

# **Learning from the Kecamatan Development Program (KDP)**

**The first Shanghai Field Visit:**

**Dec 7 – 9, 2003, Malang, Indonesia**

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This note synthesizes the discussions from the first field visit in the Shanghai learning process, which took place in Malang Indonesia on the KDP program. The purpose of the visit was

1) to understand KDP and distill the factors that allowed it to scale up from 25 villages in 1998 to 28,000 villages (40 percent of Indonesia's rural villages and 29 of Indonesia's 32 provinces), and  
2) to test and shape the set of early formulated hypotheses of what leads to scaling up against these real life factors.

Given that this was the first field visit, it was also setting a template for the subsequent field visits. The KDP program is well documented in a draft case study that was circulated to all participants, so it will only very briefly be described here.

## **I. What KDP Is**

The Kecamatan (subdistrict) Development Program (KDP) is a Government of Indonesia program aimed at alleviating poverty in rural communities and improving local governance. KDP provides block grants of 350 million to one billion rupiah (USD 40,000 to USD 114,000) directly to subdistricts and villages for small-scale infrastructure, social and economic activities.

KDP began in 1998 at a time of tremendous political upheaval and financial crisis. The economic crisis reversed years of progress in poverty reduction and plunged millions of rural poor below the poverty line. Public demonstrations and riots shook the country and eventually led to the sudden downfall of President Suharto after 32 years in power. Indonesia entered into a period of political transition leading in June 1999 to the country's first free general elections in 44 years.

The change in leadership however did not solve the country's deeper problems. Despite high rates of poverty reduction, vulnerability remained high and many poor did not benefit adequately in economic growth. Three decades of authoritarian rule had also undermined local capacity and placed heavy restrictions upon local community organizing. While new decentralization laws were passed in 2000 to give districts greater authority and decision-making power, which did not mean that power would then automatically shift to communities or indeed be democratic. Recurrent problems of elite capture, corruption, and political manipulation in government-sponsored community development programs were and remain commonplace to the point of significantly reducing their effectiveness and credibility.

KDP developed in the midst of the country's political transition period and decentralization process. It is a core part of the Government of Indonesia's response to improving local governance and decentralization in the country. KDP's goals are:

- To alleviate poverty by raising rural incomes
- To strengthen local government and community institutions
- To promote good governance

By pushing decision-making down to the lowest levels, KDP aims to allow villagers to participate in decision-making. The program in essence seeks to empower the rural poor and encourage more democratic and participatory forms of local governance. All KDP activities aim at allowing villagers to make their own choices about the kinds of projects that they need and want. The Program gives power to communities by placing funds and the planning and decision-making process directly in the hands of villagers.

KDP operates on the principles of:

- Transparency and accountability<sup>1</sup>;
- An open menu of options that villagers can choose from to invest KDP funds
- Competition for funds; and
- Simplicity of procedures.

The three phases of KDP together make up the Bank's largest community driven development program. It has been funded for the first two phases, and is due to receive funding for the third phase of \$approximately 108 million, for total funding of \$703 million from the World Bank and IDA.

### *KDP within the Country Assistance Portfolio*

The Bank's strategy in Indonesia, articulated in the recently launched CAS, is to make further progress in reducing poverty by improving the climate for high quality investment, making service delivery responsive to the needs of the poor, and making advances in the core issue of governance. The World Bank will deliver on this strategy via four business platforms, of which the KDP/Community driven development platform is one, constituting about 25 percent of all lending (\$200 million per year).

## **II. Field Visit Outcomes**

### *Broadening the concept of scaling up in the KDP context*

**More villages and people benefiting from KDP services.** KDP grew from 25 villages in 1998 to currently 28,000, serving approximately 35 million rural poor, albeit of course not all of these people benefit equally.

**Horizontal scaling-up.** KDP's initial platform was and is largely on the provision of infrastructure and revolving funds, but increasingly, KDP is widening that platform to include other sectors such as health and education.

**The inkblot spread effect.** There are indications that villagers are now demanding that other non – KDP government monies be allocated using KDP's principles of transparency, accountability and participation. KDP is also launching a visioning exercise at the village level, to think through a set of priorities of which KDP will satisfy some, but gives the rural poor a map to inform the allocation and the process of allocation of additional resources they may receive from non-KDP sources. Within KDP, the visioning exercise includes a program for line agency presentations to subdistrict forums, and villagers will be able to propose using their KDP funds as matching grants to support desired government programs.

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<sup>1 1</sup> KDP puts transparency in action via several activities: multiple meetings are used to share information; the KDP project cycle highlights accountability mechanisms. Villagers monitor use of funds at the village level, the Government of Indonesia contracts NGOs and journalists; KDP is one of 4 Bank operations to highlight a transparency initiative, audit summaries are publicly disclosed in the annual reports, etc.

**Spatial Scaling-up.** KDP, which is operating in rural areas, now has an urban sister equivalent in the UPP project. UPP is also now scaling up to become a national level program through a third \$100 million loan.

**Leveraging human capacity.** A key benefit from KDP has been that 45,000 village technical and social facilitators working on KDP have received formal training and at least 2 years of on the job experience. An additional 2,000 national, district, and sub-district facilitators have also been engaged. All of these facilitators come from private sector sources and do not add burdens to the civil service payroll.

**Vertical scaling up through the administrative structures of government.** KDP currently works at the sub-district level. A parallel series of projects that work at the district level of government adapt basic KDP principles of participatory budgeting, and administrative reforms to higher level of government. The first of these projects will be appraised in 2004.

**Across borders .** Variations on the KDP model are being adapted in East Timor, Afghanistan, Laos, the Philippines and some other countries.

#### *Key factors that led to KDP's scale*

Whereas some of the factors that led to KDP's dramatic scale in a short time span are considered quite specific to the Indonesian socio-economic context, the consensus was that many of the ideas, design principles and 'nuts and bolts' of KDP that led to its scale are applicable outside of Indonesia as well.

#### *Political and Socio-Economic Factors:*

- Space or window of opportunity created by the Asian financial crisis and the urgent need for the Government to respond
- The context of one of the largest decentralization programs underway, and the window of opportunity it provided to design a KDP-type innovation while the rules of the game were in flux
- A long tradition of bottom-up planning and strong base of experience in the country to build upon. KDP grew out of two previous experiences run by the Government and the World Bank (the IDT and Village Infrastructure Program) with village based community development projects. The KDP innovation from its predecessors was giving villagers direct control over the planning and implementation and of the resources.
- Homogeneity of Indonesian rural villages with very low inequality indices
- Conducive social structures, with the emphasis on harmony, and no real barriers to participation by women (unlike in Afghanistan, in contrast)
- Ability to communicate in a language largely shared by the population that eases the spread of ideas, and ability to communicate using information technology, emails, and a relatively efficient postal system (consultants are able to collect monthly report information and communicate with facilitators at the sub-district level using these modes of communication), a point highlighted by our colleagues from Africa.

#### *Nuts and Bolts Design Issues:*

- The disbursement system of direct transfer of funds through the government system from treasury to village accounts at the Kecamatan level, by-passing the provincial and district level layers of government
- Quick disbursements through use of a modular system where each sub-district operates independently of other sub-districts so the system does not get hung-up because one is lagging
- Strong sanctions which are enforced for misuse of funds

- Local government involvement increased and increasing as KDP unfolds, and now becoming strong advocates
- Large capacity of a network of trained private sector contractors who provide facilitation and technical assistance services (45,000 people)
- Adapting the World Bank's rules on disbursement so that funds could be disbursed against plans rather than actuals, there are few or no prior reviews by the World Bank or the Government of Indonesia of individual village projects, and counterpart funds were calculated to include non-monetary contributions
- Developing a 'learning' organization through very rigorous on-going monitoring and evaluation, with the emphasis on monitoring by villagers themselves, leading to on-going corrections and design simplifications. A KDP hallmark is that a bulleting board is put up in each KDP village that provides pertinent information on the project to be implemented in the village, funds from KDP received, the project cost, the village level contribution, the monitoring team, etc.
- Emphasis on 'branding' KDP through standardization and systematization of rules and procedures. A large emphasis on simplicity of procedures, forms, and processes, leading to wide-scale franchise-ability. There are very few deviations in how the program works from village to village

### *Project Management Issues*

- From the Bank's side, a key factor is believed to be the on-site presence of a core project team and committed country director that includes both national and international staff. Advantages of the current team configuration are:
  - Continuity
  - Country knowledge
  - Familiarity with WB and GOI procedures
  - Ability to engage in continual dialogue, which is essential for innovative designs going through rapid scale-up
  - Mandated to solve problems

Some illustrations of benefits of this approach to project management are:

- Quick appraisal and negotiations (less than 3 days each)
- No condition lending (all conditions are resolved before appraisal)
- Rapid adjustment (i.e. \$55 million Supplementary Credit processing took less than 1 week; adjustment to cover all of Bali after crisis took one month)

Examples where significant adjustments to project management took place during scale-up:

- Primary technical management shifted from a national management consultant unit in Jakarta to 14 regional management units that could carry out planning, supervisory, and training functions;
- Technical oversight was strengthened significantly and technical capacity development became a project output;
- Consultants contract management shifted from firms to individuals.

### *The Issue of Sustainability as it relates to KDP (and to CDD programs more broadly)*

KDP illustrated the multiple dimensions of sustainability in the context of community driven development programs. Three levels were discussed during the field visit.

- Sub-project level – will the infrastructure or other services provided with KDP funds be sustained? Early indications show positive results in this area for the infrastructure services, with villagers managing the operations and maintenance of their infrastructure from own funding sources and administrative processes (results were more mixed for the microfinance activities)
- Processes and principles – will the principles of participation, transparency and increased governance be sustained and applied to non-KDP investments and own investments? Early indications and anecdotal evidence point favorably in this direction.
- National level – Will KDP be integrated at the district level? Early indicators are positive. At present approximately \$35 million have been committed by local governments through a matching grant program that allows them to add subdistricts if they provide 80 percent of the costs. For the future, all districts will provide one of three counterpart fund levels, based on their poverty ranking. The Ministry of Finance has tentatively set these at 70%, 40%, and 25% of total funds. The focus of KDP3 is moving towards consolidation and deepening of what has occurred to date, and to seek to vertically institutionalize KDP processes at the district (one level higher than the sub-district or Kecamatan level).

The issue of sustainability also poses the question for how long external donors should plan to stay involved – what should be the World Bank’s time horizon for involvement in KDP and similar CDD operations?

#### *KDP weaknesses*

KDP has also struggled with a number of design weaknesses that pertain to scaling up questions:

- Procuring national management companies has been lengthy and in fact caused the project to miss a full cycle between KDP1 and 2;
- Corruption is a problem. Audits and the complaints register report an approximate total loss of \$0.7 million of the \$400 million disbursed so far but these estimates are likely to represent a fraction of real losses, although still less than other project systems.
- Developing M&E systems that can track such a large number of communities is difficult, and follow-up to reported problems is slow;
- Integration with district budgeting, especially for operation and maintenance (O&M), is problematic;
- Switching the design from being a GOI-WB KDP project to being a CDD/local government design and management platform will be a long-term process.

### **III. Questions and issues raised by participants to be incorporated in the case study**

- What are the objectives of KDP and CDD programs more broadly – is it to deliver services to the poor or about transforming the rules of governance and democracy as they relate to poor people? What are the poverty indices where the program works and what are the poverty alleviation impacts? This needs to be understood in order to understand what is being scaled up.
- Should micro finance be imbedded into CDD programs or best handled separately. While there was consensus that providing income and savings streams to the poor is a critical service, the question was on how best to do so and whether the CDD framework was the right venue, especially in Indonesia, with the availability of a rich and diverse base of financial institutions for the poor. However, in KDP the dilemma came from the fact of

poor coverage and outreach by microfinance institutions during the crisis, and weak lending incentives to the poor during the early recovery period. KDP's approach was to use revolving funds during the crisis but to phase these out during recovery by providing technical assistance to subdistrict microfinance units that would make their own linkages to private banks. A follow-on freestanding microfinance support loan will be appraised in 2004.

- How do we assess the latent capacity at the community level that is waiting to be mobilized as KDP has demonstrated?

#### **IV. Participant Feedback:**

##### *On the KDP lessons as they apply to other developing countries*

China highlighted that the key areas of innovation from KDP that China could apply in its village development plan which includes developing 148,000 villages over the next 10 years are: a multisectoral approach with emphasis on health, education and financial services for the poor; the multi-partner approach - diversifying the sources of funds and stakeholders, and the participatory process of self-governance by villagers with demonstrated fair and good results. Tanzania stressed how important it is not to lose program momentum with delayed funding between project phases especially in the early years. Nepal emphasized that a key lesson from KDP was that it takes stakeholders to change behavior and adapt in order to get away from "business as usual," and really help develop large scale poverty reduction programs, as the Government of Indonesia and the World Bank both demonstrated in the KDP case.

##### *On the conceptual framework and four implementation factors on scaling up*

Feedback on the conceptual framework and the four implementation factors was that if presented a priori they could appear as a straitjacket and as platitudes. It was suggested that it would be more useful to view the framework as an evolving learning process as lessons from each case study come in. A framework would make more sense after the initial four to five field visits. Even now, the four factors can be revised in light of the wider set of factors that led to KDP's scale-up since the "explanatory" variables account largely for project success or failure, not for how the project scaled-up. It was also noted that while the majority of cases selected for the Shanghai learning Process are not World Bank funded projects, the Shanghai documentation needs to make specific mention that other donor funded projects are among the 50 plus case studies selected as part of the Shanghai learning process.

##### *On the KDP field visit and advice for future field visits and the longer Shanghai learning process*

Participants rated the overall event very positively, both in verbal feedback as well as on an evaluation form. The agenda items that got the highest ratings were the field visits and the chance to see KDP in action and hear beneficiaries' views of KDP, and plenary and small group discussions among the Shanghai policy group and the KDP team.

What participants wished more of in this visit, and advised to build in for future visits in the Shanghai learning process

- Field visits of 3 days in length to allow for more discussion and more field visits (It was ambitious to bring people together to understand KDP and then discuss factors that led to its scale within 2 days)

- Participation by NGOs/civil society, and by local government
- More discussion of how similar programs are working in other places – also through invited delegates discussing programs in their own countries
- More structured questions for the field visits
- Less `ceremonial time` during the field visits such as the extended village lunch to be used instead for more structured discussions
- Opportunities to continue in the discussion and debates on scaling up poverty reduction efforts, and to “scale up” the community of people focused on scaling up poverty reduction programs. It was proposed that The World Bank Institute will develop mechanisms to enable this.

## **Annex 1. KDP Field Visit International Participants**

1. Dr. Mohan Man Sainju, Executive Vice Chair of the Board, Poverty Alleviation Fund, Kathmandu, Nepal
2. Honorable Edgar Dionis Maokola Majogo, Minister, Vice President's Office, Tanzania
3. Dr. Servacious B. Likwelile, Director of Poverty Eradication, Tanzania
4. Mr. Wang Guoliang, Deputy Director General, State Council Leading Group Office of Poverty Alleviation and Development, China
5. Mr. Wang Xingzui, Deputy Executive Director, China Foundation for Poverty Alleviation, China
6. Mr. Cao Hongmin, Deputy Division Director, State Council Leading Group Office of Poverty Alleviation and Development, China
7. Mr. Martin Dinham, Director, Asia and Pacific, Department for International Development (DFID), London, U.K.
8. Ms Allison Sudradjat, Director, Indonesia Section, AusAid, Canberra, Australia
9. H.E. Mr. Ruude Treffers, Ambassador, Royal Netherlands Embassy, Jakarta, Indonesia
10. Mr. Yuzo Harada, Executive Director, Japan
11. Ms. Carole Brookins, Executive Director, United States
12. Mr. Hadiyanto, Alternate ED for Indonesia
13. Mr. Shozo Kitta, Executive Director of the JBIC Institute

### World Bank

14. Frannie Leautier, Vice President and Head, World Bank Institute (WBI)
15. Jemal-ud-din Kassum, Regional Vice President, East Asia and Pacific
16. Andrew Steer, Country Director, Indonesia
17. Scott Guggenheim, Lead Social Development Specialist, KDP Team
18. John Vic Bottini, Senior Social Development Specialist, KDP Team
19. Sentot Surya Satria, Social Development Specialist, KDP Team
20. Mohini Malhotra, Advisor, WBI
21. Lystra Antoine, Special Assistant to Vice President, WBI
22. Susan Wong, Monitoring and Evaluation Specialist

## **Annex 2. Agenda, Dec 7 – 9, 2003**

### *Sunday December 7*

All International participants arrive in Surabaya, transfer to Malang (2 hours drive), arriving in Malang no later than 6:00 pm.

7:00 pm Dinner in Malang hosted by Bambang Bintoro (Deputy Regional Development, BAPPENAS); Frannie Leautier, Vice President, WBI and Jemal ud-din Kassum, Vice President, East Asia and Pacific

Briefing on Shanghai Global Learning Process, conceptual framework, expectations of participants - Mohini Malhotra, Advisor, WBI

### *Monday December 8*

8:30 am Malang – Briefing on KDP and explanation of structure of 2 day field visit – Vic Bottini  
9:45 am Travel to field site  
10:30-12:00 Field Visits – small group visits to eight different villages.  
12:15-14:15 Lunch at Tirtomoyo Village with villagers, local leaders, KDP project staff and Shanghai Group.  
14:45-17:30 Workshop/discussion on scaling up - Tugu Hotel, Malang,  
7:00 pm Dinner in Malang for Shanghai Group, WB and invited Indonesian officials, hosted by WB-VP

### *Tuesday December 9*

08.00 am field visits to other villages (six small teams, each to visit one or two villages in Kec. Wagir and Kec. Singosari)  
10:30 – 11:00 Visit to Kecamatan center  
  
12:00 - 14:30 Wrap-up discussion on Scaling Up from the KDP Context  
Participant Summary of Observations and Lessons from field visit.  
Synthesis and closing  
  
14.30 Leave for Airport  
16.15 Check in at airport for 5.00 pm flight back to Jakarta  
ETA at Jakarta hotels 7.00 pm.