

**Researchers**

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**Timeline**

2005-2006

**Sample Size**

49 villages

**Research Implemented by IPA**

No

# Direct Democracy and Local Public Goods in Indonesia

## Policy Issue

Basic public goods such as dependable roads and clean water infrastructure are routinely underprovided in much of the developing world. While the provision of these services is often centrally administered, many now advocate for decentralization and community involvement as a more effective approach. Local communities can have better information on what goods and services are needed, and may thus be better positioned to recognize and quickly respond to inefficiency or corruption in implementation. Recent years have witnessed a trend toward decentralization in developing countries; this increase in local participation in government decision-making has been facilitated by a wide variety of political reforms, but the implications of these political mechanisms are yet to be well understood.

## Context of the Evaluation

Over 13 percent of the population of Indonesia lives below the poverty line, and improving the infrastructure in marginalized areas is a priority for the Indonesian government.<sup>1</sup> An Indonesian government program supported by a loan from the World Bank, the Kecamatan Development Program (KDP), funds projects in approximately 15,000 villages each year. Each village receives an average of Rp. 80 million (US\$8,800) for infrastructure projects. Participating subdistricts, typically containing 10-20 villages, receive an annual block grant for three years. Each village makes two proposals – one on behalf of the whole village and one proposed by woman’s groups – for small-scale infrastructure projects.

Typically, when it comes time for a village to decide upon its two KDP proposals, representatives from various hamlets come together to discuss the merits of, and to decide on, the village’s two project proposals. A typical meeting would have between 9 and 15 people representing the various hamlets, as well as formal and informal village leaders, with on average about 48 people attending in total out of an average village population of 2,200.

While the program has effectively improved local infrastructure in many of these villages, it is unclear whether current procedure makes projects easily dominated by elites and under-provides for those community members who need improved services the most.

## Details of the Intervention

To investigate these issues, researchers conducted a randomized evaluation in 49 villages, all of which were preparing to apply for infrastructure projects. Each village was randomized into one of two different political processes through which they determined which project to propose: 32 villages would follow the traditional representative meeting-based process described above, and the remaining 17 would choose their KDP project proposals via a direct election-based plebiscite. At these plebiscites, villagers could directly vote on a list of potential projects. For the general project, all adults were eligible to vote, and for the women-specific proposal, only women could vote. Data was collected on the project preferences of all villagers, including the elite, as well as the location and type of projects selected.

## Results and Policy Lessons

*Impact on Project Type:* The direct election process had little effect on the types of projects selected amongst the general project proposals, but had substantial positive effects on measures of citizen satisfaction with the political process. However, the elections did not change the probability that the general project would be located in a poor area. Direct elections on women's projects, on the other hand, resulted in both increased satisfaction with the political process and increased probability that projects were located in poorer areas of the villages.

*Impact on Satisfaction Measures:* Direct elections resulted in substantial changes in the community's satisfaction with the political process. Overall, the plebiscites resulted in an increase of 21 percentage points of people who said that the project chosen was either very much or somewhat in accordance with their wishes, an increase of 18 percentage points of people who said they would benefit either very much or somewhat from the project, an increase of 10 percentage points of people who said they would use the project personally, and an increase in overall satisfaction with KDP by 13 percentage points. The elections also raised the probability that individuals stated they would contribute something (such as labor or money) to the project by 17 percentage points. Additionally, villagers in treatment locations were 19 percentage points more likely to correctly identify the type and location of the general village project, and 25 percentage points more likely to know these things about the woman's project.

## Sources

[1] CIA World Factbook, "Indonesia," <https://www.cia.gov/library/publications/the-world-factbook/geos/id.html> (accessed August 31, 2009).

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