

CASE INFORMATION SHEET

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INDONESIA: Fighting Corruption at the Grassroots Through the Kecamatan Development Project

The Kecamatan Development Project

The Kecamatan Development Programme (KDP) is a nationwide programme run by the Government of Indonesia. In addition to national funds, KDP is supported by the World Bank and other donors. It aims to alleviate poverty, strengthen local government and community institutions and improve local governance. This multisectoral programme covers more than 34,000 villages across the country and it has supported Indonesia's water sector through the construction of 7,178 clean water supply units, 2,904 sanitation units and 7,326 irrigation systems.

Corruption Problems

The risks of corruption in development projects in Indonesia are high and widespread. Large-scale, highly dispersed and central government projects such as the KDP offer plentiful opportunities for public officials to misuse public funds for personal gains at a low risk. Dysfunctional judicial systems and ineffective oversight institutions contribute to an overall weak accountability system, enabling the diversion of money away from development projects. These forms of corruption in development projects manifest themselves in several ways:

- The bribing of officials to get projects
- Cuts made by upper levels of government
- Illicit fees
- Underdelivery of materials/services
- Embezzlement by staff

Corruption Prevention

To address this high risk environment, KDP built anticorruption measures into the project's design, which emphasized transparency and information sharing throughout the project cycle. One of the key principles is that corruption risks can be minimized through better design. Design measures include fewer transactions and less discretion in the transfer system; standardized grant amounts; and streamlined formats to promote easy understanding by end users.

Project Information

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Corruption at the Local Level – an Example

In one instance, the village head had lined his own pockets with some of the village funds for an infrastructure project. As the community project team became suspicious, they demanded the village head to provide an accountability report to the community. Although he did so, the community members refused to sign the report. Instead, they talked to the project facilitator, complaining that prices for construction materials were lower at the local shop than stated in the report. The community thus audited the report by proving the difference in price between the report and the village shop. As a result, the village head paid back the price difference. This example shows that communities that understand how the process is supposed to work and are given access to an independent reporting mechanism can often become among the most effective means of control.

Anti-Corruption Strategies

Reducing Transactions

→ ensuring that money is sent directly to community accounts

Promoting Competition

→ allowing villagers to buy materials on the open market and encouraging intervillage competition for project proposals. Villages themselves are good at filtering out bad proposals.

Lowering Costs of Acquiring Information

→ using public placards, short documents and simplifying the government and World Bank procedures.

Minimising the Abuse of Discretion

→ fixing grant sums into an assortment of bands, rather than using variable amounts conditioned upon project outcomes (although good development practice might call for flexible funding in different places)

Enforcing Sanctions

→ building a code of ethics into consultancy contracts

"I think, what is most important in a rural development project is to encourage the community to monitor and solve the corruption problems themselves. This is only possible if adequate information about the project is provided to all community members at the very early stages of project implementation. Moreover, it is crucial to establish a variety of communication and feedback channels. To offer open meetings is not enough because sometimes community members hesitate to make their complaint in public, so we need also persons of trust (such as female and male project facilitators), the possibility to complain anonymously via letters, etc. We need to raise awareness among community members that it is their right to complain and that it is their responsibility to be engaged in the monitoring and auditing processes. This is only possible if we facilitate access to information." Ela Hasanah, Research Analyst, Kecamatan Development Project

Lessons Learned

- Both formal and informal control systems should be used
- Social controls work best for controlling private goods such as wages
- Corruption is dynamic and manifests in different ways, therefore anticorruption actions must be flexible and adapt to new forms as they emerge
- Monitoring and response are key