

## Local Conflict and Development Projects in Indonesia: Part of the Problem or Part of a Solution?\*

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### Abstract

Drawing on an integrated mixed methods research design, we explore the dynamics of the development-conflict nexus in rural Indonesia, and the specific role of development projects in shaping the nature, extent, and trajectories of ‘everyday’ conflicts, especially those generated by the projects themselves. We find that projects that give inadequate attention to dispute resolution mechanisms in many cases stimulate local conflict, by injecting development resources themselves or less directly by exacerbating pre-existing tensions in target communities. Projects that have explicit and accessible procedures for managing disputes arising from the development process, however, are much less likely to lead to violent outcomes. We argue that such projects are more successful in addressing project-related conflicts because they establish direct procedures (such as forums, facilitators and complaints mechanisms) for dealing with tensions as they arise. These direct mechanisms are less successful in addressing broader social tensions elicited by, or external to, the development process.

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\* This paper presents the summary findings from a large study of local conflict dynamics and development projects in Indonesia, a study whose conduct required extraordinary efforts on the part of a team of twelve field researchers. Their efforts, the regular advice of Scott Guggenheim, and the generosity of numerous funding bodies, including DFID, AusAID and the Norwegian Government, are duly acknowledged. Previous versions of this paper have been presented at seminars hosted by the Center for Global Development, George Mason University, John Hopkins (SAIS), Harvard, MIT, Oxford, Princeton, Universitas Indonesia, the World Bank (Jakarta and Washington), Yale, the Southeast Asia Conflict Studies Network (SEACSN) conference in Penang, Malaysia, and the MOST-LIPI/UNESCO conference on Conflict in the Asia-Pacific in Jakarta. We are grateful to the comments and probing questions of participants at all events, and at the four feedback workshops we held with local governments and community leaders in each of our research districts. This version was presented at the 2006 Annual Meeting of the American Political Science Association. Thanks to the various panelists, especially Ashutosh Varshney and Bridget Welsh, and the discussant (Stathis Kalyvas), for useful comments; similarly detailed and helpful written feedback on the project as a whole was received from Michael Dove, David Mosse and Yongmei Zhou. Email addresses for correspondence: [pbarron@worldbank.org](mailto:pbarron@worldbank.org), [rachael.diprose@sant.ox.ac.uk](mailto:rachael.diprose@sant.ox.ac.uk) and [mwoolcock@worldbank.org](mailto:mwoolcock@worldbank.org).

Diverse groups hold together because they practice politics—not because they agree about ‘fundamentals’, or some such concept too vague, too personal, or too divine ever to do the job of politics for it. The moral consensus of a free state is not something mysteriously prior to or above politics: it is the activity (the civilizing activity) of politics itself.

Bernard Crick (1962)<sup>1</sup>

## 1. Introduction

A long-standing branch of social and political theory argues that economic progress and social conflict are closely intertwined; indeed, that the latter is often a constituent element of the former. While some astute scholars of the development process have recently sought to remind us that “violence and prosperity” (Bates 2000) essentially go hand in hand, the prevailing policy wisdom (e.g., World Bank 2003) continues to assert that sustained conflict in low-income countries is primarily a product of ethnic diversity, acts of greed or grievance, weak institutions, low social cohesion or simply poverty itself. Prescribed policy solutions come from a menu of structural fixes, ranging from “pro-poor” economic growth, building the rule of law, and redressing inequalities between groups, to enhancing the security sector, enforcing property rights, promoting judicial reform and improving the quality of service delivery.

We are surely in favor of all of these efforts and recognize the problems they are trying to address. Such interventions themselves, however, also have the potential to inflame rather than dampen conflict by changing social and political structures, power relations, rules systems, and resource allocations between classes and occupational groups (Moore 1966). Even the introduction of new nation-wide democratic decision-making procedures and supporting institutions (e.g., a free press, judicial reform) can be accompanied by violence (Snyder 2000).

This is also true at the sub-national and project level. Conflicts can obviously stem from controversial development policies (e.g., forced resettlement) and project failure (e.g., incompetence or malfeasance), but even putatively ‘successful’ policies and projects that spur economic growth or local development inevitably create—via Schumpeterian processes of “creative destruction”—‘winners’ and ‘losers’ and can fan the flames of latent inter-group tensions, in so doing generating or contributing to violent unrest that undermines the basis and impacts of such growth. The resources, rules and incentives that development projects and policies introduce thereby help shape the structural and relational contexts in which conflict becomes more or less likely to arise and/or to escalate. In this sense, the development process is thus one of managing the complex dialectical processes of change (and/or resistance to change) characterizing the ways in which particular societies, states and economies change.

While there is now a unifying scholarly and policy consensus that “institutions matter” for ensuring equitable development outcomes in general and ‘managing’ conflict in particular, there is far less certainty regarding *how* to actually build them. If the most effective and equitable political and legal institutions have emerged historically through a process of protracted political struggle (thereby imbuing them with a legitimacy, content and durability that they may never have been acquired otherwise), then importing the institutional designs of ‘mature’ western states to ‘fragile’ or ‘transitional’ developing world contexts is unlikely to

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<sup>1</sup> Crick (1962: 24), cited in Hirschman (1994).

succeed (Carothers 2006). An alternative (if ultimately complementary) lens through which to view the development-conflict nexus is needed in order to craft interventions that are attuned to the complex dynamics of conflict trajectories and the contexts in which they play out, and that can help support the building of inclusive spaces for deliberation wherein context-specific institutions—and the civic skills and political sensibilities on which their content, legitimacy and durability rests—can be conceived and implemented.

This study is set in Indonesia, a country in the midst of negotiating a triple transition—from military autocracy to multi-party democracy, from centralized to decentralized government, from economic boom to crisis to uneven recovery—that has, at times, been accompanied by violence.<sup>2</sup> In addition to outbreaks in a number of locations of large-scale and violent communal or secessionist conflict, widespread (and often violent) *local* conflict has occurred across the country.<sup>3</sup> These multiple transitions have generated numerous political challenges relating to the management of individual and group identities, to collective decision-making and accountability, to citizens' and policymakers' expectations and aspirations, and to the reform of old—and creation of new—institutions. The fact that multiple multi-directional processes of social change were going on, varying in form and impact in different places, led us to use a sampling strategy of carefully matched 'program' and non-program' areas in order to enable us to more carefully distinguish between project impacts and those stemming from broader processes of transition.

Drawing on an innovative mixed methods research design, we sought to assess the particular role of development projects in both producing and (possibly) mitigating 'everyday' conflicts in rural Indonesia, with the specific goal of identifying the conditions under which different types of development projects can be either part of the problem of local conflict escalation or, more constructively, part of a solution to mitigating it. The study focused on how the Government of Indonesia's (World Bank-financed) Kecamatan Development Project (KDP), which is present in 40% of villages across Indonesia<sup>4</sup>, interacted with local contexts and conflict dynamics, and how it influenced participants' capacity to respond to them.<sup>5</sup> By 'local' conflict we mean disputes (violent and non-violent) that play out at the local level, within and between villages or groups of villages usually associated with particular sub-districts.

KDP is one of the world's largest participatory development projects, and, unusually for the World Bank, is explicitly designed on the basis of social (as opposed to economic) theory. Its most pragmatic goal is to deliver key development resources to rural communities, a task that was especially vital in the immediate aftermath of the Asian financial crisis (when KDP came

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<sup>2</sup> There is now a wide literature on these transitions; useful accounts include Schwartz (1999), Bertrand (2004), Rieffel (2004) and Robison and Hadiz (2004). See also Sidel (2006).

<sup>3</sup> Local conflicts tend to have fewer casualties associated with single incidents of conflict than more major outbreaks of conflict, and its effects tend to be concentrated at lower levels of geographic specification. The conflicts in our research areas related to issues such as land ownership and use, local politics and administrative issues, domestic violence and vigilante killings.

<sup>4</sup> The Government of Indonesia has, at the time of writing (September 2006), just announced plans to scale-up KDP and its urban sister project (UPP – Urban Poverty Program) so that it covers all 70,000 villages in Indonesia. It plans to put US\$ 1 billion of government resources through the program every year.

<sup>5</sup> The fullest expression of the results of this study are presented in Barron, Diprose and Woolcock (2006), though many other papers drawing on different aspects of the empirical data have also been prepared (these are available at [www.conflictanddevelopment.org](http://www.conflictanddevelopment.org)). As the title of the paper suggests, the specific results presented here focus on identifying the conditions under which development projects (and related government policy responses) have helped or hindered local conflict mediation during Indonesia's recent period of major social transition.

into being), when the livelihoods of millions of Indonesians were threatened and when the credibility of both the World Bank (undermined by its close association with the Suharto government—Guggenheim 2006) and successive post-Suharto governments were at stake. Crucially, however, KDP sought to deliver these resources via inclusive, transparent and accountable decision-making mechanisms designed on the basis of extensive prior social research in Indonesia; these mechanisms sought to establish new (but context-appropriate) precedents and procedures for ‘re-imagining’ (cf. Anderson 1983) ‘proto-democratic’ state-society relations, and the civic skills and sensibilities on which such a relationship rests. In short, KDP’s unique ‘processes’ are as important as the ‘products’ it delivers; as such, assessments of the efficacy of these processes are of importance not only to Indonesia, but to other countries in the midst of negotiating contentious transitions, and, more broadly, to all scholars and practitioners concerned with responding more constructively to imperatives to enhance “good governance” and build “effective institutions”.<sup>6</sup>

The paper proceeds as follows. Section two outlines some of the theoretical contours of the development-conflict nexus, and examines why conflict is so often misunderstood by the international community. Section three builds on this analysis to propose some specific hypotheses regarding the conditions under which development projects might be part of the problem of inflaming local conflict or, potentially, part of a solution. Section four summarizes the methodology and range of data sources employed to examine the veracity of these hypotheses. The next two sections present the key results (section five on projects as ‘problem’; section six on projects as partial ‘solution’). Section seven explores the implications of these findings for development and conflict theory, research, and policy. Section eight concludes.

## 2. The Development-Conflict Nexus

Over the last decades, the international development community has shown a renewed interest in the issue of conflict, as an item of both empirical study and policy concern, i.e., as a ‘problem’ to be addressed and whose unhappy consequences must be reduced and redressed. Much of this stems from the recognition of a number of truths which had previously received scant attention

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<sup>6</sup> Our relationship with KDP and the World Bank warrants a brief note. None of the authors were involved in the design or implementation of KDP. At the time of the study, two were consultants hired by the World Bank to conduct this research and the third was a member of the Bank’s research department (whose mandate it is, in part, to help provide objective and comprehensive assessments of project and policy efficacy). Some skeptical readers may deem this distance insufficient, but we believe these fears to be unfounded, or at least contend that any such tendencies are vastly offset by the advantages gained from being in a position that enabled us to (a) secure direct access to key stakeholders, documents and participants, and (b) deploy resources at a scale that made a comprehensive evaluation of this nature possible. It is not clear to us that fully “outsourcing” project evaluations to consulting firms would yield “more objective” results. Moreover, third-party funding is, at present, far too small to enable other research institutions to conduct an evaluation of this nature at this scale, and even if it was we still remain to be convinced that the incentives and biases (in any direction) of external researchers are (or would be) qualitatively different to those of anyone else grappling with the World Bank. We were very conscious from the outset of the ambiguities any researcher undertaking this task would face, and actively sought to deploy the usual professional procedures and standards to ensure objectivity and validity. External researchers, for example, were consulted at all stages of the design, and (as indicated in the acknowledgements) the results have been presented in numerous venues (including those known ex ante to be deeply ambivalent of the Bank’s means and putative motives), all with the goal of seeking to ensure that the methodology and ensuing results were as robust as possible. See Rao and Ibanez (2005) for a related mixed-methods evaluation of a participatory World Bank project done by similarly-placed researchers.

but which early failures of the post-colonial and (more recently) the post-socialist development effort exposed all too clearly.<sup>7</sup>

First, in an increasing number of cases, early development ‘wins’ in terms of accelerated economic growth were undercut by outbreaks of social unrest. It became clear that destructive conflict could set back, by decades, hard-won social and economic development gains. In El Salvador, Sierra Leone and Kosovo, for example, outbreaks of civil war thwarted the best ideas of the development planners. It became increasingly clear that development investments which did not factor in the potential for conflict in the contexts in which they operated could be (and indeed were) wasted: what use was there in building a road, renovating a hospital or opening a school if the resulting infrastructure was burned down in a violent protest, if doctors would not work in the hospital because of security concerns, or if children were too frightened (or being lured) by local militia groups to pay much attention to their homework? This led to the rise of the field of ‘conflict studies’ within the development industry. In the applied academic field, large-N datasets were established which investigated the demographic and geographic (that is to say, easy to measure) characteristics that made countries more prone to violence<sup>8</sup>, giving rise to an early warning literature (and industry) that served to help donors identify when particular countries were at risk of conflict. Importantly, these datasets were largely, until recently, cross-national, investigating variation between states rather than areas within countries.

Second, the rise of the view of development as being the pursuit of increased ‘freedom’ (Sen 1999) provided a basis for mainstreaming consideration of security issues into development thinking. The physical, economic and psychological insecurity that accompanies outbreaks of violence—and that lingers long thereafter—negatively impacts on freedom, opportunity and choice, the basis of development itself. This helped give rise to the concept of ‘human security’ and, coupled with the rise of human rights approaches (Uvin 2004) and the clear persistence of intra-state wars in the aftermath of the Cold War, provided a broad basis for both scholars and practitioners to take a more pragmatic interest in conflict.

Third, it became increasingly clear that not only were development interventions at times ineffectual in the face of violent conflict, they were also, in other cases, an actual cause of conflict. One extreme example, carefully documented by Uvin (1998), was the development industry’s role in the lead-up to the tragic genocide in Rwanda in 1994. In the humanitarian field, a debate emerged over the political role of interventions and the inability of actors (such as the International Red Cross or Medicin San Frontier) to be neutral agents<sup>9</sup>. Recognizing the damaging impacts of conflict, aid agencies increasingly tried to design projects that were “conflict sensitive” and that would “do no harm” (Anderson 1999). Over time, as Uvin (2002)

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<sup>7</sup> The discussion of the literature here focuses on works that have had impact on development practice (e.g., within international development agencies) rather than on the full academic literature. While the latter is wide and diverse enough to have made significant theoretical advances, all too often this literature has had little impact on the design and implementation of approaches in the field.

<sup>8</sup> Some of the more prominent of these datasets include the Correlates of War studies (COW and COW2) at the University of Michigan and Pennsylvania State University (Singer 1990), the Conflict Data Project at the University of Uppsala (Wallensteen and Sollenburg 1998), the Major Episodes of Political Violence (MEPV) dataset at the University of Maryland (Gurr, Marshall and Khosla 2001), and the Minorities at Risk dataset, utilized by Toft (2005) amongst others. A good summary of these datasets is given at the web-site of the Stockholm International Peace Research Institute web-site: [www.sipri.org](http://www.sipri.org). Paul Collier and Anke Hoeffler’s work has also been highly influential (World Bank 2003).

<sup>9</sup> For useful discussions on this point, see Gourevitch (1999), Rieff (2003) and Ignatieff (2004).

usefully outlines, paradigms about the linkages between development and conflict changed, from early efforts to ensure development projects promoted peace to work on post-reconciliation, conflict prevention and the use of human security as an organizing concept for development programming.

These conceptual steps created space for the mainstreaming of conflict considerations into development policy and practice. At the national level, the efforts to establish early warning systems and the academic work on identifying variables correlated with conflict began to feed into the macro-policymaking of development agencies. Country assistance strategies, for example, could now focus on shaping the social and economic structures (such as poverty, inter- and intra- group inequality, unemployment, etc.) that seemed to underpin unrest. In recent years, there have been academic attempts to apply such strategies at the sub-national level, using multivariate analysis to explain differences in levels of conflict within countries (Barron, Kaiser and Pradhan 2004; Justino 2005). The identification of principles for how to make interventions more conflict sensitive also provided space for consideration at the project level of the links between specific projects and outbreaks of community unrest. Many development agencies now have advisors who review projects from a ‘conflict perspective’ in much the same way as evaluation of the impacts of projects on the environment and indigenous rights was mainstreamed into development practice in earlier decades.

All this is to be commended. However, the theoretical and empirical basis for integrating understanding of conflict into development practice is still weak, and, we argue, limits evaluation of the complexities of the development-conflict nexus. One reason is that conflict is primarily seen (in much, although certainly not all, of the literature, but overwhelmingly in development practice) as a problem that can be prevented or mitigated through either policies that change underlying structures—e.g., reducing poverty, changing the prevailing ethnic make-up of localities—or that can be contained within development projects, through attention to distributional issues and other aspects of ‘conflict sensitivity’ in project design and implementation. That violent conflict constitutes a barrier to development should be self-evident; however, such views inadequately recognize the *necessity* of non-violent social conflict in all countries, but especially developing countries, where poverty and lack of opportunity underscore the need for change and where, conversely, otherwise desirable periods of economic growth themselves can readily become, as discussed above, a potentially destabilizing force by realigning class structures and reshaping the bases of group identity (cf. Moore 1967; Bates 2000; Bayly 2003). Events currently unfolding in China, where widespread civic unrest is accompanying the more celebrated rates of high economic growth (Muldavin 2006), would seem to bear out the wisdom of this thesis.<sup>10</sup> These same processes can also play out at the local level. For example, improved employment opportunities for women (e.g., a salaried job in a textile factory) are likely to present major challenges to prevailing intra-household dynamics.

Another reason is that despite the theoretical and methodological diversity of work on conflict, only a small portion has significantly influenced development policy and practice. Methodologically, there has been an almost exclusive focus on large-scale conflicts

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<sup>10</sup> As de Tocqueville (1856) astutely noted long ago, “Nothing short of great political genius can save a sovereign who undertakes to relieve his subjects after a long period of oppression. The evils which were endured with patience so long as they were inevitable seem intolerable as soon as a hope can be entertained of escaping from them. The abuses which are removed seem to lay bare those which remain, and to render the sense of them more acute; the evil has decreased, it is true, but the perception of the evil is more keen...”

(‘revolutions’, ‘civil wars’) at the national level using large-scale cross-country datasets, at the expense of consideration of local conflicts.<sup>11</sup> A consequence has been the privileging of theories of conflict that focus on national-level phenomena<sup>12</sup> and of policy ‘solutions’ that (implicitly if not explicitly) privilege technocratic interventions (better constitutions, stronger laws, more police). Similarly, there has been a relative lack of comparative analysis of cases of failure (violent outbreaks) and success (i.e., where structural conditions would predict serious problems, but where violence did not eventuate and/or was addressed early on) (Ross 1993). While conflict management has become a sub-field of the development enterprise, recent advances in social and political theory on the relationship between conflict and development (e.g., Varshney 2002) are yet to fully inform the mainstream perspectives (on the means and ends of development) that drive contemporary development policy and practice. Even within the contemporary ‘mainstream’, practical theories and models for understanding when and how conflict can be productive (rather than destructive) are still to emerge.

We construe the development process, and its relationship with conflict, as inherently one of multiple, uneven, and contested transitions in social structures, rules systems, and power relations; as such, it is necessarily political and can (indeed, too often does) result in violent conflict. In this paper, we focus on the ‘micro-politics’ (King 2004) of these transitions at the local level, as they are experienced (welcomed, ignored, resisted) by poor villagers and the elites who preside over them through their engagement with development projects. Gaining an insight into such local dynamics can illuminate the two-way process of how states in transition shape local environments and how local peoples can constrain, interpret and realize these changes, in turn shaping the transition itself and the nature of the new and reformed state institutions and social structures which result. This, we argue, can, in turn, provide vital insights into how development actors can support the creation of legitimate and effective institutions to manage the intertwined processes of conflict and development.

### **3. Development Projects as Potentially Part of the Problem *and* Solution**

If our analysis above is correct, it is likely that specific development projects will have differential impacts on local conflict and the ability of communities (and the state) to manage it. On the one hand, projects—even (or especially) those that seek to ‘empower’ the poor and enhance the ‘participation’ of marginalized groups—might be expected to generate tensions, given that they provide new resources and decision-making mechanisms which can be used to either strengthen, modify or undermine existing local power relations. At the same time, projects may provide spaces and resources, and/or change underlying incentives, in ways that makes conflicts less likely to emerge or, when they do, less likely to escalate into broader unrest.

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<sup>11</sup> The legal anthropology literature, in particular, contains many insights on why local conflicts emerge and escalate in a range of developing world contexts (on Indonesia, for example, see Just 2001), but sadly has had little impact on those working on conflict and development issues in development agencies. Moore (2004) presents a particularly useful collection of pieces on how particular communities maintain order in the context of perennial conflicts surrounding property, common pool resources, leadership, and family dynamics. Interestingly, this literature is increasingly influential in the emerging field of access to justice (for example, Golub 2003, World Bank 2004) but conflict units within development institutions have largely remained focused on large-scale conflicts.

<sup>12</sup> This is beginning to change with the rise—at least in some quarters—of the consideration of social variables (such as proxies for ‘social capital’) and consideration of different forms of social structure, inter-group and state-society relations as being determining factors for development outcomes (see King 2004 for a review).

Conflicts—and the means to limit violent conflicts—that stem from development projects may, in turn, have effects on the likelihood of non-violent progressive transition taking place. The key question is therefore: under what conditions do development projects generate the former or latter set of outcomes?

The Kecamatan (Sub-District) Development Program (or KDP)—the focus of our assessment—aims to introduce transparent, accountable and participatory development planning at the village and sub-district level in Indonesia.<sup>13</sup> The program’s defining element entails the giving of block grants to committees at the sub-district (*kecamatan*) level, largely made up of non-governmental representatives from and elected by constituent villages. Groups of villagers brainstorm and then prioritize ideas for small things they would like to see funded in their village—e.g., the paving of a road, the building of a bridge over a stream, a community center, or a saving and loans fund. Supported by input from technical experts, such as engineers, they then submit proposals for funding to the sub-district committee. The committee evaluates proposals for technical and financial feasibility, poverty targeting, likely impact, and sustainability. At least one proposal from each village must be from a women’s group. All deliberative processes are conducted in public, and all outcomes are posted on community bulletin boards, with journalists and NGOs encouraged to report any abuses.

KDP thus introduces, or tries to introduce, rules-based, transparent and accountable competition into village life. In the process, it creates “winners” and “losers”—some proposals get funded, some do not—and thus the potential for conflict. However, it also creates new spaces for public deliberation, new avenues for the participation of marginalized groups, and new opportunities for the cultivation of civic skills: public participation in planning, debating difference, managing meetings, keeping records. Do these new spaces, avenues, and civic skills help villagers find constructive resolutions to project and/or non-project related disputes? Or does the program worsen tensions and make conflicts more likely? KDP also introduces rules relating to procurement and implementation, aimed at minimizing corruption, while building expectations among villagers for transparency and accountability (Woodhouse 2005, Guggenheim 2006). Does increased transparency make program-related conflict less likely, as corruption is harder to get away with? Or does bringing such program ‘malfunctions’ to the surface, and creating expectations for community oversight of other village development programs, trigger fresh conflict? In short, can projects like KDP be part of a solution to managing local conflict (i.e. channeling conflict in productive ways), or, like too many other development initiatives, is it part of the problem?

KDP may have direct or indirect impacts on local conflict and its management; these may be positive or negative. Direct impacts are observable along two dimensions. First, KDP introduces decision-making forums at the sub-village, village, and *kecamatan* levels. In these

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<sup>13</sup> Indonesia has a five-tiered system of governmental administration. Below the national level, there are around 40 provinces (the exact number changes from year to year, because of a process of provincial splitting that has been common since decentralization was introduced in Laws 22 and 25/1999, which were eventually implemented in 2001). Below this are over 400 *kabupaten* (districts) to which many powers have been devolved post-decentralization. On Java (one of our research areas), an average district has around one million residents. In eastern-Indonesia, districts are smaller: the districts in Nusa Tenggara Timur (our other research area) have, for example, between 200,000 and 650,000 people. Below this is the largely administrative *kecamatan* (sub-district), each of which has around 20-50 villages. On Java, these can have 50,000-75,000 people; off-Java, 10,000-15,000 is the norm. The bottom tier of government is the *desa* (village). While the names of bottom three levels differ for urban areas, the system of government is largely the same (Guggenheim 2006).

forums, villagers and village representatives meet to prioritize and then vote on which proposals should be funded. These forums can have either positive or negative impacts on local conflict and conflict management capacity. Prior research has found that, in some cases, KDP forums have been used to address conflicts that are not related to KDP (Government of Indonesia 2002). Given the extent to which the legitimacy and authority of traditional forums were eroded during the Soeharto period, we hypothesized at the outset that KDP forums may create a space wherein non-KDP related problems could be addressed and (hopefully) solved. Conversely, the introduction of such forums could trigger destructive conflict. The KDP model explicitly introduces competition, and thus contestation, over resources into the development planning process. Poor villagers have all given valuable time to preparing their proposals, but there is never enough money to fund all projects. This can lead to conflicts in the KDP forums, which, if not handled adequately, could potentially become violent.

Second, KDP introduces facilitators at the village and *kecamatan* (sub-district) level. These individuals are tasked with providing information on the process, helping villagers identify and prioritize their needs, and ensuring the project process (from the formation of proposals, to decisions on their funding and implementation) runs smoothly. They also play an important role in monitoring the program once implementation is underway. If these project facilitators are trusted and viewed as impartial, they may also play a role in mediating non-project-related conflicts. There is evidence—for example, from Lampung province in southern Sumatra—that KDP facilitators played an important role in helping to calm tensions between the migrant Javanese population and local Lampungese after a conflict involving the burning of Jepara village (Government of Indonesia 2002). Facilitators could potentially play such a positive role as trusted and respected ‘insiders’ or impartial ‘outsiders’.<sup>14</sup> These facilitators could also, however, play a negative role: where they fail to fulfill their role as program monitors, to resolve issues arising within their jurisdiction, to report or take action against corruption, or where they themselves steal money from the project, they may trigger new conflicts or allow existing ones to escalate.

Development projects both shape and are shaped by the contexts—the social, political and economic structures—in which they operate (Mosse 2005). The resources and rules that programs introduce, and the incentives these produce, help shape the structural and relational contexts in which conflict becomes more or less likely to arise and/or to escalate. For its part, KDP can and does shape such ‘conflict environments’—i.e., the local societal structures that make conflict more or less likely.<sup>15</sup> First, the program can influence the relationships between different groups. In our villages, identity cleavages exist along a number of dimensions, with ethnicity, religion, class, and political affiliation being the most prominent (as well as other prescribed identities, particularly in areas where there is little variation in ascribed identity). Involvement at various stages of the program can improve the relationship of groups, both through the demystification of “the other” and through the promotion of forms of collective action that operate across groups. Conversely, the program can reduce social cohesiveness

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<sup>14</sup> Village facilitators (FD) are selected by vote within the villages they represent; almost all live within the villages they represent and thus inevitably play the role of insiders. In contrast, *kecamatan* facilitators (FK) are outsiders, in that they are appointed by the project bureaucracy, and almost always are placed in areas that they are not from.

<sup>15</sup> At present our model does not take into account forces exogenous to the areas in which we are assessing KDP. In future analysis, we will consider the limitations of KDP in being robust to outside shocks.

and/or trust between groups, particularly if the groups who make proposals tend to be formed by people with similar attributes (ethnicity and so on).

Second, the program can lead to behavioral changes and, in doing so, may reshape intra-group and state-community relations. An explicit aim of KDP is to build the participation of villagers in political and civic life, an important dimension of empowerment (Gibson and Woolcock 2005). Attendance and participation in KDP meetings may help shape norms in ways that encourage other forms of local level participation, for example in village government meetings. This can have a positive impact on building the democratic decision-making skills of villagers, and this may spill over into an improved ability to manage conflict.<sup>16</sup> On the other hand, the dimensions of social and political empowerment that these processes involve may be met with resistance from elites. In addition, raising people's aspirations and rights-consciousness (a key element of democratization), without making remedies available to right perceived wrongs, may make increased tensions more likely.<sup>17</sup> KDP can also change access to decision-making through legitimizing informal leaders and creating better interaction between them and the state. By allowing for the incorporation of local skills and expertise, this may help legitimize informal leaders and create more and better interaction between them and the state.<sup>18</sup> Conversely, in doing so, the program may undermine the authority of formal actors, hence weakening conflict management capacity.

Third, the program can lead to changes in norms. Violence is not only a symptom of conflict but can also be a response to it. Where norms exist that legitimize violence as a course of action and redress, conflict can easily escalate, thus fuelling cycles of violence and retribution.<sup>19</sup> KDP emphasizes a collective and inclusive process of decision-making and problem solving. Does the program help people to understand how to solve problems in non-destructive ways, helping to build an environment where collective and peaceful problem solving is the norm? Alternatively, the program could also result in negative changes in local norms. If the program repeatedly triggers conflicts, this may compound existing norms of punitive retribution (i.e., of resorting to violence to solve problems).<sup>20</sup> These different pathways of impact are shown in Figure 1.

The degree to which these effects occur is likely to be a function, in part, of the existing context in which the program is operating, and of the ways in which the program is functioning. The impacts of KDP (and of other development projects) on conflict, and the extent to which

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<sup>16</sup> This is the causal chain outlined in the UN Human Development Report (UNDP 2002) and is implicit in the work of Varshney (2002). We are testing this at the micro-level.

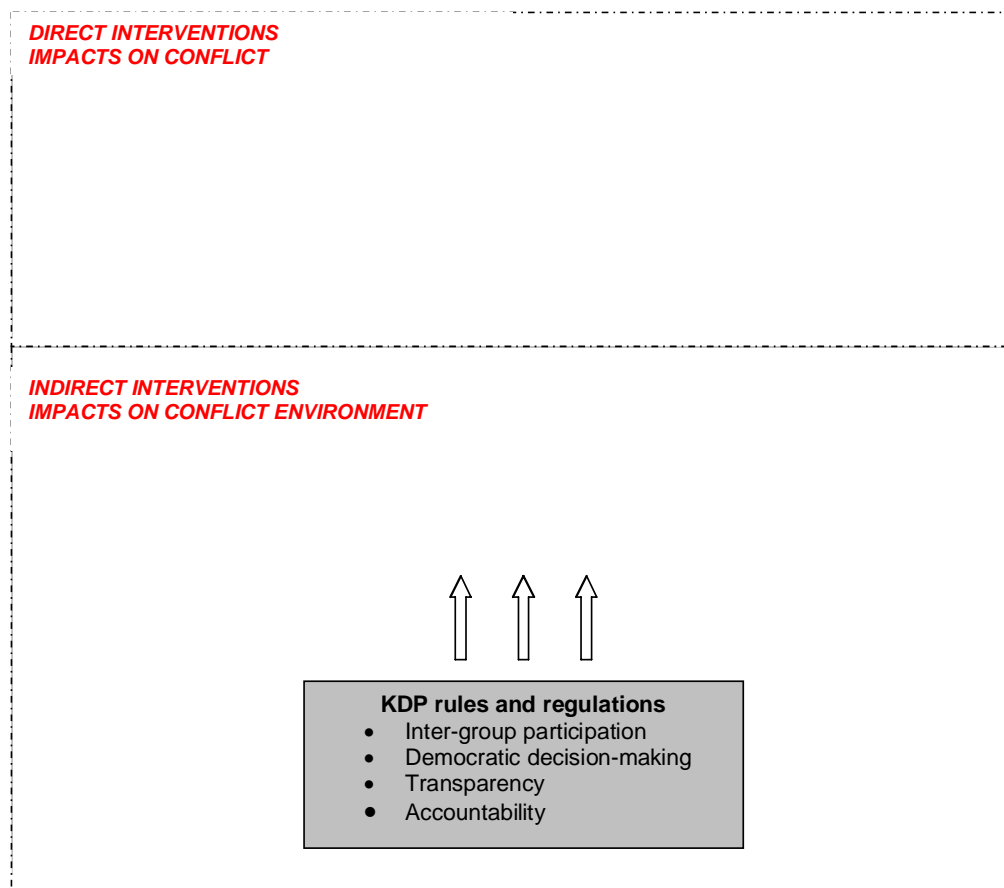
<sup>17</sup> Although such change may not be negative in the *long run*; see discussion below.

<sup>18</sup> As Scott (1998) and others have shown, local knowledge (*'metis'*) allows villagers to solve the problems which they face. The New Order state, in its attempts to standardize structures of local government, eroded the role of traditional and community leaders (*tokoh masyarakat*). KDP, in creating a formal role for such leaders, may allow for the incorporation of local knowledge into program and non-program problem-solving, as well as help create the synergy between civil society and the state necessary for effective development generally (Woolcock 1998) and conflict management in particular.

<sup>19</sup> Stewart (2005) with reference to other authors argues that violence begets violence, and that it is one of the most salient predictors of further violence and conflict escalation. This of course makes de-escalating conflicts more difficult.

<sup>20</sup> The research found numerous examples of areas where violence is the norm for solving certain kinds of problems. Research in other parts of Indonesia has demonstrated the pervasiveness and impacts of vigilante justice killings (see Colombjin 2002 and 2005; Abidin 2005; Welsh 2006).

these various processes take place, are likely to depend on context-specific factors.<sup>21</sup> These variable factors will be both endogenous and exogenous to the program. Endogenous factors will include the performance of program facilitators and staff, and elite involvement in the program.<sup>22</sup> Collectively, these factors determine the degree to which the program is functioning as intended (what we call ‘program functionality’). Exogenous factors will include those related to the general pre-existing ‘capacity’ in the area (e.g., the quality of local governance) as well as those that originate outside the local area (e.g., interventions from national politicians, population flows, etc.). We call such factors ‘context capacity’. Together, we posit that these contextual factors will help determine the extent to which KDP has positive and/or negative impacts on conflict and conflict management capacity.



**Figure 1: Direct and Indirect Impacts of Projects on Conflict and Conflict Environments**

Testing these various hypotheses, and seeking to disentangle the many (often competing) factors influencing the performance of a large participatory project like KDP, obviously presents numerous methodological and logistical challenges. In the next section, we outline the strategy

<sup>21</sup> This is particularly true for transaction-intensive programs such as KDP, where local actors have a certain degree of autonomy in decision-making (see Pritchett and Woolcock 2004, and Whiteside, Woolcock, and Briggs 2005).

<sup>22</sup> While we treat elite involvement as being endogenous to the program here, in reality it will in part be a function of exogenous factors (e.g., whether a community is accustomed to having high levels of elite involvement in decision-making) as well as the ability of the program to manage/change this.

we deployed for seeking to address these issues in a comprehensive and rigorous (given the nature of the problem and the context) manner.

#### **4. Overview of Research Contexts and Methodology**

Empirically assessing the inter-relationship between KDP and local conflict and conflict management was complicated by two factors: the complex dynamic environment in which the project operates (which is highly variable, given the geographic scale of the project) and the complexity of the project itself. This required the utilization of a methodological strategy that employs a number of different data sources and approaches. Starting with the view that rigor in social research can be properly understood as a function of the fit obtained between the nature of the problem and logistical constraints, on the one hand, and the comprehensiveness and quality of the evidence, on the other, we constructed a mixed methods research design; our approach is akin to that of lawyers who present various pieces of evidence—some ‘exhibits’ are very compelling, others less so, still others merely suggestive or circumstantial—in the hope that, cumulatively, they add up to a persuasive account.

Further, assessing the efficacy of social development projects is difficult because a defining feature of many such projects is the non-standardized ways in which they seek to adapt to idiosyncratic local circumstances and, in the process, generate outcomes (such as enhanced ‘participation’ and ‘inclusion’) that do not have an established or clear metric. KDP, as we outlined in the last section, has numerous moving parts, each of which may interact with the local context in different ways in different places. As a result, we utilized a number of data collection and analysis methodologies, with a heavy emphasis on comparative case analysis and process tracing (George and Bennett 2005).

The empirical research underpinning this analysis was conducted in two very different Indonesian provinces: East Java and Nusa Tenggara Timur (NTT).<sup>23</sup> Both provinces are ‘medium-level’ conflict sites, with significant (but not widespread) local conflict. They vary in terms of population size and density, ethnic homogeneity, dominant religious group, proximity to national political institutions, and level of economic development. The rationale for selecting such diverse provinces was that if we found similar patterns in very different contexts, it would be more likely that these findings held true across other locations (Przeworski and Teune 1970). Within each province we chose two districts: one with a ‘high capacity’ to manage conflict; the other with ‘lower capacity’. A detailed site matching strategy was used at multiple levels to maximize variation between areas (in terms of cultural and institutional factors, including local ‘capacity’ to manage conflict) and to allow for comparisons within areas. Within each district we chose three ‘project’ sub-districts which had received KDP, and one matched ‘comparison’ sub-district that had not (thereby establishing a plausible counterfactual). ‘Project’ and ‘comparison’ locations were matched using propensity score techniques and qualitative verification<sup>24</sup>; additional treatment locations were chosen to maximize variation within the

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<sup>23</sup> Full methodological details are provided in Barron, Diprose and Woolcock (2006).

<sup>24</sup> Propensity score matching (PSM) techniques use ‘observed’ variables to help identify, ex post, statistically comparable ‘treatment’ and ‘comparison’ groups (see Rosenbaum and Rubin 1983). The obvious identification problem stemming from such approaches is that it cannot control for the influence of ‘unobserved’ factors (political

sample. Villages were selected on the basis of the location of “interesting” conflict cases identified in the qualitative research, using detailed criteria aimed at making it easier to control for non-program effects.<sup>25</sup>

Within each of these settings, a team of twelve researchers and three supervisors conducted nine months of qualitative fieldwork in 41 villages. They developed 68 case studies of conflict pathways, which explored the evolution of specific conflicts, some of which became violent, others not.<sup>26</sup> The cases covered a wide range of disputes, including land and natural resource conflicts (which range from large ethnic conflicts to private conflicts over inheritance), cases of vigilante justice (against thieves, witchdoctors, etc.), gang fights, political disputes (e.g., over local elections and administrative boundaries), conflict over access to and the management of development resources, and domestic and sexual violence. The researchers also collected rich ethnographic material on topics ranging from how local governments function, to local socio-economic conditions, to the role of traditional and religious leaders, to allow for cross-village comparison. In all, over 800 interviews and 100 focus group discussions were conducted.

A number of quantitative surveys and data sources were also used. A key informant survey was conducted in the research villages to gather comparable responses to perception questions relating to KDP, its effect on conflict, and processes of social change in both ‘project’ and ‘comparison’ sites. A dataset of conflicts as reported in newspapers was created to assess patterns and forms of conflict, and variations between areas, a method similar to that applied by Varshney (2002) in his work on India, but using newspapers at a lower level of geographic specification, with the result that we found impacts from conflict six times that of best previous estimates.<sup>27</sup> Two other ‘larger-N’ surveys were analyzed: the Government’s *Potensi Desa* (PODES) survey, which provides information on conflict for all 69,000+ villages in Indonesia; and the World Bank’s Governance and Decentralization Survey (GDS).<sup>28</sup>

## 5. When Are Projects Part of the Problem?

A central thesis of this study is that development (and development projects) and conflict inevitably go hand in hand. KDP may have negative impacts on local conflict and conflict management capacity, in ways that are direct and/or indirect; the introduction of new resources into poor areas, for example, can and has led to heightened inter-group tensions. Programs like KDP, which aim to empower marginalized groups, also introduce new rules and norms about decision-making procedures, and, in so doing, impact on local power balances and social structures. Resistance from elites to such changes is another basis for conflict and a common

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connections, motivation of leaders, etc) in shaping project selection, a weakness we sought to correct by tapping into the local knowledge of our research team: we thus used PSM to identify three “statistically comparable” program and comparison sub-districts (*kecamatan*) and then deferred to the insights of our local research team to narrow this down to a more specific and context-specific ‘match’. The variables used in the PSM process measured: population, access to markets, presence of department stores, health and education resources, income, and perceptions of poverty level.

<sup>25</sup> See Barron, Diprose, Madden, Smith and Woolcock (2004).

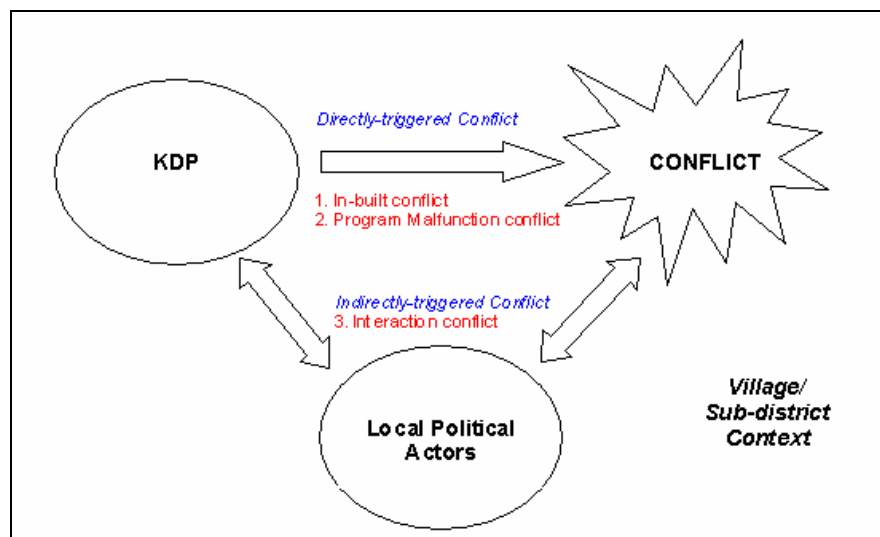
<sup>26</sup> The cases will soon be available on the project web-site: [www.conflictanddevelopment.org](http://www.conflictanddevelopment.org)

<sup>27</sup> The results are published in Barron and Sharpe (2005); Varshney, Panggabean and Tadjoeuddin (2004) previously used newspaper mapping to map patterns of collective violence in Indonesia.

<sup>28</sup> We do not draw on these latter two sources in this paper. Future work (including Barron, Diprose and Woolcock 2006) will make use of these data.

form of conflict surrounding KDP in areas where local leaders have traditionally controlled the distribution of development resources. In such areas, power struggles between traditional patrons as well as with beneficiaries are not uncommon as KDP helps shift the realm of decision-making from village elites to villagers themselves. Transparent processes often manifest conflicts as citizens become aware of interference in decision-making processes by the elites. Our evidence suggests that KDP and other development projects frequently trigger conflict, or interact with existing disputes, in turn leading to conflict escalation. Importantly, however, we find that KDP-related conflicts are far less likely to escalate and/or turn violent than those relating to other programs, largely because of the presence of people, spaces and mechanisms to deal with conflicts as they arise, and because of the inclusion of a wide range of participants in program discussions. The research found three forms of disputes related to development projects, as presented in the Figure 2 below.

**Figure 2: Forms of KDP-Related Conflict**



First, KDP and some other projects introduce competition within and between villages over which proposals should be funded; this can and does lead to tensions, in particular when groups are disappointed that they did not get a ‘bite of the funding pie’ or when they feel that the decision-making process was not transparent or fair. We describe this form of conflict as in-built, where the very nature of the program triggers small disputes over the allocation of resources through the competitive process. However, the research also found that, over time, groups tend to accept the validity of KDP’s competitive processes and, as a result, the outcomes it generates. Only where the program does not function as intended (e.g., where one group has captured the process) do larger problems emerge. The following statements provide a snapshot of some of the views of program beneficiaries towards competition in a range of villages in the research sites.

*“When you compare them, I think that KDP is better than P3DT [a different government-funded development project]. The competitive system can reduce the possibility of ngamlopi [providing money in envelopes] to officials who carry our monitoring visits to the field ... P3DT always used to provide envelopes to officials who came to the site, but there is none in this KDP, the community understands the process.”*

Sub-district Head, Slahung, Ponorogo

*"It is normal for people, who feel disappointed because they didn't get a loan to make threats, ordering the people who did receive loans to pay their money back immediately. They will say: 'seize their processions'. If they don't repay their loans we surely won't get any more loans. Someone even suggested that they be sent to the police or to jail."*

Respected Community Figure, Nebe, Talibura, Sikka

The second form of conflict stems from 'program malfunctions'. Malfunctions can stem from problems of omission, commission or rational resistance on the parts of villagers or elites. Problems of omission are a result of poor public information ('socialization') and training for program staff, or program implementation; problems of commission stem from deliberate and active malfeasance from program staff or local elites (e.g., in cases of corruption); 'rational resistance' is a product of the incentives (or lack thereof) faced by individuals and/or groups to actually follow project procedures (in letter and/or spirit), procedures which may not comport with local norms or (if they are elites feeling threatened) their interests.

Take, for example, a case from Madura, an island off the coast of East Java. The KDP village facilitator thought he had been fired by the Village Head. However, his term had actually come to an end in the KDP cycle, but lack of information and training on program rules meant that this was not clear for the facilitator. Consequently, the KDP village facilitator shifted his allegiance to the Village Head's opponent, which played out in later conflicts in the village resulting in property destruction, injury, and wasted development resources.

*"I was only Village Facilitator for five months... I was terminated by the Village Head without clear reason. Without saying thank you... I was pushed aside because the Village Head was afraid I would 'straighten out the road' [criticizing the Village Head's flaws]. I was considered to know a lot about the matter of the assistance, so I had to be pushed aside. Perhaps the Village Head was worried that later I would make trouble over the way the project money was used."*

Former Village Facilitator (FD), Panagguan, Proppo, Pamekasan

In the example above, there was no deviation in program rules, but poor socialization led to confusion, misperceptions, and misinformation that later fueled other village conflicts. A second case from Flores in NTT concerns a dispute over a 2.5km stretch of the Bea Mese–Lando road. Tensions erupted when the proposal from Lando village for KDP to re-surface the road was accepted. The road re-surfacing began as planned, with the first 150m of road completed. However, 500m of the remaining road to be re-surfaced lay within Bea Mese village's administrative jurisdiction. The community there, spurred on by their leaders, started to sabotage the stretch already completed, pushing the stones to the side of the road. They complained that they should be involved in the laying of the stones on the road in their region.<sup>29</sup> Meanwhile, the villagers from Lando village did not agree because they had already followed the correct proposal submission procedures, including the procedures at the meetings at the sub-district level. Why had the villagers from Bea Mese not objected to the project at the inter-village meeting?

Again, the primary reason for the problem was poor socialization of program rules, this time at the sub-district level. With tensions mounting, conflict was only avoided after the intervention of the Sub-district Head, the KDP Financial Management Unit Head, and the police. The Sub-District Head invited the village heads and other village officials, respected community figures, and the KDP staff from the two villages to a meeting to discuss the problem. After discussion, they agreed that the Bea Mese community would be given Rp. 12 million to resurface

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<sup>29</sup> Female Teacher, Lando, Cibal, Manggarai.

the 500m stretch of road located within the administrative boundaries of Desa Bea Mese.<sup>30</sup> It is imperative to note here that successfully resolving the problem then required the combined effort of both state and non-state actors.

While the above issues were of primary importance to the villagers involved, what is more concerning is problems of commission, with cases of corruption providing a basis for larger community unrest. The field research found many cases where program malfunction occurs as a result of intentional deviations from program procedures. In both provinces, numerous cases of corruption of KDP funds led to tensions that were significantly larger than those relating to competition within the program itself, often with corruption working hand in hand with the elite capture of program, particularly in Manggarai and Pamekasan, our two 'low capacity' districts.<sup>31</sup>

For example, in Lambaleda sub-district, Manggarai, KDP was suspended after large-scale corruption by the sub-district facilitator (FK). It was discovered that 10% of the budget (Rp. 59,897,200) had not been distributed. The FK claimed he would distribute the funds at a later date, but this never eventuated and the funds were never seen again. In total, he is believed to have corrupted approximately Rp. 80 million (US\$8000) in KDP funds, nearly ten years earnings of the minimum wage in that region. However, while he and the program have been suspended, he has not yet been punished in the courts and the funds had not been returned at the time the research was conducted.<sup>32</sup> Program functionality, or its opposite, not only contributes to local conflicts, but also is an important local context variable that can constrain both development processes and outcomes, as well as the likelihood of spillovers into broader conflict management capacity in the community.

A third form, interaction conflict, occurs when development projects (KDP or others) interact with pre-existing local tensions, power structures or disputes, triggering conflict escalation and, in some cases, violence. Projects operate in contexts in which power relations are constantly being negotiated; as such, development projects constitute a prize resource that can be utilized in these struggles. In certain cases, interaction conflicts involve actors using the project for patronage purposes, raising tensions between competing local elites. In others, elites attempt to capture the project for self-enrichment. Other cases concern the resistance of elites to the norms of widespread access to decision-making, transparency, and accountability that KDP brings. Where resistance is greater, there is more potential for conflict.

Interaction conflicts can be generated in a number of ways. The money associated with projects, which is often vast compared to existing village budgets, can be tapped personally or

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<sup>30</sup> Villager, Lando, Cibal, Manggarai ; Village Head, Lando, Cibal, Manggarai; Village Head, Lando, Cibal, Manggarai.

<sup>31</sup> Indeed, corruption is a common problem within KDP, as it is with other development programs. A study of corruption in KDP road projects, which looked at the effect of various "interventions" such as increased probability of auditing, found that in control locations—that is, locations without any extra audits—29% of funds were unaccounted for, some of which was attributable to corruption (Olken 2005). These figures are high, although it should be noted that this was 29% of micro-project funds, rather than of the project's budget. However, it should be noted this total is still probably lower than for other projects without participatory mechanisms (Guggenheim 2006). For example, Mallaby (2004) notes that a similar level (approximately 30%) of World Bank loans in Indonesia, most of which were of a top-down nature, were alleged to be corrupted in the years leading up to the financial crisis. Indeed, the fact that corruption rises to the surface in KDP can be seen as a positive sign; it means that redress can be pursued and this may have deterrent effects for the future.

<sup>32</sup> Chair of Village Community Development Board (LKMD), Golo Mangung, Lambaleda, Manggarai.

for the benefit of a person's family or kinship group. It can also provide a basis for the strengthening or extension of systems of patronage, with development resources being used by elites to buy the support of particular individuals or groups in order to build their (the elites') own power. Positions, such as those of village program facilitator or on the implementation team, can also be the subject of political competition. In such cases, KDP becomes a resource, material and/or symbolic, that is fought over. However, KDP is not the primary cause of the conflicts; rather, the program is a trigger that contributes to the escalation of tensions. A number of different forms of interaction conflict can be identified in our data: elite political power battles (e.g., through village head elections); control over development resources; resistance from elites to democratization.

In almost every village in our sample, there were cases where development projects had become ensnared in local power battles between different elites within the village. In one sub-district in Pamekasan, Rp. 1 million (around US\$ 100) was taken from the budget for all the villages that were successful in obtaining KDP funding. The money was put towards the campaign budget of one of the dominant political parties for the 2004 legislative elections. A case concerning conflict over the development of water resources in East Java intersecting with the local village head elections provides another prime example. In a village in Pamekasan, a KDP proposal to provide water facilities in one village was used as a political tool. The Village Head dominated the KDP proposal process to ensure that one of the hamlets where he was seeking support in the elections (but which at the time supported his opponent) gained access to a water pipeline and hence gave him their patronage.

*"At the time, much of the hamlet community did not support the Village Head ... leading up to the Village Head election, the Village Head turned the water in the hamlet back on [through a KDP funded project] by connecting PVC pipes there to channel water. In this way, the Village Head obtained the support of the people of the hamlet in the Village Head election."*

Villager, Proppo sub-district, Pamekasan

*"I prioritized the clean water project in that hamlet so that their support would come to me [meaning that the citizens of that hamlet would support him in the election]. I had already calculated it many days beforehand. Many villagers of the hamlet tended to support my opponent."*

Village Head, Proppo sub-district, Pamekasan

This led to a heated conflict between election candidates, and the eventual damage of the water-pump storage facility. Implementation of the project was delayed by the Village Head until after the election to ensure the hamlet in question voted for him. Such elite capture resulted in a swing in the vote in the target hamlet in his favor, as well as the creation of a new policy by the Village Head that the beneficiaries had to pay for access to the water, which should have been freely provided as a part of the KDP proposal. The village ultimately suffered sanctions from the program for delayed implementation, and was not able to compete for funds the following year.

Interaction conflict also relates to resistance by elites to the normative frameworks provided by projects such as KDP. KDP is a democratization project; it aims to promote transparency and widespread participation in decision-making. Unsurprisingly, this is often met with resistance by incumbent elites who want to maintain the power balance in their favor. Many Indonesian villages are still quasi-feudal 'mini kingdoms'. In such instances, Village Heads and traditional leaders see themselves as playing the role of benign dictators, where they

look after the welfare of the people and ensure their security. The post-1998 democratization, and the administrative decentralization that followed, created an environment of flux. In many parts of rural Indonesia, this has led to tensions between the way things were done in the past—where local village and sub-district elites held the purse strings and were not held accountable by villagers—and new normative systems which emphasize widespread autonomy over decision-making, and checks and balances on forms of political power. Local culture and custom, and appeals to custom and tradition (*adat*), have been utilized by elites seeking to cling to power.<sup>33</sup> The clash between two normative worlds, and the resistance of elites to change, can and does lead to tensions.

Elites have the autonomy to capture the KDP process in the way they do other projects; whether they do or not is a partial measure of KDP's efficacy in providing constraints on elite power. If elite roles are significantly different between KDP and non-KDP projects, we can assume that KDP is creating incentives for *compliance* with more participatory and open decision-making processes. In contrast, if the difference in elite involvement is minimal (and especially if elite involvement in KDP and non-KDP projects is high) we can assume that there is *resistance* at play; i.e., that elites develop strategies to maintain disproportionate involvement in development decision-making and resource distribution. Is conflict then, more likely to result from compliance (where elite roles change significantly, and hence decision-making presumably becomes more uncertain) or from resistance (where elites try to maintain their disproportionate role)?

Table 1 below shows how changes in elite involvement correlate with the reported extent to which KDP forums triggered conflict. The results show a clear trend for East Java, with sub-districts with little change in elite involvement considerably more likely to report conflict. This suggests that where resistance to a changed role exists among elites, conflict is more likely. The evidence from NTT is less clear.

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<sup>33</sup> On a cross-national analysis of the use of culture symbolism as a mechanism for the maintenance of power, see Wolf (1999).

<b>Table 1: Change in Elite Involvement and Level of KDP-triggered Problems/Conflicts</b>		
<b>Province</b>	<b>Change in Elite Involvement</b>	<b>Conflict triggered</b>
East Java	High	10.5%
	Medium	39.9%
	Low	70.5%
NTT	High	21.4%
	Medium	15.3%
	Low	22.3%

Source: Key Informant Survey (treatment sites only)

Both program malfunction and interaction conflicts were also evident in other development projects in our research sites. (In-built conflicts were somewhat rarer, given the lack of explicit competition in the design of most other programs). The follow example highlights a drawn out conflict over several years which took place in one village which escalated to include actors at the district level and outside the village. It has never been fully resolved. The following is an excerpt from the case study.

In Banyupelle Village, blood, faeces, and refuse from the slaughter of animals at the centrally located abattoir festered and rotted, draining into the river nearby. The river was used by the local people to bathe, wash, and for *air wudhu* (ritual ablutions water) for *sholat* (ritual prayers). The community's long-standing frustration with the impact of the slaughtering activities eventually intensified when a comment was made by one of the *Kyai* (muslim clerics) in his sermons that the river water was *najis* (unclean) so that it could not be used to purify oneself for daily prayers. The district government made few attempts to resolve the problem and ignored the complaints of the villagers. In 1998, a mob of about 500 people destroyed the abattoir, leaving only about ten percent of the abattoir floor remaining.

This incident triggered a series of elite level disputes. Lacking an alternative site, the slaughterers continued killing their cattle in the ruins of the roofless abattoir, as much for practical reasons as to make a political statement. The Village Head, renowned for his links to criminal groups, politically opposed the head of the League of Slaughterers group. While discussions about building a new abattoir began, no-one could agree on a location. The Village Head made a non-consultative executive decision on the new site, not far from his home, but a long way from the public services required by the slaughterers. Land was purchased at a low price by the Village Head and sold back to the district government for a profit. Construction of the new abattoir began, corners were cut, and rumors circulated about corruption of funds. Uncertainty over the construction process annoyed the slaughterers who felt excluded from the decision-making process. In the year 2000, the community again expressed their discontent through the destruction of the remaining floor of the old abattoir. The head of the slaughterers eventually built an abattoir on his own property. While the community was finally satisfied, the new public abattoir went unoccupied and elite tensions increased. Meetings were held to try and resolve the problem, but the elites have continued with their own agendas and the problem remains unresolved to date. Noone uses the public abattoir and public funds have been wasted.

The excerpt above demonstrates the intersection between elite interests, conflict, and development programs, and the problems that can result from elites power-seeking through development processes. This is a common story of the interaction between development programs (both KDP and non-KDP) and conflict, particularly in periods of democratization as villagers become more vocal, make more demands, and learn from introduced projects which promote transparency.

However, the key finding from this research was that while there were a variety of development programs in the research areas and resulting conflicts, KDP conflicts did not

escalate. Despite the numerous ways in which projects can trigger conflict, we found that KDP-related conflicts almost never become violent. There was only one minor violent dispute relating to KDP between 2001 and 2003 in the research areas<sup>34</sup>; in contrast, there were 36 violent disputes related to other government development programs and provision of government services (Table 2). We argue that the difference is largely because (a) KDP projects, by virtue of emerging from a process whereby communities define their needs, are less likely to clash with local priorities, and hence conflicts are less likely to emerge; and (b) KDP has a battery of in-built mechanisms (people and procedures) that allow tensions to be addressed as they arise. Resolution success rates of KDP-related problems are also very high. This is in marked contrast to many other development projects, which do not have such mechanisms for channeling complaints and quickly addressing inevitable conflicts as they arise; as a result, conflicts relating to other governmental and non-governmental projects are far more likely to turn violent.

**Table 2: Development Conflicts and Their Impacts (2001-2003)**

Type of Program	# Conflicts	# Violent Conflicts	% Violent	# Killed	# Injured	# Properties Damaged
<b>KDP</b>	<b>42</b>	<b>1</b>	<b>2%</b>	<b>0</b>	<b>2</b>	<b>0</b>
East Java	10	0	0%	0	0	0
NTT	32	1	3%	0	2	0
<b>Other Government</b>	<b>713</b>	<b>36</b>	<b>5%</b>	<b>4</b>	<b>38</b>	<b>11</b>
East Java	619	20	3%	2	23	6
NTT	94	16	17%	2	15	5
<b>Other Program</b>	<b>19</b>	<b>1</b>	<b>5%</b>	<b>0</b>	<b>1</b>	<b>0</b>
East Java	17	0	0%	0	0	0
NTT	2	1	50%	0	1	0
<b>Total</b>	<b>776</b>	<b>38</b>	<b>5%</b>	<b>4</b>	<b>41</b>	<b>11</b>

Source: KDP & CCN dataset<sup>35</sup>

Indeed, KDP in-built forums and facilitators are commonly used for dealing with KDP-related conflicts/problems: 92% of survey respondents in East Java reported the use of KDP forums for addressing KDP-related problems; 96% did so in NTT.<sup>36</sup> Forums at the sub-district level were more likely to be used for solving KDP conflicts than those at the village level (95% compared to 85%), reflecting the fact that more conflicts emerge at this level.<sup>37</sup> Further, respondents reported very high success rates for the forums at solving KDP-related conflicts: 84.1% of informants in East Java reported that KDP conflicts were successfully solved in KDP

<sup>34</sup> The one case that did occur was relatively minor. It involved a KDP facilitator being beaten up for reporting a case of corruption to the police.

<sup>35</sup> The numbers include all conflicts reported in local newspapers in fourteen districts: the four qualitative research districts, plus surrounding ones. See Barron and Sharpe (2005) for more analysis.

<sup>36</sup> Sample sizes: East Java (n = 119; NTT (n = 130).

<sup>37</sup> In East Java, 91.9% reported use at the village level, and 95% use at the sub-district level (sample sizes: 99 and 20). In NTT, 96.4% reported use at the village level, and 94.8% at the sub-district level (sample sizes: 111 and 19).

forums; 72.1% reported the same in NTT.<sup>38</sup> Facilitators were also cited by more than 50% of respondents in both sites as being a source of problem-solving.

In-built tensions—that is, forms of competition or contention that are part of the KDP design—were more likely to be addressed in KDP forums than were any malfunctions associated with KDP. This was particularly true in East Java, where only 21% and 11% of informants reported that forums were used to deal with problems relating to KDP staff and corruption, respectively.<sup>39</sup> There are a number of reasons for this. First, competition-related tensions are much easier to deal with than those relating to corruption or other malfunctions. There are few avenues of recourse within forums when malfunctions occur, aside from the sanctions that can be enacted at the end of the project cycle. Second, forums are held relatively infrequently following the allocation of funding. Other processes and facilitators need to be accessed for these kinds of problems arising from implementation. Follow-up from leaders and other institutions outside of the KDP process, in collaboration with KDP facilitators, were also instrumental in resolving some of the larger disputes.

The research found that many conflicts triggered by development programs are the result of program malfunctions and frustrations with processes, with no or weak avenues for recourse. KDP has internal mechanisms to deal with these early on, making the escalation of the problems less likely. Other development processes don't give heed to the importance of incorporating complaints mechanisms into program design. The lack of such planning for the grievances that will arise, no matter how well the program operates, can lead to the programs having destructive consequences. For example, if we examine further the case of the burning of the abattoir above, there were no avenues of recourse for frustrated villagers, and when they did try to complain early on to district officials in the Office of Animal Husbandry, there was no response to allow the relocation of the abattoir. The villagers also complained several times to the Village Head who argued it was outside of his authority. Eventually, the abattoir was burned down by aggrieved villagers.

In summary, development programs can cause conflict, especially when they entail an element of competition, and even when they 'succeed'. What is more problematic is when adequate information is not given on programs, when they are poorly implemented, or worse, when there is deliberate malfeasance. Analysis of the qualitative case studies in the research revealed that there is an intrinsic and complex relationship between the effectiveness of continued and ongoing information dissemination and the likelihood of conflict. In general, the relationship is positive: increased knowledge of the rules, processes and aims of a program tends to limit the number of program malfunction conflicts—the most destructive form of development-triggered conflict. Effective 'socialization' ensures that program participants and beneficiaries understand the intentions of the program and how the program will be conducted and implemented. Where the aims and/or decision-making mechanisms for development projects are not clear, individuals or groups will not see the project processes or outcomes as being "fair". Rumors, misinformation, political maneuvering, and exclusion of groups with

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<sup>38</sup> Sample sizes: East Java (n = 119); NTT (n = 129).

<sup>39</sup> Across the two provinces, 88% of survey respondents reported that KDP forums dealt with problems over understanding the project, 87% with issues on which project proposals should be discussed at the sub-district level, 72% with problems relating decisions made at the sub-district forums, and 69% with problems related to procurement or implementation. In contrast, 39% said that forums had dealt with problems relating to KDP staff or facilitators, and 33% with issues related to corruption.

mandated rights are all, in themselves, triggers and sources of conflict. Indeed, this is a particularly important finding for participatory programs, where the number of people involved in decision-making and implementation is much higher than in more centralized or pre-determined projects.

Effective dissemination of public information on programs not only allows for good program implementation, it can improve accountability and transparency, allow for ongoing bottom-up monitoring which can prevent program malfunctions from occurring, and grievances from building. If processes to ensure two-way information flows are in place, when deviations do occur, official monitors and program beneficiaries are aware of the channels for recourse and upholding accountability and transparency. Socialization, together with feedback and complaints mechanisms, facilitators and forums, widespread participation, and seeking assistance from external actors and institutions were found to be central to minimizing development programs as a part of the problem.

## **6. Can Projects be Part of a Solution?**

If development projects are sometimes ‘the problem’ with respect to initiating or inflaming pre-existing local conflict, can they also be part of a ‘solution’? In the previous section we examined the ways in which KDP and other programs stimulate conflict and how KDP effectively addresses the conflicts which are directly related to the program. In this section we extend the analysis to focus on the impact of KDP on those local conflicts that are exogenous to the project (e.g., conflicts over land, administrative borders, etc). KDP introduces facilitators and program staff, as well as a number of new decision-making and discussion forums; are these people and spaces used for managing local conflict outside the KDP process? If so, under what conditions?

### ***Direct Impacts***

Conflict is common in our research areas. We recorded 1840 discrete conflict incidents over the three-year period in the twelve districts, 591 of which were violent.<sup>40</sup> Conflict in our research areas resulted in 275 deaths in the 2001-2003 period, 158 of which were in East Java, 177 in NTT. The death total was highest in 2001 (120 deaths), after which death totals declined (91 deaths in 2002; 64 in 2003), mirroring broader trends across Indonesia (Varshney, Panggabean and Tadjoeidin 2004). Death totals ranged from four deaths in Ponorogo district (East Java) to 52 deaths in Manggarai (NTT).<sup>41</sup> While violence is relatively common, and its cumulative impacts significant, with a few exceptions most of the violent conflicts remained relatively small-scale; 47% of conflict-related deaths in East Java and 38% in NTT were the result of conflicts between individuals.<sup>42</sup> How does KDP impact in general on the likelihood of violence and in the regions where it operates?

Figure 3 shows comparative levels of violent conflict in KDP and non-KDP areas for East Java and NTT. The ‘KDP’ bar shows the mean number of violent incidents that took place

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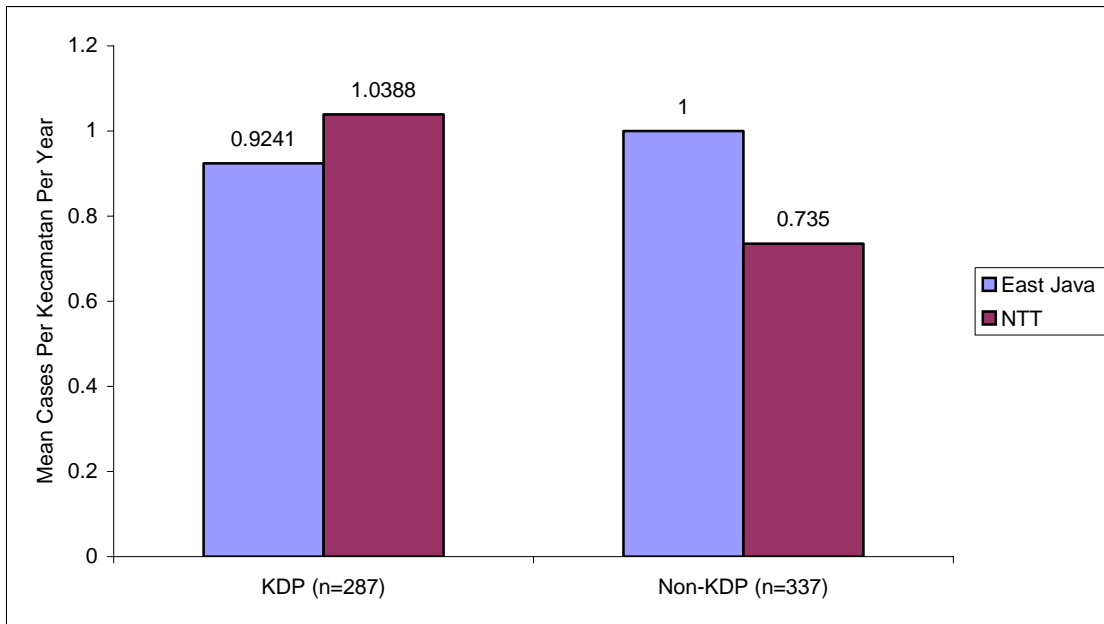
<sup>40</sup> It should be noted again that we used a wide definition of conflict that includes relatively minor disputes. We did so in order that we could compare conflicts over similar issues but with different outcomes.

<sup>41</sup> Other impacts of violent conflict, such as property damage and injuries, also varied considerably by district and did not always correlate with death levels. See Barron and Sharpe (2005).

<sup>42</sup> The big exception is communal land conflicts in Manggarai. These conflicts are between groups and have much larger impacts each time they occur, with the most serious case in our sample resulting in fifteen deaths.

in sub-districts in the years in which they had KDP; the ‘non-KDP’ bar shows the mean number of violent incidents in years in which the sub-districts did not have KDP.<sup>43</sup> The mean is of the average number of violent conflicts *in one year* in KDP and non-KDP areas. In East Java, marginally more violent conflict took place in non-KDP areas than in areas with the program (with a mean of 1 in the former and 0.92 violent conflicts in the latter). In NTT, areas with KDP reported higher levels of violent conflict (1.04 versus 0.74).<sup>44</sup> If we take all conflict, violent and non-violent, similar trends are observable.

**Figure 3: Mean # Violent Conflict Incidents per Year per Sub-District in East Java and NTT (2001-2003): KDP and non-KDP Areas**



Source: KDP & CCN dataset

While KDP forums, facilitators and complaints mechanisms are used frequently and effectively to deal with conflict related to the program, we find little evidence that KDP per se

<sup>43</sup> We matched the conflict data by year to whether a sub-district had had KDP in the previous year. We ‘lagged’ that data in order to ensure that the full KDP cycle had finished, a necessary step if we assume that KDP only has a significant impact over a full program cycle. To illustrate, take, for example, a sub-district that received KDP in cycle 2 (2000/2001) and cycle 3 (2003/2004), but not in cycle 1 (1999/2000). The conflicts recorded in Years 2 and 3 of our conflict data (2002 and 2003) would be included in the ‘KDP’ total. However, the conflicts in the first year (2001) were recorded in the ‘non-KDP’ total because the program had not yet operated in that sub-district at that time. Thus one particular sub-district will contribute towards both the KDP and non-KDP totals unless they received the program for at least three years. If a sub-district had KDP for three years, they would contribute three years of data to the KDP sum; if they had the program for two years, they would contribute two years of data to the KDP total, and one to the non-KDP total; and so on. However, once a sub-district had had KDP, all subsequent years were counted in the KDP total, as we assume that KDP programmatic effects will hold. If, for example, a sub-district had KDP in Year 1 and 2, but not in Year 3, we would still count all three years of conflict data in the KDP total. Doing the analysis this way allows us to factor in for conflicts that took place before the program arrived in an area. If we simply compared KDP and non-KDP areas, these conflicts would bias the comparison.

<sup>44</sup> The difference in East Java between KDP and non-KDP areas is not significant; in NTT it is significant at the 10% level.

had a positive impact on conflict at an aggregate level or a *direct* positive impact on non-project-related conflict at the local level. A number of explanations can be posited for this. First, the case studies demonstrated that there needs to be a confluence of a number of different phenomena for a dispute or social tension to escalate into violence.<sup>45</sup> The reason most of the results are not statistically significant is because of massive variation between districts in terms of the prevalence and impacts of conflict. Second, we would also expect a bias against finding lower levels of violent conflict in KDP areas, because KDP is targeted at poor areas. Previous research has shown links, albeit complex ones, between poverty and conflict incidence (Easterly and Levine 1997, Addison 1998, Rodrik 1999, Barron, Kaiser and Pradhan 2004). Given that KDP was not randomly assigned, and that we are not controlling for other structural factors, we would expect a bias against finding impact in the macro analysis.

The qualitative research also found that the direct impacts of KDP on conflict management are minimal in the first three years of the program. KDP forums and facilitators are rarely used for addressing conflicts unrelated to the program; where they are used, it tends to be in an ad hoc manner. In none of our research locations had KDP been institutionalized as a regular (and/or more general) conflict resolution device.

In East Java, 13% of village informants surveyed, and 20% in NTT, reported that KDP forums had been used in their area to solve conflicts not related to the program.<sup>46</sup> In both provinces, reported use for non-KDP problems was higher at the sub-district level, where 20% of informants reported using KDP in East Java, and 47.4% did so in NTT.<sup>47</sup> However, this is as much a function of the way in which the question was asked as an indication of higher use at the sub-district level. Reported rates are higher at the sub-district level because informants at this level would know about those times that KDP was used for such purposes across a wider range of villages (i.e., all or most in the sub-district) compared to village informants, who reported only on forum use in their own village. Where forums are used for dealing with non-KDP issues, evidence from the fieldwork shows that this is more likely to be at the village level.

The fact that KDP forums are not used regularly for dealing with conflicts unrelated to the program is confirmed by the qualitative research. In almost every village, respondents were clear when asked about the extent to which issues not related to KDP were discussed in KDP forums:

*"They only talk about KDP during the KDP meetings."*

Farmer, Magepanda, Nita, Sikka

*"The KDP forums aren't used to discuss other issues outside of KDP."*

Village Secretary, Tengku Leda, Lambaleda, Manggarai

Where KDP forums are used for addressing non-project conflicts, these most commonly relate to other development projects. Of those who said that forums had been used for this purpose, 58.3% in East Java and 36.4% in NTT said the problems had related to other development projects.<sup>48</sup> The fieldwork found that this was because there are often few other avenues where problems that emerge from government or donor/NGO development projects can

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<sup>45</sup> We outline a framework for understanding such escalation in Barron, Smith and Woolcock (2004).

<sup>46</sup> Sample sizes: East Java (n = 119); NTT (n = 130).

<sup>47</sup> Although sample sizes are small: East Java (n = 20); NTT (n = 19).

<sup>48</sup> Sample sizes: East Java (n = 24); NTT (n = 33).

be taken; most development projects do not have effective complaints mechanisms and processes, with KDP providing one of the few appropriate development-process mechanisms available for this kind of problem.

While KDP forums are rarely used for dealing with non-KDP problems, when they are used they are usually successful. In East Java, 62.5% of informants who said that the forums dealt with non-KDP problems said that when they were used they were successful; in NTT, 60.6% reported success.<sup>49</sup> It should be noted that this is a lower success rate than for KDP-related problems.<sup>50</sup>

The primary reason why KDP forums are not used for solving most kinds of conflict unrelated to KDP or development is simple: villagers have other institutions and actors that they deem more suitable for these purposes. In almost all villages, people know where they should take a given type of problem/conflict. Particular people are seen as having the legitimate jurisdiction for addressing different types of conflict. A second reason why KDP forums are rarely used for managing non-program conflicts is resistance from both facilitators and local leaders for them being used in this way. In a number of cases, when people would bring up problems in the program's forums that were not related to KDP, facilitators or local government would say that the forums were not the correct place to discuss them. In many instances, program facilitators were reluctant to sanction the use of KDP forums for non-project related conflict resolution. This stance, at times, has advantages: facilitators ensure that the project remains a neutral space for discussions on social and economic development issues. Yet it also limits the extent to which the mechanism can be used for dealing with more contentious issues.

As it stands, KDP is thus not an effective mechanism for working *directly* on *non-project* conflict. In some ways, this is a good thing—it allows KDP to remain a politically neutral space wherein communities can work out their needs and priorities. Yet, at the same time, there is scope for modifying the program to allow it to more effectively manage local conflict. On those (infrequent) occasions when non-project conflicts are addressed through the program, they tend to be resolved successfully. This shows that there is the potential for KDP to play a larger mediation role, in particular for development-related disputes. Improved training for facilitators (in particular at the village level), and increasing the discretion of facilitators implementing the program (in particular at the sub-district level), would improve this aspect of the program. At the same time, it may be necessary to have other complementary programs in place to directly address conflict.

### ***Indirect Impacts***

If the direct impacts of KDP on conflict management are small, our evidence suggests that the program has considerable (and positive) *indirect* impacts on the local institutional environment in which it operates. KDP might influence local conflicts indirectly through changing the underlying conflict dynamics, i.e., the structures and norms that make conflicts more or less likely to arise and/or escalate (see Figure 1 above). There are three mechanisms or causal processes through which this could happen. First, the introduction of collective decision-making processes, that include involvement from different groups, may change the nature and extent of

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<sup>49</sup> Sample sizes: East Java (n = 24); NTT (n = 33).

<sup>50</sup> 84.1% of informants in East Java, and 72.1% in NTT reported that *KDP-related* conflicts/problems dealt with in KDP forums were successfully resolved.

inter-group relations. Second, KDP encourages participation from marginalized groups and collective decision-making; this may lead to behavioral changes and, in so doing, may reshape the relationship between citizens and the state, and between ordinary villagers and elites. Third, KDP may change norms, attitudes, and expectations regarding how disputes should be resolved. We examine these three theses using survey and case data (in both ‘program’ and ‘comparison’ sites) in order to isolate program effects from those of broader processes of social change. We use the wealth of data to explore broader questions of the ways in which democratization and changes in social structure affect conflict and conflict management.

KDP is having a positive impact on all three dimensions, and this is helping make areas more robust to violent conflict. We found that across a range of different identity cleavages, KDP had helped contribute to improvements in inter-group relations. Ethnic, religious and class relations in NTT province have improved since KDP was introduced, and these changes are greater in ‘program’ (treatment) than ‘comparison’ (control) areas. It is important to underscore here that in the eyes of local peoples in NTT these are the three most important identity groupings. For example, in ‘control’ locations 14.9% reported an improvement in relations between religious groups compared to 39.1% in ‘treatment’ locations.<sup>51</sup> Further, improvements in group relations are growing larger over time. Villages that have had KDP for four years show, in general, greater improvements than those that have had the program for shorter periods. KDP provides a space for different groups to come together to collectively discuss their needs and priorities, an opportunity that is rarely afforded them elsewhere (especially at the inter-village level). There is often inter-group involvement in the physical implementation of projects, and KDP also facilitates group interaction by improving transportation networks.

*“Competition [in the KDP process] has positive effects ... the community in a sub-district can all come together and learn the method and process for obtaining assistance. So they get to know the community out there [meaning the communities in other villages].”*

Village Secretary, Panjeng, Jenangan, Ponorogo

KDP also appears to be effectively renegotiating the relationship between citizens and the state at the local level. The evidence shows that KDP is successfully helping to democratize village life. Marginalized groups (and, in particular, women) are far more likely to take part in KDP meetings than in other village government meetings, bearing in mind here that this half the proposals considered for funding must be women’s proposals. Moreover, increased participation in KDP appears to be spilling over into other domains of village public life. Fifty percent more villagers reported that more marginalized groups were coming to village meetings in KDP areas than in the ‘comparison’ sites. Three-quarters of all villagers in those villages that had received KDP for the longest time (four years) reported that more groups came to village meetings than in the past. Decision-making in village meetings has also become more democratic, and this effect is greater in KDP areas than in the ‘comparison’ sites. Respondents also reported improvements in the way communities were dealing with problems:

*“...The community’s democratic maturity following KDP is manifest in the forums found in BPD (village representative body) that follow the KDP pattern... They are more mature in dealing with differences of opinion between BPD members as well as with the Village Head in conflict resolution... Usually the problem relates to land boundaries, it often happens in Padellegan village. In order to solve the problem, the BPD and the Village Head sit together to mediate between the two disputing land owners. Then the two land owners are truly satisfied with all the resulting decisions.”*

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<sup>51</sup> Sample size: comparison (n = 47); program (n = 115).

*"Before it [KDP], I never knew that there were so many clever people in the village ... perhaps before KDP villagers' potential had never been utilized, so their capabilities had never been evident."*

Saving and Loans Group Head, Jenangan, Ponorogo

At present, KDP has been in place for too short a time to establish clear empirical links between its positive impacts on inter-group and state-society relations and the abilities of communities and the state to effectively manage conflict. Collectively, however, arguments from social theory, examples from other countries, and evidence from our research areas, all points towards these factors helping to improve local conflict management capacity. However, our research also shows that KDP alone does not create these profound changes. Rather, when it works well, and in environments favorable to change, KDP interacts with existing processes of social and political transformation, acting as a catalyst that legitimizes processes already underway. KDP's impact, more generally, is highly contingent on implementation effectiveness (i.e., the extent to which KDP functions as intended) and local context (in particular, the capacity of both the wider district and the more immediate social structures to govern everyday village life). KDP can minimally compensate for poor local governance, but is most effective when it complements broader reform initiatives in well-governed districts and villages. The findings suggest potentially fruitful approaches that seek to build state and institutional capacity and legitimacy through stimulating demand for improvements in local governance

### **Context**

As yet we have not examined how the various factors which lead to differential impacts of KDP on conflict management capacity interact with different levels of pre-existing conflict management capacity. These are important considerations for projects like KDP, which aim to do 'small development' on a large scale. The following discussion explores how different program contexts help, in part, to explain variation in KDP performance as well as its influence on local conflict and conflict management. It is important to understand strength and direction of each of the different forms of direct and indirect impact are contingent upon the extent to which the program functions well, and the capacity of the contexts (village and district) in which it works. Given that program functionality was discussed in previous sections, we will focus here on context.

The capacity present in the local environment—the skills, resources and commitment to reform of its public officials—is crucial for determining overall project impact on conflict dynamics. For example, in low capacity environments where KDP is poorly implemented (as a result of, say, the inadequate socialization of participants or weak enforcement of program rules), KDP can exacerbate local conflict by providing a new resource over which elites (and subordinate villagers) compete. Given that program functionality is more likely to be poor in low capacity areas, this finding suggests that particular attention and resources should be directed towards improving KDP performance in areas with low capacity. A well-implemented program in a low capacity environment can, however, produce positive outcomes. Overall though, whether KDP is working well or not is more important than the context in which it operates in determining the level and direction of impact. Where program functionality is poor, hardly any positive spillover effects are observed, even in high capacity settings.

'Capacity' operates at multiple levels, and can work in multiple (sometimes opposing) directions, depending on the form of impact/influence being assessed. The use and success of

KDP mechanisms for addressing conflicts stemming from KDP itself varies considerably depending on specific interactions between implementation effectiveness and the overall ‘district’ and ‘village’ capacity. The research found that district capacity often plays a primary role in determining the extent to which the program is able to manage program-generated conflicts. However, where conflict stems from KDP malfunction, it was found that in areas with lower district capacity to manage conflict there was increased use of KDP forums and facilitators. In such cases, the program provides both the initial channels with which to address these malfunctions and public information on these processes which at the very least reach the sub-district level participants (these mechanisms were more successful where KDP facilitators worked with both local leaders and higher level officials to collectively address the issue). With implementation primarily taking place at the village level, the sub-district forums formed an ‘override’ mechanism which villagers could resort to in low capacity districts, particularly as other mechanisms were limited.

Meanwhile lower village capacity results in less use of KDP mechanisms at the village level to manage program malfunctions as, with the village forming their realm of power, elites are better able to circumvent complaints amongst their ‘clients’ that stem from deliberate sins of commission. Conversely, we find that local capacity has little effect on the use of KDP forums for any disputes that ‘normal’ KDP competition may generate, but it does appear to have a positive impact on the likelihood of KDP forums and/or facilitators being used to address conflicts stemming from KDP malfunction or malfeasance. Figure 4 below summarizes the research findings on the interaction between direct and indirect impacts, context capacity and program functionality.

Finally, KDP does not displace existing forums for local dispute resolution; indeed, in high capacity environments it can serve as a valuable complement, strengthening already well-functioning institutions, while in low capacity environments it can provide a positive alternative to (or substitute for) absent, captured, or dysfunctional forums. The marginal impacts of a well-functioning KDP are higher in low capacity areas (because KDP forums need to take on a wider range of tasks), though a minimal level of capacity is needed to provide a basic foundation on which to build. On the other hand, indirect impacts are greater in high capacity areas, where KDP can facilitate, and act as a catalyst to, ongoing processes of political and social change.

The contingency of KDP’s performance on the diligence with which it is implemented and local context capacity—both of which are considerably heterogeneous—has important implications for those who design, implement and assess participatory development projects, especially projects seeking to ‘empower’ marginalized groups and/or operate in what are now called ‘fragile’ states. Programs like KDP do not operate in a vacuum. The success (or failure) of programs such as KDP, which aim to promote local level democratization in post-authoritarian environments, should be measured not on the sole observable impacts of the program alone, but on whether or not they effectively support *existing* processes of change. An obvious implication is the necessity of understanding such processes at various levels: national, regional, local. Strategies will thus differ depending on the environments in which projects operate, and these vary even at the micro level. This suggests that significant discretion must be given to local actors to amend project processes based on the particularities of the local context.

**Figure 4: The Impacts of KDP on Conflict Management in Different Environments**

Type of Impact		Context Capacity			
		Low		High	
		Program Functionality		Program Functionality	
		Low	High	Low	High
Direct	Forums (places)	--	++	-*	0
	Facilitators (people)	0	0	0	0
Indirect	Group Relations	0	++	+	+++
	Behavioral (participation)	0	+++	0	+
	Behavioral (decision-making)	0	+	+	+++
	Normative	0	+	0	+++

*\* While we noted higher rates of KDP-triggered conflict in high capacity areas, such conflict is much less likely to escalate and/or turn violent. Hence negative impacts are greater in low capacity areas, where program functionality is poor.*

## 7. Implications for Development Theory, Practice, and Research

The findings presented above explore the multiple ways in which development projects cause or trigger new conflicts, and/or interact with existing tensions, as well as the different ways in which they can be used (directly and indirectly) to reduce the likelihood of conflicts turning violent. At best, development projects can support existing processes of change, manage the tensions generated by the programs themselves, widen participation, and have primarily indirect yet positive impacts on conflict management in general. At worst—particularly poorly implemented development programs and those which ignore context, variability, and local expertise—can exacerbate tensions, worsen community relations, and even trigger violent conflict, all undermining the development process. Thus, there are a number of implications for: how we conceive of the development process; how we measure the impacts of projects and policies on these processes; and for the practices of the ‘development enterprise’ itself.

It is clear that the processes of development and conflict are intrinsically linked and that interventions aimed at speeding development or controlling conflict must take account of both dimensions. A central development challenge is building effective government, judicial and civic institutions at multiple levels to help manage processes of change accompanied by the very economic progress which development programs encourage. A primary mechanism for doing so, we argue, is through stimulating demand for institutional reforms and ‘good governance’ at the local level through the direct involvement of beneficiaries in this process. Projects such as KDP, when implemented well, can play a significant role. Creating and/or supporting spaces for deliberation and the involvement of civil society in them is vital to helping stimulate and smooth processes of social, political and economic change (Fung and Wright 2003). Such tasks are a

key ingredient in making ‘the everyday state’ (cf. Corbridge et al 2005) in Indonesia—the state as encountered by poor and marginalized people—more inclusive, accountable and effective.

Speaking to these issues is especially important in developing countries like Indonesia, where state and civil society does exist (albeit sometimes in an uneven and limited form), and where basic institutions are in place. It is an even more urgent challenge for post-conflict settings—in our age of global interactions and communications—there are strong moral pressures and political imperatives to ‘intervene’, yet neither theory nor evidence provides much guidance as to how this might be done. In these situations the absence of material resources is often not the problem. Instead, a number of other issues underpin the development challenges: uncoordinated programmatic actions together with the technocratic (if usually well-intentioned) sensibilities of external ‘experts’ without the involvement of local expertise can undermine the impact of even the most well-intentioned programs; short-term superficial fixes may be unsustainable, all the while hiding the lack of attention to underlying and multi-faceted grievances and doing little to prevent violence re-emerging over the long term; and not recognizing the heterogeneity of contexts, needs, and actors across the canvas of programs can result in a discontinuity between problem and program solution. Furthermore, a lack of attention to variability of regions, cultures and development ‘problems’ as well as a lack of continuity of actors and long-term support to institutions engaged in negotiation and capacity building processes can have devastating consequences when programs, projects, or key individuals are withdrawn or cease to be engaged in the development process. Finally, the absence of a coherent and accessible theory to guide practice, specifically to help create viable spaces and incentives for crafting negotiated, mutually-owned, and enforceable agreements (between individuals, and within and between organizations and different levels of government) can mean there is often a considerable gap between broad, noble sentiments and a concrete sense of what is to be done, by whom, and why.

The elements of such a theory, our research suggests, should center on understanding three key domains of issues, namely (what we call) the ‘rules of the game’, the ‘dynamics of difference’ and the ‘efficacy of intermediaries’. The ‘rules of the game’ refers to the diversity and coherence characterizing the prevailing rules systems, and the capacity and legitimacy of those presiding over them; the ‘dynamics of difference’ points to the ways in which group identities are formed and sustained, and the strategies used by political leaders to (re)define the nature of the boundaries and grievances between contending parties; and the ‘efficacy of intermediaries’ discusses the conditions under which individuals (and the organizations they represent) are willing and able to effectively mediate disputes and sustain outcomes.<sup>52</sup> These three dimensions of theory link conflict dynamics with development processes. Understanding their interactions in theory and in practice in a wide variety of contexts will help to ensure that program design bridges diverse rule systems (that of the program, the state, and the local society), accommodates the highly variable nature of local contexts and the groups within them, and promotes sustainability through building legitimate, accessible, inclusive and participatory development institutions at the local level. Uniting these issues is the importance of investing in public information and program implementation, particularly in those areas which are likely to be the ‘worst performers’.

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<sup>52</sup> The details of these three domains, and the links between them, are provided in Barron, Smith and Woolcock (2004).

These empirical results, the mechanisms through which they materialize, and the theoretical frameworks to which they give rise, together suggest a number of specific recommendations pertinent to the design of current and future development projects, especially those using ‘participatory’ approaches to ‘empower’ marginalized groups. Though space precludes providing details here, seven specific recommendations would be: (a) understand the conflict-development nexus and its context specificities; (b) ensure programs work as intended: continue stressing socialization and monitoring; (c) promote greater understanding of the project cycle, focusing on the points within it—competition for funding, opportunities for ‘elite capture’—at which conflict is most likely; (d) focus on building effective internal complaints mechanisms and avenues of redress; (e) where appropriate, include both formal and informal leaders of all the relevant groups in the local context in conflict resolution procedures; (f) pay particular attention to the ‘indirect’ channels through which projects can work: social structures, and behavioral and normative changes; and (g) consider ways to support the transition of interim institutions which local communities support, value, or need into longer term skills, institutions, and norms which are enduring beyond the end of the program or project life.

That is not to say that all projects should try to become arenas for conflict resolution, but rather they should build-in mechanisms to manage the tensions they will inevitably generate so that they do not escalate or interact with pre-existing tensions in the target regions. With reference to the latter, support can be provided for interim institutions through providing spaces, training, and funds to accommodate the initiatives of local peoples to deal with problems as they arise, particularly when such institutions are linked to tensions between the development-local conflict nexus. Most often, ad hoc institutions emerge locally during transitions to bridge existing structures with new processes and institutions to reduce the kinds of interaction conflicts mentioned above. It is precisely these institutions—those which are a part of the protracted struggle—which are often under-resourced, staffed, and skilled, clinging on by a thread but all the while enduring based on emerging need and a vacuum of viable alternatives. The development process should not alienate such local initiatives which sit may sit outside program structures just because they do not fit into ‘strictly’ interpreted operational guidelines. Taking such a technocratic approach stifles creativity and reduces the likelihood that the program can accommodate context and vice versa. Flexibility in interpretation of program guidelines, which refers to the spirit rather than the letter of the program principles, can allow room to support such initiatives and interim institutions, even using them as pilots for incremental program development in the future.

Assessing the efficacy of complex social development projects to negotiate new spaces and procedures for decision-making in village life requires a diverse set of methodological and analytical tools. While it is important to strive for clearly defined metrics of project success (e.g., the economic rate of return achieved by projects delivered through community mechanisms versus those provided by external contractors), the very nature of projects such as KDP and the key social objectives (‘participation’, ‘empowerment’) towards which they strive belie stringent assessment by a single research tool. Indeed, in these situations it is arguably more fruitful to focus on understanding the dynamics of how specific project processes and implementation mechanisms interact with local context characteristics rather than seeking (as broader institutional imperatives often conspire to do) to reach a grand pronouncement on whether a particular project “works”; the non-trivial answer must inherently be, “it depends”. In this context, prevailing assumptions as to what constitutes a ‘rigorous’ project assessment need to be significantly expanded.

## 8. Conclusions

Early twenty-first century technologies and resources contain within them enormous potential for promoting both great welfare gains (i.e., poverty reduction) *and* great conflict, precisely because of their potential to promote (even require) “great transformations” (Polanyi 1944). The core ingredients—financial, technological, and human—needed to provide basic services to poor communities and poor countries are (in principle) readily available, and there is an emerging consensus on the principles (if not the specific policies) needed to inform sustainable economic growth strategies. What remains inherently “elusive” in this long-standing “quest” (Easterly 2001), however, is not “better plans”, “smarter people” or “more resources”, but a willingness to acknowledge that (a) many of the institutional “solutions” to problems pertaining to social change are not knowable *ex ante*, and that, accordingly, finding them requires qualitatively different modes of thinking and acting to those that dominate contemporary policymaking; and (b) that fundamental social and political changes are being wrought upon poor communities in the name of ‘development’, and that it is these “great transformations”, large and small, that drive—as they always have—the potential for enormous conflict. The challenge ahead is thus discerning how best to respond to these enduring twin realities; our evidence—invoking and extending a long-standing strand of social and political theory—suggests that a central part of the answer lies in crafting legitimate, inclusive and accountable processes of contested deliberation, in and through which context-specific institutions may be politically and incrementally forged.

This study has sought to speak directly to these concerns by assessing whether and how a major participatory development project has influenced local conflict trajectories during a critical period of re-imagining Indonesia’s political institutions. In these fragile contexts and moments, where villagers are having their first experiences of (nascent) democratic life and beginning to acquire the basic civic skills on which democracy’s vitality and legitimacy ultimately depends, it matters enormously whether development projects—of all kinds, but especially large ones unveiled with great fanfare and hailed as innovative examples for others to emulate—are helping or hindering this consolidation.

Our findings, and the social theory on which they are based, suggest that both options are distinctly possible, and indeed are actually occurring; if KDP is far more likely to be part a solution than part of the problem, it is because, unlike many of its peers, it explicitly recognizes that the development process, whether it fails or (especially) succeeds, fundamentally transforms social, economic and political relations, and as such generates conflict. Constructively mediating this conflict, and helping negotiate a relatively peaceful transition from an (in this case) authoritarian state to a (hopefully) more inclusive, accountable and accessible one, is likely to require a labor-intensive and time-consuming (hence costly) process of face-to-face socialization and deliberation. Attending to these inherently social processes, however, should not be regarded as a mere ‘add on’ to prevent conflict, but rather recognized as a central constituent element of development itself and thus overtly incorporated into those practices ostensibly designed to bring it about.

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