Corruption in community driven development:
A Kenyan case study with insights from Indonesia

Jean Ensminger

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Abbreviations

AIJ	Association of Independent Journalists
ALRMP	Arid Lands Resource Management Project
CAP	Community Action Plan
CDC	Community Development Committee
CDD	Community Driven Development
CDF	Constituency Development Fund
CDPO	Community Development Programme Officer
DC	District Commissioner
DMI	Drought Management Initiative
DMO	Drought Management Officer
DSG	District Steering Group
EACC	Ethics and Anti-Corruption Commission
EU	European Union
FMR	Financial Monitoring Report
IGA	Income Generating Activities
INT	Integrity Vice Presidency (World Bank)
KACC	Kenya Anti-Corruption Commission
KDP	Kecamatan Development Project
KESSP	Kenya Education Sector Support Programme
Kshs	Kenyan Shillings
MET	Mobile Extension Team
NDMA	National Drought Management Agency
NRM	Natural Resources Management
PAD	Project Appraisal Document
PCU	Project Coordinating Unit
PICD	Participatory Integrated Community Development
PMD	Community Development Office
PNPM	Program Nasional Pemberdayaan Masyarakat
PSK	Program Stimulan Keswadayaan
RLK	Microlending Groups
SLD	Support for Local Development
TPK	Activity Management Team
UPK	Kecamatan Financial Management Unit
USAID	United States Aid to International Development
VAT	Value Added Tax

1 Introduction

The participatory model of development known as community-driven development (CDD) was expected to reduce corruption. In this paper we contrast the experiences of projects in two countries that had roughly comparable levels of national corruption and ask why one had far higher rates of corruption in its CDD than the other. The Kenyan Arid Lands Resource Management Project (ALRMP: 1996-2010) was shut down for corruption in 2010 following a damning forensic audit. The Indonesian Kecamatan Development Project (KDP, 1998-2006), later PNPM (Program Nasional Pemberdayaan Masyarakat, 2007-2015), was widely considered to be one of the most successful CDD projects in the world. In acknowledgement of its success, the Indonesian government absorbed it into its Village Law decentralization initiative in 2015. What project design elements and other contextual issues explain these divergent performances?

While corruption is only one factor contributing to project success or failure, it is an especially important one in systemically corrupt countries with fraud and corruption rates high enough to render projects dysfunctional. To better understand how corruption erodes a project from within, we will spend a lot of time examining the evidence of corruption in the Kenyan case.

This paper addresses how different design elements between the two projects may have contributed to corruption, for example: 1) monopoly versus competitive systems for village and project selection, 2) mode of training, and technical assistance, 3) transparency 4) monitoring systems, and 5) sanctions for staff misconduct and financial misappropriation. In almost all cases, the design of the Indonesian project provided checks and balances and greater flow of information to better contain corruption. While these factors explain much of the differential performance, we also note the role of differences in the country contexts, in the projects' cultures, and in the quality of senior management.

CDD is supposed to lower the level of corruption by empowering people at the grass roots to choose their own development projects and their preferred leaders to implement the projects. It is assumed that villagers will be engaged and actively monitoring the performance of those to whom they have delegated these responsibilities. But information is crucial to effective monitoring. As we shall see below, access to the information necessary for monitoring varied a great deal between the Kenyan and the Indonesian projects, and we will discuss the ways in which project design affected access to information.

It is assumed that CDD results in greater transparency for villagers by reducing information asymmetries between them and their village leaders and project staff. Yet Kenyan villagers consistently confronted a wall of silence regarding budgets, specifications, and project rules. This affected their ability to choose their own projects and leaders, their ability to monitor leaders and project staff, and their ability to blow the whistle. Transparency was also a problem in the Indonesian project; a key difference is that project documents and independent scholarly research on the Indonesian project provide evidence of self-critical efforts to address this and other risks. This speaks to differences in the cultural management climate under which the two projects operated.

We turn first to a discussion of the methods used in the analysis of both case studies. This is followed by a brief introduction to the literature on CDD. Next we turn to the detailed case studies of project design and corruption. Finally, we conclude with lessons learned and recommendations for corruption abatement in CDD projects.

2 Methods

CDD has been implemented in widely varying ways around the world, and this has made it difficult to extract clear cause and effect relationships between design elements and outcomes. One of the most ambitious efforts to do so is Mansuri and Rao (2012). Their book reviews hundreds of cases in dizzying complexity, as projects mix and match different elements in different institutional environments. Untangling the correlates of success is difficult. Here we take a different approach entirely—we delve deeply into one well-documented case of failure (Kenya) and attempt to draw contrasts with a more successful case (Indonesia).

This paper presents new evidence on how a corruption network functions in a large CDD project in Kenya. The data presented here are drawn from hundreds of qualitative interviews with people knowledgeable about the workings of the Kenyan ALRMP project. These include interviews with many employees of the project (from management to office sweepers), community beneficiaries, members of the community development committees (CDC), members of civil society, members of the district steering group (DSG) that provided oversight for the project, contractors, civil servants, donors such as the UN and EU, Ambassadors of countries that partnered with the project, U.S. state department officials, consultants, the press, members of the Kenyan parliament, World Bank employees (in Kenya and Washington), and members of the World Bank's Integrity Vice Presidency (INT) forensic audit team. In the discussion below, the author uses some direct quotes from these interviews to establish how the project worked in practice, as opposed to promise. Most of the interviewees directly connected with the project requested anonymity out of fear for retaliation, and for that reason, names and specific identifying information (such as home district), have been withheld.

Why were people willing to talk about the Arid Lands project? Project personnel and beneficiaries had various reasons for speaking up. Many (including employees of the project) were outraged by the level of theft they witnessed in the project and the fact that money was being raised in the name of the poorest of the poor in Kenya, but not reaching those beneficiaries. Many Arid Lands' staff had signed up to work for a project whose mission inspired them because it aimed to serve their own poor societies. Many of the staff members who spoke up had become highly disillusioned. They agreed to speak in the interest of fixing the problems or helping to shut down the project so that something better could come in its place. Many of the target beneficiaries were upset that money being raised in their names was instead finding its way into political campaigns and helping to buy parliamentary elections in their districts. Others pointed repeatedly to the "mansions" built by the project's senior staff.

Some informants agreed to speak only after being reassured by individuals they respected and trusted. Early on the author had the help of four prominent members of civil society in Kenya, who opened many doors: John Githongo (commonly referred to as Kenya's anti-corruption czar), Maina Kiai (former head of the Kenya Commission on Human Rights), Gladwell Otieno (head of AFRICOG, a prominent governance NGO), and Mwalimu Mati (co-founder of MARS, a Kenyan governance database). The author also teamed with Otsieno Namwaya (now with Human Rights Watch in Kenya) for two years, who brought a background in investigative journalism and conducted many interviews in villages served by the Arid Lands Project. The author was also fortunate to have the mentorship of several high-ranking World Bank officials who aided the author in understanding the World Bank system.

Use of qualitative statements can be challenging, as interviewees sometimes contradict one another, requiring assessments not only of the reliability of the information, but also of the informant. In all cases, quotations are used only if they come from sources that were deemed credible based upon the preponderance of the evidence that they presented. Many interviews took several hours, and many informants were interviewed numerous times. This provided ample opportunity to check testimony against that of others. The author was specifically interested in patterns that were corroborated by many independent sources and that were reported across many different districts.

In addition to the qualitative interviews that help explain processes and mechanisms, for the Kenyan project we have a detailed forensic audit report (Integrity Vice Presidency 2011a), which was conducted by the World Bank's anti-corruption investigations department (INT) and followed by a joint audit report with the Internal Audit Department of the Kenyan Government (Integrity Vice Presidency 2011b). This paper also draws upon a number of documents related to the project (African Centre for Open Governance 2012, CamelBell Limited n.d., Integrity Vice Presidency 2011c, Johnson and Wambile 2011, Wanjigi *et al.* 2007, World Bank 1996, 1998a, 2003a, 2003b, 2005, 2006, and 2012).

In contrast to the Kenyan case, the analysis of the Indonesia case is based almost entirely upon secondary sources in the form of project reports and academic papers (Bebbington, Dharmawan, Fahmi, and Guggenheim 2004, Chaves 2010, Dasgupta and Beard 2007, Guggenheim 2006, Neate 2013, Olken 2007 and 2009, PNPM Support Facility 2011a, 2011b, 2014a, 2014b, 2014c, Sari *et al.* 2011, Syukri *et al.* 2013, Voss 2008, Wong 2003, Wong and Guggenheim 2005, Woodhouse 2002 and 2012, and World Bank 1998b and 2010). In addition, the author did have the benefit of some conversations with Scott Guggenheim, who designed the project and oversaw it for many years, and Benjamin Olken, who published some fine academic work on the project.

Given that the author has first hand familiarity with the Kenyan project, and not with the Indonesian project, the lessons learned draw far more heavily upon the Kenyan experience, which makes up the bulk of this paper.

3 Community driven development (CDD)

Successful collective action is crucial for economic development. It is not surprising, therefore, that the World Bank and other donors have aggressively promoted mechanisms to foster more collective action in developing countries. Community driven development (CDD) is one such effort. The goal is to empower villagers in project choice and implementation. The logic behind this approach is that beneficiaries know best what their needs are, and also have the best information and incentives to implement them efficiently. For example, it is assumed that they have better information than outsiders with which to select reliable local agents for implementation, and are in the best position to monitor and sanction those agents. In the context of CDD, this translates into allowing village beneficiaries to prioritize and choose their own projects, to elect their own project managers, and to financially manage, monitor and implement projects. In this way, value for money is achieved and poverty is reduced (Binswanger-Mkhize, de Regt, and Spector 2009, Mansuri and Rao 2012, and Wong 2012). Proponents of CDD, including the World Bank, also argue that CDD has benefits beyond the project, because the empowerment it spawns facilitates subsequent collective action and encourages villagers to demand greater accountability in governance.

CDD was an understandable reaction to top-down efforts to aid rural communities. In the nineteen sixties and seventies, it was common for western donors to conceive and design projects in the U.S. or Europe, with at best token consultation with elites in the donee country's capital. Often, the first that local villagers knew about a project was when tractors arrived unannounced. There was rarely consultation with the local community regarding their priorities for development, let alone attempts to seek their wisdom regarding its design and execution. CDD was an effort to respond to some of the obvious failings of top-down development.

CDD has its roots in earlier experiments with USAID funded cooperatives in the 1950s and 1960s and Social Funds in the 1980s (see Mansuri and Rao 2012 for a detailed history). The World Bank has used this method widely since the early 1990s, and in the first decade of this century the World Bank alone spent over US$ 85 billion on CDD projects; donors and governments around the world have also broadly adopted the method (Mansuri and Rao 2012). In 2012, the World Bank was funding about 400 CDD projects (Wong 2012: iv).

CDD and its antecedent designs have long had critics. One of the earliest voices was that of Judith Tendler (2000), who wrote about the Social Funds movement that preceded what came to be known as CDD, and which shared many common elements. She was deeply skeptical of three aspects that turn out to be crucial issues in this discussion. First, she questioned whether these projects really were as decentralized as they were characterized to be, given that they were run by entities of the central government (p. 115). Second, she questioned whether the local actors really selected their own projects, or whether the menu driven nature of selection, and undue influence by outside elites, was driving the selection (p. 118). Third, following Stiglitz (1985), she suggested that rather than alleviating asymmetries of information and power, Social

Funds might actually exacerbate them (p. 119). As we shall see below, all of these concerns are validated in the Kenyan case.

The literature evaluating the pros and cons of more recent CDD projects is now large (see Mansuri and Rao 2012 for a particularly extensive review). Common themes that emerge include elite capture (Bardhan 2002, Conning and Kevane 2002, Cooke and Kothari 2001, Platteau 2004, Platteau and Abraham 2002, Platteau and Gaspart 2003 and 2005, and Rao and Ibanez 2005), corruption (Ensminger n.d. and Olken 2007 and 2009), and the degree to which CDD fosters trickle-down cooperation and succeeds in teaching villagers to demand greater accountability from government (Fearon, Humphreys, and Weinstein 2009, Casey, Glennerster, and Miguel 2012, and Wong 2012).

One of the most consistent themes in the literature on CDD points to the problem of capture by elites who dominate project management and use projects to serve their own interests rather than those of the poor. In the case of public goods, which are non-excludable, the issue turns on the fact that elites may have interests in different public goods provision, and this may be particularly acute in more heterogeneous societies. This challenges the notion that CDD promotes better project selection, as we must ask, "Better for whom?" But the literature is not consistent on whether elite capture is necessarily a bad thing for the poorest in the community. Dasgupta and Beard (2007) found that traditional elites in Indonesia did capture the CDD process, but for the most part they distributed the project benefits to the poor, whereas when power was more evenly distributed, the poor did not do as well. Meanwhile, Ensminger (n.d.) found that even in the absence of elite capture of project management, corruption still proliferated in the Kenyan Arid Lands project.

In the case studies that follow, we will attempt to tease out why the promises of CDD are better met in the Indonesian case than in the Kenyan case. When does empowerment fail, and how does that affect project selection, choice of leaders, and financial management? What aspects of project design contribute to higher levels of corruption and defeat successful project implementation? And what difference do the cultural and institutional environments of the country and World Bank management make?

4 Case study: Kenyan Arid Lands Resource Management Project (ALRMP)

4.1 Project description

The Kenyan Arid Lands Resource Management Project (1993-2010)[1] was launched by the World Bank to break the cycle of crisis from drought and poverty in the arid districts of Kenya,

[1] The Arid Lands Project consisted of a precursor project and three subsequent renewals: Kenya Emergency Drought Recovery Project (EDRP 1993-1996), ALRMP Phase I (1996-2003), ALRMP Phase II (2003-2006), and ALRMP II Supplemental (2006-2010). It had a formal board date for another five-year

which were also the poorest. The vast majority of the populations in these areas made their living herding livestock, and many were nomadic. The project had three components: community driven development (CDD), natural resources and drought management (NRM), and support to local development (SLD). In Phase II of the project, 17 semi-arid districts were selected to join the project, but the semi-arid districts did not participate in the CDD component of the project. By the end of the project, it served 28 districts, over 75% of the land area of Kenya, and cost US$ 224 million. A major difference between the support for local development component and the CDD component was that the project staff did the contracting and decision making regarding development investments under support for local development, whereas the communities were meant to do so under CDD. We restrict this discussion to the CDD component of the project, which ran in the 11 arid districts. It funded community block grants for infrastructure development, income generating opportunities, and matching grants.

4.2 Project organization and village and project selection

The 2003 Project Appraisal Document (PAD) for ALRMP II lays out the operating procedures of the project (World Bank 2003a), most of which continued through its closure in 2010. In this section we run through the basic design of project operation and we follow with a discussion of how practice differed from intent.

As far as the author is aware, selection of the original 9 arid districts was not controversial, as they represented the poorest territories associated with pastoralism and chronic drought. Moyale and Ijara became the 10th and 11th districts when they split from districts already in the project. The selection of the 17 semi-arid districts that were added in Phase II of the project was highly controversial. The original plan had been to include the five coastal districts, based upon their poverty and drought vulnerability relative to the rest of Kenya. According to informants, politics intervened in 2003 to exclude these districts in favor of five other districts that had closer political connections to government. After protest, the original coastal districts were added in 2006.

It is unclear how budgetary allocations were decided across the districts, but headquarters had some discretion. It is clear that the budgets are not based upon a simple proration of population and land area. There were numerous complaints about inequality based upon the different sizes and populations of the districts, but most people had difficulty getting information about the actual district budgets. Each district maintained a bank account into which headquarters deposited their annual funds. Communities with CDD projects opened their own bank accounts and withdrew funds for their activities. Most, if not all, of their expenditures were paid in cash.

The Arid Lands organization was structured as follows. A national headquarters office in Nairobi oversaw the project with a Nairobi-based staff of 59 in 2008, out of a total of 418 employees including all 28 districts. The Nairobi-based senior management staff of about a dozen had various responsibilities managing the three components of the project, as well as overall project procurement and financial management. There were 28 districts served by the project, but only the original 11 were arid (as opposed to semi-arid), and these were the only

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renewal on November 23, 2010, but the project was closed in December 2010 as a consequence of the unfavorable forensic audit report of the World Bank's Vice Presidency for Integrity (World Bank 2011a).

districts that ran the CDD portion of the project. Henceforth we shall restrict our discussion to these 11 districts that ran the CDD component. The 11 arid districts had an average of 18.5 employees each in 2008.

Staff hiring was all handled internally. Some senior staff were hired on contracts and others were seconded from government ministries. All senior posts were supposed to be advertised. Each of the 11 arid districts had senior staff responsible for one of the three project components (CDD, SLD, and NRM), in addition to a drought management officer (DMO), who was head of the district office. The second in command in each district was the community development project officer (CDPO), who oversaw the CDD component of the project. Mobile extension teams of three lead (METs) worked with the CDPO and part-time pool METs, who were borrowed from government ministries and NGOs to train villagers. This was also how the project acquired specialized technical expertise.

Village and project selection was intended to run as follows. After the district office identified a village, the district steering group (DSG) was asked to approve their selection. Next, the district project staff approached the village and trained the entire village in participatory integration community development (PICD). This training was intended to last 14 days under the direction of 4-6 METs (CamelBell n.d.). The villagers learned about the project, discussed their village assets, ranked households by wealth, discussed their development goals, and elected a village community development committee (CDC) of about 20 members (including women). Three of the CDC were elected as officers, and served as signatories to the account. The committee members were taught how to write project proposals capped at US$ 10,000; further training in leadership and financial management followed, during which they ranked village development priorities. Typical projects were livestock restocking, classroom and dispensary buildings, generators for irrigation, water projects, donkey carts, beehives, construction of outdoor toilets, and matching grants (micro finance).

The district office selected village proposals that they deemed viable and presented them to the DSG, where the drought management officer who headed the district office (DMO) served as secretary and the government appointed district commissioner (DC) chaired. The rationale behind DSG oversight was that there should be district coordination to ensure that projects were not duplicating other efforts by NGOs, donors, or government. The DSG was large (often more than 40), and included government officials, MPs, elders, civic and religious leaders, and NGOs. The DSG had to approve all village projects.

Proposals for CDD projects required a community contribution of 30% of the costs of the project in cash or kind, typically labor or locally procured goods from the bush, such as poles for fencing. The rationale for such contributions, of which 5% had to be cash, was to ensure that communities had a sense of ownership in the project.

Projects employing contractors required competitive tendering. Village committees (CDC), the Arid Lands community development officer (CDPO), the relevant government line ministry, and the DSG were all involved with inspecting and approving projects prior to the release of funds in several tranches, and following completion. Upon successful completion of their first project, villages were eligible to apply for a further US$ 25,000 block grant to be dispersed in a series of 3 projects that ran according to the same model.

Project guidelines required that the committee hold village meetings to inform the village about the project. Throughout the process, there were various trainings organized by the district project staff (the CDPO and the METs) to educate the committee in project leadership, management, procurement, record keeping, monitoring, and financial reporting.

In many respects, the actual practice of CDD diverged from specifications in the Arid Lands project documents. Much as Tendler (2000) predicted, there was far more top down control in this project than the CDD project design intended. As we shall see later, much of this was related to the corruption that radiated from headquarters down through the district offices and into the villages. In the next paragraphs we discuss how hiring and village and project selection contributed to corruption.

All jobs in the project were meant to be properly advertised and filled by the best qualified candidates. It was alleged in many districts, and by headquarters staff, that there was a lot of nepotism and political appointment of staff. The author has corroborated many such cases. It was also alleged that many individuals in the districts were hired in non-competitive selection, and did not meet the minimum educational qualifications; others appear to have fraudulent educational certificates. The placement of unqualified staff appears to have been a purposeful strategy. It facilitated central control of the project, as such individuals had inferior, alternative job prospects. They were particularly loyal to their superiors. The length of tenure of top management staff in the project speaks to this issue. Many informants remarked on the fact that the heads of project (DMOs) in the districts had been with the project for over a decade in the same job, and seemed suspiciously uninterested in promotion.

To understand how project selection was corrupted, we have to explore the process by which villages were chosen to join the project. One of the most significant departures from design was that enterprising villagers often approached the district Arid Lands Office before officials from the project arrived in the village to introduce the project to the community and invite them to apply for a CDD project. The arid districts of Kenya were not strangers to outside efforts to relieve drought and poverty. Members of many communities had migrants living in the district headquarters, and in many areas villagers frequented district headquarters for shopping, trading, and educational opportunities. News of new NGOs and new government programs providing aid spread rapidly among a well-connected circuit of entrepreneurial young men and women eager to participate. This has been referred to in the literature as the "prime mover" effect (Araujo, Ferreira, Lanjouw, and Ozler 2006: 6). That is, rather than the project staff going to the beneficiaries and explaining the opportunities to the community as a whole, well-connected villagers beat them to it and showed up at the offices to learn how to access the new revenue stream. Project officials were often receptive to such overtures. Commonly, the parties already knew each other, and easily came to agreements regarding kickbacks to the district office against the promise of a specific project for the village. Once the project officers arrived at the village to formalize the process, villagers were often quite willing to elect these individuals as officers in the community development committee (CDC), as it was correctly perceived that their initiative had brought a project to their village rather than to another village.

Rather than the project officers arriving at the village and teaching the villagers their rights within the context of the project, and facilitating an open discussion of potential project priorities and candidates for community representation, the community tended to be brought in after project choice and project leadership were locked in. This process created deference to the CDC officers from the villagers; the CDC officers were in turn deferential to the project district officers. Another consequence of this system was that CDC officers were not easily replaced. Their tenure was supposed to last only 2 years before a new election, but it was common for them to stay in office permanently with no subsequent elections. The following statements by villagers attest to the degree of top down control exercised by the Arid Land's office over local CDC decision-making:

> "I was also a member of the CDC and saw what was happening. They never called a meeting before making decisions. What they were doing was the CDC met with Arid Lands officials and the Arid Lands' officials told them what do to." (Interview with a CDC member: September 14, 2010).
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> "In some communities that understand their rights they hold elections and Arid Lands comes to witness, but in other places Arid Lands basically decides what should happen." (Interview with a community religious leader: September 17, 2010.)
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> "Even if it involves the community, the community is ignorant of the funding. They don't have much knowledge and capacity to demand for service. They only receive. They end up recipients, not participants." (Interview with a community activist: July 4, 2009.)

Once the district office selected a village as a target community, and the village had elected their CDC committee and officers, the committee developed a priority list of projects, or a Community Action Plan (CAP). This process revealed the heavy hand of district officials in the selection process, and as discussed above, the first project was often a foregone conclusion. Interviewees frequently reported, for example, that they wound up with beekeeping, donkey carts, and VIP toilets as projects, but these did not actually reflect their true preferences. Most communities wanted income generating projects like goat or cattle restocking, and community infrastructure like school classrooms, dispensaries, and water projects. Many of the latter did get funded, but so too did a large number of the former. The villagers and the CDC committees were weak in the entire process, and were easily manipulated by the district officials, who villagers feared would deny them future projects if they did not agree to all terms suggested by the officers.

In many areas, CDC committees rarely met to discuss project priorities and monitoring, and the three elected officers made their own decisions without informing either the rest of the committee or the village community. Villagers and Arid Lands' staff members confirm this.

> "They are not using the action plan [the community ranking of priority projects]. We are tired of the CDC [officers]. They are not holding meetings or discussing with the committee. Only three officers run things." (Interview with a CDC committee member: September 18, 2010).

> "At training time during the PICD [first village training], the village produces a community action plan. [But when the project receives its annual funding in July] now the CDC chairs from the villages come with priorities—now new ones without consulting the community. To make it worse, they are even written by the Arid Lands staff, not in the community." (Interview with an Arid Lands staff member: May 1, 2009).

In conclusion, several characteristics of the project worked to undermine the authority of the villagers. One of these was lack of basic training in their rights and the critical financial management needed to run a project. Structurally, the control that headquarters had over the hiring of senior staff in the districts, created a great deal of leverage, as did their discretion over some aspects of budget allocations to the districts. Probably the biggest structural problem was the effective monopoly over village choice that gave district offices undue bargaining power over villagers and cleared the way for extraction of considerable rents from CDD projects and training initiatives.

The quotes above point to a lack of empowerment in the community, and one possible explanation for this is a lack of staff competence and training.

4.3 Training and technical support

Unqualified senior staff are part of the reason that training in Arid Lands was so poor. There were many allegations that senior project staff did not have the appropriate experience and academic credentials for their jobs. A sizeable number of the first and second officers (DMOs and CDPOs) in the arid districts did not have university degrees at the time of their appointment, though qualified candidates had applied. The author received allegations from many different districts that far more qualified applicants were overlooked in favor of those who were hired. In one district, experienced and high performing METs trainers with university degrees were replaced with unqualified, non-graduates. The qualified trainers had been unwilling to collude in over-invoicing the project for non-existent trainings. The strategy of employing under-qualified staff was common throughout the project, and the author was told that it was rarely the result of a shortage of qualified applicants. One explanation was that less qualified employees were more loyal to headquarters and/or the district managers, because their alternative job prospects were far more limited. Loyalty translated into higher kickbacks. There was also ample evidence that hiring favored the friends and relatives of politicians and Arid Lands' senior staff, regardless of their qualifications for the work. Ethnic hiring and nepotism were also an issue, especially in headquarters. As a consequence, lack of qualified staff played a roll in the failure of village training.

The training of trainers also came under criticism for using an antiquated curriculum; they continued to use the original training methods of the mid-1990s right through to the end of the project in 2010. There were also suspicions that one long-standing contractor was colluding with headquarters to siphon funds out of the project by over-invoicing for training exercises.

Villagers frequently commented to me, “We didn’t know our rights.” Yet learning their rights as participants in development was meant to be part of the original PICD village training. So what went wrong? PICD trainings were expected to last for 14 days under the direction of the CDPO and the 3 permanent lead METs trainers, with the help of pool METs (often from government ministries). Frequently, districts substituted “pool” METs for key portions, or even all, of the training. In many cases the names of senior government officials were officially recorded and paid allowances accorded their rank, but less qualified individuals were substituted; the senior government official collected his official allowances, and the substitute was paid a lesser fee. These substitute trainers often had minimal or no training themselves, and when quizzed, it was clear that they were not knowledgeable about project rules and procedures.

Reports from many districts indicated that the training was routinely truncated. Although the training officers claimed allowances for the full 14 days of PICD, these trainings rarely lasted that long. Furthermore, it was typical for 2-3 trainers to attend on a given day, while 4-5 were booked and collected allowances. A senior Arid Lands staff member made the following comments on the quality of the training:

> “The days [for PICD] are never 14. Typically not more than 5-7 days.”…
>
> “PICD is supposed to be 100% for mobilization the first day. Then you remain with 50 to train for 14 days. In reality they remain with no more than 20-30 for the other days. The villagers call it child’s play. They draw pictures in the sand—just like children.”…
>
> “Then [following the PICD] a procurement and accounting training is supposed to be 3 plus 3 days, but it is always done in one day…They [the villagers] listen, but they don’t learn because you can’t learn in one day. They are illiterate.” (Interview with an Arid Lands staff member: May 1, 2009.)

Below, a trainer from the MET pool shares his experiences; he conducted about seven trainings:

> “Two of us [trainers] there each day, but there were supposed to be five.”
>
> Question: “When all five trainers are present, does the training go better?” Answer: “Yes. The participation from the community was very high. If you go with fewer trainers you have to take a topic you don’t know. It was so nice at [village name] because all knew what they were training.” (Interview with an Arid Lands pool MET: January 10, 2010.)

The quotes above were reflective of the pattern seen across many districts. Though there was variation, the general tendency seemed to be that PICD ran for 5-7 days, rather than the prescribed 14 that was billed to the project, and that only 2-3 out of the 4-5 trainers being paid, were present each day. Numbers of village participants were also inflated to justify higher food reimbursement expenses. Similar fraud occurred with the other specialized trainings for the CDC committees, but with those there was a higher probability that the 3-5 day trainings on the books did not take place at all. When all is considered, it is probably a conservative estimate that 2/3 of the training expenses were fraudulent. Overall, it is clear that village training exercises were a major revenue steam for the district officers. The poor quality of training, both in terms of the truncated period, the use of unqualified trainers, and the antiquated content, were exacerbated by the low level of education and literacy among the populations served by the project.

The project relied upon government ministries in the districts to provide technical support. For example, goats purchased at auction for restocking projects should always have had a health inspection from a veterinary officer at the Ministry of Livestock prior to sale, but this was rarely, if ever, done. Engineers from the Ministry of Water and the Ministry of Works were meant to be involved in advising and approving water projects and school and dispensary constructions. According to informants, such examinations, if they did occur, were cursory. Government officers sometimes acted as contractors for projects that were run out of the district offices, and when overseeing the village CDC projects they enjoyed substantial allowances and kickbacks from the project; as a consequence, they were compromised in their evaluations.

In conclusion, the highly funded training component of the Arid Lands Project was seriously ineffective due to rampant plundering of the funds and the appointment of unqualified staff. The dependence upon technical expertise from government ministries was compromised by their lack of independence given the rents that they regularly drew from the senior project staff in the form of kickbacks for unattended trainings, free fuel and access to vehicles, and contracts to work for the project.

4.4 Transparency, Monitoring, and Complaints

Monitoring requires access to information. Informants noted that secrecy in the project was a problem from top to bottom. One of the project mandates was to post project budgets for public viewing at the project's district offices. Informants from many districts reported that this was not done. The one exception was that when pre-announced World Bank missions came to visit the district, project documents were posted the night before the visitors arrived, and taken down immediately after their departure. Normal practice was described as follows:

> Question: "Did you ever see work plans posted in the districts?" Answer: "No, no. Top secret… The Phase 2 document [World Bank 2006] said there had to be a board in each district showing the dispersement of funds and what was received. But it was not implemented in any district…no district displayed those boards, ever." (Interview with an Arid Lands staff member: June 21, 2010.)

> "The second corruption is in the fact that in Kenya today every [government] department budget is known, but the Arid Lands budget is never known." (Interview with a DSG member: September 17, 2010).[2]

> "They have told us in the PCU [Project Coordination Unit—headquarters] to publicly declare how much was given to the community, but even that is done 1 in a 1000 times. You are supposed to take the check to the community, hold a public meeting, and ask the community if this was your priority. That is not done." (Interview with an Arid Lands staff member: May 1, 2009).

> Question: "Have you seen the project work plan posted?" Answer: "No, I have never seen it." Question: "Have you seen the contracting specifications posted for any village project?" Answer: "Never… What I know is they work in mystery—secretly. They have never shared with people their budget." (Interview with a community activist: July 4, 2009.)

CDD project implementation was subject to monitoring at five levels: the CDC committee on behalf of the village, the head of CDD in the district office, the district steering group (DSG) for the district, project headquarters, and the World Bank. The failure of monitoring stemmed from a failure of will among colluding parties, whose interests were served by keeping project budgets and specifications as tightly controlled as possible, thus denying others who were not compromised from accessing the information they needed to monitor properly.

A common complaint from villagers and CDC committee members was that they were kept in the dark regarding project specifications and budgets. Sometimes the CDC officers had all of the relevant information and failed to share it with the rest of the committee and the villagers. This occurred when they had colluded with the district officers and the contractor. Other times, even the CDC officers were in the dark because the district office took over the contracting in violation of CDD rules. This was common. Villagers and their CDC committees complained that if they did not know what the plans for a classroom or a water pan specified, they could not properly monitor whether the project met specifications. In the case of water pans, villagers were often suspicious that they were not dug as deep and wide as the contract specified, or that the intake was not properly prepared, but their efforts to secure the plans were often thwarted by their own CDC officers and the project office.

The head of CDD in the district office (the CDPO) was meant to inspect village projects, often with a technical expert from the relevant line ministry, before releasing the second tranche of funding. But contrary to project guidelines, in many cases, all of the funds for a project were

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[2] In 2009 this author formally requested that the World Bank publish the annual reports of the project for each district to achieve the level of budgetary transparency promised in the project renewal document of 2006 (World Bank 2006, pages 13-14). After considerable back and forth exchanges, and only after intervention by the U.S. Executive Director of the Board of the Bank, several years of annual reports for most districts were put on the project website. District Reports for the final year of the project (FY 2010), together with the quarterly audit reports that the project document promised, were never made public.

distributed in one check at the beginning of the project. As we will see below, the district office often received a large kickback when these funds were turned over to the village CDC officers. Once the office was implicated in this way, it was unlikely that they would turn around and hold the village to account for failing to produce a successful project. Co-conspirators make poor monitors.

> "But there is no monitoring [from the Arid Lands office]. He [the CDPO] monitors while sitting in the vehicle when he goes to the field. But he can't go to a place like [name of a village] and ask the people if there are problems. So here corruption comes in. He writes a report that he checked the [specific] project. But he was sitting [in the district office]. I asked the question so many times—why you don't go to the field and monitor the projects? No one answers. They say they are too busy." (Interview with a CDC chair: October 23, 2009).

The district steering group was intended as the main oversight body outside of the villages and the district office. They too suffered from lack of access to information. Their role was not only to review the work plans and vet village projects before they were funded, but also to inspect finished projects to ensure that standards were satisfied. The DMO served as the secretary to the DSG, and set the agenda for their meetings. From interviews with DSG members, it appears that they rarely challenged the DMO, and when this did happen, it usually had to do with inequitable distribution of projects across ethnic groups within the district. Informants described the DSG as a rubber stamp. The DSG did occasionally go out to villages to view projects, but these trips were rare, short, and more like courtesy excursions to a handful of projects, rather than supervision missions. Members of the DSG in three different districts describe the following:

> "I doubt the DSG approves the work plan. I am a member of the DSG and I never saw approval of the Arid Lands work plan. Approval would mean we all had opportunity to see and approve this work plan. I have never seen it. The secretary of the DSG is the DMO. The Chair is the DC [District Commissioner]. They can collude and print our names and sign off. What we normally discuss is food security issues for Arid Lands." (Interview with member of the DSG: July 4, 2009).

> "I am a DSG member. I attend the DSG, but every time I ask for the DSG minutes I am told to wait one month, and I never get them. They don't want to release DSG minutes because they know that the projects that are discussed in DSG meetings aren't those that are implemented. [He then shows an SMS inviting him urgently to a DSG meeting at 9 AM; the message was received at 9:50 PM the night before.] No agenda was distributed. The meeting was about relief food. But all meetings are similar: last minute, no agenda, no minutes. You can fight and never get them [minutes] because of differences between what is discussed and what is implemented." (Interview with member of the DSG: September 17, 2010.)

> Question: "Who decides which projects [the DSG will] visit?" Answer: "The DMO's office." … He tends to send us to the ones that are working well." (Interview with member of the DSG: January 7, 2012).

One may question why the DSG, which was composed of senior community leaders, would not stand up for the villagers against the DMO. It is important to understand the dynamics created in these poor districts as a consequence of the quantity of money flowing through the Arid Lands office. These funds were so substantial, including a great deal of discretionary funding for drought mitigation and disaster relief, that great power accrued to senior staff. It was routine for DMOs and other senior staff to lend project vehicles to the local MPs to use when they came to visit their constituents. Gifts of cash, petrol, and delivery of water to politicians, merchants, and high-ranking government officials were common, as was the diversion of many supplies from the project. For example, project lorries travelled hundreds of miles from distant districts to deliver building supplies for the construction of large private residences owned by senior project staff in Nairobi. With such vast resources at their disposal, the DMO was sometimes viewed as the most powerful person in the district. For this reason, it was not easy for even the DC to stand up to the DMO.

Monitoring missions from headquarters and the World Bank also often failed to get at the truth. These missions were almost always described to me as "stage managed," by which people meant they were highly scripted and choreographed. The projects to be visited were carefully pre-selected, and project officials made advance visits to instruct project recipients in exactly what they should and should not say. Each village expected follow-up projects, and villagers knew that their future funding depended upon staying in good graces with the district officers. They knew better than to criticize those officers in front of their bosses, whether from Nairobi or from Washington. The following describes what happened when senior staff from Nairobi came on one supervision mission.

> "Some [kickback] goes to Nairobi [from the district office], otherwise they will come to make trouble for you. When they get paid off they just come and sit in the Land Rover and say what a lovely dam. They ask the people, 'are you happy with the project?' Sometimes the people want to tell the problems, but we hear this is the boss and if you tell them, we won't get more projects. When the bosses come, the one [from the district office] you want to accuse is with them. There are challenges, and he comes with language of promising another project. So you fear. And the time is averaging 40 minutes [that the mission is in the village]. They say, 'We are traveling far.' When he leaves, you regret you didn't speak." (Interview with a CDC chair: October 23, 2009).

A number of sincere project staff members criticized World Bank management for sending the same team members on monitoring missions over and over again. They felt that more independent-minded outside experts who were less friendly with the project senior management would have been more inclined to probe and speak the truth about what was going on. These staff members asked the question, "How could Washington not know?"

There are many reasons why there is little record of complaints about the Arid Lands project. As already noted, villagers were not well-trained in their rights and expectations from the project. Collusion in skimming among CDC village officers, project district officers, and government ministries meant that all of them had an interest in keeping project details and budgets secret. Without this information it was difficult for villagers to know precisely what they were not receiving. Villagers who did contemplate raising concerns were explicitly threatened that their village would be cut off from the project if they spoke up. So the pattern of kickbacks and village disenfranchisement in project choice and management continued, largely, but not entirely, uncontested.

Educated members of the public, especially those in larger towns, had ways of learning about the project that typical, illiterate village recipients did not. Some were contractors, who knew that procurement regulations were being violated and that contracts were being issued without tendering. The author interviewed individuals who formally protested to the district project officials, and some who went all the way to Nairobi to confront project management at headquarters. The typical response to such complaints was to attempt to buy off the complainant. In many cases this was successful, and the paltry sums that were offered signal that the prospects of getting very far with a protest were low. Contractors who made a lot of noise were sometimes offered no-compete contracts to buy their silence. Others even refused these overtures, but were still unsuccessful in achieving changes in project operations. In several districts the project staff were cocky in their rebuff to complainants, taunting them and proudly proclaiming that nothing would come of it, as they were untouchable due to protection from high-level government ministers. It appears that they were correct. Hostility toward the project in such districts was particularly intense.

In the later stages of the project, District offices were required to maintain a complaint's box. Given that Arid Lands' compounds were often gated and guarded, it is difficult to imagine how one could use such a box to file an anonymous complaint. Furthermore, given that one would most likely be complaining about the very same people who read the complaint, it is hard to understand how this would be effective.

4.5 ALRMP: Evidence of corruption

4.5.1 INT forensic audit

The Kenyan ALRMP was the subject of a World Bank initiated forensic audit that began in 2009 and ended in 2011. This was run by the Integrity Vice Presidency of the World Bank (INT), which is the unit tasked with investigating complaints of corruption in World Bank projects. The bar for investigating corruption in World Bank projects is extremely high due to lack of resources and investigators. At the time this project was reported to INT, there were only 3 investigators assigned to all of Africa, where approximately 400 projects were running.

The INT audit report was made public in 2011 (Integrity Vice Presidency 2011a), and followed shortly by a review conducted jointly with the Kenyan Internal Audit Department to confirm the findings (Integrity Vice Presidency 2011b). The Kenyan government was required to repay the World Bank US$ 4 million as a result of the audits.[3]

The audit involved an analysis of 28,000 transactions from 7 (5 arid and 2 semi-arid) of the 28 districts served by the project.[4] It covered all expenditures from 2 of the project years (July 2006-June 2008) for these 7 districts. Details of how these 7 districts were chosen was not made public, but it is known that some districts were excluded on security grounds, as the World Bank is subject to the travel restrictions under which the UN operates, and travel to several arid districts in Kenya was off limits due to these travel bans. Investigators travelled to the districts they audited to field verify whether vendor receipts were legitimate.

INT classified each of the 28,000 transactions as either: uncontested, suspected fraudulent, or questionable.[5] All components of the project were examined except salaries, which were excluded due to non-cooperation of the project staff (Integrity Vice Presidency 2011a: 42). In Table 1 we find the results of their analyses, which include data from all components of the project, not just the CDD component.

[3] Four million US$ represented only a tiny fraction of the funds that may have been misused in this project. Only 7 out of 28 districts were audited, and only two years' worth of transactions in its 17-year history were examined. The World Bank could reclaim the ineligible monies only from the audited sample, despite concluding that the problems were systemic to all districts and all sectors of the project.

[4] A transaction is equivalent to a line item expenditure for one activity, such as a training exercise, which may be supported with a pile of receipts covering, for example: conference room rental, stationary, rooms, meals, trainer salary, and travel.

[5] INT (personal communication) originally classified suspected fraudulent and questionable transactions as "ineligible," which is the technical term used by the World Bank for non-reimbursable expenditures. After considerable internal negotiation between operations and INT, a compromise was reached that avoided referring to these expenses as "ineligible," and instead classified them as either "suspected fraudulent" or "questionable." Questionable expenses included such things as competitive tenders that appeared to be drafted by the same hand, and participant lists for training exercises that appeared to use the same thumbprint all the way down the page. Given that INT did not do a formal handwriting analysis, they chose the more conservative classification for these questionable expenditures.

Table 1: Kenyan ALRMP: INT suspected fraudulent and questionable transactions by district

DISTRICT NAME	District Budget (in Kenyan Shillings)	Percent Suspected Fraudulent (SFE)	Percent Questionable (Q)	Percent SFE & Q
	FY2007 & FY2008	FY2007 & FY2008	FY2007 & FY2008	FY2007 & FY2008
Garissa	123,694,000	49%	13%	62%
Isiolo	118,517,000	53%	21%	74%
Kajiado	43,320,000	35%	25%	60%
Nyeri	34,371,000	57%	13%	70%
Samburu	102,862,000	43%	24%	68%
Tana River	84,736,000	29%	15%	44%
Wajir	158,854,000	62%	13%	75%
District Average	666,354,000	49%	17%	66%
Headquarters	162,023,000	22%	22%	43%

Source: Forensic Audit Report: Arid Lands Resource Management Project - Phase II, Redacted Report (Integrity Vice Presidency 2011a); Table 3, page 23. Exchange rate is approximately 66 Kenyan Shillings to US$ 1.

It is notable that INT found considerable evidence of misappropriation of funds in all 7 districts, with an average of 66% suspected fraudulent and questionable transactions. In headquarters, 44% of the transactions fell into these categories. These data show that the problems were not limited to a few rogue districts, but rather, were common across the districts.

In Table 2, we see that the pattern of fraud also extended across all components of the project. In the CDD component of the project, 75% of the transactions were deemed suspected fraudulent, and an additional 9% were deemed questionable, making a total of 84% suspicious CDD transactions.

Table 2: INT Forensic Audit findings for the Kenyan ALRMP by project component

	Community Driven Development (CDD)	Support to Local Development (SLD)	Drought Contingency (DC)	Training	Transport	Other	Total All Project Components
Total Arid Lands Budget FY2007-2008 (Millions of Ksh)	137	201	67	98	85	80	666
Percent Suspected Fraudulent	75%	64%	23%	22%	58%	12%	49%
Percent Questionable	9%	24%	22%	13%	12%	20%	17%
Percent Suspected Fraudulent and Questionable	84%	88%	45%	35%	71%	32%	66%

Source: Forensic Audit Report: Arid Lands Resource Management Project - Phase II, Redacted Report (Integrity Vice Presidency 2011a); Table 4, page 25.

Transport and training were activities run primarily out of the district offices, and many of these expenses supported the CDD operation. For example, vehicle and fuel expenses for CDD training exercises could be billed to the CDD budget or the transport budget; CDD training expenses could be billed to the training budget or the CDD budget. It is evident from reading the district reports that there was little consistency across districts, or even within districts across years, in how budget categories were used.

It is surprising that the percent of suspected transactions in training is lower than that in other categories, given that training funds are often the most vulnerable to fraud because they are difficult to verify. Indeed, in this case, the auditors deemed it impossible to audit many of these expenditures, and thus they wound up in the uncontested category (INT staff: personal communication). Many of the CDD training exercises took place in remote villages, and the costs reported in project accounts were a sum of the number of per diem days for trainers, village participant meal costs based upon attendance, and driver and transport costs to the site. Although villagers were meant to sign in each day (using thumb prints if necessary), there was virtually no way for the auditors to ground-verify that these lists were accurate, or even that the training exercises took place at all. Their audit took place several years after the events, and it was deemed futile and cost-ineffective to try to reach some of these remote nomadic villages and locate the owners of thumbprints to verify attendance. Consequently, most of these expenditures went into the denominator, but were not actually audited. In short, the auditors confirm that a great deal of fraudulent behavior in training may have been missed (see the qualitative discussion below).

The methods for perpetrating fraud in the project were many. INT found use of pro forma invoices in lieu of proper receipts for things such as senior staff training exercises at hotels and large fuel procurements. Pro forma invoices are estimates that vendors provide to help a potential client estimate costs and comparison shop. They have no legal standing as receipts, as they are issued with no services rendered. There was considerable evidence of single sourcing when competitive bids from multiple tenders were required. There were many instances of irregular allowances (per diems) for training and travel.

In two major respects, the banking data that were audited revealed large discrepancies. First, the districts were reporting nil or negligible bank balances at the end of the fiscal year in their financial management reports (FMR) to the World Bank, yet audit calculations revealed that some districts had balances of 10 to 20 Million Kenyan Shillings, equivalent to US$ 150,000-300,000 (Integrity Vice Presidency 2011, p. 28-31). The auditors concluded that it was “highly likely” that this occurred when a district “overstated its expenditure within the reported FMRs” (p. 31). A second red flag emerged in the form of many past due checks presented over 30 days after being written (p. 32). The auditors note that such behavior is often an indicator that the goods or services for the underlying transaction were not provided.

INT found numerous instances of irreconcilable accounts. And in many districts there was clear evidence that the cashbook had not been produced contemporaneously with bank records and quarterly financial accounts. In some cases it was evident that significant parts of the cashbook were completely re-written (Integrity Vice Presidency 2011a: 41).

In several circumstances, the INT report calls attention to suspicion of systemic problems of collusion across institutions. One example is the fact that the District Accountant was the co-signatory to the Arid Lands Accounts, together with the DMO. Many of the irregularities point to collusion between the DMOs and the District Accountants.

A second form of suspected collusion across institutions occurred in banking. Although the banks failed to fully cooperate with the auditors, for example, by not turning over a significant portion of the cancelled checks (Integrity Vice Presidency 2011a), many banking irregularities were spotted in the bank records that INT did acquire. In particular, Kenya Commercial Bank (KCB), partially owned by the Kenyan government, cashed numerous checks in which the original payee had been crossed out and another name substituted (p. 35). In many such cases the original payee was the Commissioner of VAT (Value Added Tax). INT also observed that numerous checks written to “Commissioner of VAT” were never presented for payment, but ATM withdrawals matching the exact amounts were withdrawn (p. 37). Check dates on cleared checks were also altered (p. 36). When INT compared the bank statements provided by the project to those provided by the banks themselves, they observed changes to the bank statements in the narrative transaction description, “for example the client version made reference to the transaction being a cash withdrawal, where the bank version of the bank statement had no reference to the fact that the transaction was a cash withdrawal” (p. 37).

In Kajiado District two checks totaling US$ 35,250 were deposited and followed shortly by cash check withdrawals in the name of the DMO for exactly the same amount. INT was not able to determine where this revenue originated; it could have been from project vehicles that were sold, or funds from other donors, for example. No revenue receipts were recorded in the books of any district (Integrity Vice Presidency 2011a: 40), so it is not clear what happened to all of the vehicles that were replaced over the projects’ 17 years.

Arid Lands was also the beneficiary of other donor funds, most particularly, from the European Union (EU) in the form of the Drought Management Initiative (DMI), and the UN. There was considerable overlap in the mandates of these projects, as there was with government initiatives from the ministries and the MPs’ constituency development funds (CDF). INT was not able to access the accounts for the funds of these other agencies; therefore, it was not possible to determine whether double dipping occurred (Integrity Vice Presidency 2011a: 60). Interviews with this author point to a high probability of double dipping, especially with EU and UN funds, where millions of US$ were co-mingled, and with the MPs’ constituency development funds (CDF), where the Auditor General of Kenya caught both Arid Lands and CDF claiming the same projects (Gatumbu 2009: 101). In the case of the Kenya Education Sector Support Program (KESSP), funded by the World Bank and Dfid, INT was able to access both accounts. INT found eight instances of schools in Tana River District that were suspected of having been charged against both ALRMP and KESSP. This occurred immediately prior to the election of

December 2007 (p. 33). INT also uncovered expenses for Mobile School Allowances charged to ALRMP in FY07/08 that were also paid by KESSP that year (p. 61).

The audit provides convincing evidence that corruption was endemic across every sampled district, as well as headquarters, and across all project components (Integrity Vice Presidency 2011a: 5). This points to the likelihood that the problems ran through the entire project. Furthermore, the audit turns up evidence of systemic corruption in the form of broad collusion that embraced the government district accountants, who together with the DMOs, had to sign for all of the irregular transactions. The banks were also implicated in numerous irregular transactions such as altering bank statements, cashing altered checks, and failure to fully cooperate with the auditors, most particularly, in the withholding of cancelled checks for the project (p. 33 and *passim*).

The forensic audit data give us a picture of the extent of the suspected fraudulent behavior in ALRMP, how broadly it was spread across the districts and sectors of the project, and insights into the accounting techniques that were employed, but they provide limited insight into how these alleged financial transactions affected operations on the ground or were facilitated by design flaws and other contributing factors. Here the insights that come from participant observation and interviews with people across many different districts and headquarters help us flesh out a better understanding of the mechanisms of corruption and the macro system under which this corruption flourished.
The World Bank did impose sanctions upon Kenya for the ineligible expenditures uncovered by INT. Following the World Bank forensic audit, the Kenyan government was required to repay the Bank US$ 4 million (approximately 1.8% of total project payments over 17 years). The World Bank also closed the project in 2010, and cancelled the five-year renewal that already had a board date for November, 2011.

INT referred the Arid Lands' case to the Kenyan Anti-Corruption Commission (then KACC) in 2011, together with supporting documentation from the forensic audit. KACC and its successor, the Ethics and Anti-Corruption Commission (EACC) failed to take any action. To the author's knowledge, no one has been indicted or prosecuted for fraud in the project, and many former senior members of the project staff currently hold high-level Presidential appointments. Others continue in their former capacities in the new National Drought Management Authority (NDMA) that serves the arid lands.

4.5.2 Qualitative evidence of corruption

Based upon interview data from many independent sources, the Arid Lands project was far more top-down driven than project documents would lead one to expect. The level of corruption that permeated almost every aspect of the project is part of the reason for this. While there were many individuals who did not approve of such practices, they were not capable of stopping it. It is helpful to step back and view the project in its macro context. The project was housed in the Office of the President for most of its existence. There were pressures from the highest levels of government to kickback project resources, both to private hands and to feed campaign coffers. While some of this revenue was skimmed from funds controlled by headquarters, much of it also came back to headquarters from the districts in the form of “envelopes” each month. Not all districts participated in these kickbacks; some senior managers referred to those that did not as “the axes of evil.” In particular, districts with high-level political connections, and DMOs who were highly educated (and therefore easily employable elsewhere), could more easily resist pressure for kickbacks. The persistent siphoning of resources from the districts put pressure upon district staff to skim resources from their own budgets, including CDD and the easily targeted training and transport categories that supported CDD. The picture that emerges is of a well-oiled cartel that was in many ways engineered to facilitate the extraction of funds at all levels. Collaborators at each level in the chain demanded their own private rents as the price of cooperation. This also included many CDC village officers responsible for implementing village projects. The residual claimants at the end of this leaky chain were the village CDD projects.

Procurement was a major arena for fraud in the project. Villages often engaged contractors. Project guidelines specified that competitive tenders were required, but this was rarely done, and was not enforced by the district offices. In fact, the Arid Lands district offices actually schooled some CDCs in how to create fake tenders.

> “For example, when a project is supposed to be implemented—donkey carts or goat restocking—[in the proper way] the CDC committee sits down and floats the tender and then decides who has the best bid. Instead, the CDC has about five rubber stamps. These stamps are five different companies that do not exist. They prepare the quotations with these stamps under the directions of the Arid Lands office in [district name] and they stamp the documents.” Question: “Where did they get the rubber stamps?” Answer: “Arid Lands office makes the stamps and brings to them. When I was in the CDC committee I knew what was going on, but I was sidelined.” (Interview with a member of the CDC: September 14, 2010.)

In another district we see how the district office split the spoils with the CDC, and how they taught local villagers to embezzle.

> “If you look at projects in [this district] they have failed… They all fail. You won’t see a project existing… Why are they failing? They [the Arid Lands officers] demand money. If 750,000 Kshs is given to use, they take 400,000 Kshs back. The remaining is 350,000 Kshs. They say to the CDC, divide it by 2. Do something for show and keep the rest in cash. So you have something to show the auditor. But they are cheating this person. He is still happy because he has never had 175,000 Kshs in his hand. But 175,000 Kshs cannot sustain the project, and it encourages him to be lazy to get 175,000 Kshs without working.” (Interview with a contractor: September 16, 2010.)

The notion that project officials would actually school village CDC officers in the techniques of embezzlement makes sense when we view the system as a whole and see the manner in which each upper rung of the project squeezed resources from that below. Money siphoned out of the CDD projects was usually shared among only a handful of project staff, with the largest shares going to the DMO, the CDPO responsible for CDD, and the District Accountant who had to sign off on all Arid Lands transactions. CDC officials from different districts reported that the Arid Lands staff often insisted upon going to the bank with the CDC officials when they cashed their checks from the project. That was when the payoff to district officers occurred.

INT captured this process for one livestock restocking project (Integrity Vice Presidency 2011a: 16). The day following the receipt of the grant, 27% of the funds were withdrawn from the account, although the restocking actually took place two months later. When interviewed by INT, the chair of the CDC could not explain the reason for withdrawing the 27%. In this case we cannot confirm where that 27% went, but we have interview data that confirms that kickbacks to the district staff in the range of 25-30% were common.

In the following quote, an Arid Lands insider describes two mechanisms by which the office captured kickbacks from projects. One is similar to what was described above—it involved a payment directly off the top from the CDC account. The second example refers to instances where the Arid Lands office did the procurement directly. In the Support to Local Development (SLD) component of the project, the Arid Lands office did all of the procurement. But it turns out that even in CDD, the office frequently told the CDCs that they had connections and would take care of the procurement for the villagers. The subsequent quotes describe several of these situations. The motive for the office to do the procurement is clearly provided in the first quotation—as their average cut might rise from 25-30% to 40-60%.

> "There are two procurement processes. One is the community is given the project and given leeway to procure. They pay a kickback. If [the project] is 700,000 Kshs, they pay back 25-30% to the district officials. In the second type of procurement, the project officers collude with the district tender commissioner and deal with known suppliers. This is the most common, and it is entrenched in the government system. They go up to 40% in cash kickback and 60% in goods. They collude at the preparation of bills and quantities. The project officers collude with the civil engineer to overvalue the cost and volume of materials." (Interview with an Arid Lands staff member: October 23, 2008.)

> "They were supposed to get donkey carts. The Arid Lands office should release the total amount to the CDC accountant. Then the CDC floats the tenders and buys. But here the CDC officials were informed that donkey carts were going to be provided. No choice of contractors. Rather than the money going to the CDC, the Arid Lands office in [name of the district] paid the CDC officers 10,000 Kshs each. They were told the Arid Lands office would bring the carts; they waited and the carts were ferried to the people." (Interview with businessman who did business with Arid Lands: September 14, 2010).

In another community that received donkey carts, the Arid Lands office also insisted upon doing the contracting for the community. One enterprising resident did some investigating and discovered that the actual price of the donkey carts that Arid Lands purchased was 9000 Kshs each. However, the price put in the budget for the project was 16,000 Kshs each. There were 32 donkey carts provided by the project. Here are his words:

> "The [CDC] committee turned over all their money to the three Arid Lands' officers. [This refers to the cash contributions of the 32 beneficiaries].[6] The carts were the same price in the budget—16,000 Kshs each. I asked the secretary, and he said [the project budget] was 550,000 Kshs total. They [the Arid Lands officials] paid the same 9,000 Kshs each. We calculated 256,000 Kshs [9000 Kshs x 32 carts, less 32,000 Kshs beneficiary contributions of 1000 each]. The 256,000 Kshs was the real cost of the carts, so a lot cheaper." (Interview with a villager in a CDC community, September 16, 2010.)

In this case, the Arid Lands office netted 326,000 Kshs (the difference between the project budget and the actual costs of the carts, plus 32,000 Kshs in beneficiary contributions). This amounted to almost 60% of the budget for this CDC project.

The incentive for Arid Lands to take over procurement from the villages was considerable, as were its consequences. Not only did it yield a higher kickback, but it also created an incentive for the project to push villages into projects where the project staff could realize the highest skimming in contracting (Shleifer and Visny 1993). Donkey carts were an especially lucrative project for the district officials, which helps explain why they were so common among CDC projects. Communities along rivers and near urban environments may actually have wanted donkey carts and legitimately ranked them highly in their priority list. But according to locals, many rural communities did not value donkey carts, and the office manipulated them in order to get donkey carts on the priority lists. An Arid Lands staff member expressed this sentiment.

> "Donkey carts are funded through IGA [income generating activities], so they can't be for water, that is, for household [use]. They should be for firewood for sale. All proposals write this, or building materials, etc. These villages are not along the river—there is no firewood. And there are no markets in the hinterland… Villages did not want donkey carts. Arid Lands' staff pushed the community. They write them on paper. Where they [the district office] purchase they buy cheaply. *Jua kali* [informal open air markets] have no receipts. You create your own." (Interview with an Arid Lands staff member: September 12, 2010.)

Beehives were another project that Arid Lands pushed upon communities (Ensminger n.d.). Many villagers had no experience with bees and were not enthusiastic about adopting them. But as with donkey carts, the officers easily persuaded them. The district officials often did the procurement for the CDC, and over-invoicing was common. They typically wrote up long

[6] The CDC village officers for this project were also accused of having raised cash contributions from many more beneficiaries than actually received donkey carts. It was also alleged that most paid 2000 Kshs toward their local contribution, not the 1000 that was credited to them. Many of these extra funds appear to have been retained by the CDC officers, who were operating independently of the committee, as was common. When those who had paid did not receive carts during the distribution, they complained. They were promised that there would be a subsequent project in which they would receive carts. This tactic—the promise of a future project—was frequently used to calm dissent, but no more donkey carts were forthcoming.

beehives budgeted at 4500 Kshs each, but delivered short ones that were purchased at sub-par firms in Nairobi for 2500 Kshs or less. They were made of soft wood and did not last long.

Even when the CDCs did their own contracting, there were often problems. Goat restocking provides an illustration. Unlike donkey carts and beehives, goat restocking was indeed a high priority of most communities, and it was often left to communities to do their own contracting. Numerous people reported that over-invoicing was rampant, as was the payment of relatively small amounts of cash to designated recipients in lieu of giving out actual goats.

Ensminger (n.d.) discusses a goat restocking project in detail. The price of goats recorded on the project plan was 1000 Kshs each, while the actual average price paid at auction was 600 Kshs. The reason they were so cheap was that they were younger than specified, and many were sick at the time of purchase. When they were brought back to the community they infected the local goats, leading to losses in the community that exceeded the value of the project. In addition, as was commonly the case in restocking projects, many fewer stock were actually purchased than specified in the project plan, yielding about 50% of the project's budget to be shared between the Arid Land's office and the CDC officers. Interviews with individuals from other districts turned up similar examples of CDCs purchasing sick animals at market. Pastoralists are aware of the high risk of disease at public auctions, and consequently, avoid purchasing breeding stock there. Most animals sold at auction are destined for butcheries. When pastoralists purchase stock for themselves, they generally purchase stock from respected local herdsmen.

As a result of the kickback to the district office, and additional skimming by the CDC officers, many projects wound up significantly underfunded. Another cause of underfunding was the requirement that the community contribute 30% of the project's costs. In poor communities, this was impossible when the contribution had to be paid in cash, rather than kind (labor or local materials such as poles and sand). In many places this requirement was ignored, but because it appeared in the budget, this meant that the project began with a 30% funding shortfall. When it was enforced, it often operated as follows:

> "[The DMO] sends a businessman to the CDC. He gives the 30%. After that he gets his commission. If it is 150,000 Kenyan Shillings [he put up], they increase 30-50,000 Kshs… When the money comes from Arid Lands, it goes to the CDC and then they repay the businessman." (Interview with a businessman who did business with Arid Lands: September 15, 2010.)

In the case described above, the transaction leaves about 335,000 Kshs (64%) from an original budget of 525,000 Kshs; 36% of the money was already gone (they borrowed and repaid 30% and paid an additional 6% interest/service fee to the lender). Even if no other money was skimmed and the project proceeded perfectly, a building built with 64% of its required budget might be undersized, have a weak cement mix, under-strength timbers, flimsy iron sheets on the roof, and a poor foundation. All of these problems were common, and contributed to shortened lifespans for Arid Lands buildings.

In some districts, elites managed to capture a high proportion of project benefits. Sometimes village elites received stock intended for the poor in community restocking (see Ensminger n.d.). More targeted forms of elite capture also existed. A common CDD project in Garissa District was the distribution of generators to facilitate group farm irrigation along the Tana River. The testimony of numerous informants points to the allocation of many of these generators to elite individuals rather than cooperative farms, for example: the head of the CDC, business leaders, the Chief, and civil servants who were not local to the area. Private farms that were owned by Arid Lands' staff were also beneficiaries of project resources.

One of the most extreme forms of elite capture occurred through the matching grants program of the project. The program design required a large group of individuals to each save small amounts of money and demonstrate that the funds had been in a bank account for one month. The group's total savings were then topped up (usually at a rate of 50%) by the project (World Bank 2003a: 61). In Tana River District two communities benefitted from this program. What happened in practice was that the CDC officers, or the Chair alone, collected the names and identity cards of many participants, but the actual matching grants were shared by only a few individuals. An official report of the operation is as follows:

> "The project in 2006 contributed Kshs 2,928,000 [US$ 44,364] while the [Bura] community 'contributed' Kshs 2.8, although it was expected to contribute Kshs 7.7. Most of the groups were hurriedly formed and registered to benefit from 'the free money'. Most of the beneficiaries are either CDC officials or people associated with the officials. The CDCs constitute their own self-help groups. Some groups benefited twice in one disbursement. The groups were hurriedly formed to reap from the matching grant funds. There were no indications of individuals making savings. The CDC officials were charging Kshs2000 per matching grant beneficiary group and Kshs 400 per individual as service charges to benefit the CDC members." [Wanjigi *et al.* 2007: 22-23).[7]

This was one of two matching grant projects in Tana River District. Sources indicate that only a handful of people actually benefited from either of these funds; it is alleged that the officers of the CDCs in each of the two communities embezzled almost all of the money.

According to the following statement by an Arid Lands staff member, Tana River District was not an exception to the rule in how the matching grants program worked.

> "Matching grants—all a fraud. All over Arid Lands it was never used correctly."
> (Interview with an Arid Lands staff member: September 12, 2010.)

[7] This investigation and subsequent report were produced by Arid Lands headquarters, upon the instructions of the World Bank office in Washington, which was responding to a paper presented by this author. The ALRMP head office was asked to investigate corruption in its own Tana River District office, and this report was the product of that investigation. Because the report was a government document, it had to be distributed to relevant government ministries. I was told that the Arid Lands office subsequently went around to those offices to collect back all copies of the report. The report was never publicly released by either the Kenyan office or the World Bank.

What emerges clearly from the qualitative analysis is that the project was engulfed in corruption. That said, there were also people of high integrity sprinkled throughout the project trying as best they could to operate constructively. People in pivotal positions at all levels were forced to comply with demands from above. Some resisted, but many, even if initially reluctant, became willing collaborators for substantial personal gain. Many of the operating principles upon which CDD rests, in particular, beneficiary choice of project and financial management of procurement, were sacrificed in the process. The leverage that was afforded to headquarters in the allocation of district budgets, and to districts in the selection of villages and the repeat game nature of interaction with villages, explains a lot about the loss of bargaining power by the intended beneficiaries.

4.6 Cultural and Institutional factors

Kenya is widely accepted to be a systemically corrupt country. It is common parlance in the Kenyan papers to refer to government agencies, especially the lands ministry and the police, as cartels controlled by criminal elements. None less than the Chief Justice of Kenya's Supreme Court, Willy Mutunga, recently said that Kenya is at war with mafia-style cartels run by corrupt politicians and business people (Lindijer 2016). This is obviously not an easy environment in which to run an aid project.

While the national corruption environment was challenging, the Arid Lands Project's problems went beyond the corrupt Kenyan national institutional environment. This project served the most remote and marginalized districts in Kenya. That means that the populations were poorly educated, highly dispersed, often nomadic, and poorly served by physical infrastructure (roads, water, electricity, and communications) and government services. Not surprisingly, many of the arid districts also lacked significant press coverage. This institutional and demographic context is important, because many of these variables have been linked to corruption mitigation—particularly education (Glaeser and Saks 2006) and the role of a free media (Besley *et al.* 2001 and McMillan and Zoido 2004). For example, educated populations are more likely to know their rights and can more easily access information to effectively monitor and protest. The media are important society watchdogs, and often provide a check on corrupt institutions and officials. Many of the districts served by Arid Lands had limited or no permanent media presence, and that which did exist was often weak, as postings in highly insecure and undeveloped areas were the least desirable for top correspondents.

We should also anticipate the temptation that such conditions present for savvy actors intent upon looting donor funds. Projects dealing with disasters and emergency situations, as this project promoted its mandate, are especially vulnerable to those attracted to the lax monitoring environment generally prevailing under such conditions. It is fair to say that the Arid Lands Project was as plagued by corruption from within as more than it was from without. With complicit managers in place, it is not surprising that there was little will to monitor effectively.

5 Case Study: Indonesian Kecamantan Development Project (KDP)

5.1 Project description

The Indonesian Kecamantan Development Project (KDP) ran from 1998 to 2006, and was designed to address rural poverty by delivering block grants directly to villages (World Bank 1998). KDP was replaced by the expanded National Program for Community Empowerment in Rural Areas in Indonesia (PNPM-Rural) in 2007, which continued until 2015, when the government began an even more ambitious fiscal decentralization effort to send considerably more money to every village in Indonesia. Together, KDP and PNPM spent over US$ 4 billion, making it by far the largest CDD in the world. It also has a reputation for being one of the most successful, which is why we may particularly benefit from comparing its design and corruption performance to that of the Kenyan ALRMP.

Both KDP and PNPM were dynamic projects that undertook a lot of research and introspection, so project guidelines changed over the years as they learned from mistakes and experimented with new systems. As we dive into the details of the project design, unless otherwise specified, descriptions refer to the design elements associated with KDP (1998-2006).

5.2 Project organization and village and project selection[8]

KDP scaled up over its first three years to serve about 1000 sub-districts (kecamatan) serving 1 in 4 villages in Indonesia (Wong 2003: 3). Sub-districts were selected for participation based upon the greatest need according to poverty statistics. Budgets were apportioned based upon the population size of the sub-district. In later years, under PNPM, the project scaled up to serve virtually all Indonesian villages. As we shall see, the rate at which this project scaled-up created huge challenges for maintaining project quality and containing corruption. It also makes it difficult to generalize about the project as a whole, as some of the failings of the later years were not present in its earliest years, while some of the mistakes in the initial design were quickly addressed.

The organizational structure of the KDP project and its successor PNPM, had functions at the following levels: national, provincial, district, sub-district, and village (World Bank 1998). The national office consultants interfaced with government. From its inception, the national office incorporated a significant monitoring and evaluation component that stressed rigorous research. Their main functions were monitoring and training, data analysis, support for provincial management consultants, and reporting on the progress of the project. The provincial offices employed management consultants who provided links between the districts and the field activities of the sub-districts and the villages. The districts had engineers who pre-qualified a list of local engineers who could provide technical assistance to villages. The provinces and the districts provided training for both the facilitators (trainers) and the consultant engineers that

[8] The project design details discussed here are drawn primarily from the original project document (World Bank 1998b) and from Guggenheim (2006) and Wong (2003).

were hired by the villages. District staff were also expected to make frequent trips to the villages to ensure the quality of operations. Sub-districts were the main functionary level of the project, and they averaged 20-25 villages with a total population of about 60,000 (Wong 2003). This is where the facilitators who interacted with the villages resided. Two resident village facilitators were elected by each village to work with the sub-district facilitator assigned to the village.

Although the project maintained offices at many administrative levels, funding for KDP projects was specifically designed to by-pass the mid-level government structures (provinces and districts) that were known to be problematic areas for corruption. Village funds went directly from the national office to the villages (Wong and Guggenheim 2005: 256). Using the sub-district as the key point of administration also brought the project much closer to the villages and made facilitators and technical expertise more accessible to them. Another benefit of locating much KDP/PNPM administration away from the provincial and district headquarters was that sub-districts had no budgeting or contracting powers of their own. As Guggenheim (2004: 128) wrote, “This meant that the collection of commercial and political interests that maintained a stranglehold over government in the districts was much weaker in the sub districts.”

Information about the project was first disseminated through workshops at the provincial, district, and sub-district levels to encourage villagers to apply for project support. The local and sub-district facilitators disseminated information and held meetings to discuss KDP procedures and project ideas. Each village could suggest up to two projects, but the second project had to be a women’s project. In the first phase of KDP, projects ranged from US$ 4,375 to US$ 18,750. Indonesian villagers had a lot of choice in how they spent their block grants, but infrastructure (particularly local roads, bridges, irrigation), and microcredit, made up the vast majority of the projects. Proposals for public infrastructure had to include justifications for how they would aid the poor, and had to meet technical design quality standards and include a plan for future maintenance, such as user fees (World Bank 1998). The most common projects were village road construction and micro finance.

Village projects were selected for funding in the following manner (World Bank 1998: 21). Under the guidance of the facilitators, communities met to discuss their priorities. In village meetings they settled upon a project and wrote a proposal. The project proposal was then submitted to the sub-district forum, together with all the competing proposals from other villages in the sub-district. The voting members of this forum consisted of members from each village; many non-voting community leaders and three additional villagers joined them. After a review, including the input of the district engineer, the voting members of the forum selected the best projects that could be funded from the available funds that year.

Money was paid out in tranches: 40% in advance, 40% after a village meeting half way through, and 20% at completion and following the district engineer sign-off (Wong and Guggenheim 2005: 34).There was no set mandatory contribution from the village toward labor, materials, or capital, but something was expected, and it was assumed that such contributions would make a project proposal more competitive. Such contributions averaged 17% of project costs (Wong and Guggenheim 2005: 259).

The proposal selection process was designed to build in a competitive selection process to encourage villagers to submit better proposals and with larger commitments of local resources. The process may well have accomplished both of these goals, but there was a tendency for the process to follow a funding rotation among the villages, thus ensuring some equity (Guggenheim personal communication, Syukri *et al.* 2013: section 2, and Woodhouse 2002: 51, 56). However, it does not appear that the rotation completely negated the desired effect of using competition to encourage better proposals and tighter budgets. Chaves (2010) undertook an analysis of data from the first five years of the project. He focused upon road projects, which were close to 50% of all projects. He measured the level of competition in the selection process based upon a number of different measures, but primarily using the number of villages competing for funds, which tracked with the probability of funding. He found that doubling the level of competition reduced the per unit road costs by 10-20% (p. 273). These data lend support to the notion that at least some level of competition was operating at the inter-village selection meetings, and it was effective in selecting for quality. Guggenheim (2013) also reports that one year the project had extra funding and was able to use it to fund some of the second tier of projects. Those projects were less successful than the first tier in the competition.

Contracting was strictly forbidden by the project; villagers had to undertake their own sub-contracting and were required to get three bids from different suppliers. It was required that these be read out at village meetings and suggested that facilitators include them in their reports (Woodhouse 2002: 40). As we shall see later, these conditions were not always met.

Although contractors were forbidden, technical assistance was required for the infrastructure projects undertaken by KDP villages. Villagers were provided with lists of pre-certified non-governmental engineering consultants for this purpose, which they hired at market rates for project design and implementation. This process was designed to add both competition and distance from government.

Once a village's project was selected for funding, the village elected a community implementation team of five people to oversee the project and the community contributions. The facilitator helped to organize village meetings to keep the village informed of progress halfway through and at the end of the project, when final village accounts were presented. Project budgets and updates were supposed to be posted on a public board in the community. To broaden village participation and increase transparency, KDP banned the issue of written invitations to village meetings, as these sent a message of exclusivity (Woodhouse 2002: 24). They also moved toward hamlet-level meetings, which tended to be more broadly attended, and especially by the poor.

5.3 Training and technical support

The role of facilitators and the organization of technical support appear to have been crucial factors contributing to the success of the KDP project, in spite of the fact that practice did not always match design.

Facilitators were recruited and trained in a competitive process by private consultancy firms that were contracted for this process. They were rotated regularly to reduce risks of collusion with village officials. Facilitators had many reporting duties up the chain of command, and were in turn supervised by several layers of facilitators at the district, provincial, and national levels. One of the expectations was that they would report any instance of corruption or irregular behavior in their projects (World Bank 1998, Woodhouse 2002).

Facilitators were employed in each sub-district, and were responsible for rotating around to their assigned project villages every other week. Facilitators worked with two locally elected facilitators who lived in each village. Together, they explained the project to the villagers, ensuring that villagers were adequately informed of project budgets and implementation at regular village meetings, helped write proposals, and monitored how projects were implemented.

Especially in the early years of the KDP project, facilitators were crucial in helping to control corruption in the project (Woodhouse 2002: 17). First, the better the facilitation, the more villagers participated in the project, and the more transparency there was at the village level. Second, facilitators were an independent source of information for both villagers and for staff higher up. Many facilitators had NGO or reformist backgrounds. And third, the facilitators had a power base independent of government and local elites, thus helping to prevent elite capture. In the first two years of the project, over 70% of the complaints about the project, including misuse of funds, were filed by KDP staff themselves (primarily facilitators), while about 15% came from community members.

In terms of the original project design, using competitive hiring of social facilitators through consulting firms, and building private technical expertise into the system, appears to have been a good choice. Woodhouse (2002: 18) notes in particular that staying outside of the government system for staffing meant that contracts with local consultants could easily be terminated for cause, as could those of KDP staff, most particularly facilitators. The ability to fire facilitators for poor performance and corruption was an asset for the project.

KDP did experience problems with training and facilitation as the project ramped up from zero to 15,500 villages in just 3 years. Indonesia is vast and diverse, and some areas had difficultly finding sufficient staff with adequate credentials for the work. But despite these early hurdles of recruitment, facilitation appears to have performed better in these early years of the project than it did at the end. Under PNPM, the project eventually ramped up to include 63,000 villages; this occurred very fast, as there was a nearly fourfold increase in the project from 2006 to 2009 (Woodhouse 2012). Woodhouse (2012: section 3) explains how this affected facilitators and training: "…demand for good facilitators has risen sharply. This means that the bulk of facilitators see their work as a standard job, not as part of a social movement, and accordingly can treat their role as one of executing a project, not as doing the long, hands-on work of helping to empower communities. 'Before they were called by their hearts,' one provincial consultant said of facilitators, 'Now they are called by money.'" Woodhouse also notes that as of her writing in 2012, the salaries of facilitators were no longer competitive, leading to chronic vacancies and vastly higher workloads for remaining staff (see also World Bank 2011c: 15). To make matters worse, the standard and length of training for facilitators had declined. In the later years, facilitators were spending a greater portion of their time on paperwork and less engaging with community members. All of this weakened their social connections in communities, which in turn reduced their effectiveness in dispute resolution.

The project injected some competition in the use of technical assistants. The district office, where a senior engineer was based, compiled a list of pre-qualified technical assistants that villages could use as consultants on their projects. The villages had to hire these consultants at market rates. The intent was to keep the government line ministries out of the project.

In some provinces, especially Papua, there was a shortage of qualified engineers. To address this problem, the project developed a barefoot engineers program to increase the pool of talent for technical expertise. In areas with a shortage of engineers they sent promising individuals on a two-year training course.

Woodhouse (2002: 49) notes that the process of selecting technical assistants "too often does not work the way it should." There was interference with the lists of pre-certified technical assistants. Unqualified friends and relatives of village elites got on the list that should not have, and villages used technical assistance when they did not need it, perhaps in return for kickbacks from over-invoicing.

The KDP program was a pioneer in utilizing competitive market models for project facilitation/training and technical support. In both cases they stayed out of the government civil service, and in the case of facilitation they employed independent consulting firms to also keep the hiring decisions out of the project. These efforts were not entirely successful, but many credit them with advantages over alternative approaches.

5.4 Transparency, Monitoring, and Complaints

The KDP/PNPM project relied upon a broad range of monitoring mechanisms that included the standard techniques that one finds in many CDD projects, such as use of bill boards to post budgets and village meetings to increase village level transparency, national audits of financial transactions, and World Bank supervision missions. But the project also built-in many highly innovative techniques to bring independent monitors into play.

Both KDP and PNPM struggled with transparency within the village. Woodhouse (2002: 60) reports that in KDP the implementation committees in the villages almost never announced the three mandatory quotes from suppliers at an open village meeting, as was required. When questioned about this, the implementation teams often replied that they were unable to get three quotations, or that they had to make substitutions of materials. Village meetings were the primary manner in which KDP/PNPM attempted to bring transparency to village projects. Although the entire village was technically welcome at the KDP village meetings, there was a tendency for elites to attend and be active participants in far greater numbers than others (Syruki *et al.* 2013). Notice boards in the villages were another means of communication, but they were often poorly maintained, resulting in the villagers having little knowledge about project finances (Woodhouse 2012).

There was an expectation that villagers would monitor their own projects and village implementation committees. Facilitators were expected to encourage the formation of special groups from the community that would independently check financial accounts, monitor bank transactions, material purchases, and confirm the costs of goods (Wong 2003: 12). The facilitators were also tasked to report irregularities in their monthly reports.

In a number of ways, national project managers attempted to draw independent organizations into the monitoring process. In July 2000, KDP sent out terms of reference and requests for applications to hundreds of provincial NGOs and those recommended by donors to serve as watchdogs. Twenty-seven NGOS were selected competitively to act as watchdogs over KDP in the provinces. They provided monthly reports documenting the problems they discovered with the project (Wong 2003).

Perhaps most creative of all the monitoring innovations was a program funding the media to report on corruption in the project. The government signed a contract with the Association of Independent Journalists (AIJ) to monitor KDP and publish or broadcast their findings with no prior review or censorship of the stories. In order to maintain media independence, a blind funding mechanism was set up through which AIJ selected and financed the journalists' work. As evidence of the commitment to this initiative, the World Bank made this a legally binding condition of the loan commitment (Guggenheim 2006: 130). This resulted in 250 visits to KDP villages and 850 stories (Wong 2003: 20).

In 2001, the project set up a five-person Financial Supervision and Training Unit (Wong 2003: 14). Their goal was to improve the financial skills of the sub-district units, the village boards, and the loan groups in the villages. They were conceived as "roving accountants" who would both train villagers to solve problems, and also monitor the quality of financial management. Any problems that they uncovered were sent to the complaints unit.

In assessing the relative effectiveness of these diverse monitoring mechanisms, it is important to differentiate between the original KDP program and the PNPM program, which vastly increased the scale of the project. Under PNPM there was an erosion of accountability at the village level. The PNPM governance update for November 2011 (PNPM Support Facility 2011b: 16) reports: "The October 2011 mission noted that despite previous agreement with PMD [Community Development Office], many of the basic accountability mechanisms are no longer functioning properly (e.g. village information boards are empty; village accountability meetings are not conducted; funds channeled to TPKs [Activity Management Team] and RLF [micro-lending] groups often do not have proper fiduciary controls etc.)." In this same review, the PSF Financial Management team conducted a financial assessment and found that 41% of sampled community groups at the sub-district level received unsatisfactory ratings. They related this directly to the lack of training and oversight of the facilitators, compounded by heavy workloads and vacancies (p. 22). Woodhouse (2012: section 1c) notes many of the same weaknesses in information sharing and transparency. She found that community notice boards were poorly maintained and often used for the wrong purpose, and while village accountability meetings tended to be held and were relatively well attended, information was not being shared in a way that was easy to understand. Elite capture was a problem, and members of the oversight bodies, "did not necessarily have the financial literacy or clout to effectively monitor how funds were used" (2012: section 1c).

The original collaboration with journalists that was set up under KDP yielded mixed results. There were good results in some locations, and a jointly produced newsletter that highlighted corruption cases was popular. It brought corruption cases to the attention of the community, and in some cases kept the spotlight on cases through to the end of the trial. But there were also problems. Although KDP paid for refresher training for journalists, "there were problems with the clarity of writing, accuracy, balanced reporting, cross checking sources, and unfamiliarity with KDP procedures" (Wong 2003: 21). Some journalists did not have investigative reporting skills, and some were intimidated while investigating cases.

Although the original collaboration with AIJ ended, PNPM continued to engage with civil society and the media, particularly community radio. These efforts kept stories about corruption cases in the news through talk shows and print media; they also provided a great deal of training to the media (PNPM Support Facility 2011a: 33-34).

Another mechanism used in the fight against corruption was the use of independent academics (Olken 2007 and 2009 and Chaves 2010) to investigate the project who were not bound by World Bank censorship rules. These studies added to the investigations that were already ongoing by the World Bank internally (especially Woodhouse 2002 and 2012).

Anyone could file a complaint against the KDP/PNPM project. Facilitators were the most common complainants, followed by community members. The complaints unit of the project verified and published complaints. A formal complaints mechanism was created, and an office was staffed to receive and respond to complaints. Over the project's first three and half years, 1909 complaints were received, of which 38% were cases of financial abuse (Wong 2003: 15). Most of the time these cases were managed by the community through traditional dispute resolution; in nearly half of them the money was mostly or completely recovered (Guggenheim 2006:133).

There is considerable disagreement among observers regarding the willingness of villagers to report abuses in KDP and PNPM. Syukri *et al.* (2013: section 6.3.1) see the failure of transparency and accountability at the village level as a consequence of age-old patron-client relationships, which explain the poor's lack of courage and confidence to challenge the elite for wrongdoing in PNPM. In their words, “Demanding transparency and accountability means accusing concerned parties to have been hiding and even swindling certain resources and that is a morally serious accusation in the rural area.”

Woodhouse (2002: 17) discusses the issue of fear and intimidation in KDP that can result in a failure to report and complain about project corruption and other failings. She notes that cases of retaliation against whistle-blowers have occurred. As a consequence, villagers often complain as groups, or attempt to use their facilitators, who do bring most of the complaints of corruption. However, facilitators can themselves feel intimidated. KDP has also recorded cases of NGOs and journalists being intimated for their reports on the project.

Guggenheim (2006: 133) views the situation somewhat differently, and argues that “KDP villagers are surprisingly vocal, and as confidence that there will be a response to their complaints grows, villagers file more and more reports of abuses by officials that would have been hushed up in the past.”

Aside from fear and intimidation, Woodhouse (2012: section 4) attributes villagers’ reluctance to complain to a combination of other factors: 1) villagers often did not have an incentive to file complaints because they feared that it might lead to the village being dropped from the program, 2) they had low expectations that complaints would be acted upon, as the program’s capacity for resolving complaints was overloaded, and 3) the system was not working to accept new complaints. By 2011 there was some improvement in these glitches, and the governance report (PNPM Support Facility 2011b: 9) reflected this by noting that there was a doubling of reported complaints in 2011, which was attributed to the more accurate reporting system. Furthermore, there was a bump up in the number of cases reported by community members.

Complaints that came into the complaints unit of the project, if verified, sometimes resulted in firings, prosecutions, and convictions. In the case of stolen funds, more typically, communities preferred to use traditional dispute resolution and attempt to get the offenders to repay the money. They were often successful.

The project’s efforts to advertise corruption cases through NGO monitoring, the project newsletter, independent journalists’ accounts, and the complaints unit, were all efforts to use transparency as a deterrent. Corruption cases written up in the project newsletter were some of the most keenly appreciated (Guggenheim 2006: 138, and personal communication).

The deterrent that attracted the most attention was the suspension of entire districts due to endemic fraud. Woodhouse reports (2002: 27) that, “the entire district of Jayawijaya in West Papua was dropped from the project, funds for the entire province of South Sulawesi were suspended, and the district of Tapanuli Selatan in North Sumatra was in the process of being dropped at the time of writing the report.” Under PNPM (2007-2015), the project continued to use this ultimate sanction against endemic corruption, and issued frequent governance reports tabulating current and past cases of fraud, and progress toward funds recovery.

Sanctions were also applied against facilitators. In 2010, over 300 consultants/facilitator were terminated due to breaches of the conduct code (PNPM Support Facility 2011a: 37). In two provinces there was strong evidence that candidates for district and sub-district facilitator positions were asked to pay substantial bribes to secure these posts (PNPM Support Facility 2011a: 20).

Sanctions have complex consequences. Woodhouse (2002: 27 and 2012: section 4) makes the important point that sanctions can have the opposite of the intended effect. She notes that one reason that villagers were less inclined to report fraud was fear that their village or district might be dropped from the program. It is also noted in a number of reports that failure to act quickly upon complaints, significantly muted the deterrent effect of any action.
In conclusion, the program built some aggressive internal mechanisms into the project organization, especially in the use of facilitators to report on corruption, a complaints mechanism to follow up on cases, and numerous reports commissioned to probe corruption in the project. What is most original in the steps taken to monitor corruption is the use of independent, outside organizations, including the media, NGOs, and independent academics. The efforts to empower these sources as agents in the monitoring process were not always successful, but they represented an openness and willingness to experiment without control of the consequences.

5.5 Evidence of corruption

Under both KDP and PNPM, the project openly shared their audit findings and details from the complaints unit. Indeed, the project's stance was to use governance reports, NGOs, and the media to advertise corruption cases and the consequences of wrongdoing in the project to act as a deterrent to others.

Regular governance reports from the earliest days of the project captured what was known about corruption and the status of old cases (PNPM Support Facility 2011a, 2011b, 2014a, 2014b, 2014c, Woodhouse 2002 and 2012, and Wong 2003). As these reports make clear, there was considerable under-reporting of corruption in the project, so from these data we cannot be sure how representative reported cases are, nor the level of actual corruption. But for KDP we have the benefit of several fine case studies of corruption (Olken 2007 and 2009 and Chaves 2010). They provide us with some data on both the level of corruption in road construction projects, a large component of the project, as well as evidence of the impact of top down audits upon rates of corruption.

Olken (2009) conducted a randomized field experiment on over 600 KDP road projects in the provinces of East and Central Java in 2003-04.[9] To measure the level of corruption, Olken deployed engineers to determine the quantities of materials actually used in the roads, a worker survey to estimate wages paid by the project, and a supplier survey to determine the prices of

[9] Corruption is known to vary widely across the provinces of Indonesia, so it is important to bear in mind that these data are restricted to Java, which may have some of the lowest rates of corruption in Indonesia.

materials. These quantities and prices were compared to those reported by the village implementation team in their final financial report, which also included donated labor from the village. In addition to measuring the total length and width of the road, the engineers dug 10 core samples on each road to estimate the quantities of materials used. Olken then calculated a "missing expenditures" figure for sand, rocks, gravel, and unskilled labor for each road. He concluded that an upper bound for losses was about 30% of expenditures, though he cautions that the data are noisy and dependent upon assumptions about loss ratios from materials (Olken 2009: 221). Furthermore, almost all of the unaccounted expenditure occurred in differences between reported versus actual quantities, rather than prices, which Olken attributes to the fact that village monitors can more easily verify price than quantity. This gives us an approximate measure of the level of corruption for this type of project in Java, where road construction made up 77% of all projects at that time.

In another paper, Olken (2007) examines the efficacy of pre-announced audits. In an audit treatment, villagers were told that they would be audited with probability one. Villagers were told that the auditors would come to the village to publically announce the results in a special village meeting and that the results would also be reported to the central government and to the project. This raised the usual probability of being audited (the control) from the norm of 4% to 100%. His audit treatment showed that pre-announced audits of 100% reduced the percentage of missing expenditures by 8.5%. But given the treatment design, we don't know the relative significance of several mechanisms that might be affecting this result: 1) the threat of public shaming when the audit is read in the village, 2) the threat of prosecution from sending the report to the government, and 3) the possibility that the project will suspend the village from the project based upon a poor audit result. In two additional treatment effects, Olken tested the impact of increased village social monitoring, and found only limited average impact. This could mean that village monitoring was not effective, or alternatively, that its impact had already hit its maximum.

Chaves (2010) builds upon Olken's (2009) data to examine how effective the competitive system of project selection is in reducing project costs. Chaves finds that the missing expenditures in the more competitive sub-districts (with over 16 villages competing for project funds) are 8.9%, but they are 22.7% in the least competitive sub-districts (where less than 10 villages competed). This is powerful evidence that competition in the selection of projects also helps control corruption.

From its inception as KDP, and through its scale-up to PNPM, a great deal of evidence pointed to the microcredit portion of the project as the most at risk of corruption. Wong (2003: 11) reports that, "KDP had great difficulty controlling the economic loan portion of the portfolio." Repayment rates were averaging only 40%. Through the final years of PNPM, microcredit continued to be the most problematic part of the program. The chaotic situation was described as follows: "The revolving funds have grown very large in some sub-districts but oversight of UPKs [Kecamatan Financial Management Unit] by facilitators and supervisors is limited. Many big UPKs are overloaded, handling too many accounts and transactions….More cases of embezzlements are reported and involve bigger amounts of money." (World Bank 2011c: 17).

A major form of corruption in microcredit was the creation of false borrower groups, and this sometimes led to far more serious fraud than was typically encountered in small village projects. In November 2013, a facilitator reported a very large fraud case in East Java in which the management team at the sub-district level was the main perpetrator, with US$ 626,463 misused. Of the 307 lending groups formed in the district, 240 were potentially fictive (PNPM Support Facility 2014a: 12).

The primary types of fraud encountered in PNPM are summarized in a World Bank review (PNPM Support Facility 2011a: 18-20). These include embezzlement of block grants from revolving loan funds (often with bank collusion), formation of ghost borrowing groups, kickbacks from contracts with suppliers for infrastructure projects, over-invoicing in community procurement, inflation of various costs associated with trainings and workshops, and nepotism and bribery in the recruitment and placement of facilitators. Interestingly, the discussion concludes by noting that the forms, stages, and perpetrators of corruption are similar to those noted in KDP ten years earlier by Woodhouse (2002).

The Government of Indonesia audited a significant portion of PNPM projects each year. In the 2014 governance report (PNPM Support Facility 2014a: 6) we find summary data for the 2011 and 2012 audit findings. Several important anomalies are noted. First, there are massive differences in the numbers year over year. The overall audit irregularities climb by about 100% from 2011 to 2012. The report suggests that this may be due to greater attention from the auditors to microcredit problems. But according to table three in that report, there is a reported increase in audit problems in microcredit of 38%, and microcredit represents 45.5% of the audit findings. The biggest change in the data is in the category of “short of Volume/parts/items of construction work,” which climbs by 1025%, and represents 46.6% of the audit findings in 2013. The total of all audit irregularities for 2012 is reported as representing 1% of total PNPM project disbursements. This is on a sample of 19% of project districts audited. Assuming that the sample is drawn from areas of representative budgets, this works out to 5.26% of project expenditures flagged by the auditors. That figure is considerably different from the 30% estimate of road construction fraud that Olken arrives at in his meticulous study. Furthermore, Olken’s number is from the KDP project in 2003-04. All indications are that corruption has grown worse over time under PNPM, and that it is a greater problem in microcredit, which did not figure in Olken’s study of road construction. This calls into question the usefulness of the government audit data.

Both KDP and PNPM have struggled openly with corruption problems. Our best data on the level of corruption in the KDP project come from Olken’s (2009) work in Java, where it appears that something on the order of 30% of road construction funds went missing. We also know that the default rate in microcredit was at that time around 60% (Wong 2003). The project struggled with serious problems in microcredit throughout its history, and never seems to have been able to overcome the challenges of corruption in those funds.

Two important studies from KDP point to solid evidence of efficacious interventions to mitigate the risk of corruption. First, raising the probability of government audits from 4 to 100% and sharing those findings broadly corresponded to an 8.5% reduction in missing expenditures in road projects (Olken 2007). Second, increasing cross-village competition for the funding of project proposals is associated with even greater reduction in missing expenditures than the threat of audit (Chaves 2010).

We have one final indicator of the effectiveness of the combination of all of the project design elements. The World Bank conducted a technical evaluation of rural infrastructure in PNPM in 2012 that evaluated 1,765 projects, of which 42% were roads (PNPM Support Facility 2012: 15). Of the PNPM projects, 82% were classified as "high quality," 14% as "acceptable quality," and 4% "failed." Most significantly, in a comparison of PNPM projects to comparable government-funded infrastructure, they found that PNPM projects were on average 15 to 25% cheaper. Woodhouse (2002: 20) cites a World Bank report from 2001 that puts the savings of KDP projects at 20-30% versus other projects. She attributes the savings to less corruption and the fact that KDP money travels through fewer intermediaries, including the absence of contractors.

5.6 Cultural and institutional factors

Several factors work in Indonesia's favor to promote successful collective action. Relative to other countries in the bottom quartile of the TI corruption index, the country is wealthier and the population is more densely settled and better educated. Parts of Indonesia also have a strong history of large-scale cooperative work, given their intensive agricultural history and centuries-long experience with irrigation management. All of these factors are likely to contribute in a positive way to collective action.

Beyond these country demographics and cultural antecedents, it is obvious from reading the many documents associated with the project that the World Bank team that conceived and implemented the project were not only talented and committed, but willing to take risks, to experiment, and to expose the project to outside, independent review. They then used the lessons from these diverse sources to improve the project. Not surprisingly, such a driven team attracted first-rate Indonesian staff to the project that shared a strong ideological belief in the power of CDD to facilitate positive development. As the project moved beyond its original team and scaled up incredibly fast to serve the entire country, the project lost some, but not all, of this luster (Woodhouse 2012). One take-away from the Indonesian experience is that given all that the project did right, corruption was still a persistent problem requiring constant attention.

6 Lessons learned from comparison of two CDDs

Kenya and Indonesia have shared similar rankings in the Transparency International corruption perception ratings throughout the tenure of the two CDD projects that are the focus of this paper. Given this context, it is worth asking why the Kenyan CDD project experienced something close to a two-thirds loss of its funds to corruption, while the Indonesian KDP project had losses that were probably closer to one-third. Kenya and Indonesia are very different countries, their similarities in corruption notwithstanding. It is likely that other country differences played some role, as we discuss above. But the projects also had vastly different designs and project management styles. In this section we focus upon the differences specific to these projects that also contributed to differential corruption outcomes.

Both projects suffered from the same corruption scams: over-invoicing in procurement, training and travel; nepotism and bribery in hiring; kickbacks to those controlling funds; and phantom groups receiving micro financing. Villagers in both projects stole from their own communities, though project staff, especially those higher up, stole larger sums. One difference does stand out. The Kenyan project was more corrupt from the inside out. According to informants, corrupt cartels were ensconced right inside headquarters and among senior management in many districts. Project design also contributed to this outcome.

The Indonesian project design employed four important corruption mitigation elements. First, it was designed to minimize use of regional centers of power where corruption was known to have a tight grip (provinces and districts). Second, they avoided contracting as much as possible, thus minimizing loses from procurement corruption; villagers worked directly with their own suppliers. Third, the project purposely used outside consultants as facilitators and technical experts so as to avoid corruption cartels in the government and to make it easier to fire people for cause. Fourth, the Indonesian project used competition in project selection. The Kenyan project failed to utilize any of these design mechanisms to abate corruption.

As we have seen, the Kenyan project suffered a great deal from the swirl of corrupt contractors and corrupt government ministry cartels that frequented the district offices. The contractors formed tight bonds with the district staff overseeing the project, and much contracting was diverted to them and away from the local village CDD committees. Project staff also maintained unhealthy relationships with government civil servants representing ministry cartels that they expected someday to rejoin. By bypassing government centers where corruption was centered, and by banning contracting, the Indonesian project avoided most of these problems.

Many of the Kenyan Arid Lands employees were seconded from their ministry jobs, and the tight relations that they maintained with their former ministries brought well-established corruption cartels into the project. Much of the hiring within the project was not based upon merit, which left new recruits more vulnerable to demands by senior project staff that they pay kickbacks and participate in corrupt activities. The Kenyan project also employed technical experts from the line ministries to oversee many project activities, including the CDD village projects. Villagers were very poorly served by this relationship; there was little evidence that much service was provided for the vast sums that were transferred to these government civil servants who were already employed in full-time jobs. In contrast, the Indonesian project used vetted commercial firms to recruit facilitators, and developed lists of qualified technical experts who could be hired at market rates by villagers to work on CDD projects. The Indonesian system did not work perfectly. It appears to have degraded with time and under the strain of limited resources that led to low salaries for facilitators, and too fast a scale up as the project expanded extremely rapidly. Demand for facilitators and technical experts exceeded supply. There were instances of firms accepting bribes for hiring and technical experts being included on lists without the proper credentials. But the Indonesian system still appears to have functioned better than that established in Kenya, and especially so in its earlier years. The numerous Indonesian prosecutions for hiring offences indicate that there were functioning monitoring systems in place within the project even in its later years that fought back against abuses.

Another major difference between the designs of the two projects had to do with village selection. In the Indonesian case all villages in selected sub-districts were automatically eligible for projects, which were then chosen in competitive selection by a committee representing all parties in the competition. While equity concerns appear to have infiltrated this competitive process, there is no suggestion that project staff manipulated the process. In the Kenyan case, we have a far different situation. Although the DSG was meant to oversee the process of project selection, this committee appears to have been nothing more than a rubber stamp for the selections of the district office. The result is that the district offices had virtual monopoly control over the selection of villages to receive projects. This imbalance of bargaining power in the context of a repeat game created a perfect environment for the district office to extract large kickbacks from each CDD project and concessions from village committees in the form rights to contract on their behalf. In the case of Indonesia, competition and equity governed project selection, while in the Kenyan case the project asserted monopoly control.

Differences in project design explain a great deal of the differential outcomes in corruption between these two projects, but they do not fully capture the significance of differences in project management style. As noted above, the Indonesian project fostered openness to outside inspection in a largely uncensored environment, while the Kenyan project was cloaked in secrecy at every level. Wherever corruption reigns, we normally expect to find efforts to hide it. In the Kenyan case budgets were securely guarded even from district staff themselves, information was shared on a need to know basis, and the default was to tightly control access to all information. Journalists were kept at arms length.

The Indonesian project built an experimental quality into its anti-corruption initiatives; there were efforts to grant independent NGOs, journalists, and academics uncensored access as corruption monitors. Consultant and internal reports were also constructively, self-critical. The project encouraged the media to broadcast stories about corruption in the project both to serve as a deterrent, and also to serve as a model for other whistle-blowers by demonstrating that they could make a difference. The project routinely published data from their complaints line, including follow-up status. Despite these efforts, the Indonesian project did constantly struggle with transparency. Village boards were often not updated with project budgets, and village meetings did not always take place as required, or did not always endeavor to communicate in a meaningful way. These failings are important signals in themselves. Signs of obfuscation and lack of transparency point precisely to where one should be looking for the underlying corruption. In the Kenyan case those signs point to all levels of the project.

7 Recommendations for corruption abatement in CDD projects and beyond

Both Kenya and Indonesia were systemically corrupt countries during the decades that these two CDD projects were conceived and running. In the Indonesian project design, the managers chose to deal with this reality by bypassing government centers of corruption in the provinces and districts as much as possible, and by avoiding the most common sources of corruption, such as the use of general contracts by the CDD projects. They also avoided employing government staff by using commercial firms to hire facilitators and technical experts from the private sector. The Kenyan project did not take this approach, and it paid the price by opening itself to powerful government corruption cartels. From the lessons learned by comparing these two CDD projects, we derive the following recommendations for mitigating corruption, many of which are not specific to CDD projects.

- Staffing
    - Reformist leadership at the top is essential

    - Hire from the private sector to avoid government civil service cartels and to facilitate dismissal for cause
    - Rotate junior staff to reduce collusion

- Organizational logistics
    - Know the most vulnerable centers of corruption (levels of government and specific ministries) and by pass them to the extent possible
    - Set up offices removed from corruption centers

- Procurement
    - Ban general contracting when possible and set up systems for beneficiaries to act as their own general contractor and deal directly with suppliers
    - Set up a rewards system at all levels for staff who come up with more competitive suppliers
        - Advertise these awards to attract others

- Beneficiary selection
    - Should not be at the discretion of project staff
    - Specific criteria should define a class of beneficiaries
        - Either all are selected, or a competitive process is developed and run by the potential beneficiaries

- Transparency
    - Devote considerable resources to transparency and IT
    - Mandate the collection and publicizing of transaction-level project data on the web and in locally accessible venues (public boards and offices)
    - Determine what a citizen would need to know to identify corruption in a project; ensure that those data are available publicly
    - Establish an open accounts policy at all levels
    - Where transparency is lacking, assume there is a reason; use it as a litmus test to trigger further investigation

- Monitoring
    - Devote considerable resources to monitoring systems, both internal and external
    - Test the open accounts policy with random visits by third parties
    - Conduct unannounced visits to beneficiaries, project sites, and training exercises
    - Check availability of posted budgets and expenditures, branding of projects, and knowledge of locals about project specifics
    - The more difficult a sector is to verify, the more likely that fraud will intrude
        - Training is particularly difficult to verify, so it warrants special vigilance
        - Cross-check vendor accounts and budgets
        - Follow up with trainees to verify particulars
    - Use technology creatively
        - Photographically date stamp activities such as training exercises and village meetings
        - Set up social monitoring at project sites with locals and an SMS protocol
            - Be mindful that locals may be reluctant to tell the truth due to intimidation or fear that they will jeopardize future projects
    - Utilize independent, external monitoring systems by well vetted individuals and organizations; grant uncensored access to data and rights to publish

        - Media
        - Civil society
        - Reformist NGOs
        - Academics

- Complaints
    - Create anonymous hotline with SMS functionality reporting to external monitors
    - Ensure that it is maintained with efficient follow through and publicity of findings
    - Protect whistle-blowers with anonymity

- Scaling up
    - Do not scale up faster than staffing and monitoring can cope

- Experiment
    - Develop and test new systems, including monitoring

These recommendations are costly. They involve far more expenditure on transparency and monitoring that is usually assumed for projects. This is not a luxury; spending less on these crucial steps will merely mean losing more money in the end.

In many systemically corrupt countries it may not be possible to operate according to these guidelines. In such circumstances it is worth considering whether a project is viable if it means that losses to corruption may be two-thirds of project revenue. It is also worth keeping in mind that even with many of these systems in place, the Indonesian project sustained losses of something like one-third.

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September 17, 2010: Interview with a community religious leader.
September 17, 2010: Interview with a DSG member.
September 18, 2010: Interview with a CDC committee member.
January 7, 2012: Interview with a community religious leader

Appendix A

Activity	Kenyan ALRMP Practice	Corruption Risk	Indonesian KDP Remedy
Staffing	• Senior staff seconded from government ministries	• Government corruption cartels from the civil service move into the project	• Hire from the private sector; use well-vetted commercial firms to run the search (KDP)
Staff Rotation	• None • CDC committees were to be re-elected every two years	• Corruption cartels form among the project staff, local government civil servants, beneficiaries, and contractors • CDC committees rarely if ever replaced	• Rotate staff (KDP)
Staff Discipline	• For cause	• Rarely invoked	• Facilitators were frequently fired for poor work and for corruption
Technical expertise	• Used government civil servants to sign off on technical aspects of the project	• Collusion between project staff and corrupt government civil servants resulted in few services rendered	• Hired private engineers from pre-approved list
Organization Logistics	• Project offices located in government administrative centers	• Facilitates development of corruption cartels between the project, government civil servants, and contractors	• Bypass centers where government corruption is most entrenched (KDP)
Procurement	• General contracting managed by project office	• Facilitates major kickbacks to the project office from CDD funds	• Villagers act as their own general contractors and deal directly with suppliers
Beneficiary Selection	• District officers select villages to receive project	• Grants monopoly to district office to shop projects for the highest kickback • Provides too much leverage over villages that translates into top down control of the entire process, including project choice	• All villages in a selected district were eligible • Competitive selection of eligible villages by all eligible villages
Transparency	• Budgetary and expenditure data required to be posted at district office • Village meetings required to share information	• Information not posted and meetings often not held • Secrecy and lack of financial information throughout the project	• Facilitators helped organize meetings and spread the word • Village boards and public meetings only partially solved the

		• Beneficiaries denied access to their own project specifications	information problem
Monitoring	• One senior officer in headquarters oversees all district CDPOs, who run the CDD operation and manage village training	• Insufficient supervision for remote locations • Ghost trainings on the books • Trainings last half of the time booked • Over-invoicing per diem expenditures for nights out by project staff • Unqualified trainers substituted for senior civil servants listed as trainers • Projects of poor quality	• Facilitators are assigned to a limited number of villages and visit on a 2-week rotation • Two junior, local facilitators reside in the village • District and provincial monitoring of all facilitators • Some technical experts were pre-approved due to nepotism and bribery • Effective use of third party monitoring from media, civil society, reformist NGOs, and academics
Village contributions	• 30% of the project budget must come from local contributions (labor, cash) • 5% must be in cash	• Local contributions almost always ignored, yielding underfunded projects	• No mandatory village contributions, but voluntary contributions make proposals more competitive in the selection process, and averaged 17%
Complaints	• Box at the district headquarters was publicly visible and monitored by the same officials against whom villagers might wish to complain	• Villagers felt they had no complaints recourse, as all were implicated	• Complaints received via SMS and other means • Facilitators were asked to report monthly • Both systems were effective, but sometimes malfunctioned