villagers would drive the planning process (hence “community driven”) and government

officials would be excluded from any share in the project funds that normally flow toward them’.

In my view, these are obvious ways in which PNPM directed people, in this case, villagers, towards the market. To ensure this objective, PNPM applied institutional arrangements that can be categorized as both formal and informal. Formal institutions were found in PNPM rules and regulations. Rules on sanctions, for example, were stated in the PNPM manual and guidelines. Sanctions were defined as a punishment for any misconduct which may occur in PNPM processes. Sanctions were considered a means of developing communities’ self-responsibility. There were three types of sanctions: community sanctions, legal sanctions and programme sanctions (Depdagri 2008:8). Community sanctions were applied following consensus within the concerned community on the appropriate punishment for a PNPM violation. This local consensus had to be formalized in a written statement and attached to an official report. A legal sanction was a punishment based on Indonesian law. A programme sanction was applied when a sub-district or village could not maintain a PNPM project. Villages receiving any of these sanctions could be banned from PNPM participation in the following year, and their funding was stopped (Depdagri 2008:9).

One of the main informal institutions used by PNPM was local norms and culture. The programme manual and guidelines state the requirement to prioritize local norms and culture at all stages of PNPM operations. This was a basic PNPM principle (Menkokesra 2007: 14). An example of its application was in public meetings (*musyawarah*), which were to serve as the programme’s backbone (Sari and Widyaningrum 2012:91, McCarthy et al. 2014:247). The programme guidelines further require that public, inter-village and women’s meetings be conducted (Menkokesra 2007:18). Public meetings were used as a problem-solving mechanism, as well as to disseminate PNPM information (see Irawanto et al. 2011). PNPM’s use of both formal and informal institutions, again, indicates that PNPM was envisioned as a vehicle for market expansion. To achieve this goal, the programme applied institutional arrangements.

PNPM’s focus on institutions also resulted in the setting up of new organizational entities, according to the Indonesian CPS 2008-2012.

PNPM's focus on organizations

Under PNPM, institutions were linked to organizational entities. Six such entities were designed under PNPM to support the programme at village level. These were the following (Departemen Dalam Negeri Republik Indonesia 2009:12):

- The community project implementation team, or *Tim Pengelola Kegiatan* (TPK). This team was to coordinate and manage all projects as well as draft and report on project budgets.
- The proposal unit team, or *Tim Pembuat Usulan* (TPU). The TPU's job was to design project proposals.
- The monitoring team.
- The sub-district financial management unit, or *Unit Pengelola Kegiatan* (UPK). This sub-district level unit was to manage microfinance projects.
- The sustainability team.
- The inter-village cooperation body, or *Badan Kerjasama Antar Desa* (BKAD), to coordinate projects involving two or more villages.

Next to the institutional arrangements and organizational entities, another feature of SIN is participation (Carroll 2009a). The next section explores this aspect in more detail.

Participation

In the neoliberal lexicon, the term participation refers to a better participation of society in market-based and market-friendly activity. This was at the forefront of the World Bank strategy under its flagship Comprehensive Development Framework (CDF) document (World Bank 2003: xviii). Participation was at that time also a widely used concept in World Bank poverty reduction strategy papers (Cornwall and Brock 2005c:1044, Molenaers and Renard 2006:7). In Indonesia, the World Bank poverty reduction strategy was part of CPS 2013-2015:

The core PNPM *Mandiri* program now covers 65,000 villages with an annual budget of almost US \$1.7 billion. PNPM's overall objective is to improve governance and reduce poverty by promoting *community decision making in development planning and management*. Its core idea is that given adequate information and some technical assistance to improve designs, communities will negotiate

a range of cost effective, economically useful investments that will raise local productivity and benefit the poor. To translate this idea into an operational project, PNPM funds are used to support: (a) building community capacity for the formation and institutionalization of elected representative organizations that are accountable to communities; (b) provision of grants to communities directly and transparently to finance an open menu of poverty alleviation activities; and (c) enhancing the capacity of central government and local governments to partner with community organizations (CPS 2013-2015: points 81-86, italics added).

This document emphasized that poverty should be minimized by providing more space for the community (in the form of participation) as well as by improving the local capacity of institutions (by establishing partnerships with other institutions).

Thus, community participation was a basic PNPM principle. Like community development programmes generally, PNPM sought to place communities in the driver's seat of development. Communities were called on to propose any development projects they considered necessary. In doing so, they were expected to actively engage in every step of the development process, from project design to implementation and monitoring. Throughout all these steps, community participation was required.

PNPM defined participation as a decision-making process in development involving the community, private actors and government (Menkokesra 2007:Ch.4). Under PNPM, the emphasis in participation was on decision-making and community involvement. Community participation and involvement was not only to be shown by villagers' attendance in decision-making processes (such as in *musyawarah*/public meetings) but also by their contributions to PNPM. Community contributions took the form of villagers' physical presence, for example, actively taking part in construction activities,¹³ as well as their financial contributions, meaning that residents provided some amount of monetary contribution out of their own pocket (Depdagri 2008:6).

Finally, PNPM added empowerment to the three features of neoliberalism discussed so far (institutions, organizations and participation).

¹³ An example of this was *gotong-royong* (working together)

Empowerment

Here again, the features of neoliberalism within PNPM are clear. The programme equipped people to be active players in market. ‘Increasing capacity’ was a key concept in the definition of empowerment used by PNPM. But, as it was recognized that capacity could not be increased without first providing adequate information about the programme and its objectives, there were phases in PNPM empowerment. The first was called the socialization phase. This phase took about two years, depending on the community’s geographical location and readiness. PNPM defined characteristics of this phase as follows:

- Community still reliant on PNPM block grant to finance physical projects.
- About 30% from total budget allocated for women proposals.
- Community reliant on facilitator, meaning that the community was not yet able to manage its own projects.¹⁴
- Low community ownership of PNPM projects.
- PNPM not yet integrated into regional development plan.

Part of this first phase was project identification (Depdagri 2008:Annex 2, p 5). Due to the bypassing strategy, it was the role of a facilitator to identify problems in the community, to map potentials in the economic, social and cultural context, and to list the community’s needs.¹⁵ After introducing PNPM to the community, the facilitator established the PNPM organizations at the village level (PNPM village cadre, the community project implementation team, the sustainability team and the proposal unit team). The facilitator was also required to ensure that the community, stakeholders and PNPM team understood the processes, objectives and roles of each in the programme.

The second phase of PNPM empowerment was capacity development. For this, PNPM provided series of trainings based on andragogy theory (the method of

¹⁴ The main roles of facilitator in PNPM were to facilitate meetings, to disseminate information about PNPM, to train villagers on writing project proposal and budget allocation and to monitor PNPM projects as stated by Guggenheim et al. (2004). There is a sub-section about facilitator in this chapter that presents the role of facilitator in PNPM in more detail.

¹⁵ This was started from the neighborhood and hamlet level up to the village level. Problem identification and social mapping were done with semi-structure interviews and field observation, as outlined in Depdagri (2008: 13).

teaching adult learners) and using participatory approaches (Depdagri 2008: Annex 2, p.29). Both basic and advanced training was offered. Basic training was given to the PNPM organizations at village level. It took 5-7 days and taught a basic understanding of PNPM, its manual and guidelines, roles and responsibilities, types of activities, data collection techniques (including mapping the poor), facilitation techniques and administrative work (Depdagri 2008: Annex 2, p.35). Advanced training was provided as a follow-up, in the form of on-the-job training, in-service training, exchange visits, comparative study, focus group discussions, sharing and simulation (Depdagri 2008: Annex 2, p.30-33). Similar to the basic training, the advanced course took 5-7 days.

In addition to the PNPM team, training was provided to the community as well. Based on the PNPM manual and guidelines, this type of training was to be given to the poor. Learning goals would depend on needs, such as developing skills for establishing a small business. This was a crucial component, as many poor families did not have sufficient knowledge to actively engage in market processes. This points to a clear aim of PNPM to help programme beneficiaries take part in the market in practice.

The facilitator secured the venue, budget and expertise for the training events (Depdagri 2008: Annex 2, p.74). Here the important role of the facilitator in the socialization phase merits highlighting, as facilitators were on the front lines in disbursing information and spreading an understanding of PNPM.¹⁶

The time needed to complete the second phase was two years. Characteristics of this phase were the following:

- The PNPM block grant was only a stimulus, in the hope that the community would start thinking about other financial resources.
- The community was able to facilitate projects.
- Moderate level of ownership.
- Roles shared equally between the community, government and facilitator.
- Integration of PNPM with regional development plan.

¹⁶ The facilitator is the catalyst in the empowerment process. The role of the facilitator would be limited as soon as the community were able to implement their own projects (see Menkokesra 2007).

It can be seen that the role of facilitator diminishes. Also, there is an attempt to integrate PNPM into regular development processes. From the first to the second phase, some four years were needed.

The third phase was autonomy. This meant that the community could manage all projects on its own. This was also understood as a process of intensifying development, referring to the institutionalization of participatory development at the village and sub-district level, the institutionalization of microfinance and increasing capacity of both community and government in management and sustainability of development (Menkokesra 2007: Annex 1).

The fourth and final phase was sustainability. In this phase, the community was deemed able to maintain a logical, fair and participative development process. Moreover, they could organize, as well as address their own needs in development. Indicators in this final phase were the following (Menkokesra 2007: annex 1):

- Projects are self-funded.
- Transparent, participative and democratic development processes in place.
- Increased capacity of government for development projects.
- Facilitator's role only supplementary.

An empowerment for market aspect was included between the third and fourth phase. There was a certain logic to this. Having provided training and capacity building, PNPM assumed that people were empowered to now engage in market processes, which was seen as a source of resource generation. While in phase three, people gained the capacity to find resources, in phase four, they became able to fund themselves. Overall, it took about six years for a community to become fully empowered, through the phases, in managing their development.¹⁷

We can see from the above that PNPM features closely mirrored the principles of neoliberalism. The World Bank was a main proponent of neoliberalism in Indonesia. It is therefore important to look closer at the World Bank's involvement in Indonesia, because external intervention inevitably triggers internal reactions. The next section investigates this in relation to PNPM and its outcomes.

¹⁷ Taken from these phases of community empowerment, I argue that this kind of arrangement is too technical, meaning that it only focuses on the steps in the planning and at the same time neglects social environment.

4.2 The relation between the World Bank and Indonesia

This section seeks an answer to the research question about the Indonesian government's responses to the World Bank agenda in the country. As mentioned above, neoliberalism was inexorably linked with the World Bank, which was its main supporter. The World Bank was active in Indonesian development programmes, especially poverty reduction programmes. I would argue that the work of international organizations in developing countries – like the World Bank's activities in Indonesia – have not been without controversy. Involvement of such external actors can create tensions at the national and sub-national level. I start by examining the Indonesian perception of the World Bank.

4.2.1 Perception

The evidence of neoliberalism in Indonesian poverty reduction programmes is by now clear. But how did Indonesia, particularly its government, ministries and observers, perceive the World Bank. Answering this question is essential for this study, as it indicates how donor intervention may be regarded in developing countries, both by citizens at large and by government agencies. Evidence reveals that the relation between the World Bank and the Indonesian government was not always a good one. Since its first poverty reduction programme, IDT, was introduced in 1995, there were number of issues that demonstrate the difficulties.

It began with an article by journalist Glenn R. Simpson in the *Wall Street Journal* about a dispute between the World Bank and the Indonesian government (Simpson R. Glenn 19 August 1998). The article was based on an internal report leaked from the World Bank's mission in Jakarta. It stated that corrupt Indonesian staff had skimmed at least 20% from the total amount of funding provided by the World Bank. Similarly, the World Bank indicated that IDT was rife with corruption, especially when government intervention was high. Accordingly, John Victor Buttini, a World Bank team leader, observed, 'the government intervention in the programme is too deep and therefore communities do not benefit from programme outcomes, although the funds are already disbursed' (Kompas 23 September 1998).¹⁸

¹⁸ The quote is translated from its original in Bahasa, Kompas (23 September 1998).

Criticism was levelled at the World Bank mission in Indonesia as well. A strong critic was Kwik Kian Gie, Head of Bappenas. In 2003, he stated:

Foreign debt that has continually been given to Indonesia has evidently resulted in the greater dependence of Indonesia on creditor nations and international financial institutions. They have taught us not to form cartels or to create monopolistic conditions, but they themselves have formed a cartel comprising the Consultative Group on Indonesia (CGI), World Bank, the Asian Development Bank, the Paris Club, and the London Club under the auspices of the IMF. Their behavior and attitude in Paris Club negotiations have clearly been like cartels. The creditors are in one room while the government of Indonesia in another room. There must not be any contacts unless via a mediator. This is meant to ensure that all creditor nations maintain their cohesiveness and for averting competition among them in facing Indonesia, namely to make each of them equally tough (Kwik Kian Gie 2003).

By this, Kwik stressed that Indonesia should be free from any foreign intervention, including aid. Another criticism of the World Bank from the Indonesian government regarded KDP. The issue was that the World Bank had hired consultants for KDP in a non-transparent process (Kompas 14 October 1998). However, this was not the end of the story. Tension between the World Bank and Indonesian government continued to rise, particularly within the Ministry of National Development Planning (*Bappenas*). A *Bappenas* senior official said that his office opposed World Bank intervention. According to him, the Bank had used its network (including alumni of US universities in Jakarta) to deepen its intervention. Indonesia also accused the World Bank of only circulating money internally, through the use of US consultants and other agencies with close associations with the World Bank (Interview, 20 May 2013). But none of these problems dissuaded the World Bank from further intervention. Finally, the World Bank approached Aburizal Bakrie, a businessman in an acting role within the Coordinating Ministry for Economic Affairs and Industry. He was the man behind KDP in 1998. This was no coincidence. In the 2014 presidential election, Bakrie had run for candidacy. He saw PNPM as an opportunity to scale up his popularity. When the World Bank approached him about PNPM, he replied with enthusiasm. According to *Bappenas* senior staff, since the World Bank had close relations with Bakrie, the tension between World Bank and Indonesian government had declined

(Interview, 20 May 2013). But, the problem remained, particularly as the World Bank wanted to integrate PNPM into the Indonesian bureaucratic system, which was notorious for its corruption. Therefore, the World Bank and PNPM team in Jakarta designed a PNPM road map. The section below looks at that road map in more detail.

4.2.2 PNPM Road Map

In 2013, a year before the programme ended, there was concern about PNPM's sustainability in Indonesia. Lots of homework still needed to be done. One issue was decentralization. In PNPM, inter-village meetings were held at the sub-district level. The sub-district head, therefore, played a crucial role. Yet, under Decentralization Law 32 of 2004, the role of the sub-district head was weakened under decentralization. Indeed, this was serious problem for PNPM, and presented a dilemma for the sub-district head. Persons fulfilling the role of sub-district head found themselves in charge of PNPM activities, but with no power in the bureaucratic system.

The PNPM road map, drafted by the PNPM team in Jakarta, set out to address the problem (Interview, 8 July 2013), specifically by attempting to revise Indonesian law.¹⁹ The plan gave special attention to aspects at the sub-district level, as this was a very important administrative level in PNPM realization (Interview, 8 July 2013).

Interestingly, in addition to legal revisions, the PNPM road map mentions the need to sustain the role of the PNPM facilitator in all PNPM projects. On this, however, the PNPM team in Jakarta admitted that the quality of facilitators had diminished, due to the scaling up of the programme (Interview, 21 May 2013). Most facilitators were fresh graduates. This was quite different from PNPM's early years when facilitator roles were filled mostly by NGO activists. The latest recruits knew little about community development, social and problem mapping, and participatory processes (Interview, 21 May 2013). Training was provided for them, both in Jakarta and in the districts. But the content of the training emphasized the administrative aspects of the job more than enhancement of community participation and empowerment (Interview, 21 May 2013).

¹⁹ When this research was undertaken, the law revision process of UU was still in progress.

To better understand the shift, I conducted a further interview with a *Bappenas* senior staff member. The PNPM road map states that the role of facilitator would be sustained in all PNPM projects. But this seemed to contradict a plan advanced by *Bappenas*, in which the role of PNPM facilitator would be minimized and the World Bank was asked to prepare an exit strategy to allow for this (Interview, 20 May 2013). In view of the contradictions, it can be surmised that the views of the PNPM team in Jakarta on the use of facilitators differed from those within *Bappenas*.

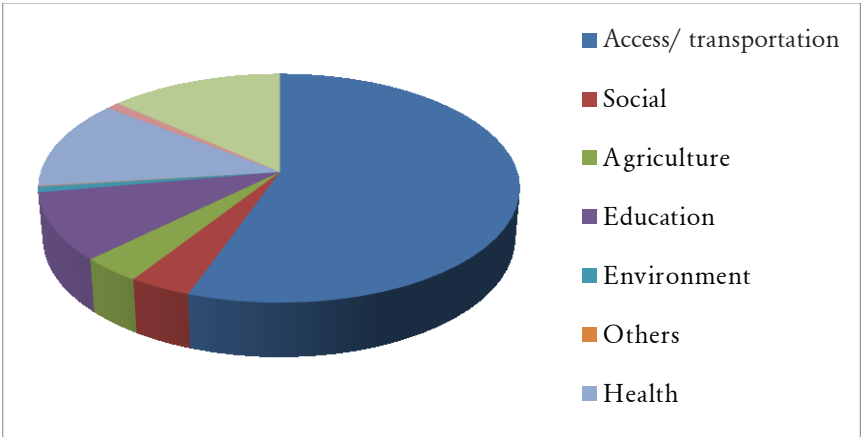
4.2.3 Commitment to PNPM

Because PNPM was a government programme, there was a need for the Indonesian government to support it in legal terms (with an appropriate regulation) and financially. Regarding regulation, the president issued *Inpres* 1 and 3 in 2010²⁰ aimed at accelerating efforts towards poverty reduction. In addition, poverty reduction programmes were listed in the 2004-2009 national medium-term development plan, *Rencana Pembangunan Jangka Menengah Nasional* (RPJMN). This document states that the national government will emphasize efforts to reduce poverty by delivering four sub-programmes. These were strengthening the culture of rural communities, increasing empowerment for agricultural communities, increasing rural infrastructures and facilities, and enhancing the institutional capacity of regional governments (Bappenas 2004). At the same time, the Indonesian government's commitment was seen in its budget allocations.

From 2009 to 2014, total allocations for the Ministry of Home Affairs (MoHA), as the PNPM coordinating body, increased significantly, from US \$ 1Billion to \$11.9 billion (Bappenas 2014b). A large portion of this budget was to improve access and transportation (55%), for the economy (13%) and for health (13%). Figure 4.1 presents details of MoHA budget allocations to PNPM.

²⁰ *Inpres* 1/ 2010 related to the poverty reduction program and its expansion in all areas of the country whereas *Inpres* 3/ 2010 was on the integration of PNPM into the national development system and urged local governments to contribute financially.

Figure 4.1 Sectoral commitments to PNPM, percent of total funds, 2009-2014



Source: *Bappenas* 2014

Apart from government allocations, villagers also contributed financially to PNPM. For infrastructure projects, their contributions rose from \$590 million to \$1.1 billion from 2007 to 2014 (*Bappenas* 2014).

The main role of the World Bank in PNPM was supervision and technical assistance. A Jakarta-based business media outlet observed that ‘initially, most of the funding came from the World Bank. But now the majority is contributed by national and regional governments’ (Katadata 2013). Table 4.2 presents the amount of funding contributed to PNPM by the World Bank over time.

Table 4.2 World Bank’s commitment to PNPM, 2008-2014

| Name of project | Time span | Contribution (US \$) |
|-----------------|-----------|----------------------|
| PNPM phase I | 2008-2009 | 1.8 billion |
| PNPM phase II | 2009 | 300 million |
| PNPM phase III | 2010-2012 | 785 million |
| PNPM phase IV | 2011-2014 | 531.19 million |

Source: author’s compilation from World Bank PNPM project portfolio 2008-2014

From Table 4.2, it can be seen that the World Bank's largest contribution to PNPM was in phase I, whereas the smallest was in Phase II. This confirms Katadata's report that the World Bank's contribution to PNPM decreased over time.

By way of summary, I wish to stress that the material presented thus far in this chapter points to the conclusion that PNPM was part of a broader neoliberal agenda. Following on Toby Carroll's arguments, SIN is not only a form of neoliberalism but also a market enlargement project that envisions the incorporation of all of society as active market players. PNPM reflected this vision. Every component of PNPM was aimed at pushing people to become 'market citizens'. Microfinance and infrastructure projects, as the main types of development projects under PNPM, were meant to strengthen and expand the market. In addition, PNPM (following SIN) applied institutional arrangements and created organizational entities, while also using participation, to ensure the functioning of the market. Finally, PNPM trained people to provide skills and capacity to empower beneficiaries to engage with and sustain the market.

4.3 Politicisation of bureaucracy and government coordination in Indonesia

This section examines how decentralization, and problems related to decentralization, impacted PNPM implementation. But before doing so, more detail is needed on the way PNPM was implemented. In this regard, Barron et al.'s (2011:13) observation that PNPM 'operates in a country in the midst of multiple, on-going and uneven transitions that have, at times, been accompanied by violence' is relevant. In the context of decentralization in Indonesia, their comment is noteworthy that PNPM's principles, which followed those of KDP especially on competitive bidding, 'may indirectly influence local power balances and social structures' (Barron et al. 2011:17)

As indicated above, the Indonesian bureaucracy has long been plagued by serious problems. Concerning these, former Constitutional Court Chief Justice Mahmud MD characterized the bureaucracy as 'rubbish' (Indonesia at Melbourne 2015). He stated:

Part of the problem is that official positions held by political appointees. They hold these positions of influence but are only concerned with finding money for their parties. Almost all ministries are involved in these activities. And if bureaucrats want to further their careers, to become a director general, for example, they have to play along. President Joko Widodo's proposal of not appointing ministers from political parties was a good one, but not politically feasible. These parties would have got rid of him if he didn't give them something back (Indonesia at Melbourne 2015).

Yuddy Crisnandi, Minister of Administrative and Bureaucratic Reform, issued a similar criticism. In his words, 'the presence of hundreds of thousands of incompetent, crooked, unaccountable civil servants has slowed the performance of the entire bureaucracy' (The Straits Times 2016). It would thus seem unfortunate that PNPM was integrated into the Indonesian bureaucracy. Sujana Royat, Deputy Coordination Ministry of People's Welfare, stated that PNPM was vulnerable to being captured by crooked bureaucrats and politicians. He further observed that there were indications of this in many districts across the country (JPNN 2010). Suffering not only from the politicization of the Indonesian bureaucracy, PNPM was also vulnerable to being used for purposes of political campaigns. An example of this is presented below.

PNPM was launched in 2007, two years before the 2009 presidential election. President Yudhoyono (the president at that time) was the incumbent, running for a second term. According to PNPM senior facilitator, a special meeting was held in Jakarta. The meeting was coordinated by Yudhoyono to gather all PNPM facilitators. At the meeting, the message was clear: PNPM would be used to get more votes for Yudhoyono (Interview, 5 July 2013). The government claimed that because of PNPM, it had succeeded in poverty reduction (Kompas 19 December 2008). And it did not stop there. President Yudhoyono extended his power over PNPM by establishing an ad hoc agency called the National Team for Poverty Reduction Acceleration, or *Tim Nasional Percepatan Penanggulangan Kemiskinan* (TNP2K).²¹ TNP2K was chaired by Vice President Boediono. This ad hoc inter-ministerial agency was assigned to

²¹ The establishment of TNP2K was through Presidential Regulation 15/2010. There were also TNP2Ks at province and district level. But they used different names. The names were *Tim Koordinasi Penanggulangan Kemiskinan Daerah* (TKPKD)/ coordination team for poverty alleviation for province and district level.

develop and manage poverty reduction programmes (Kaasch et al. 2015:5). Here the role of TNP2K was three-fold: to develop poverty reduction policies and programmes; to synergize poverty reduction programmes across ministries through synchronization, harmonization and integration; and to supervise and control the implementation of poverty reduction programmes and activities (TNP2K 2014). TNP2K was also responsible for data collection (in what was called ‘the integrated database’), and its research was used in support of PNPM (Sitepu 2017:3).²² The database included the names and addresses of the poor, which counted about 40% of Indonesian population. The database was also used to improve the accuracy of targeting beneficiaries (the poor) (Sumarto and Samuel 2011:17). Other ministries could also use the database to identify targeted groups and areas of intervention and thus avoid overlap of programmes (Sumarto and Sarah 2015:8). Each ministry had role in TNP2K. *Bappenas* was responsible for designing and budgeting the programme, whereas the technical ministries were responsible for implementation and detailed technical supervision. Last, policy coordination was under the Menkokesra (Manning and Sumarto 2011:295).

Under TNP2K there were three major programmes: unconditional cash transfers, or *Bantuan Langsung Tunai* (BLT); conditional cash transfers, or *Program Keluarga Harapan* (PKH); and PNPM (Manning et al. 2015:313, Sitepu 2017:2). In relation to the work of TNP2K, Australia provided financial support through AusAID (Fanggidae 2012:5). Responding to a request from Vice President Boediono, AusAID collaborated with TNP2K on the design of the Poverty Reduction Support Facility (PRSF). The objective of PRSF was to generate knowledge for social protection policy, define policy options, transition policy options to implementation and provide high-quality monitoring (Ashcroft 2015:5). TNP2K’s total running budget from 2010 to 2014 (as of September 2014) was \$76.8 million (Ashcroft 2015:6).

TNP2K was also called the ‘super team’ because it consisted of highly placed experts, academics, government officials, think tanks, and national and international consultants. Having these high-profile people in place, the government of Indonesia tasked TNP2K to reduce poverty from 14% in 2009 to 8% in 2014. Ultimately, it can be concluded that TNP2K served to increase President Yudhoyono’s leverage

²² However, Fanggidae (2012) claims that data published by TNP2K were manipulated in order to show that Indonesian poverty had declined.

over development bureaucracy for targeting poverty. However, problems did arise in relation to the new agency.

As TNP2K was under the explicit supervision of the Indonesian vice president, it can be assumed that it had sufficient authority to manage poverty reduction programmes. However, serious issues were found. The first was political commitment. A study by the Overseas Development Institute (ODI) concluded that TNP2K played a limited role in improving social assistance policymaking. There appeared to be weak political engagement with it at the national political level, especially among ministries:

At a political level engagement has been weak, whereas at a technical level it seems to have taken a relatively linear approach to policymaking, with a greater focus on the production of technical data and its engagement consisting mainly of communicating policy decisions to other central government agencies. Given the more pluralistic context with a multitude of often competing interests, this may not be the most appropriate way of implementing policy (Datta et al. 2014:2).

In line with the ODI, TNP2K's high official admitted that the 'super team' in fact faced serious challenges, such as in internal coordination among ministries, egocentrism of ministries, lack of understanding of the importance of evidence-based policy and lack of resources (both professional and financial) (Rahayu 2014:37). As an example of the problem of internal coordination, in many sectors, TNP2K's role overlapped with that of *Bappenas*, the Ministry of Social Welfare, and the Indonesian Central Bureau of Statistics (BPS). As a consequence, TNP2K was vulnerable to being opposed by ministries (Wilmsen et al. 2017:6).²³ Integration and harmonization

²³ There was not only a lack of coordination at the national, but also at the district level. In an interview, a district officer indicated that TNP2K was only a 'symbolic' team, meaning that it was only a formal structure. In practice, the team rarely communicated with other line agencies. One of the problems was that there was limited financial support to the team from the district budget (Interview, 12 September 2012). This was supported by my other research funded by ADB Japan. This research, done in 2016, was on the monitoring of the sustainability of CDD in Indonesia. When we discussed coordination of line agencies, the interviewee stated that regular meetings to coordinate line agencies were held only once every three months. In the interview, he indicated: 'coordination is easy to say, but difficult to implement' (cf. ADB 2016:38).

are important factors for successful poverty reduction. Harmonization relates to synchronization and integration of policies, principles and objectives, from planning and budgeting to implementation and monitoring (H. Hill et al. 2012:367). In the Indramayu district of West Java, for instance, lack of coordination on project locations and budget allocations led to conflicts between villages (Sagala et al. 2016:277). In addition to such coordination problems, TNP2K faced crucial difficulties in data collection.

TNP2K's mandate to collect data, especially calculating numbers of the poor, was hardly a success. At first, the team relied on BPS data, based on a field survey administered in 2011 under the so-called Social Protection Data Programme, or *Program Pendataan Perlindungan Sosial* (PPLS). Ultimately, TNP2K admitted that its data on the poor, which was based on PPLS, was inaccurate and also vague, as many of the families who received cash transfers were actually rich people (Jakarta Post 2013). Therefore, the database was not reliable (Prihadiyoko 2012). All of these problems which PNPM faced at the national level brought serious challenges. These challenges only increased in the context of Indonesian decentralization (explored in Chapter 3).

PNPM, however, was not only facing problems at the national level, but also at the district level. In their study of decentralization and rural development, Sutiyo and Maharjan (2017: 23) stress that the capacity of local institutions determines whether decentralization leads to improved service delivery or not especially its relation to rural development (which was the focus of PNPM). They concluded that the capacity of district governments is generally insufficient to guarantee proper service delivery (Sutiyo and Maharjan 2017: 23). Capacity problems were encountered next to other, technical problems such as the low level of education of rural people, the lack of citizen participation in public meetings and social structures that limit the interactions among villagers.

A key feature of decentralized village administration relates to the delegation of power. Under Law 6/2014, village governments are allocated the authority and power to manage 'development funds like proposal writing, budget drafting and reporting, and technical drawing of physical infrastructure' (S. Sutiyo and Maharjan 2017:38). Moreover, according to the decentralization law, villages are free from domination by central and district government. Village governments can set the village budget without approval from district government. However, as the findings of Chapters 5

and 6 will illustrate, the relations between village and district governments appear to be plagued with tensions. Here, it suffices to conclude that the creation of institutions like TNP2K to support PNPM has not been without risk. Not only has TNP2K served as an extended tool of presidential power, its role has also remained unclear, as indicted in this chapter. Furthermore, the creation of TNP2K has led to tensions with national ministries as their mandates are overlapping with those of TNP2K.

Conclusion

As argued by Carroll (2009b), in many developing countries SIN has been used as a guideline for institutional reforms that implement neoliberalism in concrete development contexts. SIN combines a prescription of emphasis on institutions with participation and consultation as political technology. Equally important is its manner of implementation, which to be effective and functional must take place in a market which is free from any vested interests. The World Bank approach thus seeks to insulate the market. This applies to PNPM too. The establishment of a means of bypassing the Indonesian bureaucracy using independent bureaucratic lines shows that PNPM was designed to prevent involvement of vested interests.

This chapter analysed the extent to which PNPM was an expression of SIN and how Indonesian decentralization and its bureaucratic system impacted PNPM. A first conclusion is that PNPM was a clear pathway towards embracing neoliberalism. Since the failure of orthodox neoliberalism and its application in developing countries, neoliberalism's proponents pushed forward a 'modification', giving it a more 'human face' (see Engel 2012:56-64). Community participation can be seen as an element of this. Meanwhile, SIN incorporates participation.

Different to participation as mechanism to give the poor voice, SIN uses participation to intensify people's market involvement. Tracing PNPM approaches and projects provided evidence of the programme directing beneficiaries to greater market activity. Beneficiaries were called upon to propose microfinance and infrastructure initiatives, both of which were to be vehicles for economic growth and market expansion. However, the majority of Indonesians living in remote areas had no prior experience of market engagement. To overcome this, PNPM first sought to build skills and capacities, through what it called empowerment.

According to the PNPM manual, the programme aimed to empower people to be able to participate in and access the market. In essence, all of these activities were oriented to direct people to the market, which would eventually result in its expansion. In order for this scenario to work, PNPM provided institutional arrangements, both formal and informal, to help bring about its market goal. Once the building blocks were in place, the next challenge was in operation.

PNPM operated in the context of Indonesian decentralization. Notwithstanding optimism about this system, decentralization brought a series of acute problems, which have remained, as Chapter 2 observed. This was a worry for PNPM – as the facts confirm. Lack of coordination and clarity of job descriptions among the involved parties led to overlaps. Besides, PNPM fell victim to political manoeuvring, at least at the national level, as argued by ODI, though a ‘super team’, named TNP2K, was established. Instead of focusing on its target, which was poverty reduction, TNP2K was used by the elite to leverage power in the bureaucracy. This analysis of TNP2K brings back the main propositions of the Murdoch School. One of the central tenets of this school is that institutions are not neutral players. The establishment of TNP2K as an independent government organization led to the mobilisation of power against this body especially from the side of line ministries.

We now move to analyse PNPM implementation on the ground. How did PNPM fare when operating in places where political interests were pervasive; and how was PNPM implemented side-by-side with existing social structures? These questions are answered in the following chapters (chapters 5 and 6), which present two PNPM implementation case studies.

CHAPTER 5

PNPM IN THE VILLAGE OF GADINGKULON

Introduction

This chapter presents the first case study of this research: PNPM implementation in the village of Gadingkulon. This represents the more successful of our two PNPM cases. The case of Gadingkulon raises questions about how PNPM institutional arrangements were combined with political technology, specifically, participation and consultation, in the field. Apart from SIN, this case brings to the fore the results of the PNPM strategy of bypassing the Indonesian bureaucracy. Using structural political economy (SPE) theory, this chapter explores the power and interests that were furthered by actors in PNPM processes.

Specifically, it analyses at length how the elite came to dominate PNPM processes and the sources of power they used to achieve this; how public meetings were held and what role the facilitator played in these; as well as how PNPM was integrated into the national development planning system and the extent to which problems of governance in the Indonesian bureaucracy affected PNPM. To start with, however, let us return to the third research question formulated in Chapter 1, which this chapter seeks to answer: How did the institutional arrangements of PNPM shape the way people in the village interacted? That question was broken down into three strands of inquiry: How was community-driven development (CDD) implemented in PNPM-Rural? How were power contests managed in local communities where PNPM was implemented? Did PNPM achieve its chief objectives, which were poverty reduction and an empowered community?

- Based on these questions, this chapter has several objectives:
- To present a closer look at CDD processes in the field, as part of PNPM.

- To determine whether PNPM in practice reflected SIN, especially in its institutional arrangements and use of political technology.

To investigate the extent that actors in the field used PNPM to further their own power and interests (this is also to determine how the elite dominated PNPM processes).

These strands of enquiry are addressed consecutively in the sections below. Section 5.1 describes local conditions in the study village of Gadingkulon. Section 5.2 deals with questions related to PNPM implementation. This section also examines how institutional arrangements (under SIN) manifested in PNPM. In this regard, the types of institutions and implementation of these in PNPM are explored. Then, PNPM implementation in Gadingkulon and its dynamics are presented chronologically, from the initiation of PNPM in 2009 up to the time of the field study, which was done in the fourth quarter of 2012 and into 2013. Section 5.3 places Gadingkulon in the context of Indonesian decentralization, in particular, referring to the national development planning system. Section 5.4, finally, demonstrates the changes that PNPM brought to socio-political interactions in Gadingkulon.

5.1 Local conditions in Gadingkulon

To better understand local conditions in this case study village, this section presents general information about Gadingkulon. Two aspects are highlighted. First, Gadingkulon is a popular village in Malang district, known for its agriculture produce, especially its oranges. Every day, tradespeople from throughout the district come to Gadingkulon to buy the local oranges. They then go on to sell the produce at other markets. Agriculture products from Gadingkulon were said to be of high quality because they were planted on fertile lands and irrigated from nearby forest springs. Second, this village is located near a provincial road. Entering the village, a big sign welcomes visitors to the ‘Orange Picking Farm Village of Gadingkulon’. Despite its popular orange farms, Gadingkulon is similar to other traditional Javanese villages.

The village is characterized by strong kinship ties and patron-client relationships (Panitia Penyusun RPJMDes Desa Gadingkulon 2010:10). The village development plan underlines the importance of these relations. Poor village residents typically work on the orange farms, which are owned by the village elite, and village women

serve the elite families as housemaids. Other elite groups in Gadingkulon besides the farm owners are civil servants and traders. Among them, however, the farm owners are the most powerful, as they provide jobs to many Gadingkulon residents. Even beyond employment, the lives of the village poor often depend on the farm owners, as villagers commonly borrowed money, repaying their debts with votes in village elections (Panitia Penyusun RPJMDes Desa Gadingkulon 2010:11). This type of relationship is an important aspect of patron-client interactions in the village. The village head admitted that such patron-client relations had been in place in Gadingkulon for generations (Interview, 15 May 2013). The strong patron-client relations, especially between the elite and the poor, meant that the village head election was more popular than elections for district, provincial and national representatives.²⁴

Available data regarding the 2001 village head election and the 2008 provincial election confirm that participation in the village election was higher than in the provincial election. Some 80% of eligible voters participated in the 2001 village election, while only of 70% participated in the 2008 provincial election (Panitia Penyusun RPJMDes Desa Gadingkulon 2010:11). The village development plan states that the lower participation in the provincial election was due to the fact that villagers considered national politics 'out of their reach'. Local elections, in contrast, were said to have more direct impact on people's daily lives (Panitia Penyusun RPJMDes Desa Gadingkulon 2010:12). Locals considered the village elite as important. Indeed, they depended on them, though the officials serving on district, provincial and national councils were much more remote.

Next to patron-client relations, social relations among villagers were vibrant and close. These relations were bound up with traditional values, such as working together (*gotong royong*)²⁵ and collective action. They were particularly evident at the hamlet and neighbourhood levels, which were more closely knit than the village overall. Thus, villagers interacted most intensively with friends and relatives living in their neighbourhood and hamlet. As an example, women often sat in front of their houses,

²⁴ People in Gadingkulon still hold traditional beliefs, such as *pulung*. This is a traditional Javanese term, which refers to the election of village head. According to *pulung*, the village head is elected because he/she gets magical power from village ancestors.

²⁵ *Gotong royong* or working together is a very common principle in rural Java, especially in relation to collective action such as the building of a house and harvesting. These activities are part of togetherness.

while men chatted on the village road. They did so mostly in the afternoons, when children tended to go to mosque for Quran recitation. The mosque in Gadingkulon served not only for praying and reciting the Quran, but also for disseminating information.²⁶ One villager commented, 'I am busy in the field. Fortunately, I live across from the mosque where things are usually informed' (Interview, 22 November 2014). The types of information disseminated varied from celebrations of Islamic events to social activities.

Social institutions were another important aspect of village life. Similar to other villages in Indonesia, *musyawarah*, or public meetings, were a key social institution. People attended *musyawarah* to get information as well as to share problems. *Musyawarah* provided an open platform where anyone could speak. The venue for *musyawarah* was commonly the village hall. Topics could be raised for discussion, according to necessity, the urgency of a problem and people's availability. Meetings were usually held in the evenings, according to the village head (Interview, 15 May 2013). The village head mentioned a particular problem related to *musyawarah*; that is, young people were hesitant to speak up. This was attributed to elite domination of the forum. Young people tended to silently follow the proceedings and act on the outcomes (Interview, 15 May 2013). This is in line with the argument put forward in this research about elite domination and was also supported by findings from the household survey, discussed later.

Having described the general context of the village, I turn to the structure of the village, which was divided into three hamlets: Princi, Krajan and Sempu. I collected information about each via interviews and field observation. No hamlet-level information was available from official sources because the hamlet is not a recognized Indonesian bureaucratic layer.²⁷

Princi

Princi was the most remote hamlet and was considered the least developed. It was located in the higher grounds of Gadingkulon (which is hilly), about three kilometres from the village centre. A forest and large orange farms separate Princi

²⁶ This is an effective information and communication method also used in the implementation of PNPM.

²⁷ The lowest administrative level is that of the village.

from the village centre. In terms of infrastructure, road conditions in Princi were poor, and there were no lights along the road.²⁸ I observed a number of families still living in semi-permanent housing, constructed of bricks and bamboo, often near their cattle. Public sanitation was poor, and dirty sewage could be seen everywhere. I asked two elderly men who were sitting near the pitted road about the local conditions. According to them, Princi rarely got development projects. The last development project they remembered was a water piping project in 1995. Apart from the poor road conditions, Princi had little social infrastructure: only one elementary school and no health facilities. On health, residents said that the hamlet suffered from malnutrition and high maternal mortality (Interview with PNPM village cadre, 7 August 2014). There was only one local midwife, who provided care for young and old.

Because of the poor infrastructure and services, Princi wanted to separate from the village of Gadingkulon. This came to a head in the early 2000s when hundreds of people marched to the village hall to formally request the separation. They wanted to become part of the neighbouring district of Batu instead. Batu is close to Princi and was said to provide better public services and infrastructure than Malang district (Interview with Princi resident, 22 November 2014). However, the separation issue was apparently settled when Malang started to pay more attention to villages such as Gadingkulon and, more importantly, areas like Princi within them (Interview, 22 November 2014).²⁹

Sempu

Sempu was located on the lowest grounds of Gadingkulon's hills. I observed adequate infrastructure in this hamlet, especially an asphalted road. Grocery stores, food stalls, a barber shop and repair shops were easily found here as well. More importantly, because of its location, residents had access to public services, as these were located nearby, including schools, health clinics and even public transport. Near Sempu was an agro-tourism area – an orange farm – which people from Malang and elsewhere visited for picking. Sempu was densely populated and relations between

²⁸ This makes that people hesitate to travel in the evening.

²⁹ Actually, this was part of *Bupati's* mission for the hamlet because of its wealth of agricultural production (interview with PNPM village cadre, 5 March 2013).

neighbours seemed to be close. I observed women chatting in front of their houses while drying their clothes. In the afternoons, men and women came together in small groups on the roadside to chat.

Krajan Hamlet

Krajan was next to Sempu and located on the middle grounds of Gadingkulon's hills. In the Javanese language, Krajan refers to *kerajaan*, or 'kingdom'. It also means 'centre'. Thus, the most centrally located hamlet is named Krajan in many Javanese villages. This is where the village hall and public places are usually found, and this was true of the hamlet of Krajan in Gadingkulon too. I observed a number of public services located here, across from the village hall, like a kindergarten, an elementary school and a health clinic. In relation to infrastructure, the road was generally in good condition, particularly near the village hall. In contrast to Sempu, however, few grocery stores could be found. Instead, many houses had their own orange stalls, selling the produce by the basket. Population density was lower here than in Sempu. The village head commented that meetings and social activities were commonly held in Krajan. The hamlet thus hosted village meetings, public announcements and traditional art performances (Javanese dancing and *wayang*³⁰). The people of Krajan³¹ were known as honouring Javanese culture. They were said to spend money for big events to celebrate *sunatan* (circumcision), *tingkepan* (the seventh month of a pregnancy) and weddings. If they did not have money for such events, they borrowed from neighbours.

5.1.1 Local conditions in 2009

To understand the dynamics and changes caused by PNPM, this section examines local conditions in 2009 when PNPM was first initiated in the village. The next section then looks at conditions in 2013, for comparison.

Population

In 2010, the village population was recorded at 3,771, with 1,254 households (Panitia Penyusun RPJMDes Desa Gadingkulon 2010:7). Most residents, or about

³⁰ *Wayang* is a traditional Javanese puppet performance.

³¹ This also applies to people in Sempu.

55%, were ages 22-59. This segment of the population, moreover, lived on 453 ha of the total village area (Panitia Penyusun RPJMDes Desa Gadingkulon 2010:7).

The village area consisted of wetlands (108 ha) and dry lands (345 ha). Wetlands were used for paddy fields whereas dry lands were utilized for crops such as fruits (especially oranges) and vegetables (chilli, potato, cabbage, sweet corn, tomato, cucumber and carrot). In relation to occupations, crop farmers and livestock breeders were most predominant, numbering 703 and 412, respectively (Panitia Penyusun RPJMDes Desa Gadingkulon 2010:10). There were also other occupations, particularly in the military and police, tradespeople and labourers. Regarding ethnic composition, Javanese were dominate in Gadingkulon, making up more than 95% of the total population, with the remaining 5% being people of non-Javanese origin (people from outside Java such as from Batak and Madura) (Panitia Penyusun RPJMDes Desa Gadingkulon 2010:10).

Education

In terms of education level, the majority of village residents had completed only elementary school (Table 5.1). This low level of education was due mainly to a limited access to higher education.³² The village had three elementary schools, and those wanting to advance to secondary and higher education had to go elsewhere, often far away (Panitia Penyusun RPJMDes Desa Gadingkulon 2010:8).

Table 5.1: Education level in Gadingkulon, 2009

| No. | Education level | Number of people | Percentage (Roughly) |
|-----|---------------------------------|------------------|----------------------|
| 1 | Illiterate (above 10 years old) | 1,253 | 33 |
| 2 | Unfinished elementary school | 915 | 24 |
| 3 | Finished elementary school | 1,228 | 32 |
| 4 | Junior high school | 256 | 6 |
| 5 | Senior high school | 98 | 2 |

³² Public services in the village such as schools were available only up to elementary level. Other services, such as the police, banks and markets were located at the *Kecamatan* level.

| | | | |
|---|------------|-------|-----|
| 6 | University | 21 | 0,5 |
| | Total | 3,771 | |

Source: (Panitia Penyusun RPJMDes Desa Gadingkulon 2010:8)

The village head said that education was one of the priorities stated in the village development plan. However, next to the limited access to higher education in the village, he mentioned a less obvious aspect of the problem of low education levels. That is, the mindset of many villagers, who considered an elementary education to be adequate. For instance, villagers might say that spending time in school would only make them unable to work in the fields (Panitia Penyusun RPJMDes Desa Gadingkulon 2010:8). The village government had made efforts to remedy the education problem by providing training, such as in agriculture, driving and sewing. Yet, the village plan reports that no external institution had been found to support this initiative.

Health

Up until 2010, no major health issues were identified in Gadingkulon. Epidemic and extraordinary diseases, such as dengue fever and malnutrition, were not common in the village. Malnutrition had been largely eliminated, with high villager participation in health activities such as baby weighing, provision of nutritious food and Vitamin A administration for children under 2. In terms of infrastructure, the village had a number of health facilities (Table 5.2).

Table 5.2: Health facilities in Gadingkulon, 2009

| No. | Type of health facilities | Number of facilities | Person in charge |
|-----|---|----------------------|-----------------------|
| 1 | <i>Polindes (Poliklinik Desa)/</i> village health clinic | 1 | Village midwife |
| 2 | <i>Poskesdes (Pos Kesehatan Desa)/</i> village health center | 1 | Village health cadres |
| 3 | <i>Posyandu (Pos Pelayanan Terpadu)/</i> integrated health center | 4 | Village health cadres |

Source: (Panitia Penyusun RPJMDes Desa Gadingkulon 2010:9)

The *Polindes* are a village-level health facility, whereas *Poskesdes* and *Posyandu* are hamlet-level facilities. *Poskesdes* provide general treatment, and *Posyandu* offer maternal, early childhood and elderly treatments. Despite the availability of these health facilities in Gadingkulon, the problem of sanitation and waste remained. Sanitation was very poor indeed, as people still defecated in open spaces like paddy fields and trenches. Village documents attributed this to residents' inability to construct latrines, due to lack of both technical capacity and the necessary funds. Apart from the sanitation issue, the village had a problem of waste disposal, and many villagers still habitually littered, especially in public spaces (Panitia Penyusun RPJMDes Desa Gadingkulon 2010:9). Accordingly, I conclude that the village of Gadingkulon had a behavioural problem, especially in relation to public health. Of course, education and health problems were related to problems of poverty in the village.

Poverty

Farming was the main occupation for most people in Gadingkulon. Almost 80% of villagers worked in this sector (Panitia Penyusun RPJMDes Desa Gadingkulon 2010:10). As is common in Javanese villages, farmers were overrepresented among the poor in Gadingkulon. The poverty rate in this village was already relatively high, as more than 25% of the households were considered poor or very poor (Table 5.3).

Table 5.3: Poverty in Gadingkulon, 2009

| No. | Type of household | Characteristics | Number of households |
|-----|-------------------|--|----------------------|
| 1 | Very poor | <ul style="list-style-type: none"> • Eat maximum twice/day • Clothes for different occasions • Using health service | 319 |
| 2 | Poor | <ul style="list-style-type: none"> • Eat meat/fish/egg once in a week • New clothes per year • Fix income | 252 |

| | | | |
|---|--------------|---|-----|
| 3 | Middle group | <ul style="list-style-type: none"> • Family saving • Holiday for every 6 months • Access to media (radio, TV, newspaper) • Using public transport | 192 |
| 4 | Rich | <ul style="list-style-type: none"> • As same as Prosper 2 • Being member of social organization | 491 |
| 5 | Very rich | <ul style="list-style-type: none"> • As same as Prosper 3 • Giving charity on regular basis | 0 |

Note: In Indonesia, there are various parameters for measuring poverty. The table uses parameters applied by the National Bureau for Demography and Family Planning. Source: (Panitia Penyusun RPJMDes Desa Gadingkulon 2010).

For comparison, the PNPM team in Gadingkulon did a poverty mapping exercise in 2010 based on local perceptions and knowledge, as local people were assumed to be the most knowledgeable about their situation. Table 5.4 presents the results of the poverty mapping.

Table 5.4: PNPM poverty mapping 2010 in Gadingkulon, 2010

| Middle income/rich | Poor | Very poor |
|--|--|---|
| Owned >0,5 Ha of land Have car > 1 type of business > 5 cows Permanent house with ceramics floor >IDR 1,200,000 of income/month (+/- US\$ 120) > 1 motorbike at price IDR 10,000,000 (+/- US\$ 1000) | Owned>0,25 Ha of land Type of occupation: peasant or worker Semi-permanent house Income < IDR 750,000/month (+/- US\$ 75) 1 motorbike at price <IDR 3,500,000 (+/- US\$ 350) | No land Type of occupation: peasant House made from bamboo with ground floor Unfixed income No motorcycle |

Source:(Tim PNPM Mandiri Perdesaan Kec. Dau 2010)

Based on the poverty mapping, the PNPM team calculated that in Gadingkulon 137 households could be considered poor and very poor in 2010.³³

Class structure

The rich. Rich families in Gadingkulon included those of government officials (such as the village head and village secretary), landowners, orange farmers and chicken farmers.³⁴ They employed most poor villagers as housemaids or orange pickers.

Middle income. Those with a middle income formed the second layer of the class pyramid. They had a fixed income, usually from a job in the city or as fruit sellers. Many in this group had graduated from junior high school. Because of this, they were able to find casual jobs either in the village or in nearby urban centres. The majority of them lived in the hamlets of Sempu and Krajan. In addition, ownership of assets such as a motorcycle were typical of this group.

Poor. Poor families in Gadingkulon were easily identified by type of house, as they lived in semi-permanent structures made of bamboo. They had no land and typically worked on the orange farms. They started work at 6 AM and returned home at 4 PM. Many times, their children also worked at the farm. To have additional income, some sold corn in front of their house. In terms of education level, most had attended only elementary school.

Very poor. Very poor families in Gadingkulon had no assets and no fixed income. They depended mostly on the casual jobs offered by elite or middle-income residents as maids or labourers. This group was mainly seen in Princi. A PNPM cadre member said that Princi locals were particularly targeted by a number of pro-poor central government programmes (Interview, 17 November 2014). One of these was the ‘rice for the poor’ programme, or *beras miskin* (*raskin*).

These general details about conditions in Gadingkulon in 2009 provide a benchmark. Now, I shift to local conditions four years later, in 2013 at the time of this research. This is to offer a comparison of local conditions over time.

³³ There is a difference between the data provided by BKKBN and those obtained from PNPM as these two bodies apply different methods and measurements.

³⁴ One chicken farmer had some 10,000 chickens and total assets worth more than IDR 100 million (+/- US \$10 million).

5.1.2 Local conditions in 2013

Local conditions in 2013 were similar to those in 2009 in several respects. Specifically, population numbers, education, health facilities and poverty prevalence remained largely the same. But my presence in the village in 2013 as a researcher provided additional information on social relations, derived from interviews and observation. The information presented here on population, education and health draws on BPS data, whereas information on social relations and the economy were derived from interviews, field observation and PNPM reports.

Population

The population in Gadingkulon numbered 3,773 in 2013 (compared to 3,771 in 2009). Households, again, numbered 1,254 (Badan Pusat Statistik Kabupaten Malang 2015:25). Similarly, the occupations found in the village were unchanged, with farming the dominant occupation among the majority of villagers.

Education

Education level in 2013, too, was similar to that in 2009 (Table 5.5).

Table 5.5: Education level in Gadingkulon, 2013

| No. | Education level | Number | Percentage |
|-----|-------------------------------|--------|------------|
| 1 | Illiterate (age 10 and older) | 1,253 | 33 |
| 2 | Unfinished elementary school | 915 | 24 |
| 3 | Finished elementary school | 1,228 | 32 |
| 4 | Junior high school | 256 | 6 |
| 5 | Senior high school | 98 | 2 |
| 6 | University | 23 | 0,6 |
| | Total Population | 3,773 | |

Source: Profil Desa Gadingkulon (2013)

Health

In relation to health facilities, I found little change in 2013, except the addition of one *Posyandu*, in Princi. This *Posyandu* was a product of PNPM 2012.

Poverty

Poverty remained the most crucial problem in the village in 2013. According to a 2012 PNPM report, 274 village households were poor. Within that number, the majority were Princi residents. My field observations in Princi confirmed this. Compared Sempu and Krajan, people in Princi were less fortunate. They lived in semi-permanent houses with bamboo walls, sometimes next to their cattle, and sanitation was very poor (Figure 5.1).

Figure 5.1: Princi household with semi-permanent house



Source: author's photo taken during field study.

Before I turn to PNPM implementation, I'd like to highlight a few important aspects regarding local conditions in Gadingkulon in 2009 (as benchmark) and in 2013 (at the time of this research). Next to a relatively unchanged population and similar education level and health facilities, poverty remained a crucial problem in this village. Among Gadingkulon's three hamlets, Princi was the least developed. Moreover, poverty remained most pressing in Princi compared to the other two hamlets.

5.2 PNPM projects in Gadingkulon 2009-2012

5.2.1 PNPM in 2009

The first year of PNPM implementation in Gadingkulon was 2009. That year, two infrastructure projects were undertaken and one microfinance project. The infrastructure projects were water and piping and renovation of a kindergarten.

Infrastructure projects in 2009

Prior to PNPM implementation, a project planning team consulted Gadingkulon residents through a *musyawarah desa* (village meeting) (Figure 5.2).

Figure 5.2: *Musyawarah* held in Gadingkulon 2009



Source: PNPM Gadingkulon 2009

The result of the *musyawarah* was two infrastructure projects: a water and piping project in the hamlet of Krajan and the renovation of a kindergarten building. The objective of the water project was to solve the water and sanitation problem in Krajan. According to the project proposal, the water and piping initiative would benefit 473 of Gadingkulon's total population of 3,773. Of course, the majority of these beneficiaries lived in Krajan. The water and piping project would, furthermore, cover a distance of 6,503 m and was estimated at a cost of IDR 112,800,300 (US \$10,000).

The project was implemented over 38 days, from 11 November to 19 December 2009, with 16 workers doing the manual labour.

Next to the water and piping project, PNPM undertook renovation of a village kindergarten building. The total cost of this project was about IDR 30,827,500 (US \$3,000).

PNPM required village residents to participate financially in these projects in the form of cost sharing. For these two projects, villagers contributed about IDR 40,470,000 (US \$4,000). Nonetheless, problems were quickly registered, particularly in the water and piping project. Like many infrastructure projects, this ran up against problems. Particularly, tension arose between the water pipe management team and chicken farmers. It had been agreed at the *musyawarah* that each person would pay IDR 250,000 (about US \$25) for pipe installation. But, there was an extra cost for people with more than 10 cows and more than 800 chickens (Interview with chicken farmer, 12 May 2013). From the chicken farmers' point of view, this was unfair, because though they paid more they received the same amount of water as everyone else. This tension remained unresolved. Finally, both parties reported the problem to the village head.

At that time, the village head was responsible for determining the amount to be paid for water. For each household, the amount was set at IDR 300/m³ whereas the amount to be paid by chicken farmers was five times higher, IDR 1,500/m³ (Interview with chicken farmer, 11 May 2013). The chicken farmers considered this unfair, as villagers with 10 or more cows had not been required to pay more, as had been agreed at the *musyawarah*. Cow owners were paying the same as a regular household. Yet, the village head stood by the extra cost for the chicken farmers, due to the smell of the chicken farms. The higher water tariff was said to be a means to compensate the village for the odour nuisance. The compensation came to about IDR 50,000/month per chicken farmer. The dispute grew so intense that district government officials were called in to seek a resolution. After a few days of investigation, the officials concluded that the extra cost for chicken farmers was exploitation and therefore must be stopped (Interview with chicken farmer, 11 May 2013). District intervention in this case solved the problem. Yet, a rumour persisted in the village that the village head had colluded against the chicken farmers.

Microfinance in 2009

Little information was available on the microfinance scheme in 2009. The 2009 PNPM report states only the total amount of microfinance provided and the names of the borrowers. Thus, total disbursements in the village in 2009 were IDR 20,000,000 (US \$2,000). These funds were given to two groups, with all beneficiaries being from the hamlet of Krajan. The money was provided in two instalments. The first instalment was IDR 9,000,000 (US \$900), with the remainder of the funds paid out in the second instalment. According to the 2009 report, the money was used to establish small businesses, such as kiosks.

Yet, like the water and piping project, the microfinance scheme soon ran into difficulties. Particularly, there was a problem of late payment. Microfinance groups failed to repay the loans. The PNPM village cadre said that the late payment was because of continuous provocation by village head's wife. She and her colleagues were said to have told the microfinance groups that they did not need to repay the loan (Interview with PNPM village cadre, 16 March 2013). Indeed, the village head's wife said that because PNPM money was from the central government, people were entitled to get it for free. Further, the PNPM cadre member stated that the 'first lady' purposely provoked the women's group to refrain from repayment, because she did not like PNPM. She was said to particularly dislike PNPM microfinance and, most importantly, the team in charge of PNPM microfinance (Interview with PNPM cadre, 16 March 2013). A similar story was told about the village head. Both the village head and his wife were unsupportive of PNPM microfinance, because they considered the PNPM team to be a threat to their own power in the village.

Reports about PNPM implementation in 2009 suggest that this was a tough year for the PNPM team. Not only was it the first year of implementation, but there was also continuous resistance and interference from the village head and his wife. The village head's interference in setting the water tariffs, and his inability to resolve the problem, led to difficulties in the water and piping project. Moreover, his wife's provocations regarding the PNPM microfinance procedures delayed repayments. Above all, 2009 can be characterized as a year of elite intervention in PNPM.

5.2.2 PNPM in 2010

Following the tough year of 2009, PNPM seemed to perform better in 2010. One indicator was the annual project report, which in 2010 was better than 2009. It was more complete in terms of information and problem identification, including a poverty mapping, which had been absent in the previous annual report.

The top three problems identified by PNPM 2010 in Gadingkulon were low income, unemployment and low profits from businesses (Table 5.6).

Table 5.6: PNPM-identified problems in Gadingkulon, 2010

| Problem | Cause | Solution |
|------------------------|---------------------------|-------------------|
| Low income | Inadequate infrastructure | Road construction |
| Unemployment | Unskilled labour | Trainings |
| Low profit in business | Transportation access | Road construction |

Source: Tim PNPM Mandiri Perdesaan Kec. Dau 2010

Among those problems, low income was considered priority number one. Low income, according to Gadingkulon's residents, was caused by inadequate infrastructure, in particular, in Princi hamlet. The bad road was recognized as a cause of difficulties in transporting oranges, especially at harvest time. According to the *musyawarah*, the solution to this problem was to construct a better road. Thus, PNPM embarked on a road construction project in Princi in 2010.

Infrastructure project in 2010

PNPM requires a project proposal including a variety of information, such as number of potential beneficiaries. According to PNPM documents from 2010, some 421 villagers would benefit from road construction, with most beneficiaries being Princi residents. The project proposal then also reported the amount of cost sharing, representing villagers' participation in the project. As of 13 May 2010, the final date for cost sharing calculation, the contribution from Princi residents amounted to IDR

76,548,000 (US \$765). This amount of money was collected from six neighbourhoods. In general, PNPM only asked people living near a project to contribute to cost sharing. This was not the case for the 2010 road construction project. PNPM documents show some donations from people who did not live near the area.

In project proposals, sustainability was another important criteria. As such, Princi residents were expected to reach an agreement on maintenance after the project was completed. For this, a special sustainability committee was formed, beginning its activities on 14 May 2010. Its main task was to oversee maintenance of projects resulting from PNPM (Tim PNPM Mandiri Perdesaan Kec. Dau 2010). Road construction was finally completed in 17 days (14-31 August 2010). The road was 5,130 m and cost an estimated IDR 122,290,000 (US \$1,200). Many people were involved, 50 people or more, on the days of road construction work (Figure 5.3).

Figure 5.3: Road construction in Princi, 2010



Source: PNPM project documentation, 2010

Microfinance in 2010

Like the infrastructure project, microfinance project identification began with problem identification. Poverty remained the most problematic issue in Gadingkulon, especially in Princi. And those who owned small businesses were said to need more capital to develop their enterprise. With this in mind, women proposed a microfinance scheme. A special meeting was held for women on 26 May 2010. At the meeting, some 90 target beneficiaries were identified for microfinance in 2010.

A microfinance proposal had a number of required elements:

- Formation of a special committee.
- Monthly meeting.
- Reports of revenues and expenditures for each beneficiary group.
- Agreement on shared liability (*tanggung renteng*).

In 2010, PNPM provided a microfinance group consisting of 9 poor families in Princi a total amount of IDR 9,000,000 (US \$900). Each received IDR 1,000,000 (US \$100). According to PNPM rules and regulations, these recipients had to repay the loan in 12 months at 2% interest per month. According to the report, recipients used the money to open kiosk businesses (2 loan recipients), to establish a cottage industry (2 loan recipients) and for farming (5 loan recipients). Importantly, all of these loans were reportedly repaid. The final report, signed 6 December 2010, noted that all PNPM projects (both infrastructure and the revolving microfinance fund) were satisfactorily completed (Tim PNPM Mandiri Perdesaan Kec. Dau 2010).

Before moving forward to PNPM 2011, a few important aspects of PNPM project performance in 2010 merit note. First, PNPM 2010 was less problematic than PNPM 2009 in terms of elite intervention, because the newly elected village head (village elections had been held in 2010) was more cooperative than the previous one. He was familiar with PNPM principles and processes, and as a result, both infrastructure and microfinance projects were relatively successful. Second, the successful road construction in Princi was a major milestone and good example of what PNPM could accomplish. In that project, the role played by the PNPM treasurer was said to have been key to the success. Everyone interviewed in Gadingkulon said that road construction was successful because of the good work done by the treasurer.³⁵ This is an important finding, as the treasurer was later able to leverage his popularity from PNPM to gain power in Gadingkulon.

5.2.3 PNPM in 2011

The third year of PNPM in Gadingkulon was 2011. From the PNPM annual report, the project seems to have become ‘business as usual’ that year. The team

³⁵ Details about the treasurer are presented below in section 5.3.7 on PNPM actors.

used the same data from 2010 in the proposals. There was therefore no change in target beneficiaries, and no new poverty mapping. The only difference was in project location, which in 2011 was Sempu.

Infrastructure project in 2011

The PNPM proposal describes the infrastructure project that year as concerning an 800 m long retaining wall. In practice, the wall was to be almost doubled, to 1,480 m, with the work to be carried out over 40 days. The budget for the project was IDR 126,269,000 (US \$12,500). The problem was that the PNPM budget for Gadingkulon in 2011 was IDR 90,797,000 (US \$9,000). This was much less than needed for the retaining wall. Therefore, the rest was financed by cost sharing. As the project expanded in size, the cost-sharing amount also increased, from an estimated IDR 19,166,000 (US \$1,900) to IDR 35,471,000 (US \$3,500). Figure 5.4 illustrates the construction of the retaining wall.

Figure 5.4: Construction of retaining wall, 2011



Source: (Tim PNPM Desa Gadingkulon 2011)

Microfinance in 2011

The 2011 microfinance budget was about IDR 19,000,000 (US \$1,900). There were 9 participants that year. Eight of the 9 received IDR 2,000,000 (US \$200) each, and 1 participant received IDR 3,000,000 (US \$300). The amount of funds provided

was dependent on the proposal and type of business. Bigger businesses were likely to receive bigger loans. Bigger loans were also given to people who had repaid an earlier loan on time. Furthermore, larger loans could be given to those who kept tidy books.

Judging from these infrastructure and microfinance projects, PNPM was relatively successful in Gadingkulon in 2011. However, PNPM documents were less complete than in 2010, and no information was provided about microfinance repayments in that year. Apart from incomplete paperwork, PNPM 2011 seems to have been a year of ‘business as usual’.

5.2.4 PNPM in 2012

Infrastructure project in 2012

A village meeting on 4 January 2012 identified a *Posyandu* in the hamlet of Princi as key PNPM priority (recall that a *Posyandu* is a hamlet health facility that offers maternal, early childhood and elderly care). The project was proposed, first of all, to provide a home base for *Posyandu* activities, such as baby weighing and Vitamin A administration. Up until then, these activities had been done in people’s houses, which sometimes inconvenienced the homeowner. Second, there was a malnutrition problem in Princi. The village midwife pointed out the need to regularly monitor the health status of children in the hamlet, particularly regarding their nutrition status. Table 5.7 presents the problems which led to the proposed establishment of the *Posyandu* in Princi.

Table 5.7: Problem leading to *Posyandu* establishment, 2012

| Problem | Solution |
|---|---|
| Lack of a permanent base for health services | Establish a permanent place |
| Need a space to store equipment (weights, desks, chairs) | Construct a location with enough space for this equipment |
| Inconvenience to homeowners when their house was used for health activities | Provide a dedicated space |

Source: Tim PNPM Desa Gadingkulon 2012

The *Posyandu* in Princi was proposed as a building of some 72 m², and was estimated to cost IDR 143,643,650 (US \$14,000). Of this amount, PNPM covered IDR 77,034,400 (US \$7,700). The rest was to be raised by cost sharing (Tim PNPM Desa Gadingkulon 2012). Those who did not contribute to the project, physically or financially, were asked to provide meals and snacks for workers (Interview, 26 February 2013). As the project was located in Princi, the majority of people contributing to the cost-sharing component were hamlet residents. Some 327 people from 6 wards contributed. The target beneficiaries were identified as about 60 households, of which 18 were poor (PNPM Mandiri Kecamatan Dau 2012). These 18 households would directly benefit from the *Posyandu*, as they lived near the building. In fact, all residents would benefit from this facility, including the rich.

Equally important in construction of the *Posyandu* was the process of procurement. A sub-district evaluation team was put in place to oversee this process. At first, the village project implementation team (TPK) invited companies to submit an offer. Then the TPK followed up with its own survey, aimed at checking the quality and price of materials. On 18 May 2012, a legally binding agreement (business contract) was signed by the TPK, on behalf of Gadingkulon, with the companies selected to provide the materials (PNPM Mandiri Kecamatan Dau 2012). It is noteworthy that in many PNPM infrastructure projects, corruption occurred in the process of tendering, as the TPK may manipulate the price of materials. In Gadingkulon, the treasurer said, 'I don't want to take any advantage from procurement, not only because of the legal sanction but also I am afraid that people will not trust me' (Interview with PNPM treasurer, 26 February 2013).³⁶

Microfinance in 2012

At the *musyawarah* of 4 January 2012, a group of Princi women proposed a microfinance scheme. The group consisted of 7 people, all of whom were poor. Like the infrastructure project, the microfinance proposal had to be based on an identified problem. Table 5.8 sets out the problem definition.

³⁶ Tenders are issued to source the best quality materials at the lowest possible price. TPK members may survey different suppliers to meet these requirements. Independent surveys done by the TPK can also eliminate possible collusion between the PNPM team and suppliers (Interview with facilitator, 26 February 2013).

Table 5.8: Problem in *Princi* 2/2012

| Problem | Solution |
|--|------------------------|
| People wanting to start a small business lack money to do so | Need more money |
| Low income | Increase earnings |
| Unemployment (in particular among the poor) | Start small businesses |
| Need for new job | Start small businesses |

Source: (PNPM Mandiri Kecamatan Dau 2012)

The microfinance proposal, moreover, had to include the following documents:

- List of debtors and group profile.
- Credit application.
- Instalment plan.
- Activity plan.
- Agreement on shared liability (*tanggung renteng*).

If applicable, an approval letter could also be required from the husbands, stating that they would assume responsibility if late payment occurred. The amount of microfinance provided in this round was IDR 11,579,000 (US \$1,100). The scheme was approved by PNPM, and no issues of late payments arose that year.

Recap on PNPM projects, 2009-2012

Table 5.9 recaps all PNPM projects in Gadingkulon from 2009 to 2012.

Table 5.9: Summary of PNPM, 2009-2012

| | Infrastructure projects | | | Microfinance | |
|------|-----------------------------------|----------|-------------|--------------|--------------|
| | Type | Location | Cost (IDR) | Location | Amount (IDR) |
| 2009 | Water/piping School renovation | Krajan | 143,627,800 | Krajan | 20,000,000 |

| | | | | | |
|------|-------------------|--------|-------------|--------|------------|
| 2010 | Road construction | Princi | 122,290,000 | Princi | 9,000,000 |
| 2011 | Retaining wall | Sempu | 126,269,000 | Sempu | 19,000,000 |
| 2012 | <i>Posyandu</i> | Princi | 143,643,650 | Princi | 11,579,000 |

Source: author's compilation

A number of findings regarding PNPM activities in Gadingkulon from 2009 to 2012 are important for this research. First, no village-level competition was reported or observed to get PNPM projects, as required in the PNPM manual and guidelines. Instead of using competition as a basis for project awards, PNPM seems to have used a rotational choice procedure. Second, while PNPM infrastructure projects benefited all, microfinance benefited only the loan beneficiaries. Third, only one case of elite intervention in PNPM was found, and that was in the first year of the programme, 2009. From 2010 to 2012, no similar cases were identified. Despite this, there were indications of an 'emerging' elite association with PNPM. Particularly, the TPK treasurer gained increasing status in the village as a result of his PNPM work. His achievement in project management, especially in the road construction project in 2010, increased his popularity within the village.

Now, I move on to PNPM 2013, the year in which the fieldwork was done.

5.2.5 PNPM in 2013

Infrastructure project in 2013

The PNPM infrastructure project in 2013 concerned the ongoing process of building a kindergarten. The project was located in Krajan, on village-owned land about 500 m from the village hall. When the field research began, the *musyawarah* processes were already complete. These meetings had been held the year before, in 2012, as per PNPM rules. This study's field observations concerned PNPM processes and dynamics from 2013 onwards.³⁷

³⁷ I was also unable to see the process of *musyawarahs* that were held in January-February 2013 because of dengue fever that forced me to take a bed rest.

At the construction site, I observed TPK members (the PNPM treasurer and chief) supervising the work in the field, alongside the village head (Figure 5.5).

Figure 5.5: Kindergarten project 2013



Source: author, 28 August 2013

The treasurer explained that the project was advancing quite fast. He attributed this not only to support from the villagers, but also to the location. As the building was located on village-owned land, there was no need for the legal permits and procurement that would be required for a project on private property. He further stated that PNPM projects could be difficult if they were located on private lands (Interview with TPK treasurer, 28 August 2013). If this was the case, extra effort was required to deal with the landowner; and as a consequence, the project cost would be much higher. The village head confirmed this. In the kindergarten project, the village government donated the land while PNPM provided the building. Unfortunately, no budget was allocated for other needs, such as playgrounds, toys, cabinets and teaching materials (Interview with village head, 28 August 2013).

Microfinance in 2013

On microfinance, the 2013 scheme concerned a group of 7 members who had proposed the initiative. This group received IDR 11 million (US \$1,100), allocating varying amounts to each member. The highest amount was IDR 2 million (US \$200),

which was awarded to 4 recipients, with the others receiving IDR 1 million each (US \$100) (PNPM Mandiri Kecamatan Dau 2012). As for requirements, the group leader had to sign a guarantee letter, while the other members were asked to write letters stating their intentions. The group leader had to agree to assume responsibility for all debts incurred by group members, and the group members had to commit in writing to repay the loans. Women's husbands also had to sign the letter of intention. All group members used the money for farming, such as to buy pesticides and seeds.

Like the infrastructure projects, microfinance schemes had rules and regulations. Accordingly, incentives and sanctions could be applied. There was an incentive for on-time payment called *Insentif Pembayaran Tepat Waktu* (IPTW), which could be awarded at the end of the financial year (Interview with PNPM cadre, 16 March 2013). Sanctions, however, could also be applied. Groups that had problems in repayment were banned from participation in the following year (Departemen Dalam Negeri Republik Indonesia 2009:8).

The PNPM village cadre noted that two new members joined the microfinance scheme in 2013. The first was a 25-year-old woman who owned a chicken farm. She had more than 10,000 chickens in her yard. She applied for microfinance to expand her farm. She said that she wanted another 10,000 chickens, which meant that she would need more chicken enclosures. The second new member was a 26-year-old woman with a small grocery store. She had started the business in 2010. According to her, her stall was small compared to others (it was about 3 m²). In her stall, she sold vegetables, fruits, rice and other basic necessities. I asked her how much she earned from the business, to which she replied that she might earn IDR 2 million (US \$200) per month. But, she continued, this amount was not enough to live on, as she had three children.

Both of these new members lived in Krajan. The chicken farmer had received IDR 500,000 (US \$50) in 2009. A year later, she got IDR 1 million (US \$100), then IDR 2 million (US \$200) in 2011 and finally IDR 5 million (US \$500) in 2012. She continuously received funds, as she convinced the PNPM team that her business was promising, and she repaid the loans on time (Interview, 30 April 2013). Nonetheless, her number of chickens remained less than she had expected. In 2013, instead of adding another 10,000, she only added 6,000. I asked the PNPM cadre about this woman and her business. They commented that the business was actually not so

promising. She had gotten PNPM microfinance loans because of her father. The cadre said that the previous village head was a close friend of the girl's father, who had provided financial support to village head during his election campaign. In return, when PNPM microfinance began, in 2009, the village head had approved granting her the money (Interview, 30 April 2013).

Unlike the chicken farm owner, the grocery store owner had complaints about PNPM microfinance. The problem was not the amount of money she received from the scheme, as she was given the same amount as the chicken farmer. Her complaints related to the scheme itself; specifically, that the rate of interest was too high. The interest rate was said to be 2% per month (Interview, 15 May 2013), which was confirmed by the group leader. The grocery store owner said she had asked PNPM to lower the interest rate to about 1%, as conventional banks were offering loans at less than 2% interest at the time (Interview, 11 May 2013). The TPK treasurer also suggested that the interest rate be lowered. He said, 'I prefer to get a loan from a conventional bank, as the rate is lower than in PNPM microfinance. The 2% interest is too high for a businessman like me' (Interview with TPK treasurer, 26 February 2013).

Another comment regarding the interest on microfinance loans came from a woman who worked as a tailor. Her stall was located just in front of the village hall. When I asked her about PNPM microfinance, she said she was aware of it, but had never applied for a loan. Two crucial things made her hesitate to join: the high interest rate and *tanggung renteng*. She said that many people in Gadingkulon worked in farming. Their incomes fluctuated, depending on the season and output prices. Because of this, many could not afford to repay microfinance loans, especially if their harvest was poor (Interview, 11 May 2013).

My observations of PNPM projects in 2013 offered additional insights on the infrastructure and microfinance schemes. The projects in 2013 suggest two lessons from PNPM for implementing the new Village Law 2014. First, it is important to locate projects in an area that belongs to the public. This helps to anticipate conflicts of interest. Second, it is important to verify business opportunities proposed for microfinance loans. Without a thorough check of the plausibility of a business opportunity, loan repayment could be at risk. The next section examines the wider dynamics of PNPM, with reference to the case of Gadingkulon.

5.3 The dynamics of PNPM

To explore the dynamics of PNPM, two field surveys were administered in Gadingkulon: a survey of 50 village households and a survey of 10 key stakeholders. A primary aim of the surveys was to gather information on perspectives towards PNPM. Another aim was to compare PNPM implementation in Gadingkulon with national performance, as discussed in Chapter 4. The surveys solicited information in six categories:

- Understanding of PNPM.
- Participation.
- Elite domination.
- Benefit of PNPM.
- The role of village government.
- Changes in socio-political interactions.

The stakeholder survey targeted prominent individuals, such as the village head and PNPM facilitator, who were expected to have direct knowledge of the programme and beneficiaries in Gadingkulon. Respondents for the household survey were selected through purposive sampling, focused on the poor (as they were the target beneficiaries of PNPM). The poor were identified in accordance with the PNPM poverty mapping.

5.3.1 *On understandings of PNPM*

It is difficult to expect people to participate in PNPM if they do not have sufficient knowledge about the programme. To understand villagers' knowledge of the programme, 50 households in the three hamlets were surveyed. Twenty-three of the 50 households (46%) reported being familiar with both the acronym PNPM and the associated projects. Nineteen households (38%) were unfamiliar with the acronym PNPM, but they knew about the projects, such as road construction, school building and water piping. In total, 42 households knew about PNPM. The remaining 8 households (16%) were unfamiliar with both the acronym and the projects.

Among those households that were familiar with PNPM, most knew PNPM from its larger projects, as they mentioned road construction and water piping. Furthermore, people who lived near the village hall were more likely to know about

PNPM than people living farther away. This was likely because PNPM information was centred here, at the village hall. Respondents knew less about microfinance than about the infrastructure projects. Only 13 of the 42 households familiar with PNPM (30%) had heard about the microfinance scheme. This points to information dissemination as a persistent problem of the programme. A PNPM facilitator mentioned this (Interview with PNPM facilitator, 26 February 2013). To resolve the issue, the PNPM facilitator had asked the hamlet head to inform the residents. This was actually quite successful, especially in Princi. The head of Princi visited homes to inform residents about PNPM. Two elders who were interviewed in Princi confirmed this, saying that they knew about PNPM because of information from the hamlet head.

The results of the stakeholder survey were somewhat different.³⁸ All ten stakeholder respondents reported being familiar with PNPM. They knew about PNPM from its popular infrastructure projects, such as road construction and school building. Beyond these projects, 9 stakeholder respondents were familiar with the *musyawarah* organized for PNPM. They had been invited to the *musyawarah*, though one respondent said that he had never attended a *musyawarah* and so had less direct knowledge of how they were run. This respondent was further interviewed, to find out why he had not participated. This man gave two reasons for not attending the PNPM *musyawarah*. First, he said he knew that PNPM was part of a World Bank initiative in developing countries like Indonesia, and he believed many World Bank projects had little positive impact on society. Second, he said never went to the *musyawarah* because he assumed that a few individuals would dominate the meetings (Interview, 26 February 2013).

In sum, both surveys indicate that information about PNPM and its projects was generally well disseminated and considered to be important by villagers. In distributing information, the role of hamlet head appears to have been crucial. Regarding the *musyawarah*, though this social institution has been in place for more than a hundred years, there seemed to be a problem of it being dominated by a few individuals. We return to this when examining the issue of elite domination.

³⁸ The stakeholders were the village head, the PNPM treasurer, two village officials, two religious leaders and four senior people.

5.3.2 On participation

There is a close relation between information and participation. In PNPM, people hesitated to participate if they had little information about the programme. There were two main ways to participate in PNPM: villagers could take part in the actual infrastructure projects by offering physical labour or contributing to the cost-sharing component, or they could participate in PNPM processes, such as the village meetings. The first type of contribution can be measured by the total amount provided for cost sharing and the number of working days spent in the construction of infrastructure.

Interestingly, villagers reported participating less in PNPM processes, especially the *musyawarah*, compared to the actual infrastructure works. The village head observed that PNPM involved too many *musyawarahs*, and people got bored (Interview with village head, 19 February 2013). Indeed, the number of villagers attending the *musyawarah* declined from time to time. Only at the earliest stage of the programme were villagers enthusiastic about coming to the meetings. This was confirmed by the household survey. Of the 50 households surveyed, 29 (58%) did not regularly attend the *musyawarah*, especially the more recent ones. In contrast, all respondents in the stakeholder survey had attended the *musyawarah*, as well as participating in project realization. Here, respondents said that the importance of the *musyawarah* went beyond PNPM, as they were used not only to discuss PNPM projects, but also to share ideas and seek solutions to other problems, such as regarding irrigation and health.³⁹ Five respondents said that Gadingkulon benefited from *musyawarahs* held for PNPM, as they had contributed to solving non-PNPM issues, such as village development and *gotong royong* (collective action).

Summarizing, apart from the villagers' contributions to PNPM projects, participation in the *musyawarah* was also important. It was through the latter that villagers could influence PNPM processes. Survey findings indicate that villagers participated more in construction and cost sharing than in *musyawarah*. Several potential reasons were given. First, there may have been too many PNPM *musyawarah*, leading villagers to get bored. How PNPM *musyawarah* were conducted and why people

³⁹ According to the village head, in the *musyawarah* they were not only talking about PNPM projects but also sharing experiences with problems in Gadingkulon, such as concerning irrigation and health.

got bored are two questions that were then further investigated in the surveys. The answers are presented below.

5.3.3 On elite domination

The household survey indicated that elite groups dominated PNPM processes, especially the *musyawarah*. These elite groups were comprised of the chiefs of ward, hamlet heads, the TPK team and the village head. The village head confirmed this. In addition, the village head noted that certain people, especially PNPM team members, dominated the *musyawarah* in Gadingkulon. Villagers, in contrast, remained silent (Interview, 19 February 2013). Equally important, men were the main *musyawarah* attendees. Thirty-two out of the 50 households surveyed mentioned this (64%). What about younger generations? The household survey indicated that they too were silent. One reason for this was the culture of Gadingkulon residents. The village head said that on many occasions at the *musyawarah*, younger generations and the poor would follow whatever decisions were made in the forum. Though the poor were invited, they were afraid to speak up. One household survey respondent, a man, said that he had spoken up once at a *musyawarah* but everyone had laughed. This had discouraged him (Interview, 11 May 2013). Another explanation for the silence was villagers' desire to finish quickly. Often, according to one respondent, the *musyawarah* took up a lot of time, and prolonging discussions only made it later. Ultimately, attendees followed whatever decision was made, another respondent added. Interestingly, the household survey brought out the popularity of TPK treasurer. Once respondents were asked about the *musyawarah*, his name often came up.

In a personal interview with this TPK treasurer in 26 February 2013, he stated:

My motivation for taking this job is to contribute to Princi. I do not want to see children drop out from school anymore like what I and many friends did in the past. I am busy, but PNPM is still my priority. Many times, I invited TPK team to work in my house until midnight, just to make the reports tidy.

The treasurer was the man behind the long protest march from Princi in 2009 to draw local government's attention to the hamlet's struggles. Since then, the treasurer

had become well-known. His network was wide. A member of the PNPM cadre said about him: '[W]ith his popularity, wealth and wide network, it was supposedly easy for him for being village head of Gadingkulon' (Interview, 22 November 2014).

To summarize, first, social institutions like the *musyawarah* were spaces where the elite could further their interests. Instead of being a venue for information dissemination, public consultation and discussion, the *musyawarah* were a space for elite contestation. The existing social structure and patron-client relations made this aspect of the *musyawarah* worse. The poor and younger generations, which were supposed to be active participants in the *musyawarah*, were silent. Their aspirations therefore went unheard. From this point of view, I would argue that the quality of *musyawarah* as an open and public space is questionable.

5.3.4 On benefits of PNPM

About 41 households (82%) mentioned benefiting from PNPM projects. All of them said that infrastructure projects, especially road construction in Princi in 2010, were the most beneficial. Because of the road, villagers could transport their harvest to nearby towns. Women benefited directly, as members of microfinance groups. Nevertheless, the amount of money provided by PNPM was generally insufficient to expand their businesses. In addition to microfinance, the bookkeeping training offered under the programme was said to be useful. It helped recipients manage their businesses (such as cash flow).

Nine households reported that they had not directly benefited from PNPM projects. This was because the locations of PNPM projects were far from their homes, or because they did not know about PNPM (consistent with our findings on understandings of PNPM).

However, all stakeholder respondents said that PNPM benefited all inhabitants of Gadingkulon, rich and poor alike, and not only to those who lived near the projects. One of the respondents mentioned road construction in 2010 as an example. Because of the road, not only could Princi residents sell their harvest in town, but people from different hamlets could more easily communicate and interact with counterparts who lived in Princi. Another respondent said that the road had opened up Princi, as the hamlet had previously been rather isolated.

It can be surmised from both surveys that, first, the infrastructure projects benefited many village residents, though especially those living near the project locations. Second, relatively few people benefited from microfinance, though related training, such as that on bookkeeping, was beneficial to the microfinance groups.

5.3.5 On the role of village government

Based on the household survey, the majority of residents were satisfied with the role of the village government in PNPM. Thirty-eight out of the 50 households (76%) stated that village administrators were very supportive of PNPM. Interestingly, the village head indicated being dissatisfied with the overall performance of his staff, especially in relation to PNPM. Most of his staff, he said, had limited understanding of PNPM processes. In addition, members of the village council were said to be insufficiently familiar with PNPM. In most cases, they blithely followed whatever decisions were made in the *musyawarah*.

The stakeholder survey indicated a lesser degree of satisfaction with the role of the village government, too, as this was said to be very limited. One respondent said that the village apparatus was only involved in monitoring, and occasionally got involved on the day of construction. This paints a similar picture to that in 2009, when Gadingkulon was under the administration of the former village head. At that time, the village apparatus engaged with PNPM projects primarily at the initiation stage.

Yet, the design of PNPM assigns a crucial role to both the village head and the village council. Ideally, the village council and village head jointly draft a village development plan, which guides PNPM proposals. However, in this case, the village head said that the relation between him and village council was tense. One of the reasons for this was lingering friction from the period under the previous village head, which remained when the current village head took up the position in 2010. Moreover, the village head said that the council members were unaware of their roles and functions, in particular, in relation to PNPM (Interview, 19 February 2013).

A few points related to these comments merit underlining. First, only the village head was well informed about PNPM projects. His staff was not, because they rarely

came to PNPM meetings, though the PNPM team invited them. Second, there was little coordination between the village government (the executive board) and the village council – in addition to the problem of the capacity of the village council. The village head reported that he had drafted the village development plan alone, though ideally it was to be drafted in coordination with the village council. The lack of coordination between the village head and council was also evident from the stakeholder survey. Thus, though PNPM was to be supported by all arms of the village government, such joint action did not materialize in this village. Lack of understanding about the programme and ‘hidden conflict’ were the main causes for this. Now, I turn to PNPM impacts on social interactions in the village.

5.3.6 On social interaction

Based on the household survey, 32 out of the 50 households (64%) said that PNPM had changed social interactions among villagers in Gadingkulon. The PNPM *musyawarah* were said to be the main cause of the change. PNPM had ‘forced’ villagers to sit together and share their thoughts on the proposed projects. This had led to intensified interaction among villagers. However, 18 of the 50 households surveyed (or about 36%) said that PNPM had not changed village interaction. They said, furthermore, that there were no significant changes since PNPM had been initiated in the village. In fact, this is consistent with information from the village head, as village participation was mainly limited to the earliest stage of PNPM implementation; that is, drafting proposals and creating microfinance groups. Later PNPM processes went largely unnoticed.

5.3.7 Key actors in PNPM

Because many actors were involved in PNPM, this section highlights the most significant contributors to PNPM processes at the village level.

Village head

On a day-to-day basis, the village head played an important role in PNPM. The village head had to ensure that each stage of PNPM was properly implemented. More

importantly, the village head was required to attend a sub-district level inter-village meeting, the *Musyawarah Antar Desa* (MAD), and represent the village there. At MAD, the voices and opinions of the village heads were important in project evaluation.

In Gadingkulon, the village head was a dedicated and responsible professional.⁴⁰ He supported PNPM activities, especially the *musyawarah* (Interview, 19 February 2013). One thing that people liked about PNPM, he said, was its certainty. Every year, PNPM provided a budget for all villages in the district. No matter how small the project, in terms of scale, PNPM funding could be obtained. Besides, PNPM had opened a space for people to become involved. Because of this, villagers were interacting more with one another, which was good for social relations in the village.

The role of village head was particularly important in PNPM microfinance, as the village head had to approve the list of borrowers. Furthermore, he served as witness when the loan contracts were signed by the borrowers and the PNPM team (Interview, 16 March 2013). At the final stage, all proposals from village had to be officially signed by the village head; otherwise, they could not be brought into the sub-district inter-village meeting.

TPK treasurer

The next key PNPM actor in Gadingkulon was the TPK treasurer. According to the PNPM manual, the TPK was to consist of representatives selected at a *musyawarah*.⁴¹ The team was tasked to coordinate all activities and manage administrative jobs, including finances (Departemen Dalam Negeri Republik Indonesia 2009: 11). In addition to the village head, there were at least three people in the TPK, namely, the chair, the secretary and the treasurer. Of these three, the treasurer was the most active member. Because of the job's requirements, the treasurer had to have bookkeeping skills. In Gadingkulon, he was also asked to manage projects. To carry out this role, the treasurer received training in bookkeeping and project management from the district-level PNPM office (Interview, 19 February 2013).

The TPK treasurer admitted that the job was quite a challenge. As someone who had spent much of his time working in the orange groves, an administrative job for

⁴⁰ I refer to the village head elected in 2010. Seven out of the 10 stakeholder survey respondents said that this village head was capable to administer Gadingkulon. In addition, the village head was familiar with bureaucratic and administrative tasks.

⁴¹ The village head approached the treasurer to become part of the team.

PNPM was not only challenging but also very time consuming. The treasurer had only completed the 5th grade of elementary school, which had caused him to hesitate, at first, at the paperwork involved in his PNPM role. However, villagers' support, especially from Princi, had encouraged him to accept the job. Ultimately, he did the job very well, in particular during the road construction project in 2010. Thanks to his success in that project, the treasurer was selected to serve in the following years (Interview, 26 February 2013).

Being treasurer for several years contributed to increase his capacity in project management. In addition, he became well-known in the district because of his active participation in a series of regular training events. These brought him into contact with counterparts from other villages. It was beneficial for his business too, he said, as he had expanded his business network at these meetings (Interview, 26 February 2013). Judging by the experience of this treasurer, there were certain people who benefited from PNPM by taking part in programming activities. The treasurer of Gadingkulon is one case in point. However, using the network he had gained from PNPM to further his own interests, not only in business but also, eventually, in politics, presented tricky issues – especially when the people of Gadingkulon asked him to seek office in the next village election.

PNPM facilitator

The facilitator was one of the most vital actors in PNPM. He/she was posted at the sub-district level. There were two types of facilitator: a general facilitator, or *Fasilitator Kecamatan* (FK) (hereafter called simply facilitator) and a technical facilitator, or *Fasilitator Teknik* (FT). The PNPM manual states that the role of the facilitator is to expedite all PNPM activities, such as information dissemination, planning, project implementation and sustainability (Departemen Dalam Negeri Republik Indonesia 2009: 13). As facilitators work at the sub-district level, they do not engage with only one village, but interact with all villages in their assigned sub-district. In the sub-district of Dau, where Gadingkulon is located, there were ten villages.

The facilitator serving in Gadingkulon from 2010 to 2014 had graduated from the faculty of letters of one of the state universities in East Java. Born in the mid-1960s, he was experienced in community development. Prior to the PNPM job, he

had worked in IDT in 1994, after which he continued to work in poverty reduction programmes across the country. Importantly, he was fluent in local languages. This was because he had been posted in many different areas of East Java, including the islands (Madura). In those postings he had dealt with local issues. Apart from his PNPM work, he was an active social organizer. At the time of this research, he was a board member for *Ikatan Pelaku Pemberdayaan Masyarakat Indonesia* (IPPMI), an Indonesian union for social empowerment. In addition, he had served in several national government agencies, such as *Bappenas* and the MoHA.

With more than 20 years of experience in community development, the Gadingkulon facilitator became one of the senior PNPM facilitators in the district of Malang (Interview, 3 November 2012). Because of this, he was commonly assigned in areas where serious problems had arisen. In his previous post in the sub-district of Poncokusumo, he had dealt with problems of elite intervention, especially involving the village head. By comparison, the facilitator said that his current post in Dau was not too difficult (Interview with PNPM facilitator, 10 January 2013). He considered PNPM in Gadingkulon to be relatively successful, as it had substantial support from stakeholders, in particular the village head.

The facilitator played an important role at the inter-village meeting. He was a master of ceremony of this event and also a facilitator. In his facilitator role, he patiently mediated the flow of discussions, especially when village heads began to debate. He reminded participants of the importance of the inter-village meeting and urged the audience not to underestimate their contribution. His achievement in PNPM was acknowledged by district facilitator (Interview, 10 January 2013) as follows:

We are lucky now of having him as facilitator. He is one of the best FKs in Malang district. To compare, the former FK was too strict and many people complained because of this. The FT of Dau is also very helpful. His design is now being used as benchmark in the *Kabupaten*.

On another occasion, the facilitator said that support from the village head was key in PNPM. He had heard of cases in other sub-districts where the facilitator feared the village head. He stated, '[I]n Gondanglegi [the] facilitator was afraid because the

village head came into the house and wanted to kill him' (Interview with facilitator, 19 February 2013). Soon after, that facilitator resigned.⁴²

Before moving on to PNPM's integration in local government, a few aspects should be underlined in relation to PNPM key actors. First, the PNPM manual and guidelines stipulate what key actors should be involved in PNPM. In practice, these were only a few, particularly in Gadingkulon. Villagers were expected to make substantial contributions to PNPM projects. In Gadingkulon, the success of PNPM projects was attributed to the work of the village head, the TPK treasurer and the experienced facilitator. Another noteworthy aspect here is that there was little intervention by the village head in PNPM, which itself can be seen as a major achievement in the village.

5.4 PNPM and local government

Having explored PNPM implementation at village level, this section describes PNPM integration with local government under decentralization. It thus addresses the research question, formulated in Chapter 1, on the influence of decentralization on implementation of PNPM on the ground. As discussed in earlier chapters, in 2010 the president of Indonesia issued an instruction aimed at integrating PNPM with the national development planning system. This was to reduce overlaps between PNPM and regular development projects. It was an important step, too, as early on PNPM was designed to be separate from the national bureaucracy. The integration of PNPM into the national development system then raises questions about whether PNPM would become subject to intervention by government. This section seeks to answer that question by investigating the relations between PNPM and the district of Malang, as well as the relation between PNPM and the sub-district of Dau. Finally, I discuss the process of integrating PNPM into the Malang district administrative processes.

⁴² This story was also told to me by the district facilitator, who at first warned me not to select a research location with problems like Gondanglegi (Interview, 8 January 2013).

5.4.1 PNPM and Malang district

Development planning

Malang's five-year development plan stated that the district would focus on agro-industry. This recognized Malang's considerable potential in this sector (Pemerintah Kabupaten Malang 2011:61). Because agro-industry was mainly located in rural areas, its emphasis then also led government to focus on rural development. To operationalize the plan, the government initiated a rural development programme, which was endorsed by the district head, or *Bupati*. The program was named *Bina Desa*, which can be translated as 'village development'.

Bina Desa began in 2012. The *Bupati* and staff visited undeveloped villages in Malang, staying in each for about two nights (Interview, 11 April 2013). In the villages, the *Bupati* listened to complaints about village development and problems villagers faced. Afterward, the *Bupati* issued instructions to staff to overcome the problems and fulfil the needs of the village – though only if sufficient budget was available to do so. In addition to the village visits, *Bina Desa* identified priority sectors, namely infrastructure, education, health and the arts. These were similar to PNPM priorities.

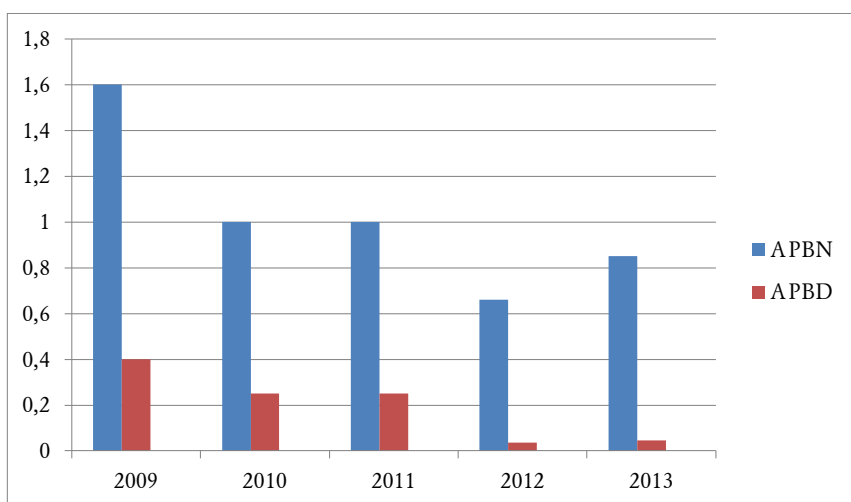
In relation to PNPM, *Bina Desa* was complementary. While PNPM projects tended to be small, and PNPM did not provide inter-village development projects, the regional government's interventions under *Bina Desa* were larger in scale. For instance, while PNPM might provide funds for a village road, it did not provide facilities for inter-village roads. Thus, the role of the regional government was important to connect projects that had been done in different villages. For this, Malang district had its own budget (Interview, 11 April 2013).

The *Bupati* visited Gadingkulon once, in 2014. He, his wife and staff stayed in the village for two days. According to the PNPM facilitator who had organized the visit, the *Bupati* visited the PNPM infrastructure projects realized during the 2009-2013 period. He asked about the sustainability and maintenance of the projects (Interview, 22 November 2014). The *Bupati* said that PNPM should be continued to preserve its results. Meanwhile, his wife gave a set of toys and education equipment to the kindergarten in Krajan. This too complemented PNPM's contribution, which was construction of the building in 2013.

Commitment to cost sharing

Every local government in Indonesia was required to contribute financially to PNPM projects in their areas. These contributions were deducted from the annual regional budgets and disbursed to sub-districts where PNPM projects were implemented. The contributions were compulsory (Interview, 5 March 2013). This cost-sharing component also served as a mechanism to ensure that PNPM projects were in line with and integrated into regional development plans. Figure 5.6 presents the amounts contributed from the national budget and the Malang district budget to PNPM projects in the sub-district of Dau from 2009 to 2013.

Figure 5.6: Contributions to the PNPM budget for Dau from the national budget (APBN) and the Malang district budget (APBD), 2009-2013 (IDR billion)



Source: Bappenas 2014a

It can be seen from the figure that contributions to the PNPM budget for Dau, from both the national and the district budget, fluctuated. Money from the national budget (APBN) decreased from IDR 1.6 billion in 2009 to IDR 1 billion in 2010. It remained the same for 2011, before decreasing again in 2012, followed by an incremental increase from 2012 to 2013. A similar fluctuation was found in the district-level contribution. This was because budget provided to PNPM depended on the fiscal capacity of both the national and local government (Pokja PNPM 2012:ii).

5.4.2 PNPM and the sub-district of Dau

Both the sub-district head (*Camat*) and the village head had a crucial role in PNPM. Without their approval, PNPM could not be implemented. For example, the *Camat* had to authorize PNPM projects by issuing a decision letter called the *Surat Keputusan Camat* (SKC). This letter provided the legal basis for starting PNPM activities. The letter provided a list of all projects with their accompanying costs, and was issued soon after completion of the inter-village meeting.

The *Camat* also played a role at the inter-village meeting, which was held at the same time and in the same place as the sub-district public meeting known as the *Musrenbangcam*. The *Musrenbangcam* was part of the regular development planning process aimed at collecting aspirations and proposals from the population. Here, the district head's task was to integrate PNPM projects into the local development planning process. This was to avoid overlap (Interview, 15 May 2013). In fact, integrating PNPM and local development planning was a difficult task, particularly because under decentralization, the sub-district head (*Camat*) had less power than the village head.⁴³ In consequence, the village head was likely to ignore instructions from the *Camat*. For example, village heads were continuously advancing their own village's projects, though these sometimes overlapped with local development plans. Moreover, village development projects were vehicles for political campaigning by the village head, used to maintain constituents' support in upcoming elections (Interview, 19 February 2013).

The village head of Gadingkulon confirmed this. Under decentralization, he was no longer accountable to the *Camat*. In the past, the village head had not only been accountable to the *Camat* but had also spent a lot of time interacting with administrators at the sub-district level to procure any available development projects. The Gadingkulon village head noted further, 'Information about development projects is not disseminated well. Worse, it depends on our lobby to the *Camat* and members of parliament to get those projects' (Interview, 19 February 2013). From this, we can conclude that while the village head had depended on the sub-district head (*Camat*) in the past, under PNPM this dependence evaporated.

⁴³ See the description of the village and sub-district authorities in, respectively, PP 72/2005 and PP 19/2008.

5.4.3 PNPM integration process with local development planning

This section outlines two events which are important in explaining the process of integration between PNPM and national development planning, as mandated by the presidential instruction *Inpres* 1/2010. These two events demonstrate how the integration actually happened in the field. The two events are the *Musrenbangcam*, which was introduced earlier as part of the national development planning process, and the inter-village meeting, which was part of PNPM.

Musrenbangcam. PNPM was integrated into regular development planning starting in 2010. This meant that PNPM development plans had to be in line with the national development plans.⁴⁴ However, this was difficult to achieve in practice, because of differences in the objectives of the *Musrenbangcam* and the PNPM inter-village meeting. The *Musrenbangcam*, as part of Indonesia's regular development planning process, aimed to collect aspirations and proposals from the population. The PNPM inter-village meeting, as part of PNPM, aimed at selecting proposals from the involved villages on the basis of competition. Another difference was the certainty of project funding. In the *Musrenbangcam* there was uncertainty about whether a proposal would be funded. In most cases, proposals were only collected. In consequence, thousands of proposals amassed with no clear information on whether they were ever carried out.

The PNPM inter-village meeting offered a clearer path to project realization. Village representatives were therefore more enthusiastic about coming to this meeting to support their proposals. In addition, project funds were certain and fixed. In 2013, both the *Musrenbangcam* and the inter-village meeting were held at sub-district hall on the same day, 13 February. Participants ranged from district officials to legislative members, military representatives, religious leaders, PNPM facilitators, journalists and academics. In total, 124 people attended.

The day's events opened with official statements from the sub-district head, a member of the Malang district legislative council and a PNPM facilitator. In his speech, the sub-district head emphasized Dau's continued need for adequate infrastructure, such as irrigation systems, sidewalks and roads. With regard to roads, he stated that in 2012 there had been a road construction project especially to support agro-industry. That project had aimed not only to accelerate economic growth in the

⁴⁴ This is based on presidential instruction *Inpres* (*Instruksi Presiden*) 1/2010.

area but also to increase job growth. Parliamentary legislators supported this. One legislator at the event furthermore promised to negotiate with the district government to get more money for Dau.

Inter-village meeting. Just before the lunch break a moderator announced that the next session would be the inter-village meeting. This was part of the plan. Participants were divided into six groups: a group of village heads, three groups of women representatives and two TPK groups (village PNPM project management teams). These would compete to get PNPM projects.⁴⁵ The competition was based on a scoring system. This was a PNPM mechanism which began by listing projects from the villages vying for funds. A PNPM facilitator scored the projects, with the projects then ranked from highest to lowest. PNPM fund allocations were based on these scores. The projects with the highest and second highest scores were automatically financed, while the rest depended on how much money was left. Each village could propose multiple projects. However, because the revolving microfinance fund was a PNPM priority, microfinance was always allocated funds by default. Other projects eligible for funding were infrastructure and training. There were rules for scoring, with higher values given to proposals most closely related to poverty reduction (PNPM Mandiri Perdesaan Kecamatan Dau 2013:Article 2). Table 5.10 presents the criteria.

⁴⁵ Total PNPM funds for Dau in 2013 were IDR 900 million. Ten villages in Dau competed for these funds.

Table 5.10: Criteria for project scoring at inter-village meeting

| Criteria | Score |
|--|-------|
| Direct benefit to the poor | 4 |
| Impact on welfare, education or health | 3 |
| Self-finance | 2 |
| Doable | 1 |
| Available human and natural resources | 1 |
| Sustainability | 1 |

Source: (PNPM Mandiri Perdesaan Kecamatan Dau 2013)

If proposals had the same score, additional criteria were added, namely, the percentage of the poor in the village and the percentage of participation at the meeting. Higher percentages on these two criteria would produce a higher score.

In the village head group, nine out of ten village heads were present and one was absent. Before they started to score, the facilitator gave each the list of proposals from all villages in the sub-district of Dau. One by one, they scored each proposal based on the criteria. In terms of process, the discussion was informal. During the proceedings, one village head remarked:

Since you gave a 4 to my village proposal, I will give the same score to yours. Let's do it informally, so everyone gets project from PNPM.

Figure 5.7 shows the village heads discussing project scoring at the inter-village meeting in 2013.

Figure 5.7: Village heads discussing project scoring



Source: author's collection, photo taken at the inter-village meeting, Dau, 13 February 2013

In another room, groups of women were also doing scoring. All proposals were scored 4, the highest, in these groups. As a result, there was no winner.⁴⁶ After the group discussions a plenary session was held. This was the last stage, and participants were eager to see the results. Figure 5.8 presents the result for PNPM 2014.

Figure 5.8: Project scoring results from Dau inter-village meeting, 2013

| REKAPITULASI HASIL PENILAIAN DISKUSI KELOMPOK | | | | | | | | | | |
|---|--------------|-----------------|--------------------------|----|-----|----|----|----|--------|-------------------|
| USULAN PNPM MANDIRI PERDESAHAN TAHUN 2013 | | | | | | | | | | |
| NO | DESA | JENIS USULAN | HASIL PENILAIAN KELOMPOK | | | | | | JUMLAH | KRITERIA TAMBAHAN |
| | | | I | II | III | IV | V | VI | | |
| 1 | KUCUP | DRAINASE | 25 | 28 | 28 | 24 | 21 | 36 | 162 | |
| 2 | KALISONGO | GEDUNG POKYANDU | 28 | 34 | 29 | 30 | 21 | 36 | 178 | |
| 3 | KAR-ANGWIDHA | AIR BERSIH | 25 | 34 | 32 | 33 | 21 | 36 | 181 | |
| 4 | | *PEL MENJAHIT | 25 | 28 | 24 | 29 | 13 | 36 | 156 | |
| 5 | PETUNGSUWU | *GEDUNG TK | 28 | 34 | 31 | 30 | 25 | 36 | 184 | |
| 6 | | * BEASISWA | 22 | 20 | 29 | 28 | 16 | 36 | 151 | |
| 7 | SELABETO | * GEDUNG PAUD | 28 | 29 | 29 | 30 | 28 | 36 | 180 | |
| 8 | | * PEL SARUN | 25 | 23 | 27 | 28 | 13 | 36 | 152 | |
| 9 | LADANG KULON | GEDUNG TK | 28 | 33 | 30 | 27 | 28 | 36 | 182 | |
| 10 | SUMBERSERAB | PASAR HEWAN | 25 | 30 | 29 | 27 | 18 | 36 | 165 | 24.82 % RTM |
| 11 | MULYADAGUNG | * AIR BERSIH | 25 | 28 | 31 | 33 | 16 | 36 | 169 | |
| | | *PEL SANDAL | 26 | 30 | 32 | 27 | 14 | 36 | 165 | 11.62 % RTM |

Source: author's collection, inter-village meeting in Dau 2013

⁴⁶ The process was thus more representative of solidarity than competition.

Process and participation

In terms of process, all groups' discussions were informal, though they were facilitated by PNPM facilitators. The TPK had a serious discussion about a kindergarten proposal from the village of Petungsewu. This began when a representative from the village of Mulyoagung suggested that the proposal was inappropriate. Instead, he favoured the clean water project from his own village, saying that the water project would directly benefit the poor. The discussion intensified, to the point that the facilitator finally intervened, requesting all discussants to be fair and calm. He, then, gave Petungsewu's representative an opportunity to explain the project and why it would be beneficial for the poor. At the end of the meeting, Petungsewu's project was ranked in first place, with 184 points. I observed the group discussion being dominated by the Mulyoagung representative. This man was a university lecturer. He spoke fluently and persuasively, presenting good arguments. Meanwhile, the others were 'ordinary' villagers, most of them farmers. An observer sitting next to me whispered, 'this forum is unfair for those farmers... [T]heir proposals could score less, as they are not good at arguing' (Inter-village meeting, 13 February 2013).

Regional government influence in PNPM

As the inter-village meeting was held on the same day as the *Musrenbangcam*, there was concern that the district government might influence the inter-village meeting process. Indeed, I observed that during the TPK group's discussions, the process stopped for a few seconds when a sub-district official came into the room. Upon entering, she said:

As many of you know, district government emphasizes infrastructure projects in 2014. One of the priorities is waste management. Therefore, the government needs a 2,000 m² piece of land to build a waste disposal area. For any villages that can provide this, their development will be prioritized.

At the time, none of participants responded. The exercise of influence from the sub-district level was also seen in the opening speech by the sub-district head, who warned that PNPM projects should be integrated into the district development plan. Otherwise, he said, he would hesitate to approve project proposals (Interview with

Camat, 15 May 2013). This admonition was heard not only in Dau but also in other sub-districts, because the district head had a political interest in PNPM projects.

The serving district head (*Bupati*) was set to run for a second term in 2015. He used the platform of the 2013 *Musrenbangcam* to point out that the five-year local development plan (2010-2015) prioritized ‘developing infrastructure to support agriculture, industry, trade and tourism in order to achieve equality in wealth and to improve competitiveness’ (Bappeda Kabupaten Malang 2013:4). In relation to PNPM, the *Bupati* through his sub-district staff, continuously pushed this priority, encouraging proposals in line with the *Bupati’s* mission, as stated in the five-year development plan.

This analysis points to several aspects relevant to this research. First, PNPM integration with national development planning opened a larger space for elite and bureaucratic intervention. By creating a programme similar to PNPM, the district head, or *Bupati*, was able to interject ambiguity in the development project planning process, as it became difficult for people to differentiate between PNPM and government projects, as confirmed by the household survey. Bureaucratic intervention was also seen when government agendas were ‘injected’ into PNPM. Thus, PNPM processes were no longer purely bottom-up, but became vehicles for pursuit of political objectives. Second, the inter-village meeting, as a crucial PNPM component, was ‘the only game on town’. Yet, scoring was only part of this game, as the scoring was not always given serious attention.

5.5 PNPM impacts

The previous sections examined PNPM implementation and dynamics, as well as how the programme was integrated with national development planning. This section assesses PNPM’s impacts on poverty reduction. In terms of programme design, PNPM’s main aim was to reduce poverty by empowering the community. These two key components, empowerment and poverty reduction, were cornerstones of PNPM. To achieve them, PNPM provided training and capacity building in villages. But to what degree were they achieved?

5.5.1 Impacts of PNPM on empowerment

PNPM stressed that poverty might be reduced if people had capacity. Yet, information from this research (see section 5.1) suggests that training was given only to people who were part of a PNPM team or in a microfinance group. Training and workshops held at the sub-district level provided a venue for those attending to widen their networks. They thus were not only empowered but also gained valuable contacts (Interview, 16 March 2013). What about the poor as target beneficiaries of PNPM? My interview with a poor woman who had joined a microfinance group painted a picture, later confirmed by PNPM team members, of problems with microfinance benefits to the poor. Moreover, only microfinance group leaders got training from PNPM, and even for them, the training provided was limited (Interview, 11 May 2013). Apart from these technical problems, being a member of a microfinance group was a burden for the poor. The required institutional arrangements, such as shared liability, blocked them from joining microfinance groups. Only people who were able to pay the debt could be involved in microfinance (Interview with PNPM facilitator, 22 May 2013). In short, PNPM did not empower the community or the poor at large, but only those who were members of a PNPM team and, to a lesser extent, group leaders in the microfinance scheme.

5.5.2 Did PNPM reduce poverty in Gadingkulon?

There is no clear-cut answer to the question of whether PNPM reduced poverty in Gadingkulon. Early in PNPM implementation, different official institutions, such as the Indonesian Central Bureau of Statistics (BPS) and the National Bureau for Demography and Family Planning (BKKBN), used different indicators and measurements to estimate poverty. PNPM had its own mechanism for measuring poverty; that is, the PNPM poverty mapping. This variety of measures makes it difficult to accurately trace poverty prevalence over time. The current research brings together the different measurements provided by BPS, BKKBN and the PNPM poverty mappings. Of course, poverty itself is a complex phenomenon which cannot be solved with a relatively short programme like PNPM. Regardless, data about poverty levels in Gadingkulon might provide an indication of the potential impacts of this programme. Contributing to this analysis was data from the PNPM team, the village development plan and from the sub-district bureaucracy. In 2009, Gadingkulon counted 574 poor households, according to the village development

plan, which used the BKKBN poverty definition. From 2010 to 2012, numbers of poor households were measured using PNPM parameters. Accordingly, 137 families were categorized as poor in 2010, rising to 274 poor households in 2011. A year later, in 2012, the number of poor households remained 274. The latest poverty data, for 2013, indicates a rise in number of poor households, from 274 to 303.

The PNPM facilitator mentioned a number of reasons for PNPM's lack of impact in poverty reduction. First, relating to the microfinance component, problems such as price fluctuations and financial mismanagement by the microfinance groups had been difficult to overcome. Instead of developing businesses, the money had been used, for example, for medical treatments, schooling and religious celebrations⁴⁷ (Interview, 30 April 2013). From these statistics and data from the field, PNPM seems to have failed in its goal to reduce poverty. But what about PNPM's impacts on socio-political interactions in Gadingkulon?

5.5.3 *Impacts on socio-political interactions*

As of 2014, PNPM had been in place in Gadingkulon for five years. It had contributed a number of buildings, while also providing an amount of money in microfinance. Yet, the programme also impacted the villagers and the way they interacted with one another. Among the 50 households surveyed, 31 said that PNPM had significant impacts on people in the village, whereas 19 held the opposite view. The 31 households said that PNPM had initiated socio-political changes, both positive and negative.

In comparison, 6 of the 10 stakeholder respondents said that PNPM had impacted socio-political interactions in Gadingkulon. The stakeholders who held this view were the village head, two members of village council, the PNPM treasurer and two religious leaders. The remaining 4 respondents (all village council members) said that the programme had not really changed things in the village. These 4 noted that PNPM activities and processes, especially PNPM *musyawarah*, were only occasional. Likewise, PNPM actors played their role only when a project, in particular infrastructure, was being realized. This took only a limited number of days. The rest of the time, village activities remained as same as before PNPM.

⁴⁷ Monitoring of the revolving fund was weak, and there was no legal punishment for misusing the funds.

Positive socio-political change

Survey respondents said that PNPM activities had brought an intensification of social interactions in Gadingkulon. In the past, village-wide gatherings were limited to events like elections, independence day activities and religious celebrations. PNPM brought villagers together in *musyawarahs*, in revolving fund activities and on the day of project implementation. In sum, PNPM seems to have awakened a spirit of *gotong royong*, or collective action, in the community.

PNPM, in addition, impacted political interactions. This was evident from the stakeholder survey, as respondents observed that due to PNPM, village administrators were more aware of people's needs than in the past (Interview, 26 February 2013). As a result, public services had improved. Villagers themselves were said to be better informed of their rights, which had led to better service from the village government. Thus, political relations between villagers and village administrators had grown closer. Another important outcome regarding political interactions concerned the *musyawarah* as a forum for conflict resolution. After the launch of PNPM, *musyawarah* became more frequent, and at these meetings any problem in the village could be shared (Interview, 25 February 2013).

Negative socio-political change

Following the problem identification in PNPM 2009, villagers became aware that the programme was being used for specific purposes to benefit a few. Use of such a programme for personal gain had never been evident before. Moreover, misappropriation of programme benefits continued in the following years. At my last visit to Gadingkulon, in 2014, the treasurer had resigned from his position due to a conflict with the village head. Members of the PNPM cadre said that the conflict had occurred as the village head began gathering support for his second term candidacy. In addition, the village head had sacked active TPK staff who had dedicated their lives to PNPM (Interview with PNPM cadre, 22 November 2014).

Marginalization of the poorest is clearly seen in the microfinance scheme. Information in this regard was provided by NGO activists serving in the district level monitoring team. They remarked that PNPM, in particular microfinance, had helped the poor but not the poorest (Interview, 1 May 2013). The poorest hesitated

to join because of shared liability (*tanggung renteng*). The household survey confirmed this, as women said they would not join a microfinance group due to the rules and regulations such as *tanggung renteng* (Interview, 13 May 2013).

Conclusion

This chapter has explored how PNPM was implemented on the ground in Gadingkulon. It also looked at how PNPM was integrated with national development planning. Finally, it sought evidence of PNPM impacts. In terms of project implementation, Gadingkulon was relatively successful. All of the projects from 2009 to 2013 were completed. There were no significant problems, except one conflict that occurred early on, in 2009 in the case of the water piping project. The rest of the projects went relatively smoothly. However, this does not mean that no problems related to PNPM were found in this village. This research identified several issues which warrant further consideration.

First, PNPM projects, especially microfinance, dragged people into the market. Indeed the aim of SIN, which was the underlying philosophy of the programme, was to bring people closer to the market. Yet, this process faced many difficulties. One of these was the inability of rural communities to enter the market, due to their limited capacity and education and lack of aspiration. Attempts to make people more active participants in PNPM meetings ran up against existing social structures, particularly, patron-client relations, which ultimately blocked this process.

Second, under the mantra of social institutionalism, PNPM made use of the *musyawarah*, which was a genuine local practice, as a crucial arena for project information-sharing, problem-solving and consultation. Given the strong patron-client relations in Gadingkulon, and the fact that most villagers had limited education and many were poor, the *musyawarah* became a vehicle for elite domination. Most of the invited participants remained silent and went along with what those in power decided. The problem only worsened when PNPM was integrated into the national development planning system, as seen in the inter-village meeting.

It was not only the elite who played with PNPM rules and regulations; the district government, too, interfered in the inter-village meeting, interjecting the government

agenda into PNPM processes. The integration process therefore presented a serious threat to PNPM, as the programme was vulnerable to being hijacked by local and district-level vested interests. For example, interference by the district head (*Bupati*) was politically motivated and materialized especially when the time came for him to launch his campaign for a second term. District interference was also clearly evident in the *Bupati's* 'encouragement' of PNPM proposals in line with the district's own programmes. In short, integration with the national bureaucracy caused another problem in PNPM, due to PNPM's the initial bypassing design. That design was aimed to free PNPM from vested interests. However, integration PNPM into national development planning system rendered bypassing meaningless.

Returning to SIN, it is interesting that the setting of this village in fact prevented the poorest from benefiting from PNPM, especially in microfinance. Due to the shared liability requirement, microfinance groups hesitated to invite the poorest families to be part of the groups. Thus, PNPM helped the poor but not the poorest. Similarly, community empowerment seems to have failed. Even those poor villagers who were able to attend training remained unable to solve their problems. But, a few people in PNPM were empowered. These were those who acted as PNPM team members in the village. PNPM thus empowered some in the village, but not the larger community.

With all of these problems, can PNPM be said to have achieved its objective? Certainly the answer is no. According to its own mapping, poverty in Gadingkulon increased steadily from 2010 to 2013. Some reasons for this were stated earlier. The bottom line is that poverty remained in Gadingkulon. If PNPM failed in its goal to reduce poverty and empower the poor, what were its impacts on society?

First, villager interactions intensified. The *musyawarahs* brought people together, and relations among them were fairly harmonious. The *musyawarah* proved to be an effective arena for informing the community about PNPM projects and processes, and the venue was also useful for non-PNPM related conflict resolution. Through *musyawarah*, relations between public officials and villagers got closer. This had a role in improving public services, as villagers were now interacting and communicating more with village administrators. However, PNPM did cause social tensions, especially in the case of microfinance.

To conclude this chapter, I would add that the SIN development agenda – here represented by PNPM in Gadingkulon – is as much about gaining and maintaining power as a question of programme implementation, facilitation and governance. Structural political economy (SPE) theory acknowledges this. The case of the TPK treasurer and *Bupati* demonstrate this. Their involvement in PNPM provided them power and helped them maintain it. The treasurer's involvement in PNPM increased his capacity in project management, which he ultimately put to use to run for village election. Meanwhile, designing a programme very similar to PNPM and intervening in PNPM processes were strategies used by the *Bupati* to maintain his power and constituency base.

CHAPTER 6

PNPM IN THE VILLAGE OF NGADIREJO

Introduction

This chapter is about Ngadirejo, which is the second village case study in this research. In contrast to Gadingkulon, Ngadirejo was less successful in PNPM implementation. Based on information from the PNPM district facilitator, Ngadirejo experienced delays in infrastructure projects, as well as late payments in the microfinance component. This village, thus, can be taken as an example of villages where PNPM was overall less successful. This chapter explores the reasons behind the lacklustre performance.

Nonetheless, Chapter 5 concluded that PNPM Gadingkulon was relatively unsuccessful in achieving the larger PNPM goals of community empowerment and poverty reduction, even though PNPM projects (both infrastructure and microfinance) were well implemented in that village. PNPM there, regardless, failed to empower the villagers or to eradicate poverty. Instead, PNPM became an arena for pursuit of political aims. In short, PNPM was a locus of power contestation. What about Ngadirejo? This village was already known for unrelenting tension and corruption. This chapter examines how PNPM fared in such a context.

This chapter benefits from both primary and secondary data. For primary data, I was fortunate to attend village and inter-village meetings, as well as conducting my own field observations. This chapter also benefits from interviews conducted with PNPM actors and government officials, at both district and sub-district level. Secondary data was drawn from PNPM project documents and village profile reports.

A few comments regarding research process bear mentioning here. Though the research process in Gadingkulon was relatively smooth, the same cannot be said of Ngadirejo. Upon the start of the research, I was not warmly welcomed by the village head. He interrogated me suspiciously about the purposes of my research and what contribution (referring to money) the research would make to the village. He also asked about the significance of the research for him as the village head. Moreover, I observed tensions among key PNPM actors in this village during the research. This forced me to keep a distance from the situation. Unfortunately, I contracted dengue fever in January 2013, and was thus unable to observe PNPM for a period of time.

The discussion of Ngadirejo in this chapter follows the structure of Chapter 5. Section 6.1 provides general information about the village. Section 6.2 deals with questions related to PNPM implementation, particularly how institutional arrangements (under SIN) manifested in PNPM. Section 6.3 discusses PNPM dynamics, while section 6.4 discusses the relation between PNPM and local government under decentralization. Finally, Section 6.5 outlines PNPM's impacts, that is, what changes PNPM brought to socio-political interactions in the village.

6.1 Local conditions in Ngadirejo

6.1.1 General information about the village

Ngadirejo is a well-known village in southern Malang district. The village is located near Gunung Kawi cemetery, where every Thursday night, hundreds of people from Malang and surroundings go to worship. For Chinese Indonesians, Gunung Kawi is not only a place of worship but also a place to seek luck (especially for businesspeople). Because of this, the infrastructure around Ngadirejo, like the road, is in good condition. The village itself is located about 30 km south of the city of Malang.

Agriculture was the main occupation in Ngadirjo, with primary products being rice, corn and cassava. The village was surrounded by hectares of paddy field. While most villagers worked in farming, other occupations found here were merchant, teacher, military retiree and civil servant. Along the road, there were many small grocery stores and food stalls. There was also one vocational school, as well as fruit

sellers. Like most traditional Javanese villages, villagers still held onto traditional values here. They still practiced Javanese cultural events, such as *nyadran* (a local festival held at the graveyard), *slametan* (a community gathering usually held to celebrate a success), *tahlil* (an Islamic tradition of collective prayer) and *mithoni* (a family celebration of the seventh month of a pregnancy) (Pemerintah Desa Ngadirejo 2010: 17). Besides these traditional Javanese activities, some people still used the Javanese calendar. Accordingly, big events like the time to plant rice, *nyadran* and *slametan* followed the Javanese calendar. People believed that following this would bring good fortune to their families and the village.

Apart from traditional values, social and political relations in Ngadirejo were similar to other traditional Javanese village – and resembled those in Gadingkulon as well. For instance, people commonly gathered outdoors in the afternoons after working in the fields. The parents would chat while children played. Women's social relations usually formed around activities such as *arisan* (fund-raising mutual help groups). These not only maintained social ties but also provided a way to assist others in times of financial need. Political relations took the form of patron-client bonds. The elite in Ngadirejo were those with economic and cultural assets: landowners, religious leaders and the rich. Village officials were also part of the elite group.

In Ngadirejo, like Gadingkulon, elite groups held power. Many villagers worked for landowners on their paddy fields, and village women worked for landowners' households as maids. Other elite groups were military and police retirees. They did not have the same land and business assets as the landowners, but they were respected because of their network, skills and connections, especially with people at the *Kecamatan* (sub-district) and *Kabupaten* (district) level. Ngadirejo villagers tended to believe that the elite were chosen by their ancestors to be village leaders (Pemerintah Desa Ngadirejo 2010: 18).

Data on political relations and elections record that the majority of villagers (about 85%) voted in the 2010 village elections (Pemerintah Desa Ngadirejo 2010: 16). But, here again, villagers were more active in the village elections than in the provincial and national ones. Similar to Gadingkulon, villagers felt that politics at the national and provincial level were far removed from their daily life. Besides, villagers were not involved in or members of political parties (Pemerintah Desa Ngadirejo 2010:16). They had little interest in changing the political situation at higher levels

of government. Next to village participation in local politics, Ngadirejo experienced a corruption case in 2008 related to elite groups in the village.

In that year, a former village head was accused of corruption. A Ngadirejo village council member reported that he had illegally kept revenue from the harvest tax (*krakalan*) (MalangRAYA 2008). Actually, that revenue was supposed to have been shared between the village head and village council. For the village head, the *krakalan* was an additional source of income, besides the *bengkok* (a piece of land given to the village head). According to a local newspaper, the village head in this case took extra money from villagers and did not report it to the village council. The problems did not stop there. The village head was also accused of other corrupt activities. First, he was said to have taken money from the village allocation fund, or *Alokasi Dana Desa* (ADD). Second, he was said to have stolen money from the village unconditional cash transfer, or *Bantuan Langsung Tunai* (BLT) (MalangRAYA 2008). Why did he commit these acts?

According to a former village council member, the small size of the *bengkok* was the reason why the village head took the money from the ADD and BLT (Interview, 28 February 2013). Compared to other villages in the sub-district, the *bengkok* in Ngadirejo was small indeed, at less than two hectares. In many Javanese villages, the village head rented out the *bengkok*. But the small size of the *bengkok* in Ngadirejo made it unsuitable for agriculture, especially paddy production. When it was found that the village head had taken the money, he was impeached by the village council. A village council member who was a military retiree led a mass protest against him in front of the village hall. Then, the council, along with hundreds of villagers, marched to the district hall to report the corruption. Ultimately, the village head was imprisoned for two years.

The case changed social and political dynamics in Ngadirejo. Afterwards, social and political relations were fraught, particularly between the village head and village council. Though the previous village head was in jail, villagers felt that the conflict had not ended. The same applied to the village head and village council. The relationship between the two remained marked by prejudice and distrust. This tension affected the whole village. One woman said, 'My husband and my son worked for the village head as driver. Our life pretty much depended on him. We know about the conflict but it is better for us to stay away from it' (Interview, 4 August 2013). When PNPM came

to the village in 2009, the conflict still lingered. This influenced PNPM processes and implementation.

The new village head was a university graduate. In addition, he was a skilled civil engineer with years of experience in construction projects. He had been elected because Ngadirejo residents hoped that he would bring improvements to the village (Interview, 3 August 2013). In fact, this did not come about. In 2013, tension arose between the PNPM facilitator and the new village head regarding both the infrastructure and microfinance PNPM components. The nature of the problem is outlined later, under PNPM implementation. It suffices here to say that the problem led villagers to avoid open fora, like the *musyawarah*. Even when *musyawarah* were held, poor people who depended on the elites were unlikely to attend or participate. They were afraid of conflict erupting. Instead, they started to use other social institutions, such as *arisan* and *tahlil*, to share their ideas and opinions (Interview, 5 June 2013).

Having briefly introduced the social and political context of Ngadirejo, I now turn to details of the village, starting with the hamlets. Ngadirejo has three hamlets: Krajan, Cendol and Karang Tengah. These are described below, based on village profile reports, field observation and interviews.

Krajan

The village hall was located in hamlet of Krajan, and there was also a junior high school and grocery stores. Krajan, moreover, benefited from good infrastructure, especially the road. On both sides of the road were big houses with two floors owned by migrant workers with jobs abroad. They regularly sent money to their families in Ngadirejo. Krajan did have a problem of poverty. Poor households were found throughout the hamlet. Most of the poor worked as labourers for manufacturers in Malang city.

Cendol

Cendol was located much farther from the main road, near a small forest. Because of this, most Cendol residents worked in agriculture and in the forestry sector. Compared to Krajan, infrastructure here could be categorized as moderate,

with some small roads. In terms of education, the hamlet had one elementary school. In addition, the hamlet was densely populated with houses in close proximity to each other. Like Krajan, poverty was prevalent in Cendol.

Karang Tengah

Karang Tengah was the poorest hamlet of Ngadirejo. There were many semi-permanent houses here. One hamlet resident commented, ‘this hamlet is least developed compared to the two others’ (Interview, 4 August 2015). In terms of infrastructure, there was a two meter wide road, about two kilometres long, connecting the hamlet with public facilities, which were mainly located in Krajan. Most residents of Karang Tengah were farmers. The hamlet had fertile lands with hectares of paddy field. In the middle of the paddy field, there was a big chicken farm owned by a local resident. Poverty was prevalent in this hamlet, as most residents worked as farm labourers.

Summarizing, two major concerns arise that are important for this research. First, Ngadirejo was a traditional Javanese village, in which traditional values reinforced existing village power structures. Second, PNPM experienced problems of delays in both infrastructure and microfinance projects, which had not yet been resolved up to the time of this research. In consequence, villagers were divided. As many villagers were dependent on the elites, they sought to minimize risk by staying out of the way of the elite conflict. Thus, instead of using open public meetings to raise and discuss the problems and issues they faced, people turned to other traditional groupings. This became important when PNPM was launched in the village.

6.1.2 Local conditions in 2009

This section presents the local conditions in Ngadirejo in 2009, particularly, village population, education, health and poverty. In order to identify changes that might be attributable to PNPM, 2009 is used as a benchmark year for the study. Thereafter, village conditions in 2013 are presented for comparison. This section uses secondary data collected from village documents such as the village development plan and village profile, supplemented by other paperwork from the PNPM office.

Population

In 2009, Ngadirejo's population was 4,726, made up of 2,383 male and 2,343 female residents. Most were of school age (7-18 years) or productive age (18-56 years) (Badan Pemberdayaan Masyarakat Desa Kabupaten Malang 2011: 19). The village's main commodity was rice, with 175 ha devoted to paddy fields, spread over the three hamlets in 2012 (Badan Pusat Statistik Kabupaten Malang 2012).

As noted, the majority of villagers were farmers on their own lands or as labourers on the large farms in the village. Some 390 villagers farmed their own land, whereas 1,114 villagers worked for a large landowner (Badan Pemberdayaan Masyarakat Desa Kabupaten Malang 2011:19). A small minority of the total population worked as a government official (21 people), a housemaid (23 women) or was retired from the military (18 people). Other occupations were private employees (109 people), drivers (33 people) and carpenters (70 people).

Ngadirejo was a rather homogeneous village in terms of religion and ethnic group. About 99% of the population was Moslem (4,708 people). The rest were Christian. Javanese was the majority ethnicity, though there were also Chinese (10 people) and Batak (4 people) (Badan Pemberdayaan Masyarakat Desa Kabupaten Malang 2011:20). At the time of the fieldwork, there were two big mosques in the village. Christians normally attended church in the next village.

Education

Many Ngadirejo residents had completed elementary school. In 2010, this was 41% of the total population. In contrast, only 4% were university graduates. According to the village government, education remained one of main challenges facing the village (Pemerintah Desa Ngadirejo 2010: 11). Table 6.1 presents details on education in Ngadirejo.

Village planning documents attributed the low level of education to a variety of problems. Foremost among these were lack of access to schools and local mindsets. Regarding the former, senior high schools were only available at the sub-district level, which was some distance away. In addition, the closest university was in the city of Malang. Furthermore, many villagers believed that education was less important than

working in the fields. Young people were needed in the fields, particularly at harvest time. Because educational fees had to be paid to attend school after age nine, many Ngadirejo residents opted instead for short courses and trainings (Pemerintah Desa Ngadirejo 2010).

Table 6.1: Education level in Ngadirejo, 2010

| Education level | Number of people | Percentage |
|-------------------------------|------------------|------------|
| Illiterate (age 10 and older) | 98 | 2 |
| Unfinished elementary school | 464 | 11 |
| Finished elementary school | 1,608 | 41 |
| Junior high school | 961 | 25 |
| Senior high school | 687 | 17 |
| University | 171 | 4 |
| Total | 3,989 | 100 |

Source: Pemerintah Desa Ngadirejo 2010.

Note: Some inconsistency was found population numbers. Official documents released by BPMD and BPS provide slightly different figures compared to documents issued by the village government.

Health

In 2010, a number of health issues were found in Ngadirejo. Many villagers had serious ailments, such as malaria and respiratory system disorders. A sub-district medical team concluded that the main causes of these were unhealthy habits and bad sanitation. To prevent illness, infrastructure, such as good drainage, was urgently needed. In addition, problems such as malnutrition and lack of access to adequate medical care were identified. But, villagers' attendance at health clinics, especially for baby weighing, remained high. Table 6.2 presents data on the village health facilities.

Village documents from 2010 report a serious problem of malnutrition, especially among children under five. Five children were considered undernourished whereas another 20 were considered unhealthy. To address the problem, village health cadres and midwives encouraged villagers, especially mothers, to visit *Posyandu* on a regular basis, for better monitoring to decrease malnutrition.

Table 6.2: Health facilities in Ngadirejo, 2010

| Type of health facility | Number of facilities | Person in charge |
|---|----------------------|-----------------------|
| Village health clinic (<i>Polindes</i> or <i>Poliklinik Desa</i>) | 1 | Village midwife |
| Hamlet-level integrated health centre (<i>Posyandu</i> or <i>Pos Pelayanan Terpadu</i>) | 5 | Village health cadres |
| Pharmacy | 1 | Private company |
| Mother and children health centre (<i>Balai Kesehatan Ibu Anak</i> (BKIA)) | 1 | Village midwife |

Source: Pemerintah Desa Ngadirejo 2010.

Poverty

Table 6.3 reports poverty statistics for Ngadirejo in 2010. From the table, it can be concluded that the poorest and the poor formed the majority in the village.

Besides official poverty statistics, the PNPM team mapped poverty in Ngadirejo as part of its own implementation procedures. The team calculated that in 2010, there were 237 poor households in this village. It is important to note that the result of the 2010 PNPM poverty mapping differed from the figures supplied by the BKKBN. This was due to their different estimation methods. The PNPM poverty mapping asked residents to calculate the number of poor families in the village based on their own perspective.

Table 6.3: Poverty in Ngadirejo, 2010

| Type of household | Characteristics | Number of households |
|-------------------|---|----------------------|
| Poorest | <ul style="list-style-type: none"> • Ate a maximum of twice a day • Owned clothes for different occasions • Used a village health facility | 583 |

| | | |
|---------------|--|-------|
| Poor | <ul style="list-style-type: none"> • Ate meat, fish or egg once in a week • Had new clothes each year • Fixed income | 586 |
| Middle income | <ul style="list-style-type: none"> • Had family savings • Holiday every six months • Access to media (radio, TV, newspaper) • Using public transport | 429 |
| Rich | <ul style="list-style-type: none"> • Same as middle group <i>plus</i> • Member of social organization | 45 |
| Rich + | <ul style="list-style-type: none"> • Same as as above group <i>plus</i> • Gave to charity on a regular basis | 0 |
| Total | | 1,643 |

Source: National Population and Family Planning Board (BKKBN) (2010).

Class structure

The rich (elite group). People in the rich group were landowners, government officials, merchants and military retirees. My impression from field observations was that this group was identified by their property, such as whether they owned a car, had a big house, and owned businesses or land. The current village head, for instance, owned a furniture gallery, which was located next to his home. His business employed several poor people from the hamlet of Krajan. While poor men were employed in the gallery, their wives worked as maids for the family of the village head. Another example of the rich group was a former village council member. He was an Indonesian navy retiree. Unlike the village head, he did not have a family business. But, people respected him due to his networks, especially in the district and sub-district government. Also, this was the man who had reported Ngadirejo's corruption case back in 2008.

Middle income. Typical occupations of the middle-income group were traders, teachers, midwives and small farmers. Traders tended to live near the main road. Food, dairy products, utensils and some appliances are examples of their goods. Some had kiosks located near the village hall. According to the PNPM facilitator, this group benefited from the PNPM microfinance scheme (Interview, 10 March 2013). For instance, a woman who owned a small kiosk in front of the village hall was said to be a leader of the microfinance group in Krajan. The PNPM facilitator also reported that this group was actively involved in village meetings.

Poor. Poor people were mainly labourers on farms or did some other form of labour in the nearby city. They did not have land. I observed this group was commonly identified in the hamlet of Karang Tengah. They tended to live in semi-permanent housing. In terms of education, most had only an elementary school education.

Very poor. The very poor group was, again, mainly found in Karang Tengah. They included many unemployed villagers, including widows. They depended on relatives working outside Java – like in Kalimantan – for their livelihoods. Their relatives transferred money to them on a regular basis. In addition, this group was targeted by pro-poor government programmes such as *raskin* (rice for the poor). Before turning to local conditions in 2013, it merits emphasizing that in 2010 poverty was the main issue in Ngadirejo. This poverty had two aspects that are particularly important from the perspective of this research. First, villagers had inadequate access to education and limited job opportunities. Second, poverty was concentrated in Karang Tengah, where most of the poor and very poor lived.

6.1.3 Local conditions in 2013

Population

In 2013, the total population in Ngadirejo was 4,816, with 2,427 male and 2,389 female (Badan Pusat Statistik Kabupaten Malang 2014a:24). This was a slight increase from the population of 2009, which was 4,726. Agriculture remained the dominant sector. Rice was still the main commodity, with 356 people working in rice farming as paddy labourers (Badan Pusat Statistik Kabupaten Malang 2014b:29) The second

main source of income was trade, in which 209 villagers were employed. Other important sectors were farming, public services and small industry.

Education

In terms of education, 473 children were registered in elementary school and 681 children were in junior high school (Badan Pusat Statistik Kabupaten Malang 2014b: 22). There was no record of anyone in the village attending high school. Those wanting to attend school above junior high had to travel outside the village. The village provided only kindergarten, elementary school and junior high school. There were three kindergartens, three elementary schools and one junior high school.

Health

No village hospital, polyclinic or pharmacy was found in 2013. Only very basic health services, specifically hamlet-level integrated health centres (*Posyandu*) and a village-level health clinic (*Polindes*), were in place (Badan Pusat Statistik Kabupaten Malang 2014b:20). In addition, there was one village midwife who organized health activities, especially baby weighing. In total, the village had 9 *Posyandus* and 1 *Polindes*. Nevertheless, number of visits to public health facilities in 2013 had increased over the previous year. Total visits in 2013 were 7,967, compared to 7,560 in 2012.

Poverty

There is no accurate data from the regional government on village level poverty. However, based on the Ngadirejo PNPM participatory poverty mapping, poverty incidence seems to have significantly increased in 2013 compared to 2009. In 2013, some 305 poor households were identified – up from 237 households in 2009. The area where poverty was concentrated had also spread. In 2009, most of the poor lived in Karang Tengah. Yet, in 2013, the poor were concentrated in both Cendol and Karang Tengah hamlets. Education levels remained relatively unchanged.

Socio-political life in the village

When this study began in 2013, Ngadirejo was suffering from continuing tensions between the village head and village council members. This tension was related to the 2010 election for village head. There were three candidates: the incumbent village head, a former village council member and a former village head (the one who had been accused of corruption in 2008). The ‘reformists’ in Ngadirejo considered it unfortunate that the former village head wanted to return to the political arena. Representatives of some elite groups sought to prevent this by approaching villagers and persuading them to vote for the current village head (Interview, 3 February 2013). This was to weaken the former village head’s power. Ultimately this was successful, and the current village head won.

But this election triggered more problematic issues, and led to intense conflict. According to a former village council member who also ran for election in 2010, the election was unfair. The incumbent village head was said to have won by mobilizing voters who were not Ngadirejo residents⁴⁸ (Interview, 28 February 2013), paying them for their votes. Particularly, the incumbent was said to have asked a close friend to coordinate this mobilization. About 16 people were said to have been brought in by car at dawn on the day of the election (Interview, 28 February 2013). The incumbent compensated the close friend with an appointment on the village PNPM project implementation team (TPK). He was given the job of TPK treasurer, with the main tasks being to propose and manage infrastructure projects. That appointment was not without reason. The new village head had years of experience in construction, and he had learned that from a position in infrastructure management extra money could be appropriated from infrastructure projects. But the alliance did not last.

The village head persistently asked the TPK for extra PNPM money. In an interview, the TPK treasurer said this was a difficult time. He was obligated to follow PNPM rules, which required strict prevention of corruption. However, he also felt pressure to obey the village head as his ‘patron’. Ultimately, the treasurer reported the persistent intervention by the village head to PNPM (Interview, 18 February 2013). The village head admitted that he had taken money from PNPM:

⁴⁸ Village election rules and regulations recognize a voter as a resident of the village if their IDs show them to be.

So many meetings in *Kecamatan*. At least, PNPM should allocate some money for fuel. Not only that, people also need meals. I think this is important (Interview, 3 March 2013).

However, this was only an excuse. The PNPM facilitator reported that all expenses had in fact been compensated, including transportation from the village to the sub-district (Interview, 18 February 2013). What did villagers think of the situation? Some feared that their own relation with the village head would change due to the conflict. Villagers interviewed remarked that their families relied on the village head for their jobs. When asked about the role of village head in general, and in particular his role in PNPM, one woman said that her family hesitated to go against the village head, though she knew that he was not in favour of PNPM (Interview, 5 August 2015).

To summarize, Ngadirejo was a traditional Javanese village in which values and norms were upheld and valued. When PNPM came to this village, there were already frictions between elite groups. These led to problems in PNPM implementation. Constant intervention by the village head, for example, delayed PNPM projects. More importantly, these interventions were embedded in the patron-client relations between him and his supporters.

6.2 PNPM projects in Ngadirejo, 2009-2012

Primary data on PNPM projects was drawn from interviews and surveys. Secondary data came from documents, such as PNPM annual reports, as well as publications of the Bappenas. A limitation, however, is that this secondary data relates only to PNPM projects at the village level. No secondary data was available on dynamics and processes of *musyawarah* at the hamlet level.

6.2.1 PNPM in 2009

PNPM in Ngadirejo began in 2009. As in other places, Ngadirejo benefited from infrastructure projects and microfinance. However, in one year this village did not get an infrastructure project, because it village lost the competition at the sub-district level.

Infrastructure projects in 2009

PNPM regulations stipulate that projects must be based on people's needs. In 2009, the village suffered from a lack of clean water and inadequate infrastructure, particularly roads. Therefore, two infrastructure projects were proposed: water and piping and road construction.

The water project was tabled by the village women, through the special women's meeting, the *Musyawarah Khusus Perempuan* (MKP). Water was particularly difficult to access in the dry season. However, there was a spring in the next village. Some 6,736 m of pipe was needed to connect to that water source. The pipe was to pass through all three hamlets. According to project documents, it would benefit 3,600 people. The cost of this project was IDR 197,001,800 (US \$19,700). Of this amount, the villagers' contribution was IDR 9,726,300 (US \$9,726).

At the same time, road construction was proposed, because the existing road was in bad condition. This meant that villagers had difficulty transporting their harvest to the nearby market.

Both proposals were discussed at a meeting held in the village hall on 16 August 2009. That day, 287 people signed an agreement to financially support both proposals. Both proposals were then checked and vetted by the PNPM verification team. Based on interviews, field observation, documents and feedback during the period 2-5 September 2009, the verification team recommended that the water and piping project be pursued for Ngadirejo. The team considered access to clean water more urgent than road construction. Moreover, an ongoing road construction effort was being funded by the district government.

At the next stage, both proposals were taken to the inter-village meeting, or *Musyawarah Antar Desa* (MAD). That year, the total allocation for the seven villages of Kromengan sub-district (including Ngadirejo) was some IDR 2 billion (US \$2 million). Of that amount, IDR 1.6 billion was from national government, whereas IDR 0.4 billion was from district government. Ngadirejo's water project ranked 3rd in the competition. Afterwards, a village meeting was held to inform residents, as PNPM transparency mechanisms required that communities must be informed of results at every stage.

Conflict began, however, when people started to complain about the water and piping project. At least three issues were identified. First was the participatory process. In fact, the water and piping project processes bypassed the majority of village residents. Project meetings were attended mainly by village elite (Interview, 5 June 2013).

The second issue concerned water installations. In addition to the hesitation of many villagers to get involved in the project, some already had their own well and no need of another water source. For them, installing pipe meant extra cost. According to the PNPM team, the project funding only covered the main pipe and did not provide money for channelling the water to households (Interview, 28 February 2013). Due to a miscalculation in the proposal, villagers would have to pay more to channel water from the main pipe to their home. This type of mistake was very common in the first year of PNPM projects, according to the facilitator (Interview, 28 February 2013). Yet, because of PNPM's strict rules and procedures, villagers had to make any needed adjustments themselves, which could take time.

The last issue related to water management. In 2009, a water committee was formed made up mostly of PNPM team members who also served on the TPK. On a daily basis, the water committee worked closely with the village head. The problem was one of transparency and accountability. Neither the committee nor the village head ever shared financial reports on water management with villagers (Interview, 5 June 2013). For instance, the water price was increased, but no information was provided about why the price hike was needed. Villagers were infuriated. In an interview, a former village council member remarked that the lack of transparency in water management had been a problem for a long time. The main cause was said to be the village head. He intervened in water management and kept asking for more money (Interview, 5 June 2013). Meanwhile, TPK members remained silent because they were afraid of the village head. This demonstrates the notion of elite capture and domination and use of power in development projects as outlined in the theoretical framework. Because of his power, the village head could intervene in the project. Another theoretical reflection here regards a lack of governance. Transparency and accountability, both hallmarks of good governance, seem to be lacking in this case.

Microfinance in 2009

There was also proposal for initiating a microfinance scheme in 2009. In total, five microfinance groups had been formed, consisting of 39 women in total. Each woman asked for about IDR 1,000,000 (US \$100). Three of the five groups were residents of Cendol, whereas the other two were from the hamlet of Krajan. In accordance with PNPM regulations, these groups were asked to repay the loan at regular intervals, with payments made on a monthly basis. Per month, 1.5% interest was added to the loan amount (or 18% per year). The loan money was to be used for buying pesticides and seeds (for farmers). For merchants, the money was to be used for starting small businesses.

Like other PNPM microfinance projects, the scheme included the shared liability mechanism (*tanggung renteng*). This meant that all borrowers could be held responsible if payments were made late or if members could not repay their loan. In 2009, the first year of the microfinance scheme, the total amount of funds disbursed for Ngadirejo was IDR 33,683,600 (US \$3,300). Despite *tanggung renteng*, each member was also required to provide a deposit to the group. The deposit was IDR 100,000 (US \$10) each. Besides shared liability and the deposit, there was again the requirement of a letter of agreement signed by the women's husbands. This was a kind of guarantee for the group members.

6.2.2 PNPM in 2010

Infrastructure projects in 2010

In 2010, the special women's meeting, the *Musyawarah Khusus Perempuan* (MKP), proposed road construction. The main reason was the difficulties villagers confronted in transporting agricultural commodities. There were also two other infrastructure proposals from the village that year, namely, for a retaining wall and a drainage system. These two additional projects were proposed to address problems of soil erosion and the drainage difficulties which contributed to poor sanitation. Project costs were estimated. For road construction, the proposed budget was IDR 46,615,800 (US \$4,600), whereas for the retaining wall IDR 22,413,000 (US \$2,200) was needed. Finally, IDR 1,065,800 (US \$1,000) was needed for the drainage project.

The inter-village meeting approved and funded all of the proposals from Ngadirejo. In total, IDR 111,678,100 (US \$10,000) was allocated. Of this amount, about IDR 2,803,800 (US \$200) was to be provided in the form of cost sharing by villagers who would gain direct benefit from the projects. For all three infrastructure projects, the work was completed in 86 days (27 September 2010 to 4 January 2011). On these days, 17 workers participated, all from poor families.

Microfinance in 2010

Four groups applied for PNPM microfinance. According to the proposal, 36 people would benefit from microfinance that year. All were from poor families from Cendol hamlet. A microfinance amount of IDR 36,000,000 (US \$3,600) was requested. Each member applied and received IDR 1,000,000 (US \$100) that year. No problems were identified in the PNPM annual report for 2010. But the interest charged on PNPM microfinance loans was increased, from 18% (yearly) in 2009 to 20% in 2010.

6.2.3 PNPM in 2011

Infrastructure projects in 2011

In 2011, there was no PNPM infrastructure project in Ngadirejo. At first, the village had proposed a health clinic. However, the proposal had failed in the inter-village meeting competition.

Microfinance in 2011

Ngadirejo did benefit from the microfinance scheme in 2011. In total, IDR 41,000,000 was disbursed. These funds were allocated to three microfinance groups, with 21 women as beneficiaries. The groups were from the hamlets of Krajan (10 people) and Cendol (11 people) (PNPM Mandiri Perdesaan Kecamatan Kromengan 2011).

Most of the women used the money for developing small businesses. One woman said that she opened a food stall in front of her house. She used IDR 2,000,000 (US \$200) from the microfinance scheme to buy chairs and tables as well as to buy

appliances. With these, she sold ball soup (*bakso*). While reporting that the loan was not big enough, she said she still felt grateful to PNPM for it (Interview, 25 May 2013). Another woman used the money to support her son's small kiosk. She knew this was against PNPM regulations, as microfinance loans were not supposed to be used by a non-member. But she ignored this. Besides, she said, the village head had approved her proposal. Thus, there was no point in worrying about the regulation (Interview, 20 May 2013). Further investigation confirmed that this woman was a close relative of the village head. Moreover, information from the PNPM cadre indicated that the small *bakso* business was not on the list of PNPM microfinance activities (Interview, 25 May 2013). Yet, the village head had insisted that the owner be given the funds. Cross checking with another PNPM cadre member turned up the additional information that the husband of this woman worked for the village head's furniture business (Interview, 26 May 2013).

6.2.4 PNPM in 2012

The 2012 project documents were more informative than those from previous years. In addition to the scored proposals and project cost estimations, a poverty mapping was included. The outcomes of this poverty mapping are referred to in more detail in the discussion below.

Infrastructure projects in 2012

PNPM 2012 began with a poverty mapping (PNPM Perdesaan Kecamatan Ngadirejo 2012). In the exercise, the PNPM team asked villagers to analyse the causes of poverty in the village. Their analysis was then discussed at the special women's meeting, or *Musyawarah Khusus Perempuan* (MKP), held 8 December 2011 (Table 6.4).

Table 6.4: Analysis of poverty in Ngadirejo

| Problem | Cause | Solution |
|-----------|-----------------------------------|------------------------|
| Low wages | Lack of money to start businesses | Proposing microfinance |

| | | |
|-------------------------------------|---|--------------------------------|
| High costs for transporting harvest | Bad infrastructure, particularly the road | Proposing road construction |
| Insufficient water for farming | Broken irrigation system | Proposing irrigation |
| Falling farm production | Soil erosion | Construction of retaining wall |

Source: PNPM Mandiri Perdesaan Kecamatan Kromengan 2011

Among the problems identified, transportation, especially the poor state of the road, was regarded as most crucial. The existing road was considered inadequate to support economic activities. Thus, people from the hamlet of Krajan proposed road construction. According to the proposal, the road would be 772 m long and 2.5 m wide. The cost was estimated at IDR 156,436,450 (US \$ 15.465). Of this amount, villagers would provide IDR 6,535,000 (US \$ 653,5) as a cost-sharing component.

The project was approved. However, implementation was delayed. On a visit, 12 November 2012, a TPK member showed me the site and explained the delays. According to him, there was a shortage of raw materials for the project. Good quality sand and a continuous supply of small rocks was difficult to procure. Moreover, as it was the rainy season, workers were hard to find (Interview, 12 November 2012). Figure 6.1 and 6.2 illustrate the delayed project.

Figure 6.1: Road construction 1



Source: Author.

Figure 6.2: Road construction 2 – workers finishing the road, 12 November 2012



Source: Author.

After visiting the site, I sought more information. It emerged that, apparently, construction of the road would not benefit the poor. Agreement to the road project was said to have been obtained at a village meeting where participants were stimulated to support the project. The PNPM facilitator confirmed this:

We encouraged people to propose road construction as a simple example project in PNPM as most of them have no idea what they want (Interview, 12 November 2012).

The PNPM facilitator mentioned that many times villagers did not have clear aspirations or ideas about the kinds of projects they needed. Therefore, the facilitator usually directed them to propose common infrastructure projects, such as road construction and water piping (Interview, 12 November 2012).

The road being constructed in this case, however, was a shortcut, in the middle of a paddy field. Because of this, it would benefit primarily those with land nearby (the majority of whom were not poor families). During my visit in Ngadirejo, construction of the road was still in progress. The few workers I interviewed on the site said that they were not local residents. They came to work on the project for a few days (Interview, 12 November 2012). A Ngadirejo TPK member confirmed this, adding that the project had many problems. First, villagers had not sufficiently contributed.

Labourers, for instance, had to be hired from other villages. He had asked Ngadirejo's residents to work as well, but they did not want to (Interview, 12 November 2012). A reason why could certainly be lack of ownership, as the idea for this project came from the facilitator. Moreover, this project suffered from financial shortfalls, as the village head kept taking money out of project funds (Interview, 15 November 2012).

At the same time, the village head complained that PNPM needed to allocate money for incidental expenditures, giving the example of this road construction project. And the financial worries did not end there. The PNPM team had made a deal with a supplier to purchase materials at a certain price, in line with the project budget. Then, after the project began, the supplier had to bring in the materials from another location, farther away. The driver said that the price would have to increase, because his truck was unable to reach the location and he would have to hire others to assist. On this issue, the village head said to PNPM facilitator:

This is the consequence if you follow your instructions blindly. You should consider the tiny things that may occur during project construction. The price, I believe, will be much cheaper if you take into account my suggestion. Mr Anggun [he pointed to me], as a researcher, you can see this fact objectively. I do not want to deeply intervene on this project, but indeed I do not want to responsible either if something wrong happens (Observation, 5 June 2013).

The experiences in this project demonstrate that the problems in Ngadirejo were related to a lack of project ownership and also to the tense relationship between the villagers and the village head. At the village meeting on 5 June 2013, there was an agreement to solve the problem by creating new TPK.

Microfinance in 2012

Microfinance was also proposed in 2012. Low income was the main reason why women wanted the funds. In total, two microfinance groups, consisting of 11 women, asked PNPM for the money. In their proposal, they agreed to repay the loan monthly at a fixed interest rate of 1.5%. The money would be used to start small businesses. It is noteworthy that at the village meeting, the village head warned the microfinance groups to use the money wisely. The PNPM verification team also emphasized that the microfinance rules and regulations were strict and had to be respected. Thus,

the loan needed to be repaid on time. A member of the verification team further mentioned that because of *tanggung renteng*, any small problem confronting one group member would affect the others.

All PNPM proposals, including microfinance, had to be linked to a poverty mapping providing an overview of poverty in the village. This mapping was attached as an annex to the microfinance proposal, along with the profiles of the microfinance group members and the total loan amount needed. As an example, the Dahlia group established the following rules for its members:

- Only villagers living in Krajan hamlet can apply.
- The membership is valid once the deposit is paid.
- Meetings are to be routinely held on the 26th of every month, at 13.00 hours, with the meeting location determined by the group head.
- The microfinance committee will serve one year.
- The maximum time duration for credit is 12 months.
- The interest rate is 1.5% per month.

However, like the road construction project, microfinance in Ngadirejo also ran into difficulties. On 29 May 2012, the total outstanding loan amount for the village was IDR 9,985,000 (US \$990). Four groups reportedly contributed to this problem, namely, Suplir, Dahlia, Bougenfil and Tulip. Among these groups, Dahlia contributed most (IDR 7,595,000 or US \$750) (Tim PNPM Mandiri Perdesaan Kec. Kromengan 2013). At the heart of the problem was delayed repayments by group members. The Dahlia group leader said that the money was being used for other purposes, such as consumption. She, moreover, added that when the fasting month of Ramadhan came, domestic consumption increased, as family members bought new clothes and special foods to celebrate, especially when the fasting month ended (Interview, 5 March 2013). Such situations were very common among the PNPM microfinance groups. Villagers might use the loan money for social activities (and not for business), leaving their loan unpaid.

Actually, the Ngadirejo PNPM team had anticipated this by making a list of groups that had experienced problems repaying their loans in the past. The team had given this list to the village head, but he ignored the warning and continued to approve the listed groups, because his voters were in those groups.

Such problems were serious in both the infrastructure and microfinance components of PNPM. To overcome them, a special sub-district meeting was held on 9 January 2013. The meeting was to evaluate the delayed projects. Representatives of the Malang district PNPM team attended. Such higher-level (district or provincial) participation was routine when problems arose in PNPM and remained unsolved. The PNPM facilitator and village TPK were also present, as was I. I counted about 25 people in the room, including three village heads, though the village head of Ngadirejo was not present.⁴⁹ The meeting began with information on a few of the delayed projects. In his opening remarks, the PNPM leader from the district said:

Imagine, among 292 villages in Malang district which participate in PNPM only two villages (Ngadirejo and Jatikerto) in Kromengan have problems in infrastructure projects. Therefore, I invite you all to discuss what is the matter and anticipate for the next financial year.

The procedure was similar regarding the outstanding microfinance loans. The PNPM team leader said that he had checked each case and found limited monitoring by key PNPM actors at village level. He further warned that microfinance loan money was given for economic activities and was not to be used for domestic consumption. As per PNPM rules, one outstanding case in a village meant that the village could not propose any new infrastructure projects for the following year. On this, a Ngadirejo TPK member remarked that the microfinance non-repayment cases were caused by intervention by the village head. Further, he suggested reporting the case to the police:

For your concern Pak, there is continuous intervention by the village head in our village. People who are not eligible for microfinance are given. We, as TPK, cannot accept this anymore. We have planned to report this to the police (TPK Ngadirejo).

Yet, a village head from Peniwen replied that outstanding microfinance loans were caused by other problems. In his village, he and the TPK had visited the microfinance group and asked for money for repayment. However, microfinance members had left the village and not returned. Worse, their close relatives and family

⁴⁹ The meeting was meant to evaluate all problems in sub-district Kromengan, including problems in Ngadirejo.

knew little of the situation. Another problem he mentioned was related to mindsets about PNPM. In short, villagers saw PNPM money as from central government and felt no need to repay it. A village head from Jambuwer added that he had anticipated the problem by drafting a letter of agreement to be signed by the husbands. However, this had not worked. So he had then asked the district-level PNPM team to assist by becoming actively involved in microfinance monitoring. This pointed to the severity of the problems in the microfinance scheme. Despite continuous intervention, this programme component was also experiencing problems in information dissemination. Indeed, the majority of villagers were unaware of the objectives of microfinance. At the 9 January 2013 meeting, an agreement was made to follow up on addressing PNPM problems by having another meeting.

That follow-up meeting was held on 5 June 2013 and was opened by Ngadirejo's village head. In his speech, he repeatedly emphasized that villagers of Ngadirejo must follow the PNPM instructions, in particular for microfinance. At the meeting, the village head also complained to the TPK about the delayed projects. He said that the infrastructure project would not be in trouble if the TPK had managed it properly. A TPK member at the back of the podium whispered to me that the village head was lying to save face in front of Ngadirejo's villagers. The meeting became strained when the village head frankly expressed his opinion about the programme in front of audience.

Groups of women who were sitting in the back row began to whisper, wondering aloud why the projects could possibly be delayed. After the village head spoke, a TPK member had the chance to speak up. But, as he had told me before the meeting, he would not tell the real story of all the Ngadirejo projects that had been 'captured' by the village head. The TPK member had approached me and whispered this:

I will resign after this but I will not be telling them [the audience] the problems that we had so far, especially the road project. I am afraid that the villagers will think there are frictions among us [the PNPM team] and that would make them uncomfortable (TPK of Ngadirejo, 5 June 2013).

The meeting ended without a satisfactory result. There was no clue about how to continue attempts at resolving the problem after the TPK's resignation. The

village head left the meeting and the audience also left. It must be said, however, that attendance was sparse at this meeting: about 30 people came out of the 120 invited participants. I asked the PNPM facilitator why. She replied saying that she had invited villagers to come by disbursing information through Islamic prayer gathering (Interview, 5 June 2013). Here again I would argue that villagers did not come to the meeting because of their lack of ownership. During my conversation with the facilitator, the village head approached to us and criticized:

This happens because of your faults. You must ensure first beforehand that people will come and see this meeting. Now, Pak Anggun, you see that the PNPM facilitator is not capable of handling this small problem (Village head Ngadirejo, 5 June 2013).

When the village head was gone, the PNPM facilitator told me that the village head did not like PNPM, especially her, because he thought the facilitator was incapable and knew nothing about Ngadirejo. This had been apparent since the beginning, she said (Interview, 5 June 2013).

Table 6.5 summarizes PNPM projects from 2009 to 2012. Note that the 2012 projects were delayed at the time of my fieldwork.

Table 6.5: Summary of Ngadirejo PNPM projects, 2009-2012

| | Infrastructure projects | | | Microfinance | |
|------|-------------------------|-------------------------------|-------------|-------------------|--------------|
| | Type | Hamlet | Cost (IDR) | Hamlet | Amount (IDR) |
| 2009 | Water and piping | Cendol, Karang Tengah, Krajan | 197,001,800 | Krajan Cendol | 33,683,600 |
| 2010 | Road construction | Cendol | 73,783,700 | Cendol | 37,894,400 |
| 2011 | NA | NA | NA | Krajan, Cendol | 43,157,700 |
| 2012 | Road construction | Krajan | 156,436,450 | Krajan | 20,526,400 |

Before moving on to the dynamics of PNPM in Ngadirejo, several crucial aspects should be highlighted. Obviously, there were problems in PNPM. First, Ngadirejo suffered from elite tensions before PNPM came into the village. This stemmed from the 2008 corruption case. The case was closed but the tensions between elites lingered. When PNPM was launched in 2009, the first infrastructure project was problematic not only because of mismanagement but also due to the continuous tensions between the elites. That tension, in fact, continued until 2012, as evidenced in project delays that year. We now look at the influence of social dynamics in Ngadirejo on PNPM.

6.3 The Dynamics of PNPM

Having described PNPM project implementation from 2009-2012, this section concerns PNPM dynamics. As in Chapter 5, this section is based on household surveys, interviews with elites and interviews with PNPM actors. Like in Chapter 5, the surveys solicited information in six categories:

- Understanding of PNPM.
- Participation.
- Elite domination.
- Benefit of PNPM.
- Role of village government.
- Changes in socio-political interactions.

6.3.1 *On understandings of PNPM*

To understand the objectives of PNPM, villagers needed information about the programme. This was the first category of information elicited in the household survey. This survey recorded that 23 of the 50 households surveyed (46%) knew about PNPM, and the remaining 27 households (54%) did not. Although PNPM was not well-known by name, people in Ngadirejo knew about its projects, in particular, infrastructure. But some also knew about the microfinance component. Thirteen out of the 50 household respondents (26%) stated that they knew about microfinance. Although they knew, they had not been invited to microfinance meetings. Such invitations were only issued to microfinance group leaders and the group secretary. Still, regarding microfinance, 5 of the women interviewed mentioned knowing about

the loan scheme, though they hesitated to get involved. All of them worried that they would not be able to repay the debt. Besides this, they hesitated to join because the meetings were commonly held in the evening.

Problems due to unequal information distribution were evident for microfinance in Ngadirejo. Microfinance activities were especially popular in Cendol, which was the hamlet nearest the PNPM village office. In Karang Tengah hamlet, however, residents had little information about microfinance – it was located much farther away. As a result, few Karang Tengah women applied. In the stakeholder interviews, 8 respondents knew both the name PNPM and its projects, whereas only 2 respondents did not. In-depth interviews showed that the public meetings (*musyawarah*) were the main vehicle for information dissemination. Despite the obvious importance of sharing information about PNPM, access to such information was limited. Only the heads of microfinance groups were invited to PNPM meetings. Information flows were also limited by the timing of the meetings, women were unlikely to attend in the evening. From Ngadirejo, it can be surmised that *musyawarah* played significant role in information dissemination. However, technical things such as the time and venue for conducting *musyawarah* needed to be more seriously considered.

6.3.2 On participation

As also noted in the first case, villagers' participation in PNPM can be generally seen by their active involvement both in *musyawarah* and in project implementation. Villagers' participation is also indicated by their commitment in cost sharing. Indeed, such contributions were a PNPM requirement, to demonstrate villagers' ownership of the programme. In Ngadirejo, cost sharing depended on the location and numbers of beneficiaries. For instance, people were asked to contribute if the project was located near their house or passed through their property. On the latter, PNPM required a permission letter to be obtained in advance from property owners.

In road construction, villagers voluntarily provided meals for workers. Next to this, they provided construction materials, such as rocks and cement. Or villagers might allow PNPM to use their land as a project location (PNPM Perdesaan Kecamatan Ngadirejo 2012: Annex). Several people in Ngadirejo were said to have donated land to PNPM for free. Villagers also contributed monetarily, particularly

for road construction. The PNPM website reports that in 2012, the amount spent on road construction was IDR 164,669,959 (US \$1,650) of which 4% (IDR 6,535,000 or \$653) was contributed by the villagers (Bappenas 2013).

Stakeholders beyond ordinary villagers also contributed to PNPM projects. Among the 10 stakeholders surveyed, 8 were involved in both PNPM process and project implementation. Among this number, all said that they had been on hand to help the PNPM team coordinate workers as well as providing meals for them. Only 2 stakeholder respondents said that they had not been involved in PNPM at all. When asked for the reason, they said that they were busy.

6.3.3 On elite domination

Elite domination in Ngadirejo was identified both at the *musyawarah* as well as in PNPM projects. Furthermore, elite domination was found at the hamlet and village level meetings. The persons who enacted this elite domination were the village head and hamlet heads. Twenty-six of the 50 households surveyed (52%) mentioned that at each *musyawarah*, the village head had actively dominated the proceedings (Interview, 4 August 2012). In consequence, these public meetings left little space for villagers to speak up.

A similar domination was seen in PNPM projects. First, regarding microfinance, the outstanding loan in 2012 was caused primarily by the village head's intervention. Accordingly, he continuously gave authorization for loans to those in his 'inner circle' (his voters). Furthermore, he did this without prior consultation with the PNPM team, as required in the PNPM manual and guidelines (Interview, 1 March 2013). The village head intervened in infrastructure projects as well. The delayed road construction project in 2012 was an example. On this, the village head had the following to say:

There are various problems in PNPM. However, the key person who should be responsible for these is the TPK. Not only arrogant, the TPK never takes my advice. As a result, the quality of construction is low. On the others, the village apparatus work well to support PNPM. For next year, it will be better to have a new TPK (Interview, 3 March 2013).

Interestingly, only 3 out of the 10 stakeholder respondents mentioned elite domination in PNPM; 7 respondents said that PNPM processes were fair and transparent. The 3 people who did mention elite domination were military retirees. Of the 7 respondents who observed that the processes were fair and transparent, 5 did mention the delayed project and the outstanding loan. They were close friends of the village head. Looking at this data, we can conclude that there were different perspectives on elite domination in Ngadirejo. As found in the household survey, villagers acknowledged that elites dominated PNPM, while the stakeholders considered the processes open and transparent.

6.3.4 On benefits of PNPM

Twenty-six of the 50 households surveyed (52%) stated that they had benefited from PNPM infrastructure projects, particularly the water and piping project and road construction. Regarding road construction, the benefit went directly to people who owned a car or motorbike. For them, the improved road provided better access for transportation, in particular at harvest time. PNPM benefits also went to microfinance groups. But here there were problems. Microfinance was unsuccessful due to unresolved issues such as outstanding loans. It was also suffering from intervention by the village head. However, perhaps an even greater problem regarding microfinance was the rules and regulations, which prevented the village's poorest residents from getting involved. Because of *tanggung renteng*, the poorest could not join the programme. This was an obstacle for them. Another dilemma was microfinance group activities, as only a few members followed the set rules and procedures, such as on bookkeeping, while the others did not. Accordingly, the PNPM facilitator argued, 'microfinance groups run their business, but economically their condition is the same as before joining PNPM' (Interview, 15 May 2015).

Meanwhile, 24 of the households surveyed (48%) said that they gotten nothing from PNPM. Indeed, PNPM projects had benefited mainly Krajan and Cendol hamlets. Therefore, only people from those two hamlets benefited directly (Interview, 4 August 2015.) Yet, among the 10 stakeholders surveyed, 7 observed that the water and piping project had been the most useful for the people of Ngadirejo. Road construction was also mentioned as benefiting many in the village. Regarding the microfinance component specifically, another 2 stakeholder respondents said that PNPM had not really benefited them.

6.3.5 On the role of village government

Both the household and the stakeholder survey indicate the important role of the village government in PNPM. Some 40 households (80%) confirmed the active role of the village government in the programme. The village head was said to be the key actor. Villagers also mentioned that the village apparatus supported PNPM in terms of project operations and cost sharing.

As mentioned in the previous sections, there were continuing tensions between the village head, the PNPM team and the village council stemming from a corruption case in 2008 (which pitted the village head against the village council) and the water and piping project in 2009 (which pitted the village council against the PNPM team). Because of these problems, the village council was not ‘involved’ in PNPM. In consequence, due to the lack of counterweight and control by the village council, the village head intervened in PNPM, both in infrastructure and in microfinance.

Eight of the 10 stakeholders surveyed said that PNPM needed the village government to play an active role. Otherwise, project implementation would suffer. Specifically, the village apparatus was needed in relation to dissemination of PNPM information. Here, the role of hamlet head was said to be crucial, because PNPM information was mainly provided at public meetings and not door to door. It was the job of hamlet head to do this. In the household survey, 7 respondents mentioned the role of the hamlet head in providing information about PNPM.

6.3.6 On social interaction

In total, 38 of the 50 surveyed households (76%) mentioned that PNPM had impacted their social interactions. Specifically, they stated that PNPM had created space for collective action, such as building infrastructure and *musyawarah*. They considered this to be a good thing, as they were brought closer to their neighbours. Six of the 10 stakeholders surveyed mentioned that PNPM had brought harmony to Ngadirejo. Their perspectives were based on *gotong royong* in infrastructure projects. Social interaction in terms of *musyawarah* was also considered positive among residents. Respondents in the household survey said that *musyawarah* had become quite rare in recent times. Relations between the village apparatus and the people had become more intense thanks to PNPM. In the past, people were afraid to talk to the village

head. Through PNPM, they had lost some of this fear. Thus, it seems that PNPM had positive impacts on social interactions in Ngadirejo. However, this was not the case for microfinance.

Social interactions had changed because of the microfinance groups. Since PNPM had come to Ngadirejo, bringing its microfinance scheme, interactions between the poor and the poorest had altered. It became obvious that the poorest were left behind – in particular, due to the microfinance *tanggung renteng* policy. Three women mentioned this in the household survey. Another negative impact of PNPM was that the programme had brought distrust and more conflict to Ngadirejo. For example, four stakeholder respondents mentioned cases of elite conflict.

6.3.7 Key actors in PNPM

Because many actors were involved in PNPM, this section highlights the most significant contributors to PNPM processes at the village level.

Village head

As a leader in the village, the role of the village head was indeed crucial. According to the PNPM manual, the village head should be actively engaged in the programme, both as a leader and as a controller of all PNPM activities (Departemen Dalam Negeri Republik Indonesia 2009: 11). Not only this, it was also the duty of the village head to maintain PNPM project results. In addition, the village head had a role in supporting PNPM, in coordination with the village council, by issuing village regulations (*Peraturan Desa*) for sustaining particular PNPM results. In relation to PNPM projects that covered more than one village, the village head and village council could form an inter-village cooperation body, or *Badan Kerjasama Antar Desa* (BKAD). This was an institution established to support PNPM sustainability.

In Ngadirejo, the village head complained that PNPM had been suffering financial losses in his village. He said that many times, he had to use money from his own pocket to compensate PNPM budget shortfalls. Also, as observed earlier, he said that PNPM needed to incorporate restitution for incidental expenditures, like transportation fees to attend sub-district *musyawarah*. He blamed, in part, the Ngadirejo TPK for mistakes in project management (Interview, 5 June 2013). He

also questioned the role of the head of the sub-district (*Camat*). When asked about the role of the *Camat* in PNPM, the village head replied that the *Camat* currently had little authority.⁵⁰

A government regulation on village administration, *Peraturan Pemerintah* (PP) 72/2005 states that the village head reported directly to the district head (*Bupati*) and not to the sub-district head (*Camat*). In a similar vein, on the *Kecamatan* (sub-district), PP 19/2008 explicitly states that the *Camat* is only a coordinator and does not have authority to rule villages. Because of these regulations, the village head of Ngadirejo saw no need to obey the *Camat*, in particular, in attending PNPM inter-village meetings (Interview, 5 June 2013).

TPK treasurer

According to the PNPM manual, the role of the TPK was very important. This village project implementation team was to consist of at minimum three members appointed at a public meeting (*musyawarah*). Their jobs were to coordinate PNPM activities, to manage the finances and to administer reports (Departemen Dalam Negeri Republik Indonesia 2009). Ngadirejo's TPK was made up of a chief, a secretary and a treasurer.

In practice, the bulk of the TPK's work was not only administrative, as set out in the programme manual, but also to deal with details more broadly, especially in infrastructure projects. For example, the TPK did surveys of materials used for projects, such as cement, rocks, paint, steel and wood. A PNPM report noted that in Ngadirejo, two surveys had been done to verify the prices of needed materials (PNPM Perdesaan Kecamatan Ngadirejo 2012). Price checking was important in PNPM, as projects sought to procure materials at the lowest price. However, many times suppliers quoted a low price, but then neglected to include the transport fee. An example was given earlier, of the stones for road construction 2012 that had to be transported from a location far from the village. Loading those stones and bringing them to the work site was an extra expense (Interview, 2 November 2012).

⁵⁰ According to the Indonesian rule of law, villages are under the Village Law (UU 6/2014) whereas sub-districts are under *Peraturan Pemerintah* (government regulation). This implies that the Village Law is superior to government regulations. Because of this, the village head has no obligations to the *Camat*. Such was the argument of Ngadirejo's village head.

Next was the process of material purchases. Following the instructions in the PNPM manual, all materials purchases had to be based on a fair and open procurement process. This was to be a good example of transparency and accountability. In reality, however, few suppliers were interested in taking part in this process, as it took a long time and resulted in less profit for them. They preferred to sell to other customers. This situation meant that projects had shortfalls, which the TPK had to make up using their own money.

A former TPK treasurer, who ultimately resigned from PNPM, said he would never be in the TPK again, as he was continuously confronted with project deficits. Since he had used his own money to cover these, his wife always blamed him. This made him uncomfortable (Interview with former TPK member of Ngadirejo, 18 February 2013).

PNPM facilitators

In every sub-district where PNPM was in place, there were two facilitators: a general facilitator, or *Fasilitator Kecamatan* (FK) (hereafter called simply facilitator), and a technical facilitator, or *Fasilitator Teknik* (FT). As elsewhere, in Ngadirejo, the facilitators played a crucial role in coordinating and communicating activities. Yet, because both facilitator positions were vacant from March to September 2011, there was a lack of coordination. During this time a water tank project was underway, and the village head asked the villagers to lift the tank into position. Due to the lack of construction skill the project ultimately failed, and the tank left broken and dysfunctional. Actually, the village head took this initiative without prior consultation with the district PNPM team. From October 2011 onward, Ngadirejo had new appointed facilitators.

Fasilitator Kecamatan (FK). The bulk of the FK's work was in the villages of the sub-district (*Kecamatan*). There were seven villages in the sub-district of Kromengan. There, the FK not only assisted in PNPM projects, as per the PNPM manual, but also did administrative tasks, such as making up reports, monitoring budgets and evaluating PNPM team members. With all of these obligations, the FK can be regarded as the most vital actor in PNPM.

The PNPM team, including the FK, was provided a sub-district office for their daily work. In Kromengan, the office was in an old, rented house with a leaky roof, a poor toilet and a dirty kitchen overrun with mice. The kitchen had a cerosine stove, and stacks of unwashed crockery lined the counters. Understandably, none of PNPM team members stayed overnight. This was unfortunate, as people often visited the PNPM office in the evening for consultations.

The job of FK was very demanding. During the field study, only a few interviews could be done with the FK because she was always busy welcoming guests and making up reports. Most interviews with the Kromengan FK had to be conducted on occasions like *musyawarah*. Being FK in PNPM was not her first job. She had previous experience in community development, so she was familiar with social issues. Though she was exhausted from the constant travel between the seven villages, it was her duty to check PNPM progress as well as to provide training for the microfinance groups. Another FK duty was to attend public meetings (*musyawarah*) from the hamlet to the district level. When asked about the situation in Ngadirejo, her face turned fidgety. She took a deep breath and paused for a few seconds before answering:

This is my concern so far, maybe you already know about the situation in Ngadirejo. The village head continuously intervenes in the project, which makes the project delayed (Interview, 10 November 2012).

Another PNPM team member, upon hearing this conversation, then interrupted the interview. In an odd Javanese accent (he was from North Sumatra) he emotionally added:

I was in the village head's house to discuss the delayed project when he arrogantly said that he was the man in charge in Ngadirejo and can do what he wants. Afterwards, I nearly got in a fight with him (Interview, 10 November 2012).

The problems did not stop there. They soon became overwhelming for the FK, as she knew that PNPM management was postponing her salary payments. The last three months of salary in 2012 had been held back, and would be paid on one condition: all reports and projects had to be completed. For her, it was a difficult situation, especially considering the delayed projects in Ngadirejo as well as in other villages in Kromengan (Interview, 19 November 2012).

In summary, the role of FK in PNPM was important, but the job came with several dilemmas. First, PNPM facilitators were usually outsiders. In fact, this led to problems in interactions with villagers, such as outlined above. Second, the burden of administrative work was heavy. This was demonstrated in the case of the Ngadirejo FK. Fulfilling the administrative requirements left her little time to monitor projects and cultivate and maintain good relations with the village elite.

Facilitator Teknik (FT). The job of the FT was focused more on infrastructures. The main duty was designing projects, mostly in the form of a sketch. After PNPM ended, the FT also helped villagers design further projects. The Ngadirejo FT was a man with a civil engineering degree and experience in construction projects. For him, the situation in Ngadirejo was no surprise. He said that at his previous post, he had faced similar issues – in fact, even worse than in Ngadirejo. Accordingly, he remarked that in almost every village where PNPM was in progress, the village head and other village elites tried to influence the process. Therefore, project facilitators needed persuasive approaches.

The Ngadirejo FT lived about 10 km from the village. Every day he commuted by motorbike. He had a rented room in Ngadirejo where he spent two to four days each month. Because public meetings were usually held in the evenings, it was too late and too far for him to return home afterwards (Interview, 19 November 2012). Furthermore, he said that being FT in PNPM was a demanding job. He said that making a design for a road or bridge was not as simple as he had imagined. In particular, as the budgets were relatively small, he had to be very precise about every detail. Otherwise, the project would come in over budget and incur a financial loss, which led to more complex problems.

In implementation, too, little issues sometimes arose between him and TPK members, such as with regard to road construction. However, this was not the main problem; a larger issue, he said, was intervention by the village head, who was always comparing PNPM projects to his own long job experience in infrastructure projects. These provided fertile grounds for criticisms of PNPM project design and implementation (Interview, 19 November 2012). However, PNPM processes were often onerous. An example is the delays at the *musyawarah* on 5 June 2013.

Before the meeting started, the FT prepared and distributed materials to the 25-member audience. He walked to the back of the stage and spoke to a TPK member. It was already 10.30 AM, and the scheduled starting time was 9.00 AM. They apologized for the delay. Attendance at this *musyawarah* was also disappointing. The PNPM team had expected about 100 people, but only 25 came, the majority of whom were women. This was the day of my final meeting with the FT. He later resigned from PNPM Kromengan without notification (Observation in *musyawarah* Ngadirejo, 5 June 2013).

Village council

Like the village head, the village council was an important actor in PNPM. The role of the village council, as an organization, according to PNPM manual, was to monitor and supervise all stages of PNPM operations, from information to planning, implementation and sustainability (Departemen Dalam Negeri Republik Indonesia 2009). In coordination with the village head, the village council had the authority to issue village regulations in support of PNPM. In fact, PNPM monitoring in Ngadirejo was lacking due to poor performance of the village council.

The Ngadirejo village council had five members, of whom three were military retirees. The most active members were two of these military retirees (both from the Indonesian Navy); they had initiated the impeachment procedure against the former Ngadirejo village head in 2009. In fact, one of them resigned from the village council to run for election against the current village head (PP 72/2005 states that a village councillor must resign if he/she runs for local election). In consequence, only four village councillors remained.

According to a former village councillor, the primary role of the village council in PNPM was monitoring. As an example, in the 2009 water project, the quality of the pipe was good but system management was poor. As a result, the water price increased. This was due to a lack of monitoring by the village council (Interview with former village councillor, 28 February 2013). Because of this, PNPM appointed one village councillor in 2012 to lead the monitoring team. Sadly, a heart attack forced him into a long period of bed rest. With a trembling hand and pale face, he met with me in his empty home. His children had left for work in another city, and his wife was

out shopping. He said in an unsteady voice, ‘the role of the BPD [village council] is important, Pak Slamet has resigned, while another member is sick like me. Only two members are left’ (Interview with village councillor, 19 November 2012).

I cross-checked this information with the district legal department office. I went there and asked whether the district knew about the situation in Ngadirejo. Surprisingly, the people there did not know and in the end thanked me for giving them the update from the village. A legal department official said that ideally the village head would report any problems in the functioning of the village council to the district. In fact, there had been no such report. The official speculated that the village head might not have made a report because of fear that new village councillors would impeach him, as they had in 2009 (Interview at Malang legal department, 11 April 2013). This actually relates back to the programme’s bypassing design. Since the district government was bypassed by PNPM, they hesitated to check and monitor PNPM implementation. It can then be argued that using bypassing indeed freed PNPM from interests to some extent, but it caused other problem, particularly in coordination, such as the case above.

6.4 PNPM and local government

6.4.1 PNPM and Malang district

This section examines the relations between PNPM and local government. Since 2010, PNPM has been integrated into the regular national planning system, meaning that PNPM should be in line with other government programming. This signified a break from the past, when PNPM was considered separate from the Indonesian planning system. Furthermore, PNPM and local government were linked to at least two higher administrative layers: the district (*Kabupaten*) and sub-district (*Kecamatan*). In relation to Ngadirejo, this concerns relations between PNPM, the village and Malang district and between PNPM, the village and Kromengan sub-district.

According to the local project manager at district level (*Penanggung Jawab Operasional Kegiatan*, PJOK), PNPM was in line with the priorities of the Malang head of district. On infrastructures, PNPM had built hundreds kilometres of roads, numerous schools

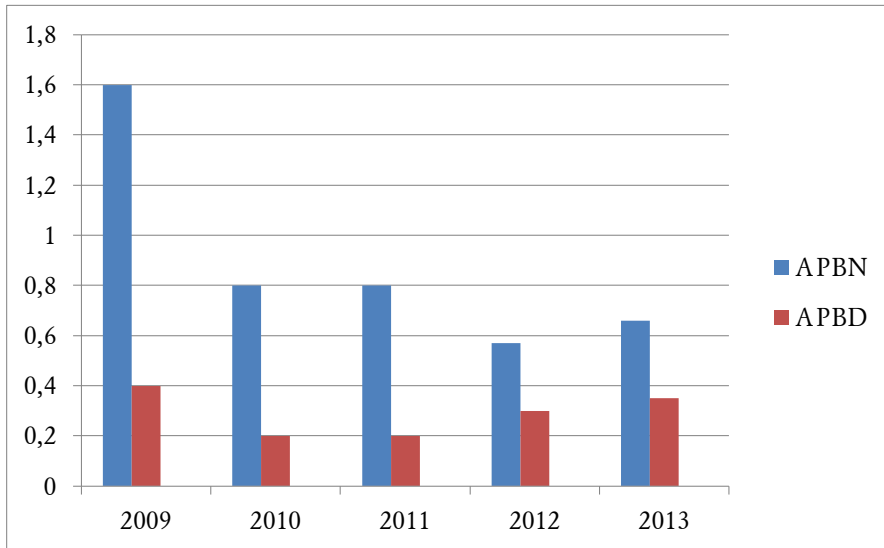
and health facilities and provided other types of infrastructures which people needed most. In fact, as PNPM was a national programme, the district head (*Bupati*) had a very limited role in PNPM budget allocations and village selection. This situation was somewhat counter to the *Bupati's* political mission, which was to prioritize areas where his constituents lived (Interview, 12 February 2013). Apart from this situation, there was a communication problem between the district and PNPM facilitator. In Ngadirejo, there was a time when the village did not even have a PNPM facilitator, because the former facilitator had been promoted to a job in another district. On this, the local project manager at district level stated:

There was no facilitator in Ngadirejo as he left for Kalimantan. He got promotion there. I have reported this to Jakarta but they said that we should wait for new recruitment (Interview, 12 February 2013).

Also notable is that the Ngadirejo village head was related to the local project manager at district level, being the project manager's nephew. On this, the PNPM facilitator said that infrastructures and microfinance problems found in Ngadirejo had been covered by the local project manager (Interview, 12 February 2013). Actually, the local project manager had warned the village head several times to cease intervening in PNPM projects. But the village head ignored the warnings. In addition, when village elections were held in 2010, the project manager fully supported his nephew. In return, the village head always supported his uncle in the sub-district. Many Ngadirejo villagers knew about the relation but were afraid to report it to the PNPM team.

Figure 6.3 presents the amounts contributed from the national budget and the Malang district budget to PNPM projects in the sub-district Kromengan from 2009 to 2013.

Figure 6.3: Contributions to PNPM budget in Kromengan from the national budget (APBN) and the Malang district budget (APBD), 2009-2013 (in IDR billion)



From the figure, it can be seen that national government spending on PNPM was higher in 2009 than in the following years. The same was true for district contributions. In 2010 and 2011, more funds were allocated than in 2009, 2012 and 2013.

6.4.2 PNPM and the sub-district of Kromengan

This section explores the role of the sub-district head (*Camat*) in PNPM and the relationship between the *Camat* and the village head of Ngadirejo. Indeed, PNPM projects could not be implemented without an official signature from the *Camat*. The *Camat* was also required to supervise these projects. Nonetheless, this sub-district head's influence in PNPM was weak, especially in supervising the village heads. The *Camat* had no authority over the village heads. This situation was clearly understood by the head of the sub-district of Kromengan. Actually, the situation that developed was a rather paradoxical one. The *Camat* had an important formal role in PNPM, but it did not have the authority or legitimacy to check on and monitor the village head, as it previously had. This was due to changing regulations under decentralization. The sub-district head's authority is regulated by government regulation, whereas the village

authority (*Desa*) is regulated by national bill. The situation became more problematic when the village head opposed the *Camat*.

In terms of PNPM coordination, many meetings were held at the sub-district level. Inter-village meetings and monitoring meetings are examples. Each village head in the sub-district had to come to these meetings. But Ngadirejo's village head rarely attended. I observed an inter-village meeting on 31 May 2013 where Ngadirejo's village head was not present. His staff told the audience that his boss had other important business. To this, one audience member replied, 'I just saw him in the street in his car... He said he was coming to this meeting' (Observation in meeting hall, 31 May 2013). This news upset the *Camat*.

In his opening speech, the *Camat* emphasized the crucial role of the village head in PNPM. The presence of the village heads at every meeting, at both the sub-district and the village level, indicated the village head's level of commitment to PNPM (Observation in meeting hall, 31 May 2013). After his short speech, the *Camat* then left the hall and returned to his office with a gloomy face. I conducted a short interview with him later, in which he commented that PNPM was more or less a 'political project' that had only added to uncertainties, especially in relations between actors (Interview, 31 May 2013). On this, he said that the district government was attempting to use PNPM to further the political interests of the district head (*Bupati*). According to the *Camat*, the *Bupati* could do this because people could not differentiate between PNPM projects and district government projects. Thus, it was easy for district administrators to claim PNPM projects as theirs. Chapter 5 reported similar comments made by the *Camat* of Dau about the situation in Gadingkulon.

There was a second important issue regarding decentralization. According to the *Camat*, government regulation needed to be revised to provide new arrangements between the administrative layers (Interview, 31 May 2013). Under the current decentralization regulation, the *Camat* had less power than the village head. In programmes like PNPM, this led to problems regarding power and authorities.

In relation to the problem of outstanding microfinance loans found in some villages in Kromengan sub-district, the *Camat* noted that a weakness in PNPM was the lack of coordination between the village head and TPK (Interview, 31 May 2013). Further, he said that microfinance was problematic because the group leader might

use the money for non-business purposes, and the village heads continued to approve microfinance groups for loans.

Notably, the *Camat* observed that a village head would lose face if their village did not get funds from the inter-village competition. They might therefore advance the funds if microfinance gets stuck and the money is not repaid (Interview, 31 May 2013). This was not only the case in Ngadirejo. Across Malang district many village heads did this, in particular in the run-up to a village election. In relation to Ngadirejo, specifically, the village head was aware that some of the microfinance groups were not capable of repaying microfinance loans. But, these groups were loyal constituents. He approved microfinance loans for them in an effort to retain their loyalty, and thus their votes.

At this point, some important interim conclusions can be drawn. First, PNPM in Ngadirejo seems to have failed due to existing conflicts in the village, stemming from issues that played out years before PNPM came into being. The conflicts were worsened when PNPM entered the village. The PNPM facilitator's lack of experience in community development helped the existing conflict get out into the open. The problem did not stop here. Changes in government regulations gave more power to the village head, and that power was ultimately used to dominate and capture PNPM projects. The district government did nothing to remedy the situation, as PNPM bypassed this administrative level.

6.5 PNPM's impacts

PNPM implementation and dynamics, as well as the situation of PNPM under decentralization, will by now be better understood. This section examines PNPM's impacts, particularly in relation to its key objectives of empowering the community and reducing poverty.

6.5.1 Impacts of PNPM on empowerment

In Ngadirejo, PNPM's outcomes in relation to empowerment were mixed. In short, PNPM seems to have empowered individuals but not empowered the community in general. The people who benefited most from PNPM were those who

were actively involved in it. These were mainly the key PNPM actors, such as TPK members, village cadres and leaders of microfinance groups. A case of individual empowerment is seen in the PNPM village cadre member who, before joining PNPM, was an 'ordinary housewife' (though she had been active in social groups such as *arisan* and *tablil*). In Javanese villages, people who are active in social groups are often chosen to fulfil roles in government projects. This was the case for her. In 2010, the TPK chief approached her and convinced her to join the village PNPM cadre. At that time, her job was to assist microfinance groups.

Her life had changed considerably since then. She said that PNPM had provided its cadres with training, like in capacity building (Interview, 6 April 2013). Because of this, her network had widened. By comparison, she said that only a few people knew her before she joined PNPM. After joining PNPM, in the last three years, many people had come to know her, across the sub-district. She had been offered another job, too, as a member of an evaluation committee for the 2012 provincial election. Actually, this was a quite demanding task, as she already had the job with PNPM. However, she said that the 'village head and TPK want me to take the job' (Interview, 6 April 2013). Her account seems to indicate that PNPM was empowering people in the village, though there was little concrete evidence of this.

6.5.2 Did PNPM reduce poverty in Ngadirejo?

A foremost PNPM aim was to reduce poverty. Yet, it is difficult to measure poverty reduction, because each institution had its own measurement method. In PNPM, poverty data was derived from social mapping. In the case of Ngadirejo, a poverty mapping exercise was completed as part of the problem identification stage. Here, poverty was defined based on people's own perspective on it. In 2009 and 2010, numbers of poor people were counted as 675 in the village. In 2012, this had increased to 740 people. These statistics differed from data produced by BPS, which released poverty data for Ngadirejo from a 2011 village survey. According to those figures, the village had 270 poor people in 2011. A 2015 BPS survey reported that there were 200 poor people in Ngadirejo. From these data, it is difficult to extract clear poverty trends.

6.5.3 Impacts on socio-political interactions

PNPM did impact socio-political interactions among people in Ngadirejo. From 2009 until 2012, various PNPM projects were implemented in the village, along with the associated participatory processes. These impacted people in both positive and negative ways.

Positive socio-political change

It was clear that PNPM changed social and political relations in Ngadirejo. Specifically, changes in the institutional setting impacted those relations. Social institutions, such as reciting Quran, *tablil* and *arisan*, were used as vehicles for spreading PNPM information and problem solving. Interestingly, people tended to use these institutions more than the *musyawarah desa* (village meeting). On this, the PNPM facilitator said that villagers preferred these informal groupings to public forums like *musyawarah* at the village hall (Interview, 5 June 2013).

Negative socio-political change

PNPM brought hidden conflict to the surface. Tensions between actors in PNPM were dragged from private to public relations. This discouraged villagers from participating in PNPM processes, especially the *musyawarah* (Interview, 7 June 2013). According to the PNPM facilitator, it was no longer useful to inform people about PNPM projects in public village meetings, because people would not come and those who did could not speak freely (Interview, 5 June 2013).

In relation to microfinance, the poorest became more marginalized, because they were not involved in the scheme. Poor women said they were afraid of the *tanggung renteng* requirement, because of their already very low income. One woman said she had left the revolving fund group when the leader made the *tanggung renteng* request (Interview, 8 June 2013).

Conclusion

Ngadirejo represents a less successful PNPM case. According to the district facilitator, this village was less successful because of its incomplete and delayed projects, mainly road construction and microfinance. Having investigated the situation, I would argue that the problems in Ngadirejo were caused by external and internal factors.

The main internal factors were the heavy load of administrative work, lack of incentive to repay microfinance loans and ineffective recruitment processes. Indeed, PNPM facilitators were responsible for a mountain of clerical work, such as making up reports, in addition to the responsibility of covering many villages across the sub-district. As result, facilitator performance was poor – and it got worse when salary was withheld pending completion of all administrative tasks. This was discouraging for the PNPM facilitator, who as a result, tended to prioritize the clerical work over managing PNPM processes. In Ngadirejo, these problems were certainly in evidence. Furthermore, there was no facilitator in this problematic village for a period of time. Without a facilitator, existing conflict among elite groups only grew.

PNPM also suffered under external factors. One of these was decentralization. Overlapping regulations introduced uncertainty regarding the powers and authorities of each administrative layer. Instead of strengthening the programme, some actors used decentralization to derive greater benefits for themselves. This especially pertained to actors with a confrontational attitude, such as the village head of Ngadirejo. Another external factor was the pervasive negative opinions about government programmes. PNPM was considered no different from other programmes, which were remembered mainly for their problems and uncertainties.

Ngadirejo is a traditional Javanese village characterized by patron-client relations. Like many other villages in Java, patrons are usually elite groups with resources like land and social status, whereas clients are ordinary people who are often dependent on the elites for employment. These relations have been in place for hundreds of years. PNPM was designed to bring openness, transparency and equality. Yet, these ideals crashed with existing patron-client relations. The situation was made worse when conflict between elite groups was heightened. Instead of being harmonizing and integrating, institutional settings like *musyawarah* proliferated conflict. This situation

was not favourable for the clients. They therefore tended to avoid *musyawarah*, as the public meetings were used as a battlefield by elite groups, especially pitting the village apparatus against the PNPM team.

With these outcomes in mind, what lessons can be derived regarding SIN, and in particular, structural political economy (SPE) theory? First, the institutional setting and political technology embedded in SIN were ‘hijacked’ by the existing social and political context. In addition, using SIN (by bypassing the bureaucracy and implementing political technology such as participation) in context like Ngadirejo opened a ‘Pandora’s box’, meaning that an existing problem was articulated more intensely rather than being diminished. Second, in relation to SPE, Ngadirejo is an obvious example of power contestation in a development project. Clearly, as acknowledged by SPE, managing power is an intricate aspect of development activities.

Did PNPM achieve its objectives in Ngadirejo? The answer here is mixed. Regarding empowerment, PNPM did not empower the community, though it did empower some people. PNPM events provided a vehicle for participants to widen their network and it provided training, so some people, such as PNPM cadre members, did experience empowerment. Regarding poverty reduction, poverty levels in fact increased from time to time, based on the PNPM poverty mapping, during programme implementation. However, official calculations by BPS show a decrease in poverty in Ngadirejo over time.

CHAPTER 7

CONCLUSION

7.1 Reflection

Prior to concluding, I would like to reflect on the position of this research in discussion about the World Bank's mission in developing countries, including Indonesia. One of the contributions of this research is to deepen analysis and examine at length the impacts of the World Bank's programme on social and political relations within Indonesian society. The World Bank is replicating such programming in other developing countries, which underlines the importance of investigations such as this research. In a nutshell, the present research offers lessons for the governments of developing countries, to help them anticipate problems that may arise.

It is important to also acknowledge that there was a difference between the way PNPM was designed and the way it was implemented. As detailed in Chapter 4, the intention of PNPM was to restructure Indonesia's political and social landscape by introducing neoliberal principles in public administration. Using the framework of socio-institutional neoliberalism (SIN), I analysed PNPM in terms of the desire to create 'market citizens' through programmes of microfinance and infrastructure construction, to empower citizens in relation to traditional power-holders and to strengthen participation. The bypassing of Indonesia's existing administrative structures contributed to these objectives, as it attempted to cut out 'corrupt' and 'clientelistic' practices. Yet, in implementation of PNPM, things turned out rather differently. PNPM became subject to local power dynamics, as evidenced by the role played by village heads and local elites, and to national power, as evidenced in PNPM's eventual integration into the national development planning system.

Before setting out the main findings of this research it is useful to return to the main question posed in Chapter 1. That is, how and to what extent did PNPM implementation at the village level in Indonesia create power struggle and opportunities for local actors to further their own interests, thereby bringing about socio-political change which differed from the original objectives of institutional change. This question was answered in chapters 3 to 6. For clarity, table 7.1 presents the strands of enquiry examined in this thesis to answer the main research question, and the locations in the text where these aspects were explored.

It must be understood that the institutional arrangements used by the World Bank in developing countries, in this case, Indonesia, were not new. Indonesian poverty reduction programmes had long before introduced institutional arrangements for enlarging markets, prior to the time when the World Bank became involved. Under IDT, for example, institutions were established both in the form of organizations, such as microfinance groups, and in the form of rules and regulations for microfinance. Meanwhile, IDT projects were similar to those under KDP and PNPM; as all encompassed microfinance and infrastructure construction. Problems experienced in IDT were generally related to monitoring and mounting evidence of corruption, as read in Chapter 2. KDP and PNPM largely continued IDT's microfinance and infrastructure mandates under the poverty reduction theme.

Table 7.1: Strands of enquiry and locations in this thesis

| Research question | Location |
|---|-----------------------------|
| Did PNPM express the SIN agenda in regard to the establishment of participation and political technology? | Section 4.1 |
| What were the Indonesian government's responses to the World Bank's agenda in Indonesia? | Section 4.2 |
| What forms did decentralization take in Indonesia? | Section 3.2 |
| How did existing problems in decentralization shape PNPM implementation on the ground? | Section 4.3; 5.4 and 6.4 |
| How was CDD implemented in PNPM? | Section 5.2 and 6.2 |

| | |
|---|-------------------------------|
| How were power contests managed in local communities where PNPM was implemented? | Section 5.2; 5.3; 6.2 and 6.3 |
| Did PNPM achieve its chief objectives, which were poverty reduction and an empowered community? | Section 5.5 and 6.5 |

The World Bank does seem to have faced serious challenges in operating PNPM in the context of Indonesian decentralization, which had become known as ‘predatory’ (see Hadiz 2004c). Indeed, hijacking, politicization of the bureaucracy, elite capture and lack of government agency cooperation characterized decentralization in Indonesia. The World Bank perceived the context as risky, and therefore attempted to bypass the formal organs of Indonesian public administration. This was to enable it to implement PNPM and prevent the programme from becoming mired in decentralized governance structures. As the findings of the current research demonstrate, this ‘insulation’ did not last, however. Serious problems were identified after the programme was integrated into the national development planning system.

Regarding PNPM implementation on the ground, problems emerged at both the district and village level. Changes in authorities and reporting relations under decentralization led to problems of legitimacy and jurisdiction, especially between the sub-district and village. These were in addition to the problem of elite capture (particularly by the district head), which seemed inevitable in the development planning process. The analysis in chapters 5 and 6 confirm this. The district head, in particular, intervened in PNPM processes, for example, exercising influence at the inter-village meeting. Such intervention went beyond pushing PNPM implementation in the direction of the district head’s own agenda. Indeed, the district administration went so far as to establish an agency with projects similar to those of PNPM, after which villagers could not differentiate between the different programmes. This enhanced the *Bupati*’s reputation, as he was credited for the projects. Similar elite intervention was found at the village level.

Elites, furthermore, dominated PNPM processes, tending to divert the original PNPM objectives towards their own projects. The situation worsened when PNPM staff was compelled to focus more on administrative tasks (making up reports) than on programme processes.

The sections below correspond to the three research strands introduced in Chapter 1, namely, PNPM conformance to the SIN agenda, the influence of decentralization on PNPM implementation and the effect of PNPM on socio-political interactions in the villages.

7.2 The legacy of Neoliberalism in Indonesian poverty reduction programs

This section expands on the first strand of enquiry, regarding whether PNPM conformed to the SIN agenda.

7.2.1 The application of SIN

The ultimate goal of SIN is to establish a liberal market economy, with an emphasis on institutional reform, particularly towards greater consultation and empowerment. Chapter 4 presented the development trajectory of Indonesian poverty reduction programmes in this direction. Three programmes, namely IDT, KDP and PNPM, were discussed, and found to be in line with the SIN institutional reform agenda. In SIN, institutions, as the very backbone of market fundamentalism, are a crucial means of marketizing society. This is achieved by gearing society with market-conforming behaviour, while at the same time stimulating entrepreneurship, for example, through microfinance and by helping self-employed people access markets by providing adequate infrastructure. Another important point in SIN is ‘empowerment’ of individuals so that they can and will demand better services from government. Empowerment is achieved through the use of existing institutional formats, like public meetings (*musyawarah*).

To optimize the marketization of society, PNPM was designed to be free from vested interest. For this, the World Bank used the technocratic technique of bypassing the existing public administrative structures. The same strategy was used in both KDP and PNPM, though the latter was eventually integrated into the Indonesian bureaucracy. Bypassing was meant to insulate the programmes from political interests

embedded in Indonesia's decentralized administrative system. The World Bank was certainly aware of the potential risks emanating from predatory politics such as those found under decentralization.

Another technocratic approach applied in both KDP and PNPM was the introduction of new regulatory frameworks. As such, the World Bank seems to have largely ignored the existing local context and power distribution in the community. Instead, PNPM was designed with a strict set of its own operational guidelines, including sanctions, and it employed facilitators to keep it on track. Overall, such a strategy would seem sufficient to keep politics out of development programmes. However, as found in chapters 4, 5 and 6, the technocratic approach created opportunities for elite intervention in the programme. This finding is further explored below.

7.2.2 The technocratic approach, elite capture and marginalization of the poor

PNPM, to a large extent, relied on the work of small ad hoc organizational entities set up early in project implementation. Basically, these entities were to assist PNPM in its day-to-day operations. They were put in place from the national level down to the village level. As in the bypassing technique, this programme structure was separate from the regular bureaucracy, as confirmed by Levy (2014:161). Although the PNPM structure was designed in a top-down fashion, from national to village level, the actual work was carried out at the village level, by the proposal team, the implementing unit team and the verification team. And it was at the village level that the clash between programme design and programme implementation became most obvious.

An interesting case of this was in recruitment for the village-level PNPM ad hoc organizations, as these were ultimately staffed based on patron-client relations. Take the example of recruitment for the project implementing unit team. In Ngadirejo, the secretary and PNPM treasurer were allies of the village head. The recruitment process in Gadingkulon was slightly better. But, this was so because the facilitator exercised close supervision. The facilitator did this because he had many years of experience in community development. Also, his capability and knowledge about PNPM gave

him relatively more clout and influence over the village head. In the infrastructure and microfinance projects, too, the technocratic approach created opportunities for elites to exercise their political interests.

In microfinance projects in Ngadirejo, for example, the village head had substantial authority in group selection and approval. He chose only his constituents as microfinance beneficiaries. Worse, he kept approving constituent groups even though they could not repay their debt. In the end, his goal in doing so was to placate his voters. This is similar to the case of Gadingkulon, where the PNPM treasurer leveraged his popularity to win votes in the village election. Crucially, some aspects of the technocratic approach, particularly the strict rules and regulations for microfinance, in fact worked to marginalize the poorest. The shared liability mechanism (*tanggung renteng*) is an example of this. Under this mechanism, the village poor hesitated to join, and indeed were not welcome as microfinance group members. In consequence, the poorest were largely left behind. Even so, chapters 5 and 6 demonstrated that the strict rules and regulations were not effective against intervention by the village head. In Ngadirejo, the village head ignored the regulatory frameworks for microfinance approvals, as he was more powerful than the PNPM facilitator. The village head flouted PNPM rules governing the *musyawarah* process as well.

The *musyawarah* is a genuine local practice in Indonesia, used by communities to share and discuss problems that arise in daily life. As such, it is a social institution maintained by local culture and norms (S. Hill et al. 2000:200). PNPM used the *musyawarah* from the earliest stage of collecting project ideas at the hamlet level, through to project scoring and funding decisions at the sub-district level. However, the two case studies also demonstrate how this mechanism can be abused. Actually, instead of sharing and consulting, *musyawarah* became a space for elite intervention. The situation created was clearly paradoxical: traditional social institutions, like the *musyawarah*, served as PNPM's programme backbone; however, elite domination within *musyawarahs* was achieved with ease. This happened not only in both villages examined in the current research, but in almost all of the villages with PNPM programming, and at the inter-village meetings. The 'rank and file' attending *musyawarahs* tended to remain silent.

Meeting attendees were generally silent because of both traditional hierarchies and patron-client relations. Indeed, the *musyawarahs* were embedded in a tradition characterized by social hierarchy. Meanwhile, the majority of villagers were ‘clients’ of the elites, meaning that they were their loyal employees or voters. Villagers were not apt to speak up at a public meeting if doing so might put their social or economic life at risk, as a patron may sack them from their job if their demands went against the patron’s interests. Instead of using public meetings like *musyawarahs*, villagers conducted their discussions in less formal social groupings – such as Quran recitation groups and *arisan* – as these provided safer spaces to air their ideas and further their aspirations.

Rules and sanctions were enacted to ensure that villages complied with PNPM procedures. PNPM documents state three types of sanctions: community sanctions, legal sanctions and programme sanctions (Depdagri 2008:8). In actuality, these sanctions ensured to a large extent that the poor would be excluded, though they were in fact the prime PNPM target group. Thus, the technocratic approach appears to have only increased problems of elite intervention and marginalization of the poor.

It can be summarized that PNPM as an expression of the neoliberalist project set out to achieve the goal of poverty reduction. The proponents of PNPM applied purposeful techniques and methods to reach this goal. These techniques were successful in terms of implementation on the ground, but they also created critical problems. The programme could not avoid the local context and power dynamics, though these effectively diverted it from its stated objectives. This raises the question of how the Indonesian government responded to the World Bank’s mission in Indonesia.

7.2.3 Indonesian government’s response to World Bank policy

It is important in this research to analyse not only the World Bank’s policy in Indonesia, but also how Indonesia responded to it. In the case of the poverty reduction programme, tension between the government of Indonesia and the World Bank was obvious. As read in Chapter 4, at the ministerial level there was vigorous opposition to the World Bank’s intervention and policies in the country. The tense relationship continued throughout both KDP and PNPM.

It is apparent that the policy and design of PNPM side-lined Indonesia's own development strategy though the disagreement seems to have remained largely hidden from the public. Certainly, disagreements arose between the Ministry of National Development Planning (*Bappenas*) and the PNPM team on the role of facilitator, as discussed in Chapter 4. Then came decentralization, which also affected PNPM.

7.3 PNPM in decentralization

The World Bank applied a neoliberal agenda of which decentralization was a part. Ideally, decentralization was meant to close the gap between government and citizens, as well as to amplify citizens' demands, leading to better public service delivery. With regard to Indonesia, decentralization began in the post-Suharto era, in the early 2000s. Since then, it has brought hope as well as challenges to the country. Much power is now delegated to lower administrative layers, in the hope that this will enable local government to improve public services to citizens. The type of decentralization found in Indonesia is deconcentration, defined as a 'transfer of responsibility to central administrative units in local government' (Independent Evaluation Group 2008). The Independent Evaluation Group (IEG) views deconcentration as the least ambitious form of decentralization. In fact, the transfer of responsibilities from Jakarta to the district seems to have been effectuated without due consideration for local government capacity. This created a number of persistent problems.

When PNPM began in 2007, it was under this system. I like to use the analogy that both PNPM and decentralization were shaped by the same mould, which was the World Bank. But, as the analysis in this research demonstrates, PNPM appears to have been incompatible with decentralization. It was incompatible in the sense that powerholders operating at the local level successfully captured PNPM. Many parts of PNPM were incompatible with the decentralization context, and many aspects of PNPM and decentralization were in conflict. This rather ironic situation, as far as development practices in Indonesia go, is explored further below.

7.3.1 The pervasive impact of elite capture

Elite capture in the era of decentralization undermined PNPM, especially during project implementation. Although PNPM was insulated from the regular bureaucracy, the programme ultimately was not shielded from special interests. Those interests were found in almost every layer of the Indonesian bureaucracy.

At the national level, PNPM was mainly seen as a political campaign tool to garner support for President Yudhoyono. Under his tenure, the government claimed PNPM as an effective mechanism for poverty reduction, although the relation between PNPM and poverty reduction to this day remains unclear.⁵¹ The programme's use as a campaign tool, furthermore, extended down to district level. Indeed, the district heads (*Bupati*) used PNPM to maintain the support of their constituents.

Taking into account the findings from the two cases, it is obvious that the *Bupati* benefited from PNPM. When PNPM was integrated into the national development planning system, in 2010, use of the programme for the benefit of local government (instead of for the poor) became even more overt. As a consequence of the integration, villagers could not differentiate between PNPM projects and other district government initiatives. Therefore, the success of PNPM, from the villager's point of view, became the *Bupati's* success. This *modus operandi* was especially evident around political campaigns. For even greater effect, some districts established programmes similar to PNPM. In Malang district, the *Bina Desa* programme was an example of this. Using techniques similar to PNPM, *Bina Desa* became an effective vehicle for the district head to win more votes.

Elite capture was perhaps most obvious at the village level. This was due to a mix of factors, including the local context and tradition, the low quality of participation and the lack of facilitator capacity. Conditions for elite capture, as identified in the two case studies, were in line with those read in the literature. In Ngadirejo, local structures mattered, in agreement with Beath et al. (2011). In view of the long tradition of patron-client relations in the village, the emergence of elite capture was perhaps unavoidable. PNPM was further burdened by a low quality of participation. Villagers came to the public meetings but did not speak out or share their thoughts.

⁵¹ I wish to underline here that complex problems such as poverty cannot be solved easily by programs like PNPM.

Instead, they listened and followed the lead of the elites. Yet, this might have been influenced by the role and skill of the facilitator.

The role of the facilitator was in fact significant. Evidence from Ngadirejo indicates how important the presence of a skilled facilitator is for a programme like PNPM. Disputes among local stakeholders worsened in the absence of a facilitator. Even when there were facilitators in the village, they were too busy with clerical tasks to focus on project outputs and processes. Testimonies collected from the two case study villages indicate that facilitators were overburdened with administrative tasks, most notably paperwork. Moreover, their salary might go unpaid unless all paperwork was submitted. This treatment discouraged facilitators, and greatly affected how they prioritized their work.

7.3.2 Clientelism

By now it will be obvious that some people benefited from PNPM more than others. The main beneficiary group was the elite. In relation to the two case study villages, primary beneficiaries were the village head (in the case of Ngadirejo) and the TPK treasurer (in the case of Gadingkulon). In relation to the first, the village head gained political benefit from his position in PNPM. He obtained this benefit by exercising his authority over PNPM projects. In microfinance, for example, he approved loan proposals mainly from his loyal constituents. This was a way to maintain his power in the village. Another way he gained benefits was by intervening in infrastructure projects; for example, by appropriating money through interventions in the road construction effort (see also the discussion on clientelism in Chapter 2). This finding, too, is in line with the literature, which argues that clientelism in public elections is more pervasive in rural areas due to strong patron-client relations in such locations. Clients can hardly escape these ties, because their life and livelihood depend on their patron. This was expressed, for instance, by the woman who said that she was afraid to go against the village head because her husband and her son worked for him. Her family had no other option except to follow their patron and curry his favour.

Elite power was not necessarily attached to ownership of resources. This study found that patrons were not only persons owning land and material assets. Patrons

were also people who were respected or held a formal office, like the village head. An example of a such a respected person was the TPK treasurer in Gadingkulon. Moreover, this study found that a transformation from client to patron was possible, as in the case of the woman in Ngadirejo who rose from being an 'ordinary housewife' to a PNPM cadre member and representative of her village in the district. This is an important finding, as development programmes like PNPM apparently do enable people to gain higher social status in their community. This rise was also attributable to a series of capacity-building activities provided by PNPM for its team members. The combination of self-motivation, opportunities to improve capacity and an enlarged network helped this woman become a patron in her village. That last resource, an enlarged network, is also relevant for understanding the empowerment of the TPK treasurer in Gadingkulon.

7.3.3 Politics and bureaucracy

Political interference in the bureaucracy takes shape through political intervention in the policymaking process, and in PNPM, through relations between politically powerful people and programme representatives. Such processes were most obvious at the district level. The two case studies illustrated this. Decisions on budget allocations most clearly expressed political interference of the bureaucracy.

It was known in PNPM that budget allocations for the sub-districts depended on several factors, including number of poor people, geographical area and priorities. These were the formal stipulations. In fact, PNPM budgets were allocated as an outcome of a continuous lobby by local council members. Such lobbying activities were also observed among higher echelon bureaucrats in the Ministry of Home Affairs (MoHA) in Jakarta.

Next to budget allocations, the relation between the political establishment and the bureaucracy was demonstrated in the case of the Ngadirejo village head and the district-level PNPM manager. Theirs was not only a professional relationship, but also a kinship bond. The village head was the district PNPM manager's nephew. His uncle was in charge of PNPM on a daily basis. In fact, the district manager knew that his nephew was in trouble due to delayed PNPM projects in the village. However, he

kept silent about the problem and protected his nephew from criticism. Moreover, he fully acknowledged that the problems in the village were a threat to his own career in the bureaucracy. This was another reason why he never reported the issues.

7.3.4 Government coordination

PNPM was eventually used as an umbrella for all poverty reduction programmes attached to Indonesian ministries. Yet, under Indonesia's 'fat' bureaucracy, these programmes proved difficult to implement. In fact, each ministry (as well as line agencies at the district level) had its own target and method. This was clearly seen at the district level, where coordination meetings on poverty reduction programmes were held among line agencies once every six months. Ultimately, the goal of alignment among line agencies, as stated in Chapter 3, remained far away.

In 2010, PNPM was integrated into Indonesia's regular development planning system. This was due to overlaps between PNPM and regular development planning. But, the process of integration was little more than a formality. In practice, the two planning streams (PNPM and regular development plans) remained separate. This was demonstrated by the sub-district public meeting known as the *Musrenbangcam*. The *Musrenbangcam* included two different processes. The first was related to the government development plan whereas the second concerned PNPM. At these meetings, there was lack of coordination between the two processes. This led to a lack of coordination between the PNPM teams and local government staff.

7.3.5 PNPM and the sub-district

Indonesia has been implementing decentralization since Suharto enacted UU 5/1974. At the time of this research, the latest version of the decentralization regulation was UU 32/2014. Over this 40-year period, decentralization went through an experimental phase, seeking to identify the best arrangements.

Districts have interpreted decentralization in favour of their own interests. For instance, they have sought to increase local income with more taxation and by exploiting natural resources (Wollenberg et al. 2009). Lack of clarity in regulations, indeed, has had various impacts. In line with their different interests, district programmes may

overlap, or even contradict national programmes (Bird and Vaillancourt 1998:4), thus leading to inefficiency (De Mello 2000). In this context, how did PNPM fare?

PNPM was set in parallel and bypassed the existing bureaucracy. PNPM operated from the central government level downward to the sub-district level. At this administrative level, integration between government development projects and PNPM projects took place through the inter-village meeting. Ideally, the role of the sub-district head (*Camat*) was vital in this process. He/she not only coordinated this event but also had to approve PNPM projects. In fact, as shown in the case studies, the village head ignored this. The sub-district (*Kecamatan*) and its administrative head were relatively weak compared to the village head, even though the village administrative apparatus was under the *Kecamatan*. This was due to contradictions both between PNPM regulations and national legal frameworks, and between the national regulations themselves. This problem was still found in implementation of Village Law 2014.

At issue here is the tension between formal regulations and actual procedures. Based on the formal regulations, the *Camat* has a central role in PNPM. Indeed, PNPM projects could not be implemented without the sub-district head's approval. In practice, as read in Chapter 6, the village head wielded more influence in PNPM on a daily basis.

7.4 Implementation of PNPM

This section turns to community-driven development (CDD), exploring how participation was implemented within PNPM and how the programme affected power and empowerment in local communities.

7.4.1 Participation

Most readings on participation in development concern processes and objectives of participation in association with power inequalities. This indicates that participation is not only a matter of degrees as suggested by the ladder of citizen participation. It involves a complex of elements embedded in processes and participants.

The quality of participation remained low in the two case studies. Thus, the findings of this research on participation in an Indonesian community development programme are in line with the conclusions of many other studies on this topic. These studies were discussed in Chapter 2, as well as in both case studies. The findings of the current work contribute to the scholarly literature in particular on enabling and disabling factors in participative processes.

Based on the case studies, we can conclude that participation is largely determined by factors such as power equality (or inequality), facilitator performance and patron-client relations. These are common issues in development practice. An additional factor found to be important in the villages studied was the number of participatory processes (or public meetings). Following ideas about institutional reform from the Post-Washington Consensus, PNPM made use of a local social institution, the *musyawarah*. Yet, survey respondents indicated that the number of public meetings held was too large, and villagers attending the meetings were bored. From their viewpoint, thus, there were too many *musyawarah* in which they already knew what the result would be. Certainly, then, these meetings can be considered ineffective. On many occasions, *musyawarahs* were held in the late evening. This was a hindrance for women to come. This problem could have been minimized by facilitators. However, instead of exercising their responsibility for this activity, facilitators prioritized administrative tasks such as writing up reports (Botes and Van Rensburg 2000) and counting participants instead of maintaining the quality of discussion.

7.4.2 Power and empowerment

Empowerment was a key component embedded in PNPM. ‘Empowerment’ was even part of the programme name. Literally, PNPM means empowering the community. The assumption of PNPM’s designers was that empowerment would lead to stronger demands for improved public service delivery and thereby effective reduction of poverty. Primary questions here are then *who* were empowered and *how* did they become so? In order to answer these questions, let us return to the literature on empowerment. Wils (2001:59) defined empowerment as a means and as an end. In PNPM, empowerment was about decision-making capacity (Menkokesra 2007). Thus, it is no wonder that PNPM offered a series of training and capacity-building activities.

As an example, a group of Gadingkulon women were considered empowered by PNPM parameters, as they had been active in meetings and were able to speak up in front of public officials.

However, empowerment appeared to have been limited to PNPM team members and members of the microfinance groups. The primary target group of PNPM, the poor, were actually excluded. Considering empowerment as a process of increasing capacity in decision-making processes, PNPM, it seems, empowered very few people (though many of these are now members of parliament). The community at large was not part of this.

Microfinance was seen as an important tool for empowerment. Microfinance groups, in particular, were to serve as a vehicle for empowerment of their members. Yet, microfinance did not produce the desired results.

Interestingly, PNPM empowered people who already had power, as was the case of the village head's wife and kindergarten teacher described in Chapter 5. Actually, these villagers were recruited to their positions in PNPM based on kinship ties and key relations in the village.

7.5 PNPM results

This section explores our final research questions, regarding how PNPM affected power relations within communities and whether PNPM achieved its chief objectives of poverty reduction and community empowerment.

7.5.1 Regarding poverty

It is essential that a national programme, like PNPM, be supported by all involved agencies, including ministries, donors and line agencies. It will not be successful if each agency involved has its own perspective towards the programme. In the case of PNPM, there was a sharp difference in perceptions of PNPM between *Bappenas* and the MoHA. *Bappenas* did not view PNPM as an appropriate tool for poverty reduction. In contrast, MoHA perceived PNPM as an appropriate poverty reduction programme but added the additional component of empowerment. Even

in this ministry, however, there was controversy about the necessity of engaging with the World Bank as a donor in Indonesia. Overall, these and other controversies and contradictions represent the ‘power struggle’ surrounding development programmes like PNPM.

Regarding implementation, the differences continued in poverty measurements. There was no single definition and measurement of poverty in Indonesia. Various departments, from BKKBN to PNPM and BPS, had their own methods, indicators and measurements. All had their own definition. This has led to difficulty in calculating the number of poor people. The poverty index used by PNPM was based on self-perceptions of poverty within a community, determined by how the community itself defined poverty. Regardless of the calculation and measurement method applied, the relation between the programme and poverty reduction remained ambiguous. This was even admitted by the World Bank.

What the World Bank did release as results of PNPM was statistics about built infrastructure, such as length of roads and numbers of bridges, health facilities and schools. In that sense, PNPM was said to have provided public goods benefiting the larger community (Haider 2012). In fact, PNPM’s contribution to poverty reduction is not significant (SMERU 2013: 67). The two cases examined in this research suggest that PNPM benefits did not reach the households most in need. Rather, those who lived near the projects gained the most direct benefit from PNPM.

7.5.2 *Regarding social and political relations*

The programme indeed influenced socio-political relations, especially at the village level. PNPM’s use of existing social institutions deepened horizontal tensions between elites in the villages. In one of the study villages, the programme brought a latent conflict into the open, into the public space of the PNPM *musyawarah*. Villagers were afraid to raise their voices in the context of the conflict, as many depended on the elite. This of course happens in many development programmes that, like PNPM, employ existing social institutions. Yet, it must also be acknowledged that PNPM contributed to greater social harmony in villages as well.

At the time of this research, *musyawarahs* were falling out of favour because villagers, especially younger generations, hesitated to take active part. Because of

PNPM, they were ‘forced’ to attend. These events then could have actually served a beneficial function, as they enabled more people to get to know one another and to stay in touch, as shown by the survey.

Conclusion

Having come to the end of this study, I wish to emphasize that the evidence provided throughout Chapters 4, 5 and 6 may be summarized into a few important points. First, the evidence has shown that development processes, as well as the institutional settings that support such processes, are subject to power and interests. This starting point draws on the insights of the Murdoch School, which highlight the importance of power struggles for social relations.

A second general conclusion relates to the notion of SIN, concerning tools aimed at effectuating market expansion. Quite different from orthodox neoliberalism, SIN applies political technology, specifically empowerment, participation and consultation. The World Bank, as the major proponent of neoliberalism, implemented SIN in its flagship poverty reduction programme in Indonesia. For its programme design, it used a bypassing technique, which in fact is a favoured World Bank approach in developing countries. At first, SIN seems to have been successful, as the World Bank claimed it created huge numbers of jobs and produced many successful infrastructure projects; considered the very backbone of a market economy. However, this research would argue that implementation of PNPM (the World Bank’s flagship programme) as well as PNPM’s outputs were rather less of a success.

The objective of market expansion contradicts the social and political context of Indonesia. PNPM began by bypassing the Indonesian bureaucracy, which was considered rife with problems. Yet, from the very start, PNPM was nonetheless appropriated for the purpose of political campaigning, at both the national and the district level. In addition, PNPM was subjected to the uncoordinated demands of the ministries in Jakarta. When politics entered PNPM implementation, the situation worsened. Similar to the national level, PNPM faced serious challenges at the district and local level.

At the district level, PNPM coincided with decentralization, and in 2010 it was integrated with the national development planning system. This integration led to other severe problems. Contradictions arose between the authorities governing Indonesia's bureaucracy and the regulations governing PNPM processes. The constant elite hijacking of PNPM processes was another serious issue. Meanwhile, at the local level, PNPM's reliance on existing traditional structures brought the programme into problems. My conclusion here is that the villages became a 'battlefield' between SIN and existing traditional structures.

The idea of market expansion supported by institutional design ran up against the low capacity of PNPM's target beneficiaries (poor villagers) who knew little about market engagement. SIN also bypassed existing powers in the village, though they finally intervened in the programme. In consequence, the programme became dominated by the elite. At the same time, SIN and the PNPM institutional design tended to exclude the most vulnerable, poorest groups in the villages. This leads to two main conclusions. First, from the start, constant problems arose in PNPM implementation, from the national level down to the village level. This suggests the conclusion that a development programme like PNPM cannot be seen merely from a rational choice perspective as dedicated to the betterment of all. Rather, development programmes are also about a struggle for power, as acknowledged by structural political economy (SPE) theory. Second, it seems unlikely that a SIN style of neoliberalism can achieve the ultimate objective of market expansion in a context such as that of Indonesia, where instead, SIN promoted social exclusion.

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CURRICULUM VITAE

Anggun Trisnanto Hari Susilo was born in Kediri (East Java) in January 1980. Four years later, he moved to Malang (also located in East Java) where he spent his elementary and high school years. In 2004, he obtained an undergraduate degree (majoring in International Relations) from Airlangga University in Surabaya (East Java). During this time, he was very much influenced by the social movement against the New Order Regime of Suharto. After finishing his undergraduate degree, he became a Junior Researcher at the Jawapos Institute of Regional Autonomy, where he studied decentralization. This work was of great value to him in writing chapters 3 and 4 of this PhD dissertation.

In 2006, Anggun received an Australian Partnership Scholarship (APS) that provided him the opportunity to pursue his studies at Monash University in Melbourne, Australia. At Monash University, he specialized in development and worked in particular on aid and poverty.

After his returned to Indonesia in 2007, Anggun served as junior lecturer in the Department of International Relations of the Faculty of Social and Political Science of Brawijaya University in Malang. He established the International Development Studies programme in this department. Three years later, he moved to the Netherlands to enrol in the PhD programme at ISS.

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