



# INNOVATIONS FOR SUCCESSFUL SOCIETIES

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Interviewer: Rushda Majeed

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MAJEED: This is Rushda Majeed on 17<sup>th</sup> October, 2013. I am in Jakarta, Indonesia with Mr. Scott Guggenheim and we are talking about Indonesia's Kecamatan Development Program. Scott, thank you so much for speaking with me. May I start this conversation by asking you a little bit about your own career path before you started working on the KDP program?

GUGGENHEIM: *Sure, it goes back a long way. I guess beginning from my side it would have started when I was working in Mexico for the government of Mexico in their Museum of Anthropology. Then I decided to go back to graduate school to do a graduate degree in anthropology. I did my fieldwork in the northern Philippines, in an area where they seemed to be a never-ending series of conflicts triggered by one or another aspect of unequal development, including a particularly horrible site where the government was forcibly trying to get highland villagers to move away from land it wanted for a series of large dam projects. . While I was finishing my Ph.D. to maintain myself I took a job working in the World Bank helping to set up a first review of all the negative impacts from their big investment projects. You would have heard of the Narmada project, I was working on those for a long time, one big disaster after another.*

*Then I did a post-doc in Colombia for a couple of years. As I finished that, the World Bank asked me to go on a big project out in Somalia where they were building a big dam. They were worried about the impact of the dam project on Nile crocodiles so would I do an environmental assessment. I actually did work towards an undergraduate degree in biology and animal behavior as well, so I had a little bit of experience (though I wouldn't say very much!). So when I went back to do the environmental work on this program, we found there weren't going to be many impacts on the very abundant crocodiles sunning themselves up and down the riverbanks, but rather than the purported fifteen people to be displaced, there were 125,000, most of whom were Ethiopian refugees who didn't "count" or weren't included in official maps of the area. Both the upstream and downstream areas also contained various ethno-linguistic groups who very unlikely to welcome the sudden arrival of a few thousand settlers from somewhere else.*

*So we started a re-design. Of course the first action was to confirm that the numbers were all wrong and needed to be fixed, categorized, and folded into a credible budget and resettlement plan. From there we started a discussion about negotiate a way that the people downstream would absorb the people upstream. Surprisingly, at least the preliminary discussions went pretty well, even in that chaotic environment, provided that community leaders felt they were being treated with dignity, honesty, and fairness. So this notion that you can do development projects through negotiation actually appeared pretty early on. A lot of the very first material from that I later ended up using in the KDP quite a bit later. Because I sort of like being on the oppositional side of big institutions, I went back to the World Bank in Washington, where we finished off this very big review, all the involuntary settlement. It was a very controversial and very confrontational piece of analysis, but I think it did a good job of changing perceptions about the "hidden" costs of development and the unfairness of who bears the burden of "expertise" without morality.*

*At the end of that review, I wrote to five different Bank offices and said whoever would be willing to take me is where I am going to go, and Indonesia answered first. So when I came out here it was approaching the tail end of Indonesia's*

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*New Order, about mid-1994. In 1994 was more or less when Robert Putnam's first book on social capital in Italy had just come out.*

MAJEED: Right.

GUGGENHEIM: *I was part of the social capital working group at the bank. We became part of a three-country study to look at social capital and development. Indonesia was one, Burkina Faso was the second, and Bolivia was the third. Tony Bebbington did Bolivia, the late Gloria Davis was the head of the program and Robert Putnam was the actual adviser on how this thing was working. So we had a study up and going on what exactly is going on with local institutions around Indonesia. We did that in 48 villages in three very different Indonesian provinces. This study became known as the Local Level Institutions Study.*

*At the same time, for my WB operational work, I was helping on some of the safeguards and resettlement for Indonesia but working with a very smart transport economist named Frida Johansen. She had been asked—she was a very smart economist, very tough, but at the same time very committed to poverty work -- to help the government with what was called the Inpres Desa Tertinggal program. That was a series of block grants sort of modeled on micro-finance going to communities promoted by the University of Gadjah Mada economics faculty, based largely on the work of Henan de Soto in Peru.*

*But again, this was the New Order government so they didn't want any foreigners meddling with that one directly, but they did ask us to manage an evaluation of its performance. What they did want was a complementary program of village roads to go with the microfinance. That became a project known as the Village Infrastructure Project. Her counterpart on that was an engineer named Richard Gnagy who had been working on the Padat Karya labour intensive roads program, I [indecipherable] which was a Catholic Relief Services support program in the 1980s for Indonesia that was using labour-intensive public works. Essentially all the technology that you see in KDP today hasn't changed since then; (it actually hasn't changed that much since the Romans). But that was the first bit of what became KDP.*

*Now Inpres Desa Tertinggal, which was ultimately unsuccessful, added two additional innovations to that system. First was that by then the Suharto government realized that the mid-tiers of the government had gotten so corrupt and disorganized that no money was going to make it down to the bottom. The positive version is that the Suharto government really built up a strong, albeit rigid, government structure. Government was about developing government capacity, not about delivering things. So government officials and a lot of their regulations actually wouldn't even let them give money to villages if they wanted to and to this day they still can't.*

*The other part of that though was there was a lot of mid-tier corruption going on as the New Order was starting to weaken and the controls on corruption at the mid-tier had pretty much vanished. So Suharto came up—because he could do whatever he wanted—he says, why don't we just set these up as block grants that go directly down to the villages for buying goats and pigs ( in the Christian areas) and so on. That opened the door for the financial transfer system that became KDP.*

MAJEED: This is the IDT (Inpres Desa Tertinggal) program?

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GUGGENHEIM: Yes, IDT.

*The third thing that was going on was that the water and sanitation people had picked up a lot of stuff from India on how community-level planning and sort of total sanitation systems would allow much more ownership of very small clean water and sanitation facilities and that is what became KDP's planning system, the bottom-up planning system.*

*So the combination of how do you do the village roles, IDT, the water supply and sanitation in low income communities' programs, sort of grafted together and the last bit I guess they pulled together for the urban one—I didn't mention the urban one—was a program called Kampung Improvement in the 1970s which is about getting urban neighborhoods to build micro-infrastructure. So all of those together became bits and pieces that we just pulled together into the operational architecture of KDP.*

*The complementary half to the operational design were these local institutions studies that were trying to figure out so how much capacity there is for collective action in the villages. The study team built a very clever database of about 950 different projects and they sorted them by which ones are done by development agencies and what is the difference when communities do their own programs showed pretty convincingly that when you set up specified user groups they last as long as the user group does whereas the village's own organizations are multifunctional, they tend to be more participatory, they're not tied to any one project and they last a lot longer. It was a pretty good morphology of the difference between those.*

MAJEED: Who did this study?

GUGGENHEIM: *That was part of that social capital study I was talking to you about, but Kamala Chandrakirana who is now my wife—you'll meet her in a bit, is an Indonesian sociologist. You might have heard of her father actually; he had a lot of ties with India. His name was Soedjatmoko*

*Anyway, the overall government philosophy was already in a vague way on board for that sort of soft socialist approach of having the government lead on inclusiveness in development and the romanitization of the harmonious village as a foundation of national identity. That study was looking at what is it that enhances or diminishes villages' ability to act collectively and how much do we start to take what we knew about villagers' own projects and max it on to this mix of existing development projects, so from the outset it played to a mildly sympathetic audience.*

*The last thing that we needed on this, what I was telling you about earlier, is that if you want to do this on a big scale, you need a way to disburse the money. The challenge is that unlike with normal contracts when you disburse against a report of expenditure, in KDP we would need to find a way to disburse before the expenditure since communities could not afford to pre-finance projects or take out loans to do so the way contractors or governments can. There we cobbled in from other projects, particularly from Brazil, using as a metaphor the thinking about how the Bank finances scholarship programs where students can't afford to pay tuition upfront and yet we disburse anyway. Just as students get the first installment of their scholarship based on an admission letter from the university, we proposed letting them use a payment order that is made on a formally approved village plan. Even I was surprised that the Bank agreed to*

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*this, but it did. Happy days. So put it all together and you've got the basics of what became KDP.*

*Now once we got this core design formed up, we ran it as a twelve sub-districts pilot program, just to test out the machinery and see if the financing would really work.*

MAJEED: This was in 1997?

GUGGENHEIM: *So the key test was the disbursement system function, right? Because if you don't get that part right, you have nothing. The village is doing all these different plans and then there's no money. That was what we 50% expected to happen. But we were lucky that it had very strong support from within BAPPENAS (National Development Planning Agency), as a pilot on how do you get more people's participation in development. They could work out how you make the financing part function.*

*Then the crisis hits and 80% of the bank's portfolio disappears overnight. At the same time, you have the El Nino coming across the country where it is looking like there is going to be massive crop failure. So there's not only fiscal chaos, there's massive crop failure and the government is scared out of its wits. Actually so is the Bank.*

*. The government actually had a system in the '80s of pre-positioning food grains against the risk of any crisis but that had fallen apart by 1998.. So you suddenly had this big incentive to start scaling up something like KDP, which was at that point in time only twelve kecamatans. We scaled it up to about 250 kecamatans even before the pilot was finished.*

MAJEED: Who were the people at that time, you were there, who were taking these decisions or deciding—?

GUGGENHEIM: *No question who it was, it was Herman Haeruman who was the Deputy Minister for BAPPENAS and Tatag Wiranto who was his deputy and the operational half of that. So it was a group in BAPPENAS that basically took that decision. The question was first would the Bank finance it but also, since BAPPENAS is a planning agency, how do you make that operational.*

MAJEED: Right.

GUGGENHEIM: *It was a real stab in the dark. I think I put this in one of the articles, the big worry from the Bank side, from my side, was that if you scale it up really quickly, then corruption just runs amuck because there's no management attention to the field. So that was the deal we cut, a darkroom kind of deal. If you don't have a credible sanction that stealing from it will be punished, then we can't join the scale-up no matter how bad the emergency. So Herman says shake. Sure enough, a couple of weeks later I'm reading—he sends me a newspaper clipping that they punished a bupati who had dipped his fingers into the kitty. Every camat in the country heard about this that for the first time a New Order bureaucrat was fired for corruption.*

*So basically we had this informal set of deals going on that there has to be a credible sanction or else you can't do this kind of scale-up. At the same time you had Steven Burgess, I think you may have interviewed already, he was on the*

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*fiduciary and planning side for the government, and Richard Gnagy, were the only two internationals on this whole thing, but a fairly smart and committed group of younger to middle-aged Indonesians under Tatag making sure this thing would function.*

MAJEED: Right.

GUGGENHEIM: *Now what also helped on that was a pretty strong Bank field presence here. There was a little game going on where as team leader I was propped up to be a little stronger than I actually was in real life but it was very useful for the government because when I went to a province they could sit around and say oh we have an international agency here watching what you guys are doing and they would prompt me beforehand on what I was supposed to say in these meetings. Where is some of the nasty stuff going on and how do we go about fixing it? But it was sort of guessing all the way through on just how far is it actually going to work before it falls apart. But the keys were very simple: a disbursement system, a lot of field presence so that—you know, if you let corruption go, it won't destroy a project in the first year or two but by the third year it will be everywhere.*

*So being able to apply a credible sanction made a really big difference. Using very simple technologies that slightly improved existing models — the villages could built roads long before we ever got there, so our task was to upgrade the deigns so hey could now handle trucks -- that the institutions could handle. So the disbursement systems they could understand, the planning systems fit into their pre-existing community planning models (except that we gave much bigger space for women). They were tweaks on the system, not re-inventions of the system. The only re-invention was the disbursement system, that you would transfer money directly to a village account, bypassing all the intermediary steps, registering it in their budgets but you didn't have all the intermediation that a good PFM (Public Finance Management) expert would think is a good thing to do but in Indonesia was a bad thing to do.*

*So I would say those would be the main keys to making that work. Then we had all that jewelry on the side. Some of that was to sell the fact that you're scaling up at the worst possible time in a very difficult transition but also something we thought would work but actually didn't work. So hiring in lots of independent journalists to do the monitoring, using public transparency for more accountability. They did much more of that than usual but none of it really made a big difference. Some of that is time and context. If you're coming from this very authoritarian military government and you know—you now have more of a notion of your entitlement so people would say to themselves, big deal. Who am I supposed to go complain to? They couldn't act on it which I think they've now shown statistically is true in some of the India programs. At the time we thought this might work and we knew pretty early on that wouldn't be enough by itself, at least in that short period.*

*We had a lot of those sort of bling sets set up around it but it was the core architecture that made it run.*

MAJEED: There was also microfinance brought into it wasn't there?

GUGGENHEIM: *That was because of the fear of starvation. So from the very beginning—this is actually an interesting story. At the very beginning nobody thought this would be a sustainable microfinance. This was not going to be the Grameen*

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*Bank. What we thought was there was no way to get money into villages just when production is collapsing all around the country because of the weather.*

*We did know the Amartya Sen argument [Indecipherable], that with enough information in a democratic system people, aren't going to starve because they can buy things. That was the idea, how do you get money into the system. Making it revolve was the hope that before it all disappears it would circulate a few more times. Rather than going out to buy a TV and having it all disappear at once, we thought that loaning it out to groups who had an investment objective of some sort who wouldn't pay back much but would pay back something – would let us get more bang for the buck than either a straightforward cash grant would or a full-fledged microfinance design. Let's say 90% comes back the first year, 80% the second year, 70% the third year, and so on; it means it revolved three or four more times but eventually disappears. That's not the way to set up a sustainable system, but that wasn't the intention, either.*

*What we didn't count on was that when the emergency was over, the patronage side of micro-finance meant we couldn't get rid of it. It has a high symbolic role. So there were just too many examples. I'll give you some examples of high-powered economists who should have walked in and said no way you should continue this.*

*Nick (Nicholas) Stern, the bank's chief economist, Sir Nick Stern now, the head of the global climate change, comes out to visit the program. They take him off to South Sulawesi [Indecipherable] and they take him to a place like this, except really, really poor and desolate. He sits down. There's nothing there. Finally someone brings out a chair and he sits in the chair. Mark Baird who is the head of the country program, is standing there and they bring out another chair. They wait about five minutes and they bring out a third chair, after half an hour there is a fourth chair. Then these guys come out who all have holes in their face—it was a leper colony – who sit down in the chairs and start the meeting.*

*They start talking to them and they're talking about how KDP was the first time they ever got anything out of the system. They use the microfinance to make their lives a thousand times better. They've now been able to buy enough food, they don't have to starve every other day. So Mark asked them, "What did you buy with the microfinance?" They said, "we bought chairs". [laughing]. They come back and Nick Stern says it is lousy microfinance on first principles but it is reaching people who have nothing. This is at the appraisal review, he says "I don't think you should get rid of it, it is an acceptable cost." How do I stand up to the Bank's chief economist and say actually I've been trying to get rid of it now for two years because it was an emergency period. We sort of know what's wrong but it is very hard to fix. There is an element of truth to that still. It is what is the social cost you're willing to pay. A lot of that microfinance, the way it is set up, it goes to women's organizations, it's not sustainable, but they don't get anything else. It's not as if there are dozens of other projects that they're tackling. You go to all the poor areas. Even to this day there's KDP and nothing. So if they're not getting the microfinance they're getting nothing.*

*So in some ways you could almost look at some of that as a social transfer as much as you can as microfinance. It is definitely not microfinance but you can look at it as a social transfer. Now how good is the targeting? It is generally pretty lousy but your problem in Indonesia overall as you know is that the clustering around the poverty line is so high, they have a poverty line that basically one standard deviation goes from 12% to 40%. So even when the*

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*money misses the very, very poor, it's targeting leakage means that it is usually still going to quite poor people.*

MAJEED: The Bank's line is different.

GUGGENHEIM: *Yes, but even the Bank's—let's say the bank's global standard is \$2, 90 million people fall below that as opposed to the 12 million below the official poverty line. So when money leaks to people above the poverty line it is leaking to people who are still really poor. In fact over the course of a year many of them are going to be just as poor as when they took the census that says that some are below and some are above.*

*So the leakage question—it's not like in Mexico where the haciendas are capturing all the money. So when we look at—if microfinance isn't reaching the poorest of the poor it is reaching someone who is pretty poor and probably using less for subsistence and some microbusiness that they can use it for. It doesn't transform their lives but it does stop shocks. So I know from a purist side the microfinance is a disaster and I should—in public I'd be more critical but it doesn't break my heart. I wish they would do some of the things we keep asking them to do but of all the things that go wrong, this is not the one that I lose sleep over.*

MAJEED: In terms of the KDP with the initial pilot and then the scale-up in the late 1990s, why were you experimenting with the KDP program in the first place before the scale-up?

GUGGENHEIM: *We had VIP (Village Infrastructure Project) operating where there was a bit of the same problems as with the water supply programs, where it looks like villages can make a plan and they can be very participatory, but at the end they have to build a road. It just seemed like a natural marriage between this notion that villages can do quite a bit collectively and diversifying the options for what they can build.*

MAJEED: Then why not continue the VIP program?

GUGGENHEIM: *There were two big things with VIP. One of which was it was it was only on Java.*

MAJEED: Okay.

GUGGENHEIM: *And the poverty incidence off Java is a lot higher. But the problem with VIP is that because at the village level, once it gets bigger than—I think the maximum it ever reached was about 8000 villages, the cost of visiting all those villages was really high. So, whereas KDP keeps the financial management at the kecamatan levels, sub-districts, which would be 30-40 villages, that you can actually manage on a big scale. So by bumping it up one level—and LLI (Local Level Institutions) studies were showing that the kecamatan was actually a social unit as well. Most of them were either market towns or princely towns. So there was a long tradition—this is a unit people can cooperate at. They can't cooperate at the district levels, it's too far and too big; but the sub-district they could. So it made it administratively manageable and it allowed us to do something which I always wanted, but the government always hated, which is to make the villages compete. So you have a fixed budget. That way it is easy to control on the disbursement side and it is allocated against more projects than that budget can finance. So villages have to negotiate among themselves. Then*

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*the key is, can you provide enough information so it is an informed negotiation. The hypothesis was that this will lead to optimization of the resources over all those investment operations.*

*I got lucky one year where we can test that. Just so you know. One year it turned out they got a little bit of last-minute budget from the government that they had to spend so they decided to spend it on the second tier proposals that had been rejected by the competition which led us to a technical evaluation of first and second tier. It showed pretty convincingly that the first tier ones were better. So the competition was weeding out bad projects.*

MAJEED: Which year was the—?

GUGGENHEIM: *I don't know, it was about 2007 or so.*

MAJEED: What I was going to ask was that so one of the principles was that you would make the villages compete among themselves—?

GUGGENHEIM: Yes.

MAJEED: But also this is a time when people are just coming out of other Suharto regime and there is a lot of centralization and—?

GUGGENHEIM: *Correct.*

MAJEED: And people are not perhaps used to it—.

GUGGENHEIM: *They weren't used to it at all.*

MAJEED: So then you're making the assumption that they would be able to contribute in that way—.

GUGGENHEIM: *Right.*

MAJEED: Unless there were specific things built into the program or you had a long-time horizon?

GUGGENHEIM: *Right.*

MAJEED: So I was just curious—.

GUGGENHEIM: *A bit of both. The other thing, one other little footnote in this is that village heads were the representatives of the central government; they were very strong.*

MAJEED: Okay.

GUGGENHEIM: *Now how do you stop them from taking over the program? So one of the hypothesis was that if they're competing then villages will whisper to the other side that we don't really support this program because it is the social unit of the kecamatan, they're being beaten into submission by their village head, so why would they support this at the inter-village competition. All they have to do is do nothing. So that was a second working hypothesis. Competition was a way to screen out elite capture from their village. I wouldn't get carried away with how successful that was, but it was more than zero.*

*More examples of those came up over time and the way you can actually see that by about 2002, the villagers voted out like 40% of the village heads, a huge turnover. Again, it got so politicized that way against the village elite. The Ministry of Home Affairs pulled back on the legislation on village government checks and balances because they said it was polarizing into factions that were at war with each other and nothing could ever get done.*

MAJEED: But this is not related to the KDP program.

GUGGENHEIM: *But it was, because again, remember, this is the only program going in there and we had said that the voting is done—the village head can chair a meeting but he can't vote in it. But the village council can coordinate the meetings. So when they mapped the different political factions onto the two different units it was to some extent essentially fighting over KDP resources, it was the only program there, again, an unintended consequence. We want that check and balance back. The new village law restores that.*

MAJEED: The one that is in progress now.

GUGGENHEIM: *Yes, so that the BPD, the village council, is elected directly back—it gets back—we'll talk later I guess about the fact that you have a huge problem of information monopolies in Indonesian villages. Unlike in South Asia where there are lots of NGOs (nongovernment organizations) and journalists and people are more literate, you don't have enough of that infrastructure here. So if you don't have some version of accountability, some check and balance in that system, you get big monopolies blocking information going out from the village to any other higher level administrative unit.*

MAJEED: Right.

GUGGENHEIM: *So a little bit of dynamic tension I think will be a good thing over time. We actually know that because in the latest LLI study—I don't know if you saw this one—there were a few kecamatans that didn't actually follow the law and they retained the idea of direct election for the village council. Where they did, the qualitative research in those villages saw much more accountability than when they'd gone to the village head appoints who is going to be on the council.*

MAJEED: In terms of the program design you've already talked a lot about where some of the ideas were coming from, could you pull for me together the very simple design that ultimately formed part—?

GUGGENHEIM: *It is really simple. It really is a facilitated planning system mapped against a disbursement system. That is the whole project. The real question that comes down is that there is a direct transfer that doesn't go through each level of the government's inter-governmental fiscal transfer system down to the sub-district. It goes direct. That sub-district allocation gets mapped against village level plans that are prioritized by the villagers. That happens in two steps, one is at the village and one is at the sub-district. So by the time they get to the sub-district, they're ranked from one to a hundred or whatever it is going to be and they just pick them off by order of priority until they run out of the money.*

*Again from a targeting side, this is really second-best targeting. First best we would weight everything by population. The downside of that, though, is that you better be absolutely sure you know what the population is and that you can*

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*control things when people start to put corpses onto those lists. Whereas all we really knew is that we can't do that so we instead say just use categories like small, medium and large, with an adjustment for high density Java/lower density off Java distinctions. You get one of those three in a standard amount. That number you can put in newspapers, you can announce it on the radio, and people don't have to do any multiplication or guessing about why the village next door has more than they do even though they look about the same. Then people can't sit around and say it is 100 million, 112 million for one and 102 for another.*

MAJEED: Right. How is the—so the size of the block grant, how is that decided?

GUGGENHEIM: *Roughly what would it take to build the average farm to market road, roughly. Then we made it a little bigger to include one of the projects funded through the Women's Channel as well.*

MAJEED: And who is doing—?

GUGGENHEIM: *The old rule of thumb.*

MAJEED: Who is making—who are the people at this point who were looking at this and assessing? It would be the same people?

GUGGENHEIM: *Yes, same people, Tatag, Herman, Pramono, Gnaegy, myself, Steven, we all did it.*

MAJEED: The program initially was housed in BAPPENAS?

GUGGENHEIM: Yes.

MAJEED: So I was curious, I want to understand why BAPPENAS. Because you were already working with those people and that's where the original programs had been?

GUGGENHEIM: *But also because BAPPENAS' job was to be the experimental agency.*

MAJEED: So not just the planning but the experimental.

GUGGENHEIM: *Right. There is a history of this. If you look at integrated pest management, Indonesia's famous integrated pest management, that started in BAPPENAS and then moved to the Ministry of Agriculture (where it collapsed). That stopped around 2002 I think when they said that BAPPENAS can't implement projects.*

MAJEED: And that's when it moved to the PMD and—.

GUGGENHEIM: *It had already moved.*

MAJEED: The decision to move it to PMD, the Ministry of Home Affairs?

GUGGENHEIM: *Right, I was telling you earlier. It's interesting. Bappenas's idea was to find a weak part of government that isn't so wedded to a set way of doing things, and was hungry to get a project. So not strong enough that it would take it over which is what would happen in Public Works, but wanting to get a project—because it is a very simple project design—it wouldn't screw it up.*

MAJEED: Right. But why wouldn't you want a strong government agency to handle it?

GUGGENHEIM: *Remember Indonesia was a pretty corrupt place. At the time, big contracts were all kicked back to the Suharto family and nobody could say no. So even the first KDP I had to keep all the contracts under \$100,000. There was an automatic signaling system. If you were to go to Public Works they have their pet contractors with their shareholders in and you would never get out of that whirlpool.*

MAJEED: And BAPPENAS, when you were originally implementing it, so that was a strong agency, one of the more powerful ones as well and it was there for the first two years.

GUGGENHEIM: Yes.

MAJEED: You didn't run into that problem?

GUGGENHEIM: *Of course we did, but not as bad. Again, it is one of the advantages of having that direct lock around transfer. Once a village knows that it is getting 100 million rupiah, it is not as if the system is any cleaner, it is just that with fewer intermediaries the total rake-off will be less. So you can publicize that you're supposed to get 100 million and then I can verify in the field how much do they actually get. Because they have very strong backing from Herman and his team and because BAPPENAS is so centralized that if a deputy minister says you can't touch this one, not too many people are going to touch it.*

MAJEED: Right. I'm also curious now about the timing of when it was moved to PMD. Why was it moved two years after and not let's say for example when BAPPENAS stopped becoming the implementation agency?

GUGGENHEIM: *It was moved about a year and a half before right?*

MAJEED: It was still part of—.

GUGGENHEIM: *It was too big. BAPPENAS couldn't handle a program that big.*

MAJEED: And PMD itself, what kind of capacity, what kind of—?

GUGGENHEIM: *None. But it had one huge advantage. PMD is actually the department legally responsible for village development.*

MAJEED: Village development

GUGGENHEIM: *Yes, so it is like MRRD (Ministry of Rural Rehabilitation and Development in Afghanistan) but seen at the other end of a telescope. The Afghans built up that Russian style that everything below a district goes to MRRD but Indonesia is much, much further down the system so it is down to the village. But it was a unitary state so whatever would happen in PMD Jakarta you could say also applies to far off places like Papua.*

MAJEED: Right. So the rationale for it not being in BAPPENAS was that it was too big for BAPPENAS to manage but then moving it to PMD which is perhaps the right place for it to be housed in—.

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GUGGENHEIM: *One of several but yes.*

MAJEED: But it is still a big agency.

GUGGENHEIM: Yes.

MAJEED: So then what kind of support, what kind of—?

GUGGENHEIM: *BAPPENAS gave them a lot of support in the beginning and also beat them every time they would try to steal. So BAPPENAS was pretty useful. We then moved all the people, like Richard and Steven just moved into PMD. Susan Wong whom you may have interviewed, Susan was actually working in PMD originally. We brought her in from Cambodia and parked her in PMD. Over time some of those people moved out and one of the deep reasons behind PSF is because the government said we're not going to pay for foreign advisors any more, we don't want any foreign advisors. But they wouldn't pay enough to get a good Indonesian. So this was the compromise deal. There are these government salary caps on consultants.*

MAJEED: Right.

GUGGENHEIM: *It is so far below market. If they're not corrupt then they just won't work for the public sector.*

MAJEED: In terms of designing the program and putting into motion, what were some of the implementation steps or challenges that you anticipated and built into the system. One of course is corruption that we've talked about.

GUGGENHEIM: *Corruption, village elite capture I thought would be a big one. It is a controversy to this day. There are a bunch of these. So I didn't really want private goods. All that livelihood stuff from South Asia that so many people are doing and apparently doing well, didn't seem to have the pre-conditions for working well here.*

MAJEED: Even irrigation?

GUGGENHEIM: *Irrigation is on the edge. There I think there is enough individual incentives to up and down the channel. But tractors, livestock for fattening, market production type of stuff. I just didn't think Indonesia had the systems to either monitor or stop the bad parts from happening. I'm even not so 100% convinced by South Asia to be honest, with the ones I've seen.*

*So anyway the private public good was a big controversy that went on. You're saying things I thought would go wrong?*

MAJEED: Yes, initially when you were thinking of this and then built it into the project design.

GUGGENHEIM: *Disbursements were a big one. There are several parts to that. If they hadn't agreed to centralized direct transfer system I wouldn't have done it. That was against advice from both the Bank and the government which wanted to go through the inter-governmental system. I thought villages will never get the money.*

MAJEED: Right.

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GUGGENHEIM: *The second was is to use what was the official bottom-up planning system.*

MAJEED: The P5D planning system

GUGGENHEIM: *Yes, the village development planning meeting. At the time those local institution studies, we had them measured quantitatively, less than 3% of community proposals ever got funded, they didn't even make it to what is now called the district planning meeting. (SKPD) [Indecipherable]. Their proposals would disappear into the sector's budgets regardless of what the need actually was. You'd see that villages would request a hospital and they'd get a road. Or they'd ask for water supply and they'd get a school. You'd see them all stacked up next to each other because every year they'd get the same thing. The sector had a budget for it. So that was the second one that I wouldn't accept it on that.*

*Going exclusively through the formal government services like they do in Africa. In Africa what happens with a lot of this CDD (Community-driven development) ) is that you get a grant but you have to buy services from the line agency.*

*Here what we're trying to do is privatize some of those functions. On the positive side that would let the district offices devolve responsibilities and focus on their core competencies—they're already overwhelmed just doing the district work. Multiplying that by a hundred so that they also do villages destroys them which is why nothing ever happens. So the positive story is to lighten it up. The negative story is that they're really pretty corrupt. So half the money goes missing on the way down through this inter-governmental transfer system.*

*Before I met you I was at a meeting with the whole macro people who have been sitting in finance. They finally admit that budgets are not reaching the villages. This is after twelve years of trying to document and show them. They think we put all the money in, it shows that it was disbursed so they're going to spend it. They finally admit that in the outcome indicators it is clearly not having an impact. We could see that ten years ago from the village ethnographies. It didn't matter how much money you're putting in, nothing was being spent.*

*So that would be the second one, the inter-governmental transfer system. I didn't think that that idea of having women's channels was going to work but it did, relatively. I wouldn't say perfectly but relatively.*

MAJEED: Whose idea was that?

GUGGENHEIM: *The local institutions people.*

MAJEED: Women's committees?

GUGGENHEIM: *Yes, and it ended up as a separate planning channel. But it was structured—this is an interesting story too. After this was up and running in Indonesia, we went to East Timor and did CEP (Community Empowerment Project), so you had a natural laboratory where you had UNFPA (United Nations Population Fund) at the time come in and say what we need to do is have separate channels where women vote for women's programs and men vote for men's programs. The Timorese government threw them out saying we have enough divisiveness in this country already without you adding more to it.*

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*So the model that they used in KDP where the women have a women's channel but the whole village votes on their proposal worked really well actually to the point we now have several kecamatans where they just throw out the men's proposals because the men voted on the women's ones also. So a little bit of that public choice theory sort of worked on that but I didn't think it would.*

*Similarly on the competition I thought it might turn into more conflict and violence than it actually did. There were one or two cases but it wasn't really very many.*

MAJEED: Presumably the projects that women proposed were quite different than those coming from men?

GUGGENHEIM: *On balance but not entirely. So we were increasingly getting infrastructure proposals from women and some of the guys will say fix the schools—not too often.*

MAJEED: It was a relatively open menu? Unlike the VIP which was restrictive?

GUGGENHEIM: *Correct.*

MAJEED: But it still seems that most of the KDP, a lot of KDP projects—.

GUGGENHEIM: *I think that is built in to democratic choice. That is to say, if you're voting, it has to benefit the greatest number of people.*

MAJEED: Sure.

GUGGENHEIM: *And a really participatory one will get you something that has to cut across the entire village. So even something like an irrigation channel that goes only to one neighborhood, is going to get less votes until they've filled up the major road connection needs. To me what it shows is something a little bit different. It shows just how big the infrastructure gap is at the village level. If you look at them over time you see a horizon of selection. So the first two years are all roads. There is an element that if you have road engineers they know how to build a road but they also know how to fix a school.*

*Most of what I saw is that if I were a villager carrying my harvest on my back I would want a road. Second choice would be fix a school or repair the water systems. So I think that is what the data shows.*

MAJEED: Does it show that initially after the infrastructure projects in certain parts of the country were completed then it moved on to other projects?

GUGGENHEIM: *That's the horizon that you start to see. You see the steady growth of things like scholarships for the very poor, some of the teacher-training type of stuff, but not until they built the infrastructure. It is either roads or water, one of those two comes first.*

MAJEED: In designing and implementing a system or a project like this, who were the losers in the process? Who were the people that—?

GUGGENHEIM: *The line agencies that used to have all the money flow through them and a percentage would go—.*

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MAJEED: Did they put up any kind of—?

GUGGENHEIM: *Huge, constantly trying to undermine it.*

MAJEED: What were some of the ways in which they did it and what were some of the work around it?

GUGGENHEIM: *I saw a little bit of the [Judy Tendler] type of stuff where line agency representatives would try to tell villages just give us the money we'll build the stuff for you. Most of those ended up being sort of mutually-agreed theft where the villagers would give the money to have them moonlight and provide the equipment for it and they could then report it as they had built a new road back to their Dinas that they could pocket all that money. But the villagers still got their road. That was by far the single biggest and most common way.*

*I did a simulation in Australia recently. I said—a guy was supposed to give a little course on how do you steal from projects—sorry, anticorruption in projects. I had a little game for them on how many ways would you steal. They came up with a pretty good one, they set up a fake company. Then buy all the services from them but pocket the money and deliver the service using government equipment. We didn't get too much of that.*

*So the biggest opposition was the dinas At the individual level I don't think that made that big a difference but at the institutional level, to see that they wouldn't put in the maintenance or they would offer things like a partnership in the beginning that if you build the school, put in the teacher—but then there is no teacher. So a lot of that sort of thing. You still see it to this day.*

MAJEED: But at the national level or at the central level there was—?

GUGGENHEIM: *There was opposition up until the President said "This is my program." A lot of people were saying—I had officials in public works saying why should we give money to villages instead of to ourselves.*

MAJEED: When did the President—?

GUGGENHEIM: *In 2006.*

MAJEED: So up until then you would—the program would pretty much be fighting this?

GUGGENHEIM: *Yes, even though it had strong support from the Finance Ministry but again that's the financial architecture, it's not that the Finance Ministry cared either way. Individuals liked it but what they would see in the statistics is Richard is the only international person working on it so for a billion dollar program one international technical assistant. It disburses within that twelve months—it's just like an adjustment loan. You get as much international capital as you would in the DPL (Development Politically Loan) because of the way it disburses.*

MAJEED: Right.

GUGGENHEIM: *So from their perspective it's great. You get a real sector project that creates lots of capital for foreign exchange and no real hassles and it is politically popular. What's the downside?*

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MAJEED: There is none. Through all this, what was the World Bank's role? How did the World Bank work with the government of Indonesia?

GUGGENHEIM: *The Bank's real role was—I'm trying to think of the right way to phrase it. The Bank had a very important role because the government doesn't have a supervisory structure here. You notice? BAPPENAS is a planning agency. Finance is a financing ministry. The audits—they do audits after it is already done.*

MAJEED: Sure.

GUGGENHEIM: *Who actually does the supervision? It doesn't exist in the structure. That was the Bank's role more than anything else. That and the evaluations, the government couldn't have done those. It was a bit of a bank luxury to do all those high-tech evaluations until 2007 when they tried to decide which program to scale up. Then it was a beauty contest both first in BAPPENAS and then between [Indecipherable] and [Indecipherable] and KDP was the only one that had an quantitative data that anyone believed. So it was a stroke of luck to have a technocrat like Sri Mulyani there who takes a look and says, oh, a cost-benefit analysis. The other guys were just making up huge amounts of coverage that were blatantly untrue.*

MAJEED: In terms of the KDP that now—getting into the implementation of the program. The planning started in 1997 was the [Indecipherable] and then 1998 is when it is rolled out.

GUGGENHEIM: *Correct.*

MAJEED: Then there are multiple phases that KDP goes through.

GUGGENHEIM: *Yes.*

MAJEED: First of all I wanted to know how broad was the implementation early on?

GUGGENHEIM: *It was 225 million dollars in the first big scale up, not counting the pilot. I think that was 600 kecamatans. I'd have to look back. I have the appraisal report somewhere. It is in the annual report. It was actually phasing down when they scaled it up. So we sort of thought it would end by 2007. It was dropping already. I think it dropped from 25,000 villages to about 14,000. Then the President announces I want it to be in 60,000 villages by 2010.*

MAJEED: The KDP itself seems to have a very strong learning component within it. The program collects data—.

GUGGENHEIM: *Lots of data—that's all Susan.*

MAJEED: It has reports and so on.

GUGGENHEIM: *Yes.*

MAJEED: I was wondering if that was part of the original thinking of the program that that was built into the—?

GUGGENHEIM: *Yes. Remember, half of it began as a research project. So there is always a research component in it.*

MAJEED: Right.

GUGGENHEIM: *We didn't have quite as much rigor on the evaluation. There was a bit of serendipity. You want to hear a funny story. There was an "Atlantic Magazine" in about 2002 that was talking about new advances in game theory. I was reading it because it made me think about how would you go about controlling corruption. It talked about repeater games, predictability and different sorts of mathematical models but I don't have the mathematical skills to do that.*

*So I called up a friend of mine who lives in Bandung who herself is an economist. She says, "I don't know this but I'll call my mathematical economist professor. He is retired but I have a friend in Los Angeles and maybe he can do it." The friend in Los Angeles says, "There is this young guy in MIT (Massachusetts Institute of Technology) who would be perfect for it except he is in Indonesia for the year." So it turns out he is about 100 meters away from here. His name was Ben Olken. So I trotted over to see Ben and we started on those randomized evaluations at a time when the bank thought that was a really stupid idea, the amount of work that has to be put in to do an RCT was really high. This is about 2002 I think.*

*We did the first one on corruption and no one thought you could do a study on corruption. Ben is a smart cookie. He spoke Indonesian, so he spent every week down in PMD and he said it is not your corruption, it is the villagers' corruption. So he gets away with pulling off this big thick—now very famous study on corruption in the roads programs and that sort of wowed everybody. From then on there was really no opposition to doing a much more rigorous kind of impact evaluation, experimental interventions. It sort of helped because Indonesia is still coming through the crisis at the time.*

*You shouldn't forget this part. Indonesia is an Islamic majority transforming country which meant there was a lot of money around. It cost—the bank never has enough money to do these evaluations but we did. It is sort of interesting. If you look around—you must see this because of what you do for a living. People pay a lot of attention to what evaluations are finding and you have a lot of money to do them. That is one big area.*

*The other area is that corruption explosions cost a fortune to investigate [via INT]. Between those two they spend orders of magnitude more than project staff have to actually design a real program. So you get the cart before the horse. You'll spend a million bucks on evaluation but 50,000 bucks to design it. Whereas I sort of think you want to reverse that order a little bit.*

MAJEED: That has been growing steadily.

GUGGENHEIM: *I know, by a lot.*

MAJEED: This was also around the time decentralization was taking place.

GUGGENHEIM: *It was.*

MAJEED: So did the KDP program influence that or decentralization affect the KDP program?

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**GUGGENHEIM:** *Not all that much, it is a very centralized program. That is another thing people get wrong when they look at it. It is—just think about it. Everything in it is central. The only thing we ever did that was decentralized and this stopped with the scale-up, we had a sliding scale of local government contributions that reached at one point 70% had to come from a local government budget. We tried it in different ways. At the beginning it was we would do X percentage of kecamatans in your district; if you want to do more you pay for them. But in the end we said, we'd cover the whole district but the scale has to cover the entire district based on its ability to pay. We got like a 95% participation rate, so very, very high, which meant it was popular. Some of that was because at the time decentralization—no one knew what it actually meant so they had more money than they knew what to spend it on before they realized they could spend it on themselves. So that was very high up until 2007.*

*They've tried some decentralized contracting but it always fails. So we keep pulling it back. So it is a very centralized program. I get sort of annoyed that inside the bank literature it keeps getting classified as decentralized; there is nothing decentralized. Execution is, that's it.*

**MAJEED:** In terms of making it a centralized program that was a conscious—?

**GUGGENHEIM:** Yes.

**MAJEED:** Because that's how Indonesia was at that time or because—?

**GUGGENHEIM:** *I would have done it anyway. It's like social protection. Who would ever do conditional cash transfers in a decentralized environment with 525 individual governments. Again it is a public policy choice problem. Your risk of elite capture gets a lot higher when it is a decentralized unit and it is impossible to enforce a sanction. As long as I can use a sanction regime in Indonesia, that would say, I don't want your money back. If you suspend a kabupaten, allocate it somewhere else, BAPPENAS is fine with that. If it was that you want a refund then they have a problem. But at a kabupaten level you can't do that. You either stop the whole thing—you can't do it the way we would apply the sanctions at a national level.*

**MAJEED:** Right. And in terms of—if you do find corruption or the PMD finds corruption in a project at the local level what happens?

**GUGGENHEIM:** *It has evolved over time. I'm not sure in a positive way either. So we always had at least the theoretical structure of the sanctions. You punish the unit above the group committing the infraction—it sounds like Nazi Germany but nevertheless. The idea would be if it is a village that commits an infraction we suspend the entire kecamatan. If it is a kecamatan, we suspend the kabupaten, and twice at the kabupaten we suspended a province.*

**MAJEED:** Oh wow.

**GUGGENHEIM:** *That is to put a lot of social pressure on the unit by all their neighbors that say you better fix this. That was on the negative side. On the somewhat positive side—and there is one more positive side—on the somewhat positive side was that we allowed them informally—because I couldn't do this legally inside the bank system, is to pay restitution. So I don't need the money back as long as you finish the bridge that we originally gave the money for or whatever the system would be. So that would be on the positive side.*

*I still think all of that mattered a lot less in that very simple design. So if the design had as principles very little discretion, direct transfer, more information than usual, I think that will do more to limit corruption than a really strong sanctions regime will. You take away the opportunity to steal in the first place and none of the sanctions here work that well.*

MAJEED: Right.

GUGGENHEIM: *So I think the design mattered more.*

MAJEED: In terms of the positive side of the sanctions where you were getting the communities to complete the project regardless, the communities are reporting on the corruption? How do you find out about the corruption? There is the auditing that is happening.

GUGGENHEIM: *More than anything else, the single biggest source has been the facilitators; they report it. The basic rule with those guys is we don't fire them for corruption in the village unless they don't report it.*

MAJEED: I see.

GUGGENHEIM: *You can't blame them—they can be intimidated, but they have to report it.*

MAJEED: Okay. And in terms of—

GUGGENHEIM: *Also I have to say you read the KDP documents you want to throw up. The bank is constantly trumpeting less than 2% corruption.*

MAJEED: Right.

GUGGENHEIM: *What does that tell you? It tells you that the systems aren't reporting corruption. That's about all it tells you. It can't be 2%. It just tells you it's not being reported.*

MAJEED: In terms of the governance structures, we talked about the disbursement and how it works. In terms of this reporting and supervision, I guess monitoring, I'm curious. There is the facilitators' side but then you also have the auditors that go in and audit the projects.

GUGGENHEIM: Yes.

MAJEED: Are there any other?

GUGGENHEIM: *We had the journalists, the NGOs.*

MAJEED: And that component you said didn't work.

GUGGENHEIM: *It's not—we're talking about a very big program. So I would say that if it worked in some areas but it didn't work as a systemic approach. A lot of that was again we're talking about 2002, 2003, 1999, after an extremely repressive government. So it's not as if you had this huge infrastructure of really well-trained and experienced NGOs. Even in Afghanistan what you had—the Taliban always let the NGOs operate on humanitarian work; they didn't let them do that*

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*here. Journalists—I think I put in that article—it was sort of hilarious—I wanted an independent journalist to monitor but there weren't any independent journalists—they were in jail.*

*So BAPPENAS says, "What's the problem?" Okay, so we shake on this. Over the next two years independent journalists did do the monitoring, they left them out. There was no censorship. We just got copies of it. The Minister of Home Affairs, I met him once. He said, you know I used to enjoy reading those reports. Eventually it was a journalist who backed out saying how can we be independent if we're working for a World Bank program? But, at the beginning it was—this was a pretty good handshake for guys who were being repressed and sort of shocked. It was pretty funny actually. Indonesia is a strange place.*

MAJEED: In terms of working with citizens or working with people at the village level, what steps do you take or the programs take to ensure that if: 1, the people knew about it and then also it would have legitimacy in a system that had long relied on—had a different way of working with government or not even working with government but being—.

GUGGENHEIM: *Never really got over that. If you listen to all the guys in it, how much ownership there is a so on, it's not really true. It is still seen as a government program and always will be. Some of that I think has to do with the fiscal basis of it all. No government in Indonesia actually raises any money; we don't pay taxes. So everything is being distributed by the government. So I think you're not going to get around that very first order problem. That's one reason why you don't see spillover into other programs. It is basically—from a village's perspective, KDP has its rulebook, the Ministry of Education has its rulebook.*

*Why would I use KDP's rules for a Ministry of Education project? So I think that is how they can still see that. That may change if they pass this law on local government, but for the moment it is not a big surprise. The extent of people's involvement—as you know it is pretty structured on that score. Again we tried to use some of the public choice modeling for this. So breaking down each stage of a transaction into multiple and sort of opposing checks and balances on what is actually happening.*

*Let's say you order 100 tons of cement; there is one group whose job is to go to the site and buy the hundred tons. There is a second group that registers a truck as it comes into the village and says "Where's our hundred tons?" A third one gets the report from the truck driver to get paid. That says did we get 100 tons. The fourth group is a technical group that goes out to the site and says, is there 100 tons of cement here.? The last one would put it back into the general audit and say is there 100 tons and was it any good.*

*So that was one big part, breaking it down into discrete subunits where everyone has the same standard amount of information and they have to write down what they're doing so what the kecamatan facilitator does, he comes in and says do all these add up and tell the same story.*

*The second thing that we tried, but this is—it's interesting. Have you read Akhil Gupta's new book on Red Tape (Red Tape: Bureaucracy, Structural Violence, and Poverty in India)?*

MAJEED: No I have not.

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**GUGGENHEIM:** *Terrific book. But his basic argument is that when you see—when people talk about accountability, it is very rarely about accountability at the villages, it is about splits within a bureaucracy and how they fight with each other. KDP has a lot of that built into it. So the complaints channel—they don't actually resolve complaints at the village but they create dockets that go up to other parts of government who then use it in their fights that they're having with the kabupaten. So it adds to the intra-governmental squabbling over—when they had these pre-existing fights you can always use it to get rid of somebody that is stealing from the villages even though they're all stealing from the villages. It sort of plays into that dynamic. That has been pretty helpful for them also. The villages are no dummies when it comes to using those kinds of systems. So that was the second big one—the amount of available written information.*

*This is another point Gupta makes which is right. I'm writing a piece on this as well. Over the past ten years, Indonesia is going from being an oral culture to a written culture and especially on the bureaucratic side. It used to be that the Bupati comes to a village and listens to everybody's complaints and picks one of them that he decides to fix. Now what you have is if people don't produce a file that some bureaucrat accepts—whether it is the complaints unit for PNPM (National Program for Community Empowerment), whether it is the local judge, whatever it is, the oral complaints don't matter; they don't enter the system at all whereas a written one that starts to travel through the system and periodically someone finds it. It can be an NGO, it can be a reformist judge and so on. So the medium for those kinds of complaints is starting to change. The fact that all the financial information in KDP, unlike every other project in Indonesia is kept in the village, gives them access and a much more level playing field for dealing with bureaucratic ways to enter information and act on it. More and more, especially on Java I really use that. So that is another way that we're able to use that.*

*So you have to take a close look and see how much of these different things matter and in which areas, because there is a lot of variation in this country. But citizen control doesn't do very much by itself, it is citizen control getting tools to approach the bureaucracy and its contradictions directly.*

**MAJEED:** That is what you would say has worked—?

**GUGGENHEIM:** *I would say reasonably well; I don't say great, but reasonably well. Better than the counterfactual. That's what we're looking for right?*

**MAJEED:** Right. And that has been process over time as well.

**GUGGENHEIM:** *Of course. In the beginning nobody would complain about anything, scared to death. Why would you even lift your head up to complain? There you saw more violence. So since they wouldn't go to any of the official systems, people would just beat up a thief. You sort of had this “weapons of the week” thing that goes on in Indonesia where you can push the government up to a point but then they'll shoot you. If they shoot you, then the bupati probably gets changed because it shows that he couldn't actually control the territory. So there is a little dance on how far can you go with popular protests. They use a lot of that in KDP.*

*Also that idea of collective punishment—maybe we get about 70-80% of it back which is—Jan, you know Jan, Jan actually writes—he was being investigated by INT out here. He pointed out that the government PNPM has put more corrupt*

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*officials in jail than all of the World Bank's INT unit has put together in its entire history. So we can be critical but we can't be overly critical.*

MAJEED: And presumably so the facilitators, the idea of the facilitators and how they would support the program, would also include the thinking that they would be encouraging these people?

GUGGENHEIM: *Yes, they're terrible facilitators. The technical guys are good. They care a lot that what they build can stand up. I think what they do on any measure is as good as anything any line ministry can do. We demonstrate that over and over again, so I care about them.*

MAJEED: At much less cost?

GUGGENHEIM: *Much less cost. But even if it was the same cost—but what they build tends to be so junky here that it lasts a year or two. Richard Gnagy does a pretty good job on the oversight and the quality of the infrastructure is really good overall. Not everywhere but on balance. The social ones on the other hand are terrible and they've always been terrible. But what they are is they're another channel out of the village. That breaks that monopoly the village heads have. So they're just simply reporting all the things that go wrong, that's already a big step forward. The good ones start working with NGOs and complaining to parliamentarians and so on.*

MAJEED: The technical facilitators weren't originally part of the—

GUGGENHEIM: *Yes they were, from day one.*

MAJEED: Okay, but they weren't—somehow at the village level there weren't facilitators that were—

GUGGENHEIM: *There still aren't—they have to be at the kecamatan and kabupaten.*

MAJEED: In terms of the councils themselves, how inclusive are the councils?

GUGGENHEIM: *Not very. Again, Indonesia is not that differentiated—it is not like an Indian village. The gap between rich and poor is not that big. There is no caste system that goes on. So there is a gap between them but the fact that the project rules say that you have to add at least three women and two men to present any proposal, means that the meetings—even though the council may not be all that big and full of elites, the meeting itself has many people in it.*

MAJEED: Right.

GUGGENHEIM: *That's where some of these pilots at the Bank still don't—creative communities come in. If you're illiterate and really marginal and poor, then having to submit a written proposal is actually a form of exclusion whereas using all that art stuff that lets them sort of bond and feel a little less intimidated you see that the participation is triple. A project that depends on being in a meeting for making a decision, being there, that's a pretty important thing. That is sort of the extreme experiment that the bank hates. But it is actually one of the ones that I am more married to. How do we get non-written ways to get, sort of exercising voice in project selection overall. And you do see that—the meetings are pretty big.*

MAJEED: The meetings are big but initially was it a problem getting people out to the meetings?

GUGGENHEIM: No.

MAJEED: Did you see variations across the regions?

GUGGENHEIM: *Of course. Also you see big variations in village size right? So 400 people in a meeting looks huge except Javanese village is going to be 20,000. It's still less than 1% but they do have a bit of a representational structure. So most of the people who come, even to a village meeting, are not the poorest guy from the hamlet. The hamlet will have its own meeting and who is going to go and attend on their behalf. This is where you start to get the skewing against the women coming in, just through the representational structure. That is going to take time. I also think some affirmative action wouldn't kill them.*

MAJEED: Sure. I'm mindful of the time Scott. Thank you for meeting with me

GUGGENHEIM: *You're welcome.*