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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, economic or social capital approaches do not.
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Key words — social capital, governance, capacity, Indonesia, rural development

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 the appeal of these ideas that any effort to question them runs the risk of invoking the criticism that the

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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 demands [1] rather than democratization, or 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 ~~the~~ 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. The third section provides empirical elaborations of this framework, based on ~~the~~ 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 resource extraction activities, such as logging, oil palm plantations, oil and gas (in Jambi).

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Following the economic crisis of 1997 and the ensuing political turmoils in Indonesia—which changed the country from a lower middle-income one with an authoritarian regime to a poor country with a more open but weakened government—the decision was made to conduct a re-study of the same sites and households covered in the first study. Fieldwork for this re-study was conducted during 2000–02 in five of the six *kabupatens* covered in the first study. [4] While LLI 2 was methodologically and substantively similar to LLI 1, it was not the same. [5] Substantively, LLI 2 paid greater attention to understanding the ways in which state and non-state institutions interacted locally, and the ways in which this affected village governance. In particular, it was interested in understanding how the economic crisis and political reforms (*reformasi*) of the late 1990s had influenced these relationships and whether village governance had been substantially affected by these national political and economic changes. Methodologically, this meant more qualitative work in LLI 2 than LLI 1 in order to investigate these organizational questions. Thus, six-week "mini-ethnographies" were conducted in one village in each of the districts studied, and weeklong rural appraisal exercises were conducted in all 40 villages. [6] The case study material reported later in this paper comes from the villages where the "mini-ethnographies" were conducted.

Among the themes explored in this qualitative work was the question of how—and how effectively—villagers have been able to address two broad types of problems: problems that villagers perceive as among the most important ones they face in their livelihoods; and problems to do with local governance and the performance of state institutions in the village. [7] While LLI 1 also asked these questions, it did so in less ethnographic detail. It is this empirical material that we draw on in the following sections in order to ask four research questions:

(a) What capacity to address problems of livelihood and governance exists in the villages studied?
(b) What are the sources of this capacity?
(c) How far were villagers able to solve key livelihood and governance problems?
(d) What factors determine the effectiveness of local capacity?

3. LOCAL LEVEL INSTITUTIONS IN INDONESIA: AN OVERVIEW [8]

Notwithstanding their remarkable ethnic, linguistic and cultural diversity, Indonesia's more than 60,000 villages operate at least ostensibly under a single administrative structure. This structure, modeled on the governance institutions of Javanese villages, was introduced by the Village Government Law (known as Law No. 5 of 1979), which remained in place until 1999 when it was revoked following the fall of the New Order Regime of President Suharto. [9] Despite this revocation, most villages maintain the institutions introduced under the law.

Law 5/1979 was a clear example of the type of control that the New Order Government aimed to impose on rural communities following an aborted *coup* which the government argued had been instigated by the Indonesia Communist Party. It was also a reflection of the ideology of the New Order regime. The law was issued because older regulations, many derived from colonial laws, were deemed to be inadequate for the government's plan to accelerate rural development. An explanatory text attached to the law commented, "those [old] laws and regulations did not create uniformity in village government and did not stimulate the community to develop. Therefore, the present villages and village governments have various forms and structures; each area has its own characteristics which often hinder intensive upgrading and control to improve the community's welfare." True to the intent of making village institutions functional to national programs of rural development and political surveillance, the Law stipulated that the village head (*Kepala Desa*) be accountable not to the community but to the district head (acting on behalf of the Governor of the province). The *kepala desa* only had to explain their administration to the *Lembaga Musayawarah Desa* (the LMD or "village consultative council"), which was anyway headed by the *kepala desa*. The village head also chaired another organization, the *Lembaga Ketahanan Masyarakat Desa* (the LKMD, or "village community resilience council"), which was responsible for implementing social and economic projects, as stipulated in a Presidential Decree in 1980. Members of these two organizations were more or less selected by the village head. In sum, village regulations "allow the villagers a role, but give the village head the final word, and just to make sure, give the district head the right to 'veto'

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everything" (Evers, 2000, p. 14).[10] Later the central government also created other "community" groups (women's and youth groups, in particular). These were supposed to be present in every village and played a mix of community, development, and surveillance roles. Other organizations, such as cooperatives, farmers' associations and especially groups affiliated to political parties, were replaced by government-sponsored ones all over the country (Hüsken & White, 1989).

A system of sub-village units was also formalized to administer people within the village (or *desa*).[11] "Rural hamlets (*dusun*) are naturally formed settlements that are usually separated from other hamlets by fields, rivers and forest" (Evers, 2000, p. 9). Particularly in Java, villagers generally speak of the internal geography of villages in terms of the names of different *dusun*. Indeed, LLI 1 concluded hamlets could be fairly autonomous, raising their own resources (e.g., from migrant groups) and occasionally opting out of government inspired village development. Hamlets are, in turn, formally divided into neighborhoods or "solidarity units," and households are, by law, members of these. The solidarity units exist at two levels: the RW (*rukun warga*, or community solidarity unit) and the RT (*rukun tetangga*, neighbor solidarity unit). The latter usually consists of no more than 30 households. Each of these units (*dusun*, RT, and RW) has formal heads who assist the *kepala desa* in local administration, implementing projects, collecting payments, and monitoring local events. At times, heads will stipulate that each RT has to contribute a given amount of money or time to the implementation of government initiated social and economic projects (Evers, 2000).

Under this system, village development was heavily reliant on resources from supra-village government, and the village head was legally accountable (until 1999) to the district head instead of to the community. Such a system created few incentives for the village head to work for the interests of the community. Indeed, job security for the village leadership depended on how well they served the interests of the district (and sub-district) government. In this context, and given the limited salary (in cash or in-kind) for village heads and other village leaders, corrupt use of public funds was widespread, and in most of the study villages there are cases of misuse of public funds.

With so much control in the hands of the state, "autonomous" and self-generated community groups had little space to grow. The services and functions that such groups had delivered prior to the New Order Government became the responsibility of these government-sponsored groups to which, furthermore, most government resources flowed. Rural change processes were, thus, driven by the state and rural elites (Antlőv, 1995; Zakaria, 2000). At the same time, the state facilitated private investment. Communities had little or no control over such state-business relationships, and they often worked against the sustainability of village livelihoods. Documented examples of this pattern include timber and forestry activities and cash crop plantations that joined farmers/smallholders with plantation companies (Peluso, 1992; White, 1999).

The overall effect was that the villagers hardly participated in the processes through which decisions were made regarding service delivery, investment, allocation of funds, etc. Traditional leaders lost the material basis to their power and authority, and either became ineffective or were "co-opted" into the village government. And yet, LLI 1 also showed that, even if villagers did not participate in formal village planning, local institutions were still viable and active, even in poor villages (Chandrakirana, 1999). This was above all the case at the RT level where such community groups often served as "safety nets," especially during times of particular hardships, such as the economic crisis of 1997. Various kinds of rotating savings and loans groups have enabled villagers to get some cash at different times of the year. These groups were embedded in a variety of social relationships in the village—some linked to the Mosque or Church, others to the hamlet or neighborhood, others to the women's group, etc. Alongside these semi-formal groups, informal "social networks" within the community were also found to provide important sources of security through a range of reciprocity practices (but see also Silvey, 2001).[12] What was, however, clearly the case was that the structure of formal village and higher-level government meant that the reach of these more autonomous groups was highly circumscribed, limited to the neighborhood and sub-village level. Village-wide, or even inter-village cooperation was very rarely encountered.

In 1998, when Suharto was toppled, under the pressure of *reformasi*, his successor revoked the existing Village Government Law and hastily replaced it with new legislation (Law number 22 of 1999). The new law covers both

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local government and village government, which used to have separate laws (Law 5 of 1974 on Local Government and Law 5 of 1979 on Village Government). It was produced under the threat of successionism and heightening dissatisfaction with the authoritarian regime and its exploitative measures *vis-à-vis* the regions, particularly those rich in natural resources. [13] Thus the focus of the law is more on the provincial and district-level governments (of 134 paragraphs in the law, less than 15% are on village government). However, this new law introduced more liberal conceptions of local governance and gives space for diversity in forms of government. It separates the executive and legislative branches and provides more power to the legislature to control the executive (Law 5/1974 created subordination of the legislature to the executive) and offers the village community the chance to play a larger role in their development. *Inter alia*, the community is free to return to its local customs (albeit in ways still regulated by the district government, or *kabupaten*), and the village head is now accountable to the *Badan Perwakilan Desa* (village representative body) instead of to the district head. However, after more than 30 years of being tightly controlled by the central government, changes have not come instantly. Some districts just copy the regulations from other places or follow guidelines from central government disregarding local context. At the village level, most representatives scarcely understand their roles.

4. CAPACITY, GOVERNANCE, AND POLITICAL ECONOMY: A FRAMEWORK

If this is a very simple map of village organizations in Indonesia, how might we conceptualize the nature and effectiveness of villagers' capability to address local livelihood and governance problems through their networks and organizations? In this section, we outline a framework that has been developed on the basis of the findings of LLI 1 and LLI 2. The framework has three building blocks:

(a) an asset based conceptualization of capacity;
(b) a conceptualization of rural, political economy based on three; dimensions:
- —the role of the rural state in national programs of social control;
- —the alliances between state and business in rural areas within national programs of economic development;
- —processes of social differentiation within villages;

(c) a conceptualization of the sources of capacity.

In this section, we discuss each of these three building blocks.

(a) *An asset based conceptualization of capacity*

Capacity resides in actors, both individual and collective. As such it is important to conceptualize it independently of its effects, for these final effects will depend greatly on the influence of other institutions, actors, and social structures. In this sense, capacity is closely related to the notion of power. Capacity is the "power to" do something, but the likelihood that that power will in the end be realized is dependent on the power of others to influence both one's ability to act, and the likelihood that that action will have the effects that the actor hopes for. Thus, while capacity resides in actors, its potential effectiveness depends on other actors' capacities also. One way of conceptualizing such capacity is in terms of the resources that actors can draw upon as they address a problem: that is to say, in terms of their assets. Assets are, in this sense, not just things that people have, but they are also sources of their power (Bebbington, 1999; Moser, 1998; Scoones, 1998). These frameworks suggest that livelihoods can be understood as the ways in which people transform several types of assets or capitals (natural, human, financial, physical, and social) into livelihood outcomes. Just as these assets can be viewed as the basis of a livelihood, they can also be viewed as the basis of capacity, for clearly an (individual or collective) actor's ability to resolve a problem is affected by their skills, their alliances and networks, their financial resources and so on. Capitals are, then, simultaneously sources of capability (Bebbington, 1999; Sen, 1998).

Though we conceptualize capacity as deriving (potentially) from all asset types, in this essay we are particularly interested in understanding the links between social capital and capacity. There are several reasons for this. The first is that our interest in governance processes means we are particularly interested in the social relationships that influence local collective and public action, and the relationships between them. Second, we draw on prior work

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suggesting that the nature of social relationships both within village society and linking it to non-village actors is critical in influencing the possibility of effective, autonomous action (Fox, 1996). Third, we are specifically interested in contributing to efforts to conceptualize the links between social capital and political economy in a way that can contribute to less romanticized, but still relevant reflections on local level institutions, governance, and rural socio-economic change. Indeed, the link between social capital and political economy is a theme only weakly elaborated in both livelihood and social capital discussions—yet the ability of an individual or collective actor to transform assets into the successful resolution of a problem depends on the actor's relative power *vis-à-vis* other actors. That is, while capacity inheres in actors, the effectiveness of that capacity is relational. The absolute and relative distribution of capacity (and of assets) therefore matters greatly. Second, the likelihood that capacity will be effectively translated into success depends on institutional and organizational context: the rule of law, the responsiveness of government, the posture of the police, military, and the judiciary and so on. These two themes—distribution and institutional context—take us to the second core component of this framework: the political economy of rural development.

(b) *The political economy of rural development*

Neither patterns of asset distribution nor institutional conditions in rural areas are accidental. Indeed they each derive from the broader relationships between politics, economy, and society that drive and undergird the overall patterns of rural development and—crucially for our cases—that structure the control and use of natural resources. In the Indonesian context, three dimensions of this political economy stand out:

—the extent to which state formation in rural areas has constituted an explicit strategy for exercising social control over the rural population, and the degree to which the coherence of this strategy has been affected in recent years by the political crisis of the New Order regime [14];

—the particular alliances between the Indonesian state and business that have emerged as part of Indonesia's particular form of capitalist expansion, and the ways (if any) in which these alliances have changed with the crisis of Indonesia's economic model;

—processes of social differentiation within villages that derive both from the prior two dimensions and other on-going economic changes, and that lead to a differentiated distribution of assets and capacities.

Identifying the first two of these dimensions of political economy draws, clearly, on our earlier discussion of local institutions in Indonesia, so it is not necessary to elaborate in too much more detail here. The New Order regime engaged in a process of sub-district and village level state building that had the explicit goals of surveillance and social control. On the one hand, the regime was concerned to build a system of authorities and incentives that would ensure that village and sub-village leaders monitored citizens and reported and/or dissipated—be this through cooptation or repression—protest or any hint of left-inspired political activity. Indeed, in the interviews for the two LLI studies it was evident that for many village authorities the primary role for the structure of *desa–dusun*–RW–RT was still to monitor villagers in order to diffuse and report deviant behavior (now talked of as crime). At the same time, the regime sought to create a system that would ensure the repeated re-election of the governing party (Golkar), and provided incentives to local leaders to deliver appropriate victories for Golkar. These political imperatives created incentive structures for *desa–dusun* leaders that meant that their primary objectives were to serve their own interests through responding to the goals of higher levels of government rather than to the priorities of villagers (Evers, 2000). Finally—with the goal of creating a nation state across Indonesia's archipelago—the regime sought (with varying success) to impose a unitary model of local government on everyone, and to usurp and disarticulate culturally (and geographically) specific traditional governance institutions (*adat*).

The deliberate heritage of this model of state formation was a system of village government that responded upwards, rather than downwards, and that offered few if any spaces for participation or even recognition of individual and collective actors other than those within the state's own institutions. Yet the imperatives of social control, capitalist expansion, and social investment also led the regime to develop

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a governance system capable of service delivery at a very local level. On the one hand, making the state present at a very local level in the form of schools, health posts, rural roads, and local development committees was itself an instrument of social control—seeking local acquiescence to a model that at the very least delivered services, albeit of variable quality. [15] At the same time, the imperative of modernization meant that the regime attempted to build those assets at a very local level that might enhance economy wide productivity. The significant declines since the 1970s in income based poverty, child mortality, etc., and the increase in educational attainment suggest that in this regard, the regime was in some respects successful—although the economic crisis in 1997 proved "the precariousness of those gains as millions of Indonesians fell back into destitution" (World Bank, 2001, p. iv).

The model of economic development underlying the regime was also, and more significantly, founded on a particular set of alliances between state and business. [16] Large-scale business was to be the engine of modernization, an engine supported by the state through overall policy commitments, state-owned enterprise and everyday forms of corruption (across all levels and at often remarkable scales). In rural areas, one significant manifestation of this phenomenon was in the extractive industries sector. The regime was (and indeed is still) committed to the promotion of oil and gas sectors, large scale logging (Peluso, 1992) and the promotion of rural estates for the production of oil palm, coconut, etc. (White, 1999). [17] Such policy commitments have led to phenomena such as the enclosure of forests and heavy state encouragement that villagers lease lands to agro-industrial enterprises (Peluso, 1992; White, 1999). The effect has been to reduce villagers' access to natural resources and to create enterprises in rural areas over which the villagers have no control.

Such interventions—coupled with the longer standing processes of commodification in rural Indonesia and the more general ways in which economic change has interfaced with local power relationships—have also contributed to significant social differentiation in villages (Hart *et al.*, 1989; Pincus, 1996; White, 1983). Whether conceptualized as class formation or not, such processes have involved inequalities among villagers in the distribution of a range of assets, and thus also differentiation in villager capacity to engage in economic and political processes. Likewise this differentiation complicates—though it does not necessarily obviate—the possibility of broad based village collective action, as different groups within villages do not necessarily share the same interests or even the same perceptions of the political economic challenges that confront them.

Just as the broader political economy is implicated in the generation of particular patterns of asset distribution and institutional forms at a local level, it is also related to the types of problems that villagers confront and attempt to resolve. Of course, not all problems mentioned in the study areas derive from such political economic considerations—some are partly effects of climatic, agro-ecological and demographic phenomena. But in many cases, the problems villagers confront are partly or wholly related to questions of political economy (e.g., input price shifts, forest enclosure, and corruption in the local state). Political economy is thus related in complex and multiple ways both to villagers' capacity and to the possibility that this capacity can be successfully mobilized to resolve problems.

(c) *Sources of capacity building*

The third core element in the framework relates to the sources of capacity building. If capacity resides in actors' asset bases, then it becomes critical to ask how those asset bases grow or are depleted. In the light of the prior discussion of the New Order state as a service delivery mechanism, one source of asset growth has clearly been the state itself: its investments in education, health and infrastructure have increased villagers' assets. At the same time, the state has also been a cause of asset depletion: it disarticulated autonomous organizations; clamped down on particular people with whom it disagreed politically, and in the process undermined their livelihoods; and its alliances with business have often undermined villagers' natural capital. As important as these direct effects, however, is the effect of the state on villagers' assets and capacities *relative to* the asset bases (capacities) of more powerful actors (which is also related to the links between state and social differentiation mentioned above). In this regard, while villagers' assets have increased, those of rural elites and more powerful actors have increased yet more so.

The question then is whether villagers' assets have changed such that the villagers might be able to exercise some form of accountability

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over other actors without being repressed. Here the framework draws heavily on Fox's analysis of the ways in which particular forms of social capital are constructed and civil society "thickened" in rural Mexico (Fox, 1996; see also Bebbington & Perreault, 1999).[18] In aiming to understand how particularly strong forms of regional (supra-communal) social organization have emerged, escaped repression and affected interesting regional changes, Fox suggests that three "causal political pathways" have been at play. The first of these he refers to as state-society convergence: a pathway in which reformist officials within the state facilitate the emergence of autonomous forms of rural social organization. The scope for reformists to do this, however, varies according to the political context—in regions and at times where the overall regime policy is to close out participation, then there is far less likelihood that such reformists will be in positions of influence inside the state, and have opportunities to deviate from the overall regime orientation. While there have arguably been more moments and places of such political openings in Mexico than in Indonesia, the geographical unevenness of Indonesian state penetration, and the recent changes within the state since *reformasi* suggest that such convergence may be visible, especially in more recent years, in certain districts and *desas* (our empirical data suggest that this is indeed so), in areas nearer public universities, and so on.

The second pathway—collaboration between local and external civil society organizations, such as NGOs and religious organizations, etc.—is one in which non-local actors increase local organizational capacity by providing training, advice, information or protection from repression. This sort of support can build assets—in particular social capital—directly, but can also foster certain changes in the institutional environment so as to reduce at least some of the barriers to effective exercise of capacity. Research in LLI 1 suggested that in many of the more interesting cases of autonomous collective action—and the few cases of inter-village coordination—such external actors played an important role (Chandrakirana, 1999).[19] The findings in LLI 2 suggest that this has been even more so in recent years, apparently as an important effect of *reformasi* and the overall ~~if there is a~~ geographically uneven decline in state power. Of course, some of these linkages can also have decidedly more nefarious effects. External actors can also include those who foster religious and ethnic chauvinisms, and the effect may be to increase the capacity of some villagers to exercise such chauvinism over others, all too often violently. These chauvinism, and the exercise of such destructive forms of capacity have emerged far more visibly since the end of the Suharto regime.

Fox's third pathway is a more or less independent, un-supported "bottom-up" production of social capital. Here, capacity strengthening comes from within the rural population. Given the regime wide effort to use the structure of the Indonesian state to prevent or co-opt such independent organization, the likelihood of finding cases of such a pathway seems more remote than in Mexico. Yet nor are they absent. Many cases were encountered of village groups organizing autonomously to provide rotating savings and credit, to facilitate (increasingly transnational) migration,[20] to maintain facilities, to organize prayer and Islamic ritual, etc. However, it does seem to be the case that such processes have remained almost always and until very recently, local, rarely transcending the boundaries of the *dusun*, let alone the *desa*. In this sense they differ, and are not as politically significant as the supra-communal organizing processes to which Fox is referring and that he identifies as an important source of demand for accountable regional government and democratization.

5. ANATOMIES OF LOCAL CAPACITY TO ADDRESS LIVELIHOOD AND GOVERNANCE PROBLEMS IN INDONESIAN VILLAGES

The framework outlined in the previous section clearly allows for multiple and geographically uneven resolutions of the relationships between capacity and political economy. Indeed, the field results from both LLI 1 and LLI 2 demonstrate quite clearly that levels of local capacity and of relative success in turning capacity into the effective resolution of problems vary, not only among provinces but also among villages within particular districts, and among groups within villages. Reflecting on why this variation occurs in turn has implications for how to conceptualize capacity, and the links between social capital and political economy. In this section, we present the findings on some of these issues. A comparative reading of the findings provides the basis for a return to a more conceptual discussion in the concluding section of the paper. Examples

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come from Central Java and Jambi. We first present basic information on the sites, and then discuss economic and political problems that the local population has had to confront—their ability to do so is taken as an indicator of their capacity. We then discuss the effects of their attempts to resolve these problems, and the factors that in each case seem to have determined both the nature of local capacity, and its adequacy in the face of particular problems of livelihood and governance.

(a) *Confronting livelihood crisis and contesting village governance in Central Java* [21]

The following paragraphs discuss how the power relations between the state and the community determine the effectiveness of local capacity. What capacity exists in the study villages has been given limited space by the state. Autonomous organizing remains limited to the sub-village level and is only at best able to deal with problems at that level. In order to address larger problems, village groups need to link with external actors or "reformist" officials. [22] This need to establish links with other parties has been critical in attempts to confront problems that derive from government policy, market structure, and nature. The discussion here draws on findings across the study villages in the districts of Banyumas and Wonogiri, with specific cases coming from Beral, a village in Wonogiri. [23]

(i) *The sites*

In both districts of Banyumas and Wonogiri, agriculture is the major economic activity. Of the two, Banyumas is the more fertile and better irrigated. The average farm size is, though, only 0.3 hectares in the study villages. [24] While in Wonogiri, the farms are larger, the soils are poorer and there is little irrigation. In both districts, the villagers argue that agriculture alone is unable to sustain their life especially with the rising prices of inputs, though they still perceive farming as their primary source of livelihood. There are too few other natural resources for them to constitute an alternative basis for villagers' livelihoods. Forests are state property and access to forestland is limited, often creating conflicts between the state and villagers, or among villagers themselves. People therefore look beyond the village for livelihood, above all from circular migration. Small trade and agricultural laboring have become other sources of income.

Government plays a very significant role in everyday life, visibly present through village officials in uniform. Apart from issuing permits (e.g., to have a celebration) and licenses (for identification cards, marriages, etc.), it provides infrastructure and basic services, such as education and health. It is the major source of funds and know-how for social and economic projects (which come from the supra-village government) and controls decision-making processes around the use of these funds. Villagers are generally excluded from such decision-making processes at all levels other than the sub-village. They are only notified about decisions that have been made by village leadership, and if they are consulted this is very much dependent on the inclinations of individual leaders.

(ii) *Livelihood and governance problems*

In focus group discussions, villagers identified two primary types of difficulties that they confront: difficulties related to agricultural livelihood, and those related to village government. The former was emphasized far more strongly. Among their agricultural problems, they cite the decreasing quality of soil (it needs increasing amounts of inputs to produce the same yield), harvest failure (generally due to too little or too much water and pests) and high production costs relative to the price they can command for their rice. These problems were identified in all the villages in which research was done, suggesting that they are relatively common and that their causes are exogenous.

Over the last 10–20 years villagers have noticed the need to apply more inputs, particularly fertilizer and labor (especially when they are not using tractors). Chemical fertilizers are a particular problem. Introduced over 30 years ago in heavily subsidized form at the height of the Green Revolution, they are now central to farming practice—and manure or other organic fertilizers are not sufficiently available. The fertilizer subsidy was however abolished in late 1998 during the economic crisis. At the same time as input prices rose, rice prices fell as the government could no longer guarantee a fixed floor price, government-sponsored cooperatives could not pay guaranteed prices, and market prices fell. Harvest failure also has several causes (pests, drought, and disease), each with an ecological base: the declining population of natural predators; the effects of deforestation on flooding; and tendencies in the regional climate. The other main problems mentioned in these focus groups revolve around the relations of the village leadership with the community which translated into services that were either

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reduced in scale or of a lower quality than that to which communities are ostensibly entitled. In most cases, this was because of corruption, misuse of funds and misappropriation of community property (village land).

(iii) *Responses to livelihood and governance problems*

In many of these cases, the root of the problems identified by community groups lies outside the community, in ecological dynamics or central government policy. Villagers tended to feel that it was beyond their capacities to pressurize the government on questions of policy, and instead make adjustments in their production systems. These adjustments are made at a household level, and here there is clearly a link between social differentiation processes and capacity for, in practice, those best able to adjust are the wealthier farmers. For example, only farmers with more assets are able to fallow their land, or plant break crops that, though fertility restoring, are riskier or command lower prices.

Poorer villagers choose a yet more "indirect" remedy. They do not address the causes of these livelihood problems, but instead seek to reduce their impacts by adjusting their overall livelihood strategy. In other words, responses lie in the realm of survival strategies. The main survival strategy is for family members to combine migration with paid agricultural labor, or to operate small businesses, such as making palm sugar, which provide daily cash. Migration made use of the already existing social networks linking the village to friends and relatives in the city. These contacts become the major source of information for finding jobs and generally surviving in the urban environment. Additional strategies being used were to mobilize resources through reciprocity relationships (*gotong royong*) or rotating savings and loans groups (*arisan*). Though small, these *arisan* groups are particularly active.

The problems with the village government also invoked different responses though these were generally at a collective rather than individual level. They were also more assertive, reflecting villagers' own sense that they had potentially more capacity to influence governance rather than economic processes. When the village government is strong (*vis-à-vis* the community), villagers protest through more "silent" forms of resistance (c.f. Scott, 1985)—by not attending meetings, not participating in community work or doing the minimum to avoid sanctions. The communities were more likely to voice their dissatisfaction in cases where village government was less organized, or where villagers were able to make links to external actors. Across the study sites open protests against village government had increased since the *reformasi*.

One such protest occurred in a village in Wonogiri over the misuse of money the hamlet head had collected from villagers in order to pay for an electricity connection from a neighboring district. Months passed and nothing happened and the hamlet head was unable to give satisfactory answers to villagers' queries. Then, led by some local teachers, they started to investigate, asking questions to both the electricity company and the contractor who was supposed to install the system. They found out that their money had not been paid to the company. One evening, following casual conversation among disgruntled villagers, they decided to see him again but they were told that he was not at home. Believing that he hid inside, some of the people who had gathered outside the house started to get kerosene and were about to burn the house. However, a couple of people fetched the village head, the only woman village head in all 16 LLI villages who has been re-elected for her leadership. She promised to settle the problem the next morning when she could meet the hamlet head. The next day, she intentionally made the hamlet head see the sub-district head whose "superior" position would compel the hamlet head to abide. The sub-district head pressurized him to return the money to pay the electricity company. He did.

In the same village, in the early 1990s a private company, supported by high-ranking central government officials, began to acquire land within a half kilometer from the beach line of the village. The goal was to build a resort area. More than 100 households, some including civil servants and village officials, owned the land (a few of them lived in ~~the~~ neighboring villages). Under the intimidation of local government, military, police, and local brokers, the villagers had to sell the land for Rp100–200 per square meter.[25] Negotiation to raise the price to Rp10,000 per square meter failed, although compensation for the trees was agreed on. The collective capacity of villagers to resist the forced sale of land was also weakened by state-mediated social differentiation within the village—in particular, civil servants and village officials were afraid that resistance would ultimately have a negative impact on their future careers in the public sector, and so were not in-

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clined to organize against the resort. However, with the help of an NGO from another sub-district which linked the villagers with regional and national NGOs, the case received local and national media attention. The dispute went on for years and only died down when in 1997 economic crisis hit and the company did not make any move to develop the land. *De facto* villagers still keep the land although the company holds deeds as proof of legal ownership.

(iv) *Understanding capacity and its effects*

Cases such as these and others in the study villages show that the outcomes of a community's attempts to deal with their problems effectively can be attributed to a number of factors. In the case of the fraud by the hamlet head, the initiative to resolve the situation came from the community. The village head who had been known as a "good" leader was able to get support from the sub-district head to pressure her hamlet head. The recently (post-*reformasi*) appointed sub-district head was also known to be responsive. In his own words he felt obliged to be responsive given the national context of decentralization and *reformasi*.

In the second example, higher-level government was a part of the problem, and—furthermore—the ways in which some villagers were linked to this state weakened collective capacity to respond. In this instance, capacity came from outside (Fox's second pathway), and it was an external NGO that provided assistance. However, the changing political and economic context also played a role and it would be hard to imagine that this NGO strategy would not have elicited repression in pre-*reformasi* political contexts. [26] Indeed, efforts to address this problem prior to 1999 had not been successful, and years of negotiation had drained the villagers' and NGOs' limited resources. Only with *reformasi* and the economic crisis did villagers gain somewhat more power *vis-à-vis* the government—in large measure because of declining government capacity more than any increase in village capacity. This shift in power relationships—coupled with the economic crisis—finally put a hold on the acquisition.

(b) *State and traditional governance institutions in Jambi*

Research in Jambi also suggests that effective capacity is influenced by a mix of factors as shown by the following vignettes from two different villages, Buluh Perindu in sub-district Kumpeh and Koto Depati in sub-district Jangkat. In these cases, the relative accessibility of a village seems especially important, determining the degree of external intervention and internal cohesiveness, the interplay of which seems to influence the ability of a community to resolve its problems. The nature of state-business alliances is also particularly important in structuring local capacity in this resource frontier environment.

(i) *The sites*

Buluh Perindu is in the lowlands, a one-hour drive from the provincial capital. Although the villagers have been resident for generations, they are not—nor do they think of themselves as—indigenous to the area. Rather they have migrated in from the surrounding districts, provinces, and Java also. In this village, the major economic activity is fruit production, with 2–3 harvests a year. In order to earn income in between harvests, the villagers go to the forest to log and extract *jelutung* (latex). While the inclusion of the nearby forest, and parts of the village itself, into a forest concession area in 1988 had limited such forest access, since *reformasi,* the ability of the company holding the concession to regulate access has weakened somewhat, and villagers' logging activities have begun to increase. Rice cultivation is becoming less popular because of frequent harvest failures.

Koto Depati, a nine-hour drive from the same provincial capital, is quite different. Located in a fertile mountainous area, it remained isolated until 1996 when the government built an asphalted road to the village and its neighbors in the same sub-district. Villagers plant rice for consumption and coffee and cinnamon for sale. With the arrival of the road, land scarce in-migrants (or *pendatang*) from the surrounding districts and provinces have begun to settle, introducing new horticultural systems (based on potato and vegetables), which are gradually replacing cinnamon.

(ii) *Livelihood and governance problems*

Buluh Perindu has long had a problem with harvest failure. Recent causes have been drought, pest attacks, floods, and a forest fire of 1996–97. Over the years, the villagers have not succeeded in establishing a stable production system to cope with these stresses—during the forest fire, for instance, a number of villagers had to become beggars in the city to survive. [27] Koto Depati is quite different, and has had no food shortage in living memory. In fo-

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cus group exercises, people were hard pressed to identify problems, except that some perceived a steady increase in pressure on land resources with the arrival of *pendatang*. However, the villagers have willingly engaged in horticultural production with these *pendatang* and adapted a sharecropping system, known as *anak ladang-induk semang*, introduced by the *pendatang*. [28]

Notwithstanding this institutional adaptation, pressure on land is increasing. Some *pendatang* have been able to accumulate capital through sharecropping and have begun to buy land from the villagers with the effect that land prices are increasing. At the same time, overall land availability has been reduced since the government began to enforce the enclosure of the Kerinci–Seblat national park in 1994. [29] Land expansion for agriculture has become more difficult. The growing pressure on resources has been accompanied by increased tension relating to land access. This in turn places increased pressure on local governance arrangements to manage and resolve these tensions.

(iii) *Responses to livelihood and governance problems*

The villagers have hardly responded to harvest failure problems in Buluh Perindu, demonstrating quite a limited capacity. The primary response has been to increase logging and latex extraction. However, this option has also been under pressure because of the aforementioned forest concession and more generally because of deforestation. [30] The villagers have to go further into the forests to log, and often "disappear" for 4–6 weeks. Furthermore, they finance logging expeditions with advances from wood traders. [31] By the time debts are paid off, the margins are very limited, and the loggers soon have to return deep into the forest.

The concession restricts forest access and in some cases has impinged directly on villager access to trees on their cultivation lands. In any conflicts over these trees, the police and military have repeatedly supported the logging companies (a clear example of the linkage between state and business in the extractive economy). This, coupled with the company's policy of importing labor from Java rather than hiring local labor, has put further pressure on local livelihoods. Relationships between the villagers and the company whose concessions most directly affect the village have deteriorated over time.

The presence of the company also affects village politics, and the 1998 election of the village head was partly financed by the company. Since then he has used the company's contribution to the village to pay local schoolteachers as well as himself. However, once the position of the company weakened in the post-*reformasi* period, the head shifted allegiances and worked with villagers to gain access to the forest—an access from which his own wood-trading business would benefit greatly. The conflict between village and company peaked in 2001 when villagers burned down the company's base camp. Much like the threatened burning of the hamlet head's house in Wonogiri, this was, however, more an act of spontaneous collective action sparked during a gathering of men, rather than any demonstration of long-standing organizational capacity in the village.

In some sense, the arrival of in-migrants and the enclosure of the national park in Koto Depati have had the same effect as the forest concessions in Buluh Perindu in that they reduce the land base of village livelihoods. However, the village's response has been quite different, and has aimed to address the problem rather than respond violently to it. In this case, the response has been through the institutions of the *adat* system. When the number of *pendatang* was low (i.e., prior 1996), they were readily incorporated into the community after going through a set of *adat* sponsored rituals. By making a request to the head of the traditional leader, they were also able to gain access to land for housing and agriculture. However, with the increasing number of *pendatang* buying land, during the 2000 *adat* annual meeting, the *adat* leader, the village head and the head of LKMD declared that all land transactions with migrants would from then on be "illegal" if they were not approved by the village head. While the distributional effects of this ruling are not entirely progressive (for it gives village elites more opportunities to concentrate on landholdings), the decision has reduced simmering conflicts while still allowing *pendatang* access to land through sharecropping arrangements since the villagers still need their skill in horticulture. When the *pendatang* proposed to set up a new hamlet (not exclusively of *pendatang*), the village leadership accepted it but made sure that the hamlet head was a local. In this way, the village could still control the *pendatang* who have the labor and skills in horticulture that the villagers need.

(iv) *Understanding capacity and its effects*

In Buluh Perindu, there has been little collective or organized response to pressures on livelihoods or problems of local politics except for spontaneous violence. Collective action is very rare, and is limited to the completion of specific tasks (selling produce together, going to the forest together, etc.) rather than to any strategic initiative to foster local progress. This lack of collective action appears to reflect the relative weakness of bonds among community members. One indicator of this is that in times of emergency people do not borrow money from anybody other than their own siblings (who are usually their neighbors). The weakness of these bonds is, in turn, deepened by the central state's disarticulating effect on local capacity, exercised both through the *kepala desa* system and more importantly through its power to give concessions to private companies to exploit the forest. In each case, these forms of state presence limit any community participation in decision making and, perhaps more significantly, favor the emergence of local political and economic elites who have captured local government and developed preferential relationships with state sponsored businesses, particularly those linked to logging. The state has then protected these privileged relationships. Security guards, sometimes with police backing, limit villager access to forests. As the villagers feel more squeezed, conflicts have erupted and turned into violence. Conversely the relative isolation of Koto Depati has meant that notwithstanding the government's imposition of its own governance structures, *adat* and formal government structures have been able to co-exist, at least on the surface, primarily because the central state has not been able to enforce its own governance arrangements. This syncretic local governance system has enabled the village to adapt to changing pressures on land in ways that, if not entirely equitable, are more inclusive and far less violent. [32]

6. CONCLUSIONS: SOCIAL CAPITAL, POLITICAL ECONOMY, AND LOCAL CAPACITY

Villagers in Central Java and Jambi respond to livelihood problems at different levels. Most frequently and obviously, these responses are at individual and household levels. Such responses include changes in crop choice, decisions to migrate, engaging in patronage relations, foot-dragging, silent resistance (c.f. Scott, 1985) and so on. But the villagers can also respond collectively. These collective responses reflect the different types of relationships in the village (which might be referred to as bonding, bridging and linking social capital; Woolcock & Narayan, 2000) as well as local political economies of rural development and processes of state formation.

The most frequent form of group capacity encountered in the study sites involves collective initiatives to share resources and risks in what is an overall resource constrained environment. The most common manifestation of this has been through rotating savings and loans groups, known as *arisan*. [33] The social relationships undergirding these groups are generally grounded in geographical proximity (the neighborhood) and religious institutions (the Mosque), though some are mediated by the most local forms of the state (as in the case of *arisan* linked to women's groups, for instance). This type of organized resource pooling practice was long ago reported by Clifford Geertz (1962), and significantly Geertz's analysis of the forms of reciprocity and reciprocal social control that made such groups function was central to Putnam's (1993, pp. 163–185) arguments about the links between social capital, democracy, and economic performance. Yet, in the villages studied here, although *arisan* is a ubiquitous institution it is not one that resolves many problems of livelihood and governance. Its persistence over time is clearly indicative of its importance in local livelihoods. However, rather than catalyze local development or good governance, the role of the *arisan* is primarily one of safety net. [34]

Arisan constitutes one form of bonding social capital that exists in the study villages. But bonding social capital also exists in other, less democratizing forms. One case of this was apparent in Buluh Perindu, where a network of local elites was able to capture village government and consolidate their position in the local timber extraction and debt-peonage economy financing the logging activities of poorer villagers. In this case, bonding social capital increased the capacities of an elite sub-group. Bonding is thus an asset both for the poor and for ~~the~~ elites, the former using it (in very traditional ways) in order to make their livelihoods more secure in the absence of other sources of security, the latter using it to control

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the institutional basis of local power and accumulation. The distribution and effectiveness of bonding social capital is thus related to (though not entirely determined by) village level class structures. The way in which these elites in Buluh Perindu were able to use their social networks was in turn refracted through the forms taken by the political economy of rural development in Jambi. On the one hand, state sponsored forest concessions brought in companies with whom the elites were able to establish ties and consolidate the economic basis of their power. And on the other hand, these elites captured forms of the local state created by the New Order government and through them were able to further their power base in two ways. Being in government helped them deepen ties with the timber company; and at the same time they mobilized resources from the company to fund village education thus allowing them to pursue a patronage politics to ensure local support for their control of village government. The patronage systems that existed between local elites and the New Order state clearly continue to have resonance in areas such as this, notwithstanding ostensible political reform.

This patronage system of local government is in turn a consequence of the weak forms of bridging social capital in the area, itself a consequence of state formation processes. In many respects, the New Order system of government made the LKMD, LMD and institution of *kepala desa* the only legal forms of organized bridging social capital, ostensibly linking neighborhoods and hamlets and helping them act collectively. Yet, by making these institutions accountable to higher levels of government and the ruling party, it kept their relationships with sub-groups in the village weak. Meanwhile the state restricted other forms of bridging. It did so by marginalizing traditional supra-hamlet authority structures, by directly repressing efforts at federating across sites, and, most importantly and systematically perhaps, by creating an incentive system that encouraged the *kepala desa* and other village government authorities to undermine any such autonomous bridging efforts. By encouraging upwardly oriented favor seeking on the part of village leaders, and condoning village corruption by the same people as long as they were loyal to the state's interests, this latter mechanism only further reduced the extent to which the villagers would think of village government organizations as "their own" form of bridging social capital.

While bridging social capital has been deliberately weakened, in some locations national changes in the late 1990s do appear to have created space for the emergence of new, more autonomous forms of bridging that have in turn increased villager capacity to address livelihood and governance problems (if not yet in Buluh Perindu). In several of the study villages, political reform (*reformasi*) appears to have increased people's willingness to develop links with other groups and protest abuses of local government authority. The young men within Wonogiri protesting the theft of their contributions for an electricity connection is a good case in point. Of equal interest is that the protest was supported by sub-district level officials on the grounds that post-*reformasi*, local officials had to be more responsive to such protest.

If processes of state formation frustrated the emergence of any autonomous bridging social capital, they were also explicit in disabling any forms of linking social capital other than the vertical system of relations that linked village government to the sub-district, district, province, and country-state. Under the New Order regime, village links to NGOs, international organizations, and social movements were all actively discouraged and repressed. By repressing such linkages the state made it much easier to push through its program of village modernization and state-business alliances without protest or resistance. The effects of this strategy are evident across all of the villages discussed above. The villagers have lost direct control of land because of state sponsored plantation programs, have lost access to forest because of government concessions to large timber companies, and have been forced (with threats) to sell land for building a coastal resort. Yet these abusive efforts to push through state sponsored business initiatives have been questioned in ~~the~~ recent years. The resort in Wonogiri has been shelved, in part apparently because of the villagers' links with NGO networks which contacted the media. And more recently in Jambi, groups of villages have begun to protest their loss of access to forest and abuses at the plantation. These protests have been based on increased coordination among affected villages, and some legal support from a provincial NGO.

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The points in the last two paragraphs are important because to date the villagers have primarily been able to address village level livelihood and institutional problems. Yet many of the factors undermining livelihoods and distorting governance arrangements reflect processes operating at wider scales—processes over which the villagers have little influence. Indeed even apparently "local" problems (such as a corrupt official) reflect wider problems (of a corrupt system). It is therefore critical that multi-locale bridging arrangements and linkages between villagers and non-local actors (such as advocacy NGOs, as just one example) emerge in order that systemic sources of livelihood insecurity might be addressed. It remains to be seen what forms (if any) such bridging and linking might take in the new political context.

This discussion implies that the forms taken by social capital and their implications for local capacity and development must be understood in relation to the processes of state formation and the political economy of rural development, and that it is possible to link the concept of social capital to a political, economic analysis. Political, economic analysis makes clear the relationships that help structure forms of social capital in villages and helps map out the limits on local capacity. At the same time, the forms taken by bonding, bridging, and linking social capital in the different villages help explain differential levels of villager capacity to resolve local livelihood and governance problems.

While there is evidently a link between social capital and class position, social relationships that bridge difference, or help mediate tensions across such differences are not easily explained only in terms of class analysis. The same applies to some of the links that have emerged between villagers and external actors—links whose historical specificity and unevenness across space must be explained somehow. Furthermore, these bridging relationships and external linkages have their own effects on local capacities to respond to changes and pressures that derive from the wider political economy. These capacities have then led to interesting renegotiations of the relationships between villager, village government, state, and business. In this sense, the forms, distribution, and effects of social capital in these cases cannot easily be explained through political, economic analysis alone.

What then are the sources of those forms of capacity that might give citizens more room for maneuver within this political economy? Here Fox's notion of three pathways is helpful in understanding the geographic and social distribution of capacity in village Indonesia (Fox, 1996). Some capacity—but generally that which allows only safety net forms of activity—comes from the grassroots: that is, its creation is not a consequence of external action. Collaboration between local and external civil society organizations has also created some village capacity, though far less than in the Mexico that Fox discusses, reflecting Indonesia's far more authoritarian modern political history.[35] Far more capacity has been the result of state action. Historically this action has directly or indirectly fostered the collective capacity of village and business elites at the expense of others. Since *reformasi* however, there is some evidence of an increased presence of pro-villager reformists within the district, sub-district and village state. This has increased the potential for local capacities to affect development processes, above all through holding local state institutions to greater account.

Linking social capital and political economy in these ways—and pursuing these linkages through qualitative and ethnographic research—helps throw light on the relationships between social and political agency and political, economic structure in the village of Indonesia. To be sure, these are villagers whose livelihood and political options are still, in many cases, severely constrained (and to a large measure determined) by the broader political economy of rural development. But the resources that inhere in particular social relationships that have become available to the rural people (especially so in the *reformasi* period, and not always only elites) have increased their capacity to "fight back" (Batterbury & Forsyth, 1999) against some of the more egregious ways in which state and elite power has been exercised in the village of Indonesia.[36]

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NOTES

1. Or what Heller (1996) terms "demand overload."

2. Analytically, we understand rural and local development as the combined processes of capitalist expansion in rural areas and of deliberate interventions (projects, investments) of different actors to pursue particular social and economic ends (Bebbington, 2001). As a normative program, we understand development as the expansion of people's capabilities.

3. In this sense, the projects were also based on the ideas summarized in the first paragraph. Indeed, one outcome of the first of these research projects was the design of a national project—the Kecamatan Development Project—that has aimed to increase village access to and control of development funds and, just as importantly, village participation in the processes of *kecamatan* level decision making. The *kecamatan* is the sub-district administrative unit.

4. Levels of violence and insecurity in the more subsistence oriented villages in West Timor prevented research, meaning that only 40 villages were covered in the second study, and we do not report on that data here.

5. In LLI 1 25 households were interviewed in each village: in LLI 2, 30 households were interviewed. The number of key informant interviews varied. The LLI 2 research team sustained contact with the village over a period of a year, approximately, and in mid-2002 revisited a few selected villages, one year after the initial round of research.

6. The household questionnaire was also changed partially. An early analysis of this household material can be found in Alatas, Pritchett, and Wetterberg (2002).

7. This second type of problem was not necessarily identified as a priority problem by the villagers, though was of particular interest to the research.

8. This section draws heavily on Evers (2000).

9. The term "New Order" was coined when Suharto came to power to distinguish his presidency which he claimed to be the antithesis of the preceding Sukarno regime, which from then on was labeled as "Old Order."

10. It is important to note that there were some exceptions. In some cases, traditional leaders (in Jambi) and clan heads (in NTT) appeared to maintain some role in village government, albeit weakened. See also the case studies in Section 5 of this paper.

11. The introduction of Law 5 of 1979 above all changed the village structure outside Java, where prior to the New Order period, the villages were generally larger social units. They were broken down into smaller units so as both to facilitate social control and to access more funds (which were allocated by village). In Java, this process had begun earlier in the colonial era in which many hamlets were actually independent villages. *Inter alia*, these changes, particularly the later ones in villages outside Java, led to legitimacy problems for the village government—problems which were often resolved by repression.

12. The reference is important, for there is evidence which suggests that the poorest families are still nonetheless the least able to mobilize such safety nets. On this theme, ~~also~~ see Moser (1998) for a more general discussion.

13. It was not a coincidence that ethnic conflicts flared up openly near or after the fall of the New Order. Groups that perceived they have been treated unfairly by the state or other groups, usually supported by the state, have retaliated with violence, physically and "socially" (e.g., discriminating against the "outsiders")—actions that used to be crushed immediately by the state.

14. We understand the notion of state formation in rural areas as the everyday processes of making state officials physically present, consolidating the idea of the state among rural populations, and strengthening systems of incentives and sanctions aiming to ensure that populations respond to the idea of state (and country) being built by the ruling regime. The state made present in these ways is an instrument to perform the functions intended by the regime, though also one that at certain moments local populations may seek to rework such that it meets other ends. For these everyday processes of state formation and making the state present see, for instance, Joseph and Nugent (1994) and Ferguson and Gupta (2002).

15. Such investments and services were provided by the central government, with little involvement by communities apart from labor and some in-kind mobilization that in the end proved to be unsustainable (as the results of LLI-1 showed: see Evers, 2000).

16. Other studies have also identified these alliances between state (which was often akin to military given the presence of so many active and retired military officials in government) and business. These alliances created a sort of "pseudo" (and crony) capitalism of large conglomerates and rent seekers (Robison, 1986).

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17. With World Bank loans in the latter case.

18. Arguably it is not surprising that Fox's framework seems relevant to this case as there are a number of significant similarities both between the political economy of the Institutional Revolutionary Party (PRI) in rural Mexico and that of the New Order regime in Indonesia, as well as between the slow unravelling of elements of the repressive regimes of accumulation in each country.

19. Autonomy here refers to autonomy from the state. The involvement of external actors clearly means that the collective action is not entirely self-generated, though we wonder how often it is and suspect that much collective action is co-produced (c.f., Bebbington, 2000).

20. The research for LLI 2 encountered significant migration from many of the study villages, above all to Malaysia, Singapore, and Saudi Arabia.

21. The term "confronting livelihood crisis" is inspired by Caroline Moser's study *Confronting Crisis* (Moser, 1996).

22. Indeed, more often than not government constitutes part of the problems that the village is confronting.

23. In this paper, all village and sub-village names are pseudonyms.

24. In comparison, the average land control in Java was 0.48 hectares per household in 1993—the latest such survey.

25. At that time US $1 was roughly equivalent to Rupiah 2500.

26. This is more a case of the state getting weaker rather than the community becoming stronger. The alliance with the NGO started long before *reformasi*, but in early years the state had intimidated people. However, with economic (1997) and political crisis (1998), the company did not have the resources to continue functioning and repression was no longer a possible strategy.

27. Nevertheless, there are those who may be considered "wealthy" by their fellow villagers, such as wood traders and government officials (including the police and military officers).

28. *Anak ladang-induk semang* (agricultural worker–landlord) is a sharecropping system. *Anak ladang* is the person who contributes his labor to work on the *ladang* (dry field) owned by the landlord/landowner. When the landowner provides the inputs (seeds, pesticides, and fertilizers), the crops are shared equally. In addition, the *anak ladang* can "borrow" land for free (*pinjam tanah*) to plant with whatever he wants and all the crops are his, although usually he will give some to the landowner. Or the *anak ladang* can work for other landowners, too. However, if the landowner provides food or living expenses for the *anak ladang* in addition to the agricultural inputs, the *anak ladang* works full time for him. This is the case when the landowner has a large *ladang* not just for horticulture but also for cash crops (cinnamon).

29. The park was formally created in 1982, but enclosure began only recently.

30. Currently about 25% of Jambi's area is under the concession of private companies for logging as well as large plantations, mostly oil palm. Since the *reformasi*, however, no more concession has been issued.

31. In return, they have to sell their wood to these traders at a lower price. Traders would also offer help or protection when villagers get caught for illegal logging.

32. It is worth noting that these syncretic arrangements between *adat* and formal village government are now formally supported by the 1999 law on local government.

33. Variants of *arisan* or pooling resources based on reciprocity exist in all study sites with different names. For example, people form an informal group in which members take turn working on each member's land (labor pooling), or a group of people contribute money every month and the savings be used to finance a funeral of any member (or their family members), a wedding or other major rituals.

34. With once again the same caveat as noted earlier—namely that its role as safety net may not be equally effective for all families, especially the very poorest.

35. It is important to note that within this pathway, Fox included the role of the Mexican and international Catholic Church. In the study villages, mosques were also clearly important in facilitating certain forms of local collective action (in particular around social events), and in building up human capital assets through Islamic schools. Several mosques also facilitated international linkages with the wider Muslim community that increased village access to financial resources.

36. Sadly this capacity has not only been reflected as "fighting back" but also in some cases as "fighting against," as manifested in rising levels of social and inter-ethnic conflict in the same period.

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