Can the Design of Community-Driven Development Reduce the Risk of Elite Capture? Evidence from Indonesia

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Summary:

Community-Driven Development (CDD) projects have motivated both large amounts of funding from international development agencies and a number of general critiques centering on the potential susceptibility of decentralized projects to local elite capture. Drawing on case analysis and surveys fielded in 250 Indonesian sub-districts, this paper subjects the design logic of a CDD project to close empirical testing. Results suggest that while CDD projects can help create spaces for a broader range of elite and non-elite community leaders to emerge, elite control of project decision-making is pervasive. However, its effects can be influenced by project-initiated accountability arrangements, such as democratic leadership selection.

Keywords: Community-driven development, elite capture, poverty, targeting, Indonesia

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1. INTRODUCTION

Community-driven development (CDD) is an approach to the decentralized management of anti-poverty funds that has attracted much attention in the donor community since the mid-1990s, and which currently commands upwards of $7 billion dollars within the World Bank's portfolio alone (Mansuri and Rao, 2004:1). The rationale for CDD projects centers on the notion that community-level participation and accountability arrangements will help ensure that the benefits of development flow to the community as a whole and more specifically to the poor (UNCDF, 1999). After several years of the implementation of CDD projects, the call has gone out for closer empirical examination of their effectiveness in specific contexts (Das Gupta, Grandvoinnet and Romani, 2004; Mansuri and Rao, 2004), particularly in three areas in which analyst positions and presumptions are often strong while empirical evidence is thin.

The first is the question of whether, and how, CDD projects can avoid local elite capture (Platteau and Gaspart, 2003; Platteau, 2004; Dasgupta and Beard, in press). Recognizing that corruption and misuse of project funds can occur not just at intermediate levels of government but also within communities themselves, CDD projects typically seek to democratize the space in which community funds are managed and controlled. Towards this end, such projects emphasize broad participation of community residents in decision-making; democratic leadership selection to the local boards that manage project funds; and transparency of information regarding project investments to help deter fraud. But much of the literature questions the effectiveness of such arrangements "in the presence of endogenous community imperfections," as put eloquently in the title of recent review (Platteau and Abraham, 2002). Socioeconomic stratification, in this view, may combine with cultural norms that restrict the access of some community members to information and that emphasize the veneer of consensual decision-making to undermine the ability of such mechanisms to restrain predatory elite behavior; and this may occur even where compliance with procedural norms is achieved. There have been few attempts to assess how specific project design features might function to reduce the risk of elite capture.

The second area concerns the actual behavior of elites themselves. While elite capture is assumed in much of the literature to be self-evidently pernicious to community development, some case research (Rao and Ibanez, 2003; Khwaja, 2001; Beard and Dasgupta, 2006; Tendler, 1997) suggests its effects may be complex and context-dependent. Mansuri and Rao (2004:30) raise the possibility that elites, within contexts of clear disparities in power, might take actions that benefit the poor – so-called "benevolent capture" – but to date few studies have examined the mechanisms by which this might occur in CDD project contexts (Dasgupta and Beard, in press).

This paper contributes empirical evidence from a large Indonesian CDD project – the Urban Poverty Project (UPP) – to the two general areas of inquiry in the growing literature on CDD noted above. Data from qualitative field work and surveys carried out in 250 project communities are used to examine two questions related to elite capture at the community level. First, how well did project mechanisms – particularly democratic selection procedures for the community boards set up to manage project funds – function to reduce the risk that elite status individuals would dominate project decision-making? Second, what determined how competently the community boards actually pursued their tasks, particularly with respect to facilitating the participation of the poor in project activities? In other words, was the leadership exercised by boards 'benevolent' or 'pernicious', and why?

The paper has five sections. Section two provides the context of the project against the background of a tumultuous decade of institutional and political reform in Indonesia. Section three provides an overview of the data and empirical strategy. Section four presents the results, while the conclusion draws out broader implications of the UPP experience for understanding the nature of, and prospects for, community-driven development in Indonesia and beyond.

2. COMMUNITY-DRIVEN DEVELOPMENT IN INDONESIA

Indonesia, and within it the World Bank-financed Urban Poverty Project, present a highly relevant context in which to explore the dynamic interconnections between diverse community contexts, a shifting political setting and project design within community-driven development. Interpretations of changes in Indonesia's macro-political context go to the heart of the potential nature of 'elite capture' at the community level.

(a) *Indonesia: Elite capture writ large?*

Indonesia has experienced dramatic shifts in its formal governance arrangements since the fall of President Soeharto and the close of his centralized, authoritarian 'New Order' regime in 1997. The political system has taken its place in the nearly ten years since *Reformasi* began has featured the active contest for political office among a proliferation of parties at central, provincial and district levels; direct elections for the presidency (since 2004); and radical changes in center-local government relations towards administrative, fiscal and political decentralization. The mass media, once tidily under Soeharto's thumb, has experienced significant liberalization, as has the legal basis for non-governmental organizations, including many dedicated to such controversial issues as corruption control and human rights. Such developments are seen optimistically by a number of donors and some external analysts, who interpret them as signs of Indonesia's political normalization (Rieffel, 2004; UNDP, 2004; World Bank, 2004).

A different group of analysts paint a picture in which the institutional forms have changed, but power relations have not. Vedi Hadiz (2003; 2004) argues that Indonesia's 'democratic transition' has been anything but linear. The persistence of "money politics", the widespread use of political violence, the intimidation of the media, rampant corruption – these all reflect, in this view, a huge gap separating the democratic forms of post-New Order political and social institutions from actual practices and content.

Such stark differences in the reading of Indonesia's contemporary political experience color analyst perceptions of the practice and potential contributions of community-driven development projects. The 'optimist' camp sees CDD as making a contribution to an incremental process of transforming local power relations, with donors cast in a catalyzing role. Against the backdrop of a comprehensive public-sector decentralization program – one actively promoted by donors (Silver, 2003) – donors such as the World Bank view CDD as helping decentralization to "reach down into communities, enable informed input into public decisions, and provide incentives to local governments to empower local communities and be accountable to their input," and thus to facilitate both "improved governance and greater equity" (Dongier *et al.*, 2002: 30).

Yet donor roles in Indonesia, including in CDD projects, have also been criticized extensively, particularly by local academics (Tim Lapera, 2000; Yudoyono, 2002). Donors – in particular the World Bank – are often accused of pushing too aggressively for reforms, including decentralization, that have the veneer of democracy, but which can be easily manipulated by central and local elites (Silver, 2003). They are also seen to be adopting the rhetoric of government and community 'ownership' over projects while in practice establishing extensive parallel, projet-driven bureaucracies with weak downward accountability to communities. And the very notion of 'empowering' the poor, in the evocative but often vague language employed in CDD work (Alsop and Norton, 2004), sits uneasily with the notion that "decentralization has been part and parcel of the reorganization of the relations of power in Indonesia…but *not their fundamental transformation"* (Hadiz, 2004:631-2, emphasis in original).

One the other hand, Hadiz' reorganized, not transformed view of elite politics in Indonesia is based primarily on evidence from Jakarta and the provincial and district centers of power in the newly decentralized political landscape in Indonesia; and Hadiz himself acknowledges that "the exact constellation of social forces will differ from case to case" (2003:601), from one local area to another. One does not need to deny the realities of elite staying power, nor the potential for donor hypocrisy and incompetence, in order to envision CDD projects as sites in which local power relationships may

potentially be contested with unpredictable consequences (Williams, 2004) and where *potentially* institutional design does matter (among other factors) to those contingent outcomes (Dasgupta and Beard, in press). The question cannot be resolved theoretically; it must be approached empirically, in specific contexts and time-periods.

(b) *The Urban Poverty Project*

The Urban Poverty Project-1 (UPP), supported by World Bank financing and implemented by Indonesia's Ministry of Settlements and Regional Infrastructure, applied a familiar CDD formula in some 2,600 urban and peri-urban sub-districts (*kelurahan;* alternately called 'villages') on the island of Java. Each community received a grant averaging US$40,000, with small variations based on population size, to fund a range of anti-poverty activities. Activities could fall into three basic categories: microfinance, small-scale infrastructure and training; the first two absorb virtually all project investment funds. And activities were to be selected, and the fund itself managed, by a community development board (*Badan Keswadayaan Masyarakat,* hereafter refered to as the "board"), established exclusively for the project and registered as a legal entity, thereby formally bypassing local government.

The project was divided into two phases, with an equal number, and similar type,[1] of localities split into phase one (1999-2001) and phase two (2002-2005). The project was designed against the backdrop of the Indonesian economic crisis, which hit the urban poor harder than any other population group (World Bank, 1999). This context motivated the project to disburse funds to communities more rapidly in phase one, with fewer checks and procedural controls. As with many projects initiated in the wake of the financial crisis, the possibility that such haste could lead to an increased risk of corruption and elite capture was not lost on project officials. As the crisis context receded and as Indonesia's donors sought to strengthen the country's process of democratic consolidation, phase two of the same project saw

greater attention paid to improving the *quality* of participatory process. Two design features changed between phases one and two (while overall project scope and management remained the same).

First, the project slowed down the initial disbursement of funds to communities[2] in order for several 'orientation and training' workshops to be held. These aimed to increase awareness of the project's aims and working methods to the community and to newly selected community board members. An attempt was made in these orientation sessions to emphasize the importance of, and some practical methods (such as community poverty mapping) for, inclusion of the poor in project activities (World Bank, 2003).

Secondly, more detailed project guidelines intended to increase the participatory, democratic nature of community board selection were issued. The selection process in phase one had been mixed: some localities had elected representatives in open community meetings, while in other sub-districts local government officials had simply appointed the board members. The process envisioned in the project documentation for phase two is one that would be:

(i) spatially comprehensive and multi-tier (with sub-meetings taking place to nominate candidates from all neighborhoods before holding a final, sub-district-level meeting to select board members);

(ii) actively contested, with a significant number of formal candidates and voters; and

(iii) based on secret balloting to avoid elite manipulation and control.[3]

Project officials hoped that more explicit attempts to make project operations transparent to the community, and more formally "democratic" selection procedures for the boards, would lead to more prepared, motivated and accountable board members, who would target the poor (i.e. facilitate their inclusion in project activities).

Yet the manner in which communities *actually* selected their community board members varied dramatically throughout the project area in *both* phases, due to uneven project supervision and control of community-level implementation. In both phases, local project support to communities was sub-

contracted to a number of NGOs and consulting firms organized along regional lines, and these proved highly differential in their effectiveness. Central-level project management, in turn, remained over-stretched, under-informed (with very weak management information system) and generally ineffective in maintaining minimum implementation standards.[4] As a result, communities in both phases were largely left unsupervised in the implementation of the actual selection process, which became as much a matter of local discretion as an enforced project procedure. Based on the survey of 250 project localities (introduced in the next section), just over one-quarter of board members were simply appointed to the board by a local government official (contrary to project guidelines). And among the three-quarters who were selected using some form of community meeting, all three features of 'democratic' selection noted above – comprehensiveness, active competition, and secret balloting – varied significantly, often even between adjacent sub-districts.

3. EMPIRICAL STRATEGY

In 2003, Aniruddha Dasgupta and Victoria Beard led case study research in seven sub-districts of the Urban Poverty Project, to examine a question similar to that posed in this paper: to what extent were UPP project boards vulnerable to elite capture? Their main conclusion was framed mainly in negative terms: the "expected relationship among a community's capacity for collective action, elite control over project decisions and elite capture of project benefits was not found" (Dasgupta and Beard, in press). Indeed, their analysis revealed that "in cases where the project was controlled by elites, benefits continued to be delivered to the poor, and where power was the most evenly distributed, resource allocation to the poor was restricted." Dasgupta and Beard underline the need to distinguish between "elite control" of local decision-making and "elite capture", and suggest that mechanisms linking local participation, democratically elected leadership, and poverty targeting may not function in the ways foreseen by CDD planners.

Yet these findings invite further empirical testing even within the same project context, for a number of reasons. These include the diversity of local conditions found, the small number of case studies surveyed, and the fact that the field sites were pre-selected to have strong capacities for collective action and abundant social capital (raising the question of whether less well-endowed localities would also show similar effects of elite control). In addition, the case study localities were restricted to those in phase one of the project; is it possible that the greater emphasis placed on (formally) democratic selection procedures in phase two could impact on patterns of elite capture and on board decisions?

The empirical strategy of the paper is to examine two basic hypotheses relating project design to the threat of elite control and capture in the same project examined by Dasgupta and Beard, but with a different (and complementary) analytical approach – construction of an econometric model using data drawn from a multi-district survey. Differences in some design aspects between phases 1 and 2 of the project, coupled with the diversity of actual selection procedures employed for the community boards described above, are construed as a natural experiment with which to examine the determinants and effects of elite control.

(a) *Data*

The analysis draws on several data sources. The first is qualitative fieldwork carried out by trained teams of 3-5 individuals in three additional UPP sub-districts; these phase two localities were adjacent to three of the seven phase one field sites included in the Dasgupta and Beard study (see footnote for locations).[5] Working approximately one week in each site, team members conducted approximately seven focus group discussions and fifteen semi-structured, in-depth interviews with community board members, community participants in the project, project facilitators and various local government officials. The resulting case studies served two primary purposes. They underlined the range of sub-district

implementation of project design parameters, enabling the refinement of hypotheses. Second, the rich descriptions provided by the case studies enabled variables that are specific and appropriate to the project context to be operationalized in the surveys.

Three survey instruments were developed and fielded in mid-2004. These were based on a 10% random, unclustered sample of phase one and phase two localities, resulting in 119 phase one and 131 phase two sample sub-districts. The surveys were fielded by trained surveyors who traveled to the sampled sub-districts to convene meetings of the community development boards.

In the selection process survey (N=250 localities), surveyors assessed the sub-district's overall selection process for the community development boards based on interviews with community board members and other community informants. In the board member characteristics survey (N=2,533 individuals), demographic and socioeconomic characteristics were noted for all board members, including those not present at the meeting convened by the surveyor. An individual perceptions survey was directly administered to each board member present (N=1,542) at the meeting; it included a wide range of multiple-choice questions describing the history of the individual's involvement in board selection meetings, perceptions of the primary mission of the board, actual workings of the board (such as how many times the board had met in the previous three months), and personal attitudes towards the poor.

In addition, some contextual variables related to the socioeconomic context of sub-districts (such as the percentage of residents classified as poor according to a consistent criteria), were constructed from the 2003 round of the *Podes* ('Village Potential') database, implemented by the Indonesian government in all villages every year. Finally, the UPP's own Mangement Inofrmation System (MIS) provided the raw data for indicators relating to the participation of the poor in project microfinance schemes and the repayment rates for the microfinance component of the project.

Table 1 summarizes all data and variables used to operationalize and test the hypotheses in the following analysis. Many of the variables are composite indicators that aggregate answers from several survey questions or characteristics to into indices of relative performance. These raw scores were then

converted into three scores, relatively low (the bottom quartile of scores, coded 1), medium (the middle two quartiles, coded 2) and high (the highest quartile of scores, coded 3). It is this summary coding (1-3) of each variable that is employed in the econometric analysis, described below.

(Table 1 here)

(b) *Hypotheses*

The hypotheses describe a causal chain presumed in the UPP, one broadly similar to other CDD projects (Dongier *et al.*, 2002; Conning and Kevane, 2002; UNCDF, 1999). They begin with the presumption that project design and leadership selection mechanisms can affect the likelihood of elite *control* of project decision-making. The second step links the degree of elite capture to the disposition of board members and their actual performance in managing funds for the benefit of the poor. (A logical extension of this chain would be to test the presence of longer-term shifts in local social and power relationships, in favor of non-elites; but this cannot be directly examined in the current study due to the short time horizon of the project to date.)

Explaining board composition. The community development boards are the formal decision-making units for the selection of sub-projects to be funded by projects, for monitoring and accounting for fund use, and for overseeing the operations of the project. For elites to 'capture' project funds, the boards must either be bypassed or themselves be dominated by individuals who act in the elite's interest. The presumption built into the project design is that both of these outcomes are made less likely when a broad range of community members know about the project (not least through their participation in the selection process for board members) and elect members from among themselves who are felt to be most trustworthy (World Bank, 1999 and 2002). On this account, it is desirable to have community boards that

are broadly representative of the community rather than dominated by elite-status individuals; and this in turn is facilitated by a greater degree of formal compliance with selection proceedures considered more democratic by project guidelines (i.e. spatially comprehensive, actively contested and based on secret balloting; World Bank, 2002). It may also be facilitated by project attempts to raise the awareness of community members regarding project aims and institutions (i.e., the emphasis on slower disbursements preceded by community orientation meetings in phase two).

Hypothesis 1 focuses on elite domination of boards – appropriately termed "elite control" in Dasgupta and Beard's study (in press) – as a precondition for elite capture. It reads:

> H1: More democratic, open, competitive selection processes for the local leaders who will control decentralized community development funds will lead to boards that are more heterogeneous and less dominated by elite status individuals.

To explore this requires two types of measures, in addition to the phase one/two distinction. The first is the degree to which local selection of leaders followed 'democratic' principles. The measure used in the analysis below is based on a composite indicator which grants points of equal weight according to the three characteristics of 'democratic' selection, according to project guidelines noted above (see table 1). The second is a way of characterizing board composition in terms of the elite status of its members. Boards that have a higher proportion of elite status individuals are assumed here to be 'dominated' or 'controlled' to a greater extent by elites, regardless of the effect of this control (the subject of the next hypothesis).

Specification of elite status and the differentiation of elites and non-elites are both inherently difficult enterprises. Two types of problems need to be addressed to arrive at a relevant measure. One is conceptual: what are the relevant sources of elite status? There is any number of potential candidates from the literature itself – gender, wealth, politics, membership in elite social organizations etc. – and many sources are likely to be operating simultaneously within any community (Chambers, 1983; Beard and Dasgupta, 2006). The second is the measurement challenge; what indicators proxy elite status,

particularly (for this study) in ways that can be inferred from their socioeconomic or demographic characteristics accessible through a survey? It is clear that answers to these questions must be contextually grounded. This paper draws on the characterization of elites on the Javanese urban periphery offered by Dasgupta and Beard (2006 and in press) working within the same project context, supplemented by direct fieldwork in the three additional project sites (as described above). They found little evidence of non-elites engaging in community leadership positions within the UPP context, and hence they do not go into detail characterizing such individuals. Instead, they characterize two broad categories of elites – 'old' and 'new' – across most of their case studies.

'Old' elites are "indigenous elites, long-time residents who have been active and have held leadership roles in the community for an extended time," often "an older generation of civil servants, teachers and retired military service personnel…the leaders of the wards". In many cases, these elites "developed neighborhood-level political machines by giving out material rewards generated from community development projects such as infrastructure projects." In the present study, board members who are current local government officials (such as the sub-district head, the *Lurah*), have held a position as ward or neighborhood leaders, or are retired military personnel are characterized as 'old elites'. Dasgupta and Beard find evidence of pressures for redistribution of power in most of their sub-districts; the challenge arises from 'new elites', who tend to be younger, better educated professionals. Their status derives from their professional occupations, their relatively high economic status or both.

Both 'new' and 'old' elites, it should be emphasized, are part of the 'reorganization' of elite politics described by Hadiz (2003) and Sidel (2004). The 'index of elite status' variable employed in the econometric includes characteristics consistent with both types of elite (and adding gender as a consideration). While Dasgupta and Beard ultimately did not find consistent evidence regarding the impacts of differing elite constellations on poverty targeting, the possibility motivates the inclusion of the extent of domination by 'old elites' (about half of board composition on average, as defined above) as a separate dependent variable in one of the equations.

Explaining board performance. The second step moves from the examination of the impact of leadership selection on board composition to the assessment of how boards – whether controlled by elites or not – actually perform. The underlying logic of the project design was somewhat unclear on the predicted factors underlying board performance – is it democratic selection that itself is important, or is the main factor the representativeness of the leaders controlling project funds? For this reason, both possibilities are entertained in the hypothesis.

> Hypothesis 2: Community boards that are democratically selected and/or less dominated by elites will operate in a more transparent, accountable fashion (H2-A) and will perform in ways that facilitate the long-term asset accumulation of the poor (H2-B).

The hypothesis is explored in two steps. The first examines the self-perception of board members and the competence of the boards. It asks, how do we explain the extent to which what board members see their role as proactively serving the community and the poor? And to what extent do boards actually function in ways consistent with this self-image, meeting regularly, publishing budgets and managing project funds with some discipline?

Table 1 describes the building blocks of three of the indicators used to operationalize board accountability and effort – pro-poor disposition, pro-accountability disposition and board effort. The first two indicators are attitudinal; using the perceptions survey, they assess the degree to which a board member is likely to hold attitudes facilitative of the involvement and targeting of the poor, and the pressure they feel to perform to high community member expectations.[6] The third variable, board competence, is also derived from the perceptions survey, but aggregates more straightforward questions describing the actual behavior of the boards, such as the frequency of meetings and the state of project record keeping.

Like board composition, these perceptions and effort indicators are in themselves incomplete. Although the questions were formulated carefully based on the qualitative fieldwork and pre-tested extensively, the possibility that community members may be strategic in their responses to survey questions cannot be ruled out. While positive responses are unable to fully confirm actual proclivities of

board members, they are arguably a necessary (though insufficient) condition for positive project outcomes to occur. If, in contrast, board members are disinterested and poorly motivated, or the boards are themselves dysfunctional, the issue of the democratic composition of the boards becomes moot; such projects are unlikely to be successful in reaching their aims, so long as the boards remain central nodes of decision-making and management.

The second step is to directly examine board performance with respect to key procedural variables of interest in the microfinance schemes that formed the bulk of project investments and that were viewed by project planners as one of the critical mechanisms for the anti-poverty impacts of the projects. Repeated access to microfinance funds for poor residents should facilitate the long-term accumulation of assets by the poor (Robinson, 2001).

In all project localities, boards were responsible for organizing groups of residents – with preference to be given to the poor, according to project guidelines – to receive start-up capital for small, revolving loan funds. Thus two important indicators against which to judge the performance of the boards in overseeing these schemes are the targeting of the poor for inclusion in project activities (failing which there is little chance of the schemes having any impact on them); and the achievement of high rates of loan repayment in the first round (failing which there is little chance the scheme will serve as a long-term resource for asset accumulation). It bears repeating that meeting these tests is no guarantee of the long-term 'empowerment' of the poor, however this is defined; too little data is available, and time elapsed, to measure 'empowerment' directly. But successful board performance in this area forms, along side representative community leadership, an important premise within the project's design logic.

(c) *Empirical tests*

A series of ordered logit equations is used to test the above hypotheses. A variant of the so-called 'cobweb' or triangular model of simultaneous equations is employed (see Greene 2000 and Newey,

Powell and Vella, 1999 for theoretical expositions; and Martin and Taylor, 2003 for an application), in which the determination of variables is recursive. The first dependent variable in the model (elite composition of the boards) is explained by contextual factors (control variables), and project design variables (the phase one/two distinction and degree of democratic selection). This dependent variable then becomes an explanatory factor in the following equation predicting board member self-perceptions. Self-perceptions in turns helps explain board effort, which serves in turn as an explanatory factor – together with all the proceeding measures – for the intermediate outcomes of interest (targeting of the poor and microfinance scheme sustainability). The model is thus constructed as follows:

$$Y_1\ [board\ composition] = \beta X_{1\text{-}5}[contextual\ factors] + X3\text{-}4[institutional\ design\ parameters] + e$$

$$Y_2\ [board\ composition] = \beta X_{1\text{-}5} + \beta Y_1 + e$$

$$Y_3\ [board\ pro\text{-}poor\ disposition] = \beta X_{1\text{-}5} + \beta Y_1 + \beta Y_2 + e$$

Etc.

It is the sequential nature of the processes – with selection helping to determine composition, which influences board competence, etc. – that makes this system of equations potentially attractive. It mirrors the implicit and sometimes explicit design logic of the UPP, and thus the hypothesis chain examined in this paper. The model's limitation is that it requires a large sample size, particularly for the later equations with their greater number of explanatory variables; unfortunately, it is precisely these equations for which we have the smallest sample sizes (due largely to the incommensurability of the MIS in phases one and two).

Explanatory variables fall into three categories. The first is contextual, or control, variables. The percentage of residents who are poor, degree of social infrastructure and order ('social capital')[7], physical distance of the sub-district from the district capitals where project supervisors were based, and population density are all factors that might exert an influence on board composition and performance, although the precise ways in which they might do so are difficult to specify *a priori*.

Three variables in turn relate to core aspects of 'institutional design and support'. These are the primary mechanisms by which the project may exert an influence on community-level collective action and targeting outcomes. The first is democratic leadership selection, operationalized in line with project guidelines regarding what constitutes 'democracy' in a local selection process. The 'project support' indicator, in turn, reflects board members' assessments of the helpfulness and frequency of project staff interaction with the boards; as noted earlier, such support varied considerably due to unevenness in the approach and functionality of project management support in different sub-regions of the project. The dummy variable 'phase two' stands in for the residual (i.e. non-selection-related) design differences between the two phases. To recap from the previous section, phase two localities saw a more intensive period of preparation prior to fund disbursement, during which several community orientation and board training meetings were held, and in which the importance of the poverty-reduction aims of the project was emphasized.

Board member perceptions and competence variables have been described above. Since logically self-perceptions should help determine effort put into service on the board, the former set is included as explanatory variables for the latter. Finally, participation of the poor – with a household's poverty status defined using the common benchmark of the family welfare planning program guidelines[8] - in project microfinance schemes and credit repayment rates are included as the final dependent variables (the latter drawing only on phase one outcomes, since at the time of the survey phase two localities had just disbursed credit). The degree of poverty targeting is included as an explanatory factor for the repayment, since it may logically affect the latter (if poorer recipients find themselves less able to repay than better-off households).

All variables except two (categorical variables for phase two and pronounced 'old elite' dominance of boards) are described in terms of the composite score method already introduced, with raw scores or values for an indicator translated into a 1 (bottom quartile), 2 (two middle quartiles) or 3 (top quartile) score. The coefficients for each explanatory variable (except phase) thus represent the average degree of

change in the dependent variable (also coded 1-3) associated with a one-step upward movement of the explanatory variable coding (from the low quartile to middle two quartiles, or from the middle to the upper quartile). This construction has the advantage of allowing for the magnitude of estimated effects to be easily compared across variables.

3. RESULTS

Table 2 presents the parameters of the ordered logit models. Interpretations are reported separately each hypothesis.

(Table 2 here)

(a) *Does democratic leadership selection produce a more representative board?*

Results of the ordered logit model show that large variations in democratic selection procedures, together with the related parameter of greater outreach to the community in phase two sub-districts, were associated with small but statistically significant differences in board composition. Two versions of the dependent variable were run. In one, the index of elite status was used as a summary measure for the average prevalence on the boards of elite status individuals (including all potential sources of elite status noted in table 1). Phase two localities of the project – in which the need to elect trustworthy representatives from among all ranks of the community had been stressed in the orientation sessions prior to elections – had significantly lower levels of elite domination as compared with phase one. When examining only the degree to which 'old elites' dominated the boards, democratic selection procedure had

a significant negative effect. As might be expected, the degree of poverty in a locality also mattered; poorer localities in general had a greater number of non-elite individuals on the boards.

While the degree of democratic selection and project design parameters helped mitigate elite domination, the evidence suggests that the community boards were in fact dominated to a great extent by elite status individuals, and that, in particular, the proportion of relatively poor residents within communities was very small. In fact, the underlying data show that on average, only 5% of board members overall were classified as 'poor' or 'very poor'. The 'old elite' equation suggests that the impacts of project design features were nowhere near sufficient to propell non-elites into control of the boards, but they did open greater space for a greater diverseity of elites (Dasgupta and Beard's 'new' elites) to emerge.

(b) *Do elites care? Board member effort and self-perceptions*

The first component of the second hypothesis directs attention onto the degree to which board members display evidence of a pro-poor and pro-accountability disposition, and the degree to which boards themselves displayed basic competence. These measures form the most immediate indication of whether or not the effect of the pervasive elite control reported above was likely to reflect "benevolent capture", to use Mansuri and Rao's phrase (2004:30).

Analysts who assume elite control is always pernicious would expect to find strong inverse correlations between the degree of elite dominance on boards and the perceptions and competence variables. Yet the ordered logit models detected no significant effect of the aggregate elite status indicator on any of these variables.

However, the underlying questionnaire data reveal much sharper patterns with respect to the democratic selection variable. For example, when asked which population group the UPP primarily

assists, over 90% of those individuals who were democratically selected respond "the relatively poor", compared with 60% of those who were appointed. Fully 86% of the same individuals would select for investment a hypothetical project that benefits fewer, but poorer, community residents, compared with 73% of the non-democratic comparison group. And individuals on more democratically selected boards reported those boards meeting on average twice as many times over the past three months (5.9 vs. 2.7 times), and almost twice more likely to publicize those meetings to the community.

Indeed, the degree of democratic selection of community boards emerges in the ordered logit estimates as a consistent, significant predictor of pro-poor, pro-accountability dispositions and competent boards. Rather than phase (which was a strong predictor of performance in only one case, board competence), the frequency and (from board members' point of view) usefulness of support provided by regionally based project staff emerged as another consistent predictor of positive performance for all three variables.[9] These results suggest that the process of being selected for community service through a democratic procedure may result in better motivated individuals being selected – exactly the intention of the project. The significance of the 'project support' and 'phase two' variables on board competence suggests in turn that phase two's preparatory training and more intensive interaction with project personnel, helped either to build capacity for competent performance or to keep boards more accountable (externally) for such performance (in addition to the positive effect of democratic selection, which presumes a positive effect of accountability in a different direction – towards community residents).

These results provide moderate support for H2-A but add nuance: it is not the degree of elite status that predicted board member dispositions and board competence, but rather project design parameters themselves.

(c) *Do elites perform? Poverty targeting and rule enforcement*

The second part of hypothesis two (H2-B) links the degree of elite control of the boards with board performance in the inclusion of the poor in project microfinance activities, and in the enforcement of high repayment rates. Poor performance in these areas would be taken to be evidence of a greater degree of 'elite capture'. If high percentages of a community's poor population are not participating in any project activity at all, this would suggest the bulk of resources are probably being captured by elites. And poor repayment figures, or poor performance in including the poor specifically in microfinance activities, imply that on a particular board's watch, higher numbers of non-elite individuals were abusing a communal resource – project micro-credit – in ways that are both unsustainable and beneficial neither to the community as a whole nor to the poor.

Levels of participation by poor residents in any project activity varied greatly across project sub-districts, from virtually no poor participants to upwards of three quarters of the poor being included in some project sub-component. The findings suggest that poverty targeting in the UPP context was a function of the degree to which the project made explicit its focus on the poor, and the degree to which boards demonstrated competence in carrying out their functions. The most significant predictor of their participation was phase, as it was in the case of the board competence variable; boards in phase two of the project focused attention to a much greater extent onto poor residents, regardless of whether board members were elected democratically or not.[10] This is evidence for a strong, positive impact of greater extent of community outreach and focus on communicating the anti-poverty intent of the project in phase two. That board performance itself was partly responsible for this improved targeting is suggested by the positive, significant coefficient on the board competence explanatory variable (in the case of poverty targeting).

Not all aspects of institutional design mattered, however. Contrary to H2-B, the democratic selection process did not have a significant impact on targeting, and project support (in an inexplicable finding) was negatively associated with poverty targeting. Also against the general expectation of CDD programs

(but consistent with Dasgupta and Beard's case study findings), elite control of the boards was not associated with poverty targeting.

The repayment rate in the project-financed microfinance schemes in phase one (data for phase two was unavailable at the time of the research) has been very poor, with a low 56% repayment rate across all sub-districts.[11] The hypothesis seeks to use democratic selection and elite dominance of boards (via their effect on board member self-perception and competence) to explain the substantial variation that exists among sub-districts in this regard (from 11-100% repayment rate). The ordered logit findings are surprising. They suggest repayment rates were in fact positively associated with a pro-poor disposition, which is consistent with the hypothesis. What is unexpected is that elite-dominated boards and those that were *not* democratically selected also show significantly greater success in mobilizing repayment; the expected signs on the coefficient are the reverse of the hypothesis. How can this be explained?

One interpretation of this effect may be that elite boards selected based on non-democratic procedures (such as direct appointment by a local government official) may enjoy a greater capacity to enforce repayment by resorting to quasi-governmental authority. On the other hand, the elite status result does reinforce a more general finding already noted: elite control of boards is clearly not associated with poorer outcomes, whether viewed in terms of board competence, board performance in poverty targeting or enforcement of rules vital to the success of the micro-finance component.

4. DISCUSSION

This paper has subjected some of the key causal linkages implied within the design of a large community-driven development project to empirical testing. While some aspects of these hypothesized linkages stand up to empirical scrutiny, the overall picture is one of highly diverse community-level

conditions making predictions regarding the impact of project design parameters problematic. Three findings deserve note.

First, the consistency and quality of project implementation varied dramatically across localities in this decentralized project. Almost every process-related indicator of interest – from how local community boards were selected to the criteria used for the selection of beneficiaries – showed substantial, even astonishing, variation in the degree to which local implementation conformed to project guidelines and intentions.

Second, project investments in capacity building, and the degree to which local project staff established cooperative relationships with local boards, emerged as significant predictors of the degree to which local boards functioned with competence and targeted the poor for inclusion in project activities. Another parameter of great interest to the project was the democratic selection of local leaders. The degree to which local election procedures for the boards were 'democratic' according to project guidelines – i.e. comprehensive across a sub-district's community blocks, actively contested (with many candidates and voters) and based on employed secret balloting – was a consistent predictor of several intermediate project outcomes of interest. These included having a board less dominated by elite status individuals, and facilitating the motivation, effort, competence and pro-poor attitudes of board members.

Most analysts define elite capture as inherently pernicious to community development outcomes (Platteau, 2004; Platteau and Abraham, 2002; Dongier *et al.*, 2002), and if one defines capture as the actual siphoning off of project funds into elite hands, this equation makes sense. Yet the third finding of note in the present study is that the extent of elite presence on community boards had little effect board effort or performance; accountability mechanisms and pro-accountability norms mattered more. This mirrors Dasgupta and Beard's (2006) findings from the same project context, and reinforces their call to clearly distinguish between *elite control* of project funds and *elite capture* of project benefits. Elites can and often do act in the broader impacts of communities. Greater attention should therefore be paid by analysts and project planners to learning what mechanisms may raise the likelihood that elites will play a

constructive role in community development (rather than focusing mostly on means for avoiding elite control altogether, an objective that in many CDD contexts will be unrealistic).

How might the UPP's own project design have worked in practice to influence board member (include elite board member) behavior? Behavior is in part determined by the institutional characteristics of local environments (World Bank 2004; Ostrom, 1990), which can in turn be analyzed in terms of the degree of information on board activities, the incentives faced by board members and the opportunities available to community members and project monitors to enforce minimum standards of performance. There are good reasons to believe that democratic selection and project design may affect all of these characteristics in ways facilitative of enhanced performance, in ways relatively independent of the degree of elite control (table 3).

(Table 3 here)

Thus the core set of hypothesized mechanisms linking participatory processes and accountability structures with improved project outcomes is given tentative support by our findings, with the proviso that the effect was not dependent on the assumption that non-elites will control project decision-making. Community-driven development projects do, on the evidence of the UPP, function in ways that reduce the likelihood of elite capture, as opposed to elite control. They open up spaces in which non-elite individuals can participate to a greater extent in project decision-making and activities. They also influence the *type* of elite control, away from governmental elites towards a broader range of individuals who, while not poor or marginalized, nevertheless function to make the community boards more representative.

These findings find support in the small but growing case literature on the subject. Mansuri and Rao (2004) in their comprehensive review of CDD projects signaled out the possibility of so-called

'benevolent capture' as a key area for empirical inquiry. Tendler's case study of decentralizing public service from the state to municipal government in a poor Brazilian state (Ceara) suggested that

> the interests of the commoners can sometimes be rather well protected although their representation in decision-making bodies is not adequate. This happens when heterogeneity can be introduced into elite influence on local government, primarily by ensuring that the representation of elites is sufficiently diversified for a division of opinions to development among them (Abraham and Platteau, 2004, p. 30, citing Tendler, 1997).

Tendler's emphasis on elite heterogeneity reducing the risk that control degenerates into 'capture' is highly consistent with that found by both Dasgupta and Beard (in press) and the present study.

For the Indonesian context itself, evidence from the UPP suggesting fairly widespread elite control of project decision-making is consistent with Hadiz' (2003) view that Indonesia's newly 'democratized' and decentralized formal governance arrangements have 'reorganized but not transformed' local power relations. From a more incrementalist perspective, however, CDD projects like the UPP can be seen as creating institutional spaces for elite – non-elite interactions and collective decision-making, the outcomes of which are not categorical or predictable (Williams, 2004). The effectiveness of newly introduced accountability relationships of multiple types – downward to community members, and outward to supra-local project or government authorities – cannot be written off as a obfuscation of 'real' contests for power occurring behind a façade. Our evidence suggests they may plausibly affect community development outcomes of interest.

Yet this paper's findings present only limited support for the general logic of CDD project design, for three reasons. First, the present study (like that of Dasgupta and Beard) can say little regarding the very important linkages assumed by CDD between the participation of the poor and longer-term 'empowerment' outcomes, implying as the latter do shifts in local power relations (Dongier *et al,*2002; Alsop and Norton, 2004); the time horizon for the UPP has been too short for that. There is little evidence of whether current modalities of donor support for the UPP correspond to the requirements of

persistence and flexibility in scaling-up which Fox (1996) claims to be critical to the sustainability of CDD impacts, but the low average repayment rates reported for phase one would count as a red flag.

Second, project design cannot be viewed in isolation, and more work is necessary to clarify the interconnections between local context, the wider socioeconomic reform process and the impact of specific design features. Take for example the project's characterization of 'local democracy', with its strong emphasis on external forms and procedures; is it the most fitting construct in the Indonesian context? The relationship between such institutional forms and community-level politics – whether the latter is characterized by mutual adjustment or struggles for domination – remains indeterminate and demanding of interpretation in specific cases, a point emphasized by Platteau and Abraham (2002) when examining 'endogenous community imperfections'.

Third, the UPP experience underlines how CDD design features may be overwhelmed by the complexity posed by heterogeneous local conditions and the diverse determinants of successful local collective action. In a rather large number of localities, elaborate management and information systems and thick project guideline books consistently failed to influence the process through which project funds were administered on the ground. One implication of the analysis is the need to invest in appropriately designed project management and information systems to meet the special needs of CDD projects. On the present evidence, 'community failure' (in terms of elite capture) may be somewhat less common than suspected in much of the literature, but 'project failure' – or at least a persistent gap separating design intentions from actual patterns of their implementation, and ultimately from impacts – looms potentially very large in decentralized, community-level projects.

Table 1: Summary description of variables used in analysis

Variable name	Definition	Source	Quartile distribution of raw scores
	Contextual factors		
% poor	% of sub-district residents classified as "poor" or "very poor" according to the Family Planning poverty criteria	Potensi Desa survey	0%, 13%, 24%, 39%, 89%
Social capital	Composite indicator that positively weights several indicators of local social infrastructure and negatively weights crime and violent conflict.		-.47, .15, .28, .44, .84
Population density	Sub-district residents per square hectare		3, 21, 39, 83, 1,860
Distance to center	Km from sub-district center to district capital		2, 19, 30, 50, 198
Project design (phase 2)	Dummy variable for phase two sub-districts; represents effect of phase two design changes	MIS-1 and MIS-2	P1: 119, P2: 131 sub-districts
Project support	Composite indicator reflecting board member assessments of extent of project implementation support	Perceptions survey	0, .36, .5, .56, 1
	Selection process		
Democratic selection process	Composite indicator positively weighting spatial comprehensiveness of neighborhood selection process (were elections held in every neighborhood before a community-wide selection process took place?), degree of effective competition for board seats (based on number of candidates and voters present at each stage in selection process) and formality of selection mechanism (in particular whether voting was by secret ballot).	Selection process survey; perceptions survey	0, .40, .66, .8, 1
	Elite status		
'Old elites'	Board members who occupy or have occupied a local government or neighborhood leadership position (RT or RW neighborhood head; sub-district official; or member of local council.	Characteristics survey; perceptions survey	51% (proportion of all board members)
Index of elite status	Composite indicator that positive weights age, being male, governmental elite status, wealth ranking and educational qualifications; average score for members on a board		.28, .48, .53, .59, .73
	Board disposition and effort		
Pro-poor disposition	Composite indicator summarizing board member answers to several survey questions concerning degree to which poor should be targeted with limited project funds.	Perceptions survey	.28, .49, .56, .65, .89
Pro-accountability disposition	Composite indicator summarizing board member answers to several survey questions concerning degree and source of motivation to serve on board.		.13, .40, .47, .55, .75
Board competence	Composite indicator summarizing board member answers to several survey questions concerning board efforts in areas such as number of meetings and efforts to disseminate information to the community.		.03, .35, .49, .60, .83
	Project performance indicators		
% poor participants	% of poor residents in a community (according to Family Planning poverty criteria) who participated in project microfinance component	MIS-1 and MIS-2	0%, 24%, 37%, 48%, 77%
Repayment rate	Cumulative percentage of loans due that have been repaid	MIS-1	0%, 14%, 29%, 47%, 75%

Table 2: Ordered logit estimates

	Explanatory variables												
	Context variables												
Dependent variables	% poor	Social capital	Distance to district	Pop. density	Design: Phase 2	Project support	Democratic selection process	Elite dominance on board	Pro-acccountability disposition	Pro-poor disposition of board	Board competence	Participation of poor	Summary statistics
Elite dominance of board (index of elite status)	-.34*	.01	.05	.12	-1.6***	.06	-.06						N=250 $X^2(7)$=50.6***
Official dominance on board (simple logit model)[xii]	.09	.02*	-.29	.35	.06*	-.35	-.87*						N=250 $X^2(7)$=8.06
Pro-poor disposition of board	.10	.03	.04	-.08	.38	.48***	.47**	.16					N=250 $X^2(8)$=30.1***
Pro-accountability disposition of board	.15	-.20	-.05	.49**	.11	.78***	.51**	.20					N=250 $X^2(8)$=38.0***
Board competence	.16	-.32*	.001	.05	1.27***	.40**	.50**	.30	.55***	.11			N=250 $X^2(10)$=85.1***
% poor participants	.23	-.10	-.13	-.07	2.05***	-.57**	-.38	.04	-.18	.04	.52**		N=172 $X^2(10)$=40.8
On time credit repayment rate	-.38	.33	-.28	1.02***		-.05	-.95**	1.01***	-.09	.84**	-.08	.24	N=89 $X^2(11)$=30.0***

*Significance levels: * p < .10; ** p < .05; *** p < 01.*

Table 3: Effect of project design and democratic selection procedures on institutional environment

	Project design (phase 2) and support	**Democratic selection procedures**
Information availability	• Greater effort to disseminate project purposes to all community members.	• Selection process reinforces community residents' knowledge of project, board members and their roles.
Incentives	• Longer period training board and conducting poverty mapping, leading to enhanced clarity of purpose. • Increased contact with project officials may reinforce external accountability (compliance with project rules and orientation).	• Democratic selection reinforces sense of accountability to the broader community which selected member (downward accountability). • For non-elite members, position may represent new source of self-esteem.
Enforcement possibilities	• Slower project implementation ➔ greater opportunity to make course corrections.	• Presumption that board members may be voted out in future just as they were voted in.

NOTES

[1] Tests revealed no statistically significant differences in means, at a 90% confidence interval between phase one and phase two localities for any of the contextual variables shown in table 1.

[2] The difference was considerable: disbursements in phase two localities began at least eight months longer from project inception than in phase one, according to project officials.

[3] The desired characteristics of the selection procedure are most clearly laid out in the documentation to the Second Urban Poverty Project; see World Bank, 2002.

[4] This assessment is based on the increasingly critical aide memoire reviews produced over the course of the project's implementation, interviews with project staff at the central and local level (many of whom are highly reflective and self-critical), and the direct observations of the author (who has worked on several CDD projects) in the field and Jakarta.

[5] The phase one locations (surveyed by Dasgupta and Beard, in press) included (in order of sub-district, district and province): Kelor Malang, East Java; Sekar Kamulyan, Bandung, West Java; Bangun Karosa, Bandung, West Java; Tirta Kencana, Malang, East Java; Eka Karya, Semarang, Central Java; and Kisma Wasana, Malang, East Java. Phase two localities surveyed for the present study included Sagaracipta, Bandung, West Java; Beringin, Semerang, Central Java; and Mergosono, Malang, East Java.

[6] Examples of questions used in the construction of these variables include the following: for pro-poor disposition, Question D37 "According to you, which factors most influence you when you decided to become involved with board activities?" – answer (c) "To help poor people in my community" for pro-accountability disposition, "In your estimate, how much time have you personally put into board activities in the past three months?"; for board competence, "About how many board meetings have been convened in the past three months?"

[7] The 'social capital' indicator was constructed from the *Podes* database to positively weight social infrastructure, such as the number of traditional *adat* and non-governmental organizations, and negatively weight incidence of crime and suicide, both of which were normalized by population. It thus attempts to capture the intensity of associational activity and social orderliness.

[8] The Family Welfare Development Program, managed by the Family Planning Coordinating Board, claims to have data collected from its cadres at the grassroots classifying all households into five welfare status groups, of which the bottom two are considered to be "very poor" and "poor". The program employs 22 indicators in areas such as food security, clothing, physical state of the house, and access to medical services. The reliability of the data has been questioned by analysts, but as the only apparently comprehensive household welfare database in the country, the government and some donors have employed it in distributing targeted program benefits. See Suryahadi and Sumarto, 2003 for a critical appraisal.

[9] In addition, population density as a contextual factor is positively associated with pro-accountability attitudes, a finding which makes sense if one assumes that higher density facilitates community monitoring of board activities. The small but statistically significant negative coefficient on social capital is difficult to explain.

[10] Note that the sample size for this equation was reduced from 250 to 172 sub-districts due missing data for the dependent variable from 32 phase one, and 46 phase two, sub-districts districts. This obviously affects both the overall statistical significance of the estimates and to some extent the reliability of the results. The same is true for the repayment rate equation, where 30 phase one localities were missing data.

[11] This average repayment rate suggests that in the typical phase one sub-district, project microfinance funds will collapse within a few years. Project officials were optimistic that phase two funds would be supervised with greater discipline.

[xii] Categorical variable with the top quartile of boards, ranked in terms of the percentage of board members who are government officials, coded 1.

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