



Local Capacity, Village Governance, and the Political Economy of Rural Development in Indonesia

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Summary. — This paper develops a framework for conceptualizing local capacity to address village level livelihood and governance problems. The framework is based on an analysis of asset distribution, combined with an explicit analysis of the links between processes of state formation, state-business linkages and local forms of social capital. The framework is used to discuss findings from recent research on village capacity in rural Indonesia. The discussion suggests that it is possible to link a political, economic approach to rural development with recent conceptualizations of social capital. Such an analysis can illuminate the forms taken by and the effectiveness of village level collective action in ways that either purely political economy or social capital approaches do not.
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1. INTRODUCTION

The idea that local citizens and institutions are best placed to address and resolve local problems is a recurrent one. It has appeared in the guise of the community development approaches of the mid-20th century, the discussions of participation and indigenous knowledge of the 1970s and 1980s, and more recently in discussions of social capital and local institutional capacity. The idea is, of course, appealing and eminently sensible—compared to outsiders, villagers have more nuanced knowledge of their needs and concerns, of the environment in which they operate, and of the local conditions that would need to be taken into account in any effort to foster improvements in their quality of life. Indeed, such is

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the appeal of these ideas that any effort to question them runs the risk of invoking the criticism that the skeptic is a technocrat, blinded by “expert” knowledge, and complicit (if unwittingly so) in indulging arguments that lend themselves once again to the centralization of power.

Still, it is surely important to consider the ways in which the possibilities for, and potential of, local participation are structured by the particular forms taken by the intersecting processes of state formation and economic development in specific places. For in the absence of sensitivities to such structuring effects, it becomes more than possible for activists to push for forms of local participation that might invoke repression rather than empowerment, foster a proliferation of interest group specific demands¹ rather than democratization, or lead to creeping and accumulating local frustrations (when political participation yields no fruit) that can ultimately spill over into violence.

These are the starting points for the discussion in this paper. The paper grows out of two linked research projects that were specifically concerned to investigate the meaning and sources of village level capacity to address and resolve problems of local development in rural Indonesia.² The projects were predicated on the belief that such capacities indeed exist, and that it is important to find means of increasing their scope (Chandrakirana, 1999).³ At the same time, the projects aimed to understand the ways in which the nature of the state in village Indonesia affected (and largely disabled) these capacities (Evers, 2000), and the ways in which state-business linkages also structured the potential for local level participation and democratization.

In this paper, we have two goals. The first is to elaborate a framework for conceptualizing local capacity in a way that links it directly to questions of political economy, and the sources and structures of social power. The second, and related, goal is—with this framework in mind—to ask to what extent Indonesian villagers have been able to mobilize their capacities successfully even in the face of adverse political, economic contexts, and more specifically how far (if at all) their ability to do so has changed in the period of economic crisis and political change in Indonesia since 1997. On the basis of answers to these questions, we ask whether a useful conceptualization of local capacity might be one that embeds notions of social capital (as the resources that inhere in social relationships and are drawn upon in human

action) in the structuring processes of political economy, and in this way illuminates the sources of and constraints upon the political agency of disadvantaged groups within given political, economic contexts.

We first provide a brief description of the research projects on which the paper is based, and then elaborate a framework for thinking about the links between effective local capacity, village governance, and the political economy of rural development. *Inter alia*, the framework is based on an engagement with critical discussions of the concept of social capital (Fine, 2001; Harriss, 2002; Evans, 1996a, 1996b, 1996c). The third section provides empirical elaborations of this framework, based on material from two provinces of Indonesia. In the final section, we draw some conclusions regarding ways of thinking about the relationships between political economy and social capital, and between governance and local development.

2. BACKGROUND TO THE STUDY

This paper is based on two research studies conducted in Indonesia under the broad title of “Local level institutions 1” and “Local level institutions 2”—LLI 1 and LLI 2, for short. LLI 1, conducted during 1996–97, aimed to: generate descriptive information on the role that local institutions played in villagers’ lives; trace the relationships between these institutions and household level welfare; and understand the interactions between state sponsored groups and non-state organizations in the processes of rural change. Research was conducted in two districts (*kabupatens*) in each of three provinces (Central Java, Jambi, and Nusa Tenggara Timur or NTT) selected in order to study the relationships in different political, economic and cultural contexts, though we report here on the research from Central Java and Jambi. Among them the districts, with eight villages each, covered the following contexts:

—A rural economy based on household agriculture and related livelihood activities (Central Java), under conditions of high population densities and advanced sub-division of property (Hart, Turton, & White, 1989; Hüsken & White, 1989; White, 1983).

—A rural economy based both on household agriculture and other livelihood activities within the context of a frontier economy dominated by capital intensive natural

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