

KECAMATAN DEVELOPMENT PROJECT*

I. Abstract

The World Bank–aided Kecamatan Development Project (KDP) is a community-based project, initiated by the Government of Indonesia, to alleviate rural poverty levels. The distinctive feature of the project is its highly decentralized nature, which devolves decision-making down to the villagers themselves. A *kecamatan*, or council, is an administrative unit made up of multiple villages. Villagers are empowered to exercise full control over their developmental decisions—from identification of their needs to implementation of the project. The project also focuses on gender equality and encourages women to participate in planning and decision-making activities.

The first phase of the project was completed by the Government of Indonesia in September 2002. Infrastructure projects for roads, bridges, water supply systems, and school repairs were executed in more than 21,000 villages in about 1,000 kecamatans throughout the country. The Indonesian Department of Home Affairs is currently in charge of the implementation of the next phase, KDP-II.

However, high levels of corruption have been reported in relation to the release of funds and the procurement of materials. With loan repayment rates as low as 50–60 percent, the financial sustainability of the project also remains an issue to be addressed. In addition, the project requires a more responsive technical support structure if the objectives set forth in terms of procurement, financial management, and project quality are to be achieved.

II. Background

The Kecamatan Development Project (KDP) is a community-based, demand-driven project, launched in 1998 amid economic crises and political turmoil in Indonesia. Corruption was widespread, and little funding meant for poverty alleviation actually reached the villages. In order to rebuild its credibility among the masses and to reduce poverty levels, the Government of Indonesia supported the formation and initiation of the project. The project targets the poorest subdistricts in the country, and provides extra allocations to the eastern island subdistricts hit hardest by the El Niño phenomenon.

Under the project, villagers are encouraged to voice their needs for infrastructure projects or small-scale economic activities in the form of proposals submitted to the kecamatan. Decisions on planning, procurement, and management of funds are made by the villagers. Project planning begins in hamlets, a social unit below the village, and ends in the kecamatan, which contains an average of 20–25 villages and approximately 100,000 people. A group existing for more than a year is eligible to make a proposal. Two

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proposals are selected for implementation every year, one of them belonging to a women's group.

Proposals for public goods are eligible for grants, and proposals for economic projects qualify for loans. Project funds are allocated directly to subdistrict councils, which allocate money among these proposals. Funds flow from a central project account to a joint village account at a local subdistrict bank, and are processed by the branch office at the National Treasury. In this way, funds do not pass through the hands of government officials. The funds are in the form of annual block grants (of Rs 500–750 million or US\$60,665–\$90,997), distributed to the villages over a three-year period. Kecamatans that have a minimum population size qualify for receiving the funds. The project is supported by IBRD loans and IDA credits of US\$590 million.¹

One of the focal areas of the project is the promotion of gender equality. Women are encouraged to participate actively at every stage of planning and implementation. One man and one woman are selected as village facilitators, and women make up at least 40 percent of the members of the Kecamatan decisionmaking body.

A tiered system of technical and social facilitators recruited from the private sector, nongovernmental organizations (NGOs), and the villagers themselves aid in recognition of needs, project writing, and planning. In addition, adequate support is provided for village management of procurement, finances, and project implementation.

Transparency is the key principle behind the workings of KDP. Project information, other than contract and bidding documents, is publicly displayed on notice boards within villages and kecamatans. The responsibility for decisionmaking rests on the villagers, who have complete control of the initiation and completion of the project. KDP differs from the traditional village infrastructure projects, in which villages had to make a choice from a menu of listed infrastructure activities.

KDP-I was completed in September 2002, and KDP-II has since been initiated, with the goals of supporting participatory planning and development planning in villages, promoting gender equality, developing a broad program of independent monitoring and assessment, and providing new forms of government services for the poor. The current project incorporates both KDP I and the Urban Poverty Project.

III. Impact/Results

KDP has achieved national scope, because it covers more than 30 percent of the rural kecamatans in the country. In its third year (2002), the project covers more than 21,000 villages in about 1,000 kecamatans in most of the provinces of Indonesia. Approximately 75 percent of the funds has been used for village-level infrastructure, such as roads, bridges, water supply systems, and school repairs, while the remaining 25 percent has been lent out to village group members for working capital, on a revolving fund basis.

¹ IBRD (International Bank for Reconstruction and Development) and IDA (international Development Agency) are the two main lending components of the World Bank Group.

Under the second project, KDP-II, it is estimated that the total beneficiary population will be close to 20–30 million people, with 200 kecamatan added each year, and 15,000 villages covered across the country.

Other notable benefits of the project have been in the form of greater ownership by participating communities, improved local planning and project implementation, and better use of public resources, because they are invested according to the needs and priorities of the villagers.

Most of the projects have had liberating effects on the villages, by aiding in the reduction of time and effort expenditures. For instance, in the North Sulawesi village of Indonesia, villagers used to travel on foot to their fields, using winding jungle paths. The construction of a gravel road has enabled these villagers to commute in vehicles, thereby reducing their travel time and improving their efficiency levels. Another example is a 3-kilometer water pipeline constructed through the dense forest and up the steep sides of a volcano to a water source. The pipeline brings fresh water to the villages, and women no longer have to make the daily hike up the mountain.

Since all decisions are made and activities are implemented in a transparent manner, villagers have become more conscious of their rights, and now demand directness and transparency in other developmental activities carried out in the villages. Confidence levels have increased among the villagers, since they no longer depend on intermediaries or NGOs to voice their concerns or demands.

There also have been substantial poverty reduction benefits from the project. The share of loan beneficiaries perceived to be poorer members of the communities is 78 percent, of which 38 percent are women. After the completion of the first year, 500,000 women were reported to have participated in the project.²

IV. Key Elements of Empowerment

Information

The key objective of the project is to ensure transparency and democracy in its operations. Villagers remain at the center of the project, from inception to implementation. All transactions are carried out in public, and information is disseminated by way of notice boards, posters, radio programs, and signboards. In addition, the private sector facilitators trained by KDP keep the villagers informed on project principles and activities in coordination with informal local leaders.

² Source: “Institutionalizing a Gender Perspective,” in *Advancing Gender Equality: World Bank Action since Beijing*, World Bank, 2000. Available at: <<http://www.worldbank.org/gender/beijing5/specialreport/perspective.pdf>>.

Inclusion/Participation

Participation at the grassroots level has been the focal point of the project, and is sustained by the demands and needs voiced by the villagers in their meetings. Implementation is broadly participatory, particularly for infrastructure projects. Work is organized by local implementation teams, using voluntary village labor. In some of the infrastructure projects, such as in the Sulawesi village, villagers themselves have constructed roads, and have contributed capital to make the road longer than it was initially proposed.

Women are encouraged to participate in the planning and implementation stages. Of the two facilitators selected, one is a woman; and out of the two proposals selected every year, one is from a women's group.

Accountability

The implementation and enforcement mechanisms of the project have both empowered villagers by keeping them informed at every stage of the project, and have helped them to enforce the accountability of the implementation teams.

For instance, the major factor contributing to the accountability of the operations is information dissemination. Publicly accessible information and regular updates from facilitators improve operational transparency. This transparency gives the villagers a fair chance to voice their concerns in case of inconsistencies noticed at any stage of the project.

In addition, NGOs and mass media perform continual, independent monitoring. According to available information, 450 articles have been published on KDP. Local newspapers maintain a complaints database. A network of facilitators, elected from the villagers, continually carries out supervision work.

Local Organizational Capacity

Organization has been successful at the village, kecamatan, and national levels. Decisions on the identification of common needs, formation of committees, procurement, and related areas have been made in regular meetings of the villagers. Villagers have also organized to contribute their labor to many of the projects.

V. Issues and Lessons

Challenges

According to the "Anti-Corruption Guide for New Projects," presented in the Poverty Reduction and Economic Management (PREM) conference in Washington (June 24–25, 2002), corruption levels have been rampant during many stages of the KDP project. The

prime cause of this corruption was identified as the large-scale, decentralized, and local nature of the project, which is difficult to control from the center. Although anticorruption measures are being implemented in the project design and activities, high levels of corruption have been noted in such areas as the release of funds and the procurement of materials. A medium level of corruption has been reported in the management of loan amounts.

Another difficulty faced by the project was capturing the interest and technical support of multisectoral ministries in the participating kecamatan. The lack of interest from these ministries has reduced the project options available for implementation. In addition, the majority of the projects fall into the category of “village infrastructure” because of familiarity with the earlier Village Infrastructure Project (VIP). There have been few proposals for social infrastructure projects, such as schools or health clinics.

Financial sustainability has been a controversial issue for the KDP program. Although the credit provided under the program has been extremely popular among the communities, the evidence points to a negative return for KDP in terms of the microcredit scheme. On average, repayment rates vary from 50 to 60 percent across the country. In addition, criteria for the allocation of funds have been difficult to adhere to, and technical and legal advice for small-scale projects has been almost negligible.

Key Factors for Success

Some of the key lessons derived from the project can be summarized as follows.

1. Prioritization and Sustainability of Key Objectives

The fundamental objective of the program is to establish transparency and democracy in the implementation of demand-driven community projects, and to follow a bottom-up approach at every stage. The program is likely to be sustainable if people continue to voice their opinions and hold government accountable. Before adopting the KDP model, sufficient thought needs to be given to prioritizing the objectives of transparency and participation, and to examining whether these objectives can be achieved and sustained.

2. Pre-Implementation Planning and Successful Roll-Out

The success of the project can be partially attributed to the short time lag between the initiation and the completion of the subprojects. During the first year of KDP, a four- to-six-month facilitation process led to project selection, the transfer of funds to the village account, and implementation in the following three to four months. The “direct deposit” nature of the funding scheme was a major contributor to the speed of the subproject rollout.

While the main focus of the program is successful service delivery to the poor, there still needs to be a responsive technical support structure to ensure the quality of community structures. The new project (KDP-II) places greater emphasis than previous projects on developing local technical capacities for design, management, and maintenance.

VI. Further Information: References and World Wide Web Resources

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