Socializing Neoliberalism:
A Case Study of the National Community Empowerment Program (PNPM) in Central Java

CHOI In A*

I. Introduction

Over the past two decades, we have witnessed a profound shift in the mainstream development discourse: from the Washington Consensus to the Post-Washington Consensus (hereafter PWC). While the Washington Consensus represents market fundamentalism characterized by ‘rolling back the state and letting markets operate with minimum intervention’, the PWC distinguishes itself from the former by recognizing market failures and embracing the human and social contexts of development. Such a policy shift was largely driven by the World Bank (hereafter Bank) which changed its position from a promoter of neoliberalism to the Knowledge Bank whose main obligation is to disburse knowledge and provide technical advice about what poor people and developing countries need (Stiglitz 1998).

The Bank’s reorientation of its policy was mainly due to the

* Senior Researcher, Embassy of the Republic of Korea to Singapore.
inachoi01@gmail.com
legitimacy crisis that the organization went through after its structural adjustment programs (SAPs) were shown to fail. The fierce backlash against SAPs put the giant development agency under pressure to rethink its previous policy direction, and against this backdrop, the Bank embarked on sweeping reforms so as to tackle poverty problems in a more comprehensive way. Abandoning its preoccupation with ‘self-regulating markets’, the Bank started to give weight to social safety nets and the empowerment of the poor (Narayan et al. 2000). These were the factors that had largely been neglected by its previous policy orientation. Second, the role of the state was re-illuminated. The state is now recognized as a complement to the market in facilitating economic growth by ensuring sound institutions and good governance (World Bank 1997).

The Bank’s drastic reform was led by James Wolfensohn (the ninth president of the Bank), but it was Joseph Stiglitz (the former Chief Economist at the Bank) who provided the intellectual rationale for such a reform. Criticizing misguided policies emanating from the Washington Consensus, Stiglitz (1998) called for the PWC, which differs from its predecessor’s market fundamentalism. As two major themes of the PWC, he suggested the importance of institutions and the need to include social development agendas, marked by poverty reduction and social inclusion. Particularly, the recognition of the social dimension of development is in sharp contrast to the earlier neoliberal orthodoxy (see Stiglitz 1998: 31) which was based on ‘the steadfast belief that political and social problems should be solved primarily through market-based mechanisms’ (Soederberg 2004: 281).
The features addressed by Stiglitz above have also influenced the Bank's new aid policy: the Comprehensive Development Framework (CDF) and Poverty Reduction Strategy Papers (PRSPs). The CDF-PRSP framework is different from the earlier approach in terms of espousing pro-poor policies and stressing non-economic elements such as participation and empowerment. As well as defining poverty reduction as the core objective of development, the new framework puts beneficiaries in the driving seat in determining their development goals. By including local stakeholders in discussion of their long-term development strategies, the Bank’s new aid policy distances itself from the previous aid conditionality (i.e. SAPs) which was formulated by a few policy-makers in the Bank.

At first glance, given that it redresses the Bank’s preoccupation with market economy, the PWC is much to be welcomed, but not without criticism. It is often argued that the Bank’s new aid policy shows no fundamental departure from SAPs in terms of the continuity of market-friendly policy designs (McGee and Norton 2000; Stewart and Wang 2003; Tan 2007). Besides, some empirical studies highlight that the Bank’s embracing of ownership and participation is little more than a gesture to gain legitimacy without giving any decision-making power to the beneficiaries (Craig and Porter 2006; Cornwall and Brock 2005; Crawford 2003). Some critics even raise questions about whether the PWC genuinely breaks with neoliberalism (Cammack 2002, 2003, 2004; Carroll 2012; Porter and Craig 2004; Fine 2009; Gill 1998, 2000; Jayasuriya 2001, 2006; Robison 2006). If anything, these authors suggest that the PWC promotes a new form of neoliberalism that serves to entrench
neoliberal values at the societal level.

This paper draws upon this critical camp which sees the PWC as ‘deeper neoliberalism’ with the aim of transforming a whole society in favour of market economy. The paper examines how the neoliberal values promoted by the PWC has influenced Indonesian villages where the Bank’s neoliberal project (Kecamatan Development Program which was later transformed into the PNPM) took place. The paper argues that, with the implementation of the Bank’s social capital project, the neoliberal understanding of ‘social safety nets’, ‘participation’ and ‘empowerment’ are gaining ground among people in rural villages. This is not to argue that Indonesia, as a country, is moving towards a neoliberal state, but rather that the PWC’s attempt to transplant ‘market citizenship’ (Jayasuriya 2006) influences the modus operandi of village development in ways that promote neoliberal values.

The paper is structured as follows: first, it reviews a range of literature that explores why the PWC represents a new form of neoliberalism and not a break with it. Here, the Bank’s focus upon ‘social capital’ is particularly illuminated as a means of disciplining civil society to support a market economy. The paper then introduces the Bank’s social capital project in Indonesia (PNPM) and examines how this neoliberal project has affected village politics through a case study of six villages in three local districts (Kebumen and Magelang in Central Java and Bantul in Yogyakarta). Based on the findings from the case study, the paper suggests that, while the impact of neoliberalism in Indonesia was insignificant in terms of
II. The PWC: A Distinct Departure from Neoliberalism?

As noted above, revisiting the role of the state in economic growth and embracing social development agendas, as the PWC does, seem revolutionary compared to the outlook of its predecessor, but it should be noted that these actions emerged as an attempt to legitimize and sustain market-based rules. In this sense, critics assert that the PWC should not be seen as a departure from neoliberalism but as an extension of it (Cammack 2002, 2003; Porter and Craig 2004; Gill 1998; Jayasuriya 2001, 2006; Robison 2006). To elucidate, Gamble (2006) distinguishes two main strands of neoliberalism: ‘a laissez-faire’ strand and ‘a social market’ strand. While the former is based on ‘the belief that the best policy is to allow markets to operate with as few impediments as possible’, the latter believes that ‘for the free market to reach its full potential the state has to be active in creating and sustaining the institutions which make that possible’ (Gamble 2006: 21-22).

If the first phase of neoliberalism indicates the Washington Consensus, the second phase refers to the PWC which emerged out of the failure of the first. Waeyenberge et al. (2011: 8) state that the second phase of neoliberalism appeared as an attempt to ‘temper and
respond to the dysfunctions’ of the first phase. When the neoliberal order of the global economy was threatened by the failure of SAPs, two important tasks in sustaining global capitalism were left to neoliberals: building an enabling environment for a well-functioning market, on the one hand, and mitigating the negative social consequences of neoliberal rule, on the other. These were embodied in the PWC in the form of good governance and poverty reduction respectively, and the Bank has taken the lead in disseminating these tenets of the PWC across the world.

First, having recognized that the restructuring of markets cannot lead to success without institutions that support market reforms, neoliberal experts turned their eyes to ‘good governance’. Good governance, an ideal wholeheartedly propagated by the international financial institutions (IFIs) from the early 1990s onward, focuses mainly on building a legal framework, accountability, effectiveness and transparency (World Bank 1994).\(^1\) These elements are intended to increase the functionality of free markets by containing the debilitating effects of political influence, characterized by arbitrary authority, corruption and clientelism (Jayasuriya 2001). It is against this background that the PWC puts great emphasis on ‘institutional capacity-building’, and the state is understood to play a part in building sound institutions which support markets. In this regard, Jayasuriya (2006: 242-246) argues that the embracing of the state’s role in the PWC has much in common with the ordo-neoliberal

\(^1\) The Bank’s earlier approach to good governance was limited to the creation of a predictable economic environment, but under criticism over such a narrow interpretation, it expanded the definition to embrace political agendas such as citizen participation, freedom of expression and political stability (see Weiss 2000).
tradition, a German variant of neoliberalism, which emphasizes the role of the state in ensuring an efficient market system.

Contrary to classical neoliberalism, the premise of ordo-neoliberalism is that ‘the construction of economic order cannot be left to the spontaneous actions of the market’ and therefore it needs consistent state intervention (Jayasuriya and Rosser 2001: 389). Yet state intervention here is far from that of the Keynesian economic model in that the role of the state is closely limited to the provision of such regulatory systems (e.g. those guaranteeing property rights and strong juridical institutions) as markets demand. Since the major concern of ordo-neoliberals is to separate economic policies from particular political interests, the ascendancy of technocrats over politics is very important (Jayasuriya and Rosser 2001). Jayasuriya (2001, 2006) therefore finds parallels between German ordo-neoliberalism and the PWC, given the emphasis both place on the formulation of a ‘regulatory state’ where economic institutions are insulated from the intervention of the ‘debilitating effects of political bargaining’ (Jayasuriya 2001: 9). Being less subject to political interference, a regulatory state is expected to provide the most propitious environment for the private sector, which is the essence of neoliberal aspirations.

In this sense, Gill (1998: 30-37) argues that the core theme of the Bank’s World Development Report 1997 is reformulating the state to ensure the reproduction of capital, by providing an appropriate business climate for private investors through promoting the rule of law, transparency and information. Calling this ‘new constitutionalism’, he goes on to claim that the current international
economic order ‘seeks to provide political anchorage for the power of capital in the long term’ through the provision of ‘political and legal mechanisms that are difficult to change’ (Gill 2000: 3). The upshot of the new constitutionalism is to shore up free capital flows by putting private investors above the general citizen.

The propensity to give more weight to the effective operation of financial markets represents a clear continuity with the Washington Consensus, but where it differs from the earlier consensus is that the PWC seeks legitimacy through offsetting dysfunctions resulting from the expansion of private capital. In this sense, Gill (1998: 31) asserts that the Bank’s new approach reflects what Gramsci called a ‘passive revolution’ to maintain neoliberal global hegemony by restoring the old consensus in combination with new agendas. To put it differently, when the neoliberal economic order was faced with a legitimacy crisis, the Bank sought to re-establish its hegemony by addressing some of the issues mentioned by critics, such as poverty reduction and the social dimensions of development. Such an inclusive approach has indeed brought significant benefits for the Bank, allowing it to rebuild its hegemony. By presenting a human face concerned with poverty reduction and including previously excluded groups (e.g. the poor and local NGOs), the Bank sought legitimacy as a development agency rather than a cruel financial institution.

Yet, it should be highlighted that the Bank’s adoption of social agendas is more than an attempt to rebuild its legitimacy. Beyond finding parallels with the Washington Consensus, critics assert that the PWC promotes neoliberalism at a profounder level, whose intent is to deeply entrench markets into society (Cammack 2003, 2004; Gill
1998; Jayasuriya 2006; Robison 2006; Carroll 2010; Rodan 2006; Williams 1999). Among others, the issues of social safety nets and poverty reduction addressed by the PWC deserve particular attention.

The PWC’s interests in social protection and welfare for the poor do represent a difference from the old consensus. However, it is misleading to imply that the previous social democratic model has re-emerged in the PWC framework because the nature of welfare has changed. While the earlier notion of welfare sought to extend social rights to the less well-off as ‘a means of compensation or redistribution to redress the operation of market forces’, the new welfare governance attempts to deal with the problem of inequalities by enhancing the inclusion of all citizens ‘within the market’ (Jayasuriya 2006: 235). Unlike the Marshallean sense of social citizenship which appeared in post-war democracy, Jayasuriya (2006: 241) suggests that this new welfare governance is about promoting ‘market citizenship’:

At the core of this new market citizenship and the welfare governance are two key liberal concepts of welfare: one is the idea of ‘inclusion’ of all citizens within the economic mainstream, and the other is that of economic independence to enable individuals to compete more effectively within a globalized market economy.

According to Jayasuriya (2006), constructing social safety nets for the poor in the PWC operates differently from the previous welfarism because of its heavy emphasis on the ‘self-reliance’ of the poor. Such an approach is well presented in the Bank’s World Development Report 2000/01 which suggests ‘effectively engaging in markets’ as
the path to the empowerment of the poor.

*Extreme poverty deprives people of almost all means of managing risk by themselves.* With few or no assets, self-insurance is impossible. With poor health and bad nutrition, working more or sending more household members to work is difficult. And with high default risks, group insurance mechanisms are often closed off. The poorest households thus face extremely unfavourable tradeoffs (World Bank 2000: 146, emphasis added).

*Expanding economic opportunities for poor people indeed contributes to their empowerment* ... Supporting the range of assets of poor people — human, natural, physical, and social — can help them manage the risks they face (World Bank 2000: 39-40, emphasis added).

As seen above, the Bank’s concerns for social safety nets is likely to originate from the desire to increase the capability of the poor, allowing them to stand on their own feet within markets so that they can defend themselves against a market shock (Cammack 2004). How, then, can people’s self-help capacities be improved? The Bank has found the answer to this in ‘social capital’, and since then ‘social capital’ has emerged as a cornerstone of the Bank’s poverty reduction programs.

### III. Social Capital and Depoliticized Participation

Although its conceptual definition has caused confusion and
disagreement, social capital in the development literature basically draws upon Robert Putnam’s theory. In analysing different development trajectories between Northern and Southern Italy in terms of the efficiency of the government, Putnam argues that Southern Italy’s backwardness was mainly due to the lack of ‘civic virtue’ which positively influences the quality of the government. He argues that such civic virtue involves a high level of ‘social capital’, defined as ‘features of social organization, such as trust, norms and networks that can improve the efficiency of society by facilitating coordinated action’ (Putnam 1993: 167). According to Putnam, norms of reciprocity, trust and social networks lead to high civic engagement and this ultimately contributes to collective well-being and economic development. Such a positive role of social capital as Putnam highlights has captivated the development industry, which has long wondered why some countries are rich while others are poor. In particular, since the Bank has embraced social capital as an important variable to explain different levels of development (Grootaert 1998), social capital has become a new buzzword in development discourse. However, the ascendancy of social capital has drawn criticism on the ground that it provides a good excuse for shifting the government’s burden for public expenditure to civil society.

2) It is generally agreed that there are three main scholars who set the intellectual foundation for social capital: Bourdieu, Coleman and Putnam. All of them used the term in different ways, causing conceptual confusion over social capital, but Putnam’s theory gained particular prominence in the contemporary development discourse. This is mainly because Putnam’s notion serves to complement the new development paradigm (PWC) as well as bridging the gap between economists and other social scientists. For more details, see Fine (2001).

3) Except for key criticism pertaining to the role of social capital in promoting neoliberalism, I will not cover all the debates over social capital since they are outside
Briefly speaking, Putnam’s concept of social capital has been very attractive to the neoliberal camp in two respects. First, the encouragement of vigorous voluntary associations may be a third route to welfare provision. The promotion of civic participation and associational life at the community level encourages community members to take more active roles in problem-solving, thereby increasing their capacities for self-help. This not only relieves the government of the financial burden in providing social services, but also transfers the responsibility for relieving poverty onto the community (Harriss 2001). Against this backdrop, social capital has become something to be created (where it does not exist) or improved (where it does exist) to generate effective grassroots participation, which eventually increases self-reliance. It is in this context that the Bank has largely carried out community empowerment programs through the Social Investment Fund (SIF) whose aim is to improve the self-reliance of communities (Jayasuriya and Hewison 2004). With the provision of incentive funds, the Bank attempts to discipline less advantaged people so that they can proceed independently without seeking help from the government.

Second, with much emphasis on aspects of harmonization and collective cooperation, social capital serves as an ‘anti-politics machine’ which marginalizes political contention (Harriss 2002; Jayasuriya and Hewison 2004). Diverting attention from deep-seated the scope of this study. For a discussion of the methodological flaws of Putnam’s study, see Harriss (2002: 29-41), Sabetti (1996) and Tarrow (1996). For the philosophical basis and a conceptual history of social capital, see Fine (2001), Farr (2004) and Hyden (1997). For the Bank’s understanding of social capital and its debates, see Grootaert (1998) and Bebbington et al. (2004).
social problems, for example, structural inequality caused by class relations, social capital serves to create depoliticized communities where citizenship is subject ‘not to membership in the political community but to the degree to which individuals are able to participate in economic life’ (Jayasuriya and Hewison 2004: 580). In this respect, ‘participation’ has come to acquire new neoliberal meanings, referring to ‘inclusion within the market’ but at the same time losing its rights-based approach.

Originally, ‘participation’ emerged as an alternative development agenda in an attempt to empower the poor against the ruling class (Brock et al. 2001). Drawing upon Paulo Freire’s pedagogy for human emancipation, the school of Participatory Action Research (PAR) emphasized the transformative potential of participation as a means to empower the poor and the marginalized by extending their rights and ensuring that resources were equitably distributed (Leal 2007). However, when neoliberals have incorporated a participatory rhetoric, its radical nature in terms of mobilizing political action to seek equality in life has been depoliticized (Cornwall and Brock 2005). Instead, moving away from its potential for social transformation, participation has now degenerated into a policy tool for the Bank to ‘better control and discipline civil society agents and the poor’ so that they cooperate with development projects and, by extension, with market economy (Ruckert 2006: 61).

For instance, the Bank’s embracing of ‘civil society participation’ has re-defined the role of civil society as ‘a service provider’ rather than a political arena for diverse interest groups to voice their concerns (Hatcher 2007). While the traditional understanding of civil
society refers to space for democratization where ‘people in a myriad of different groups and associations can freely debate and discuss how to build the kind of world in which they want to live’ (Howell and Pearce 2002: 2), civil society in a neoliberal sense functions to complement the state and markets by filling the gap created by the state’s inaction and easing market failures. Civil society agents are now widely seen as alternative channels for delivering social services that the state cannot effectively provide (Hatcher 2007; Carroll 2010). Therefore, what the Bank intends to achieve from the promotion of social capital is to facilitate such depoliticized civil society participation, which has more to do with the sustaining of markets. Taken together, social capital came to serve as a new disciplinary tool with which neoliberals could enhance the self-help capacities of the poor and narrow the scope of participation to the economic realm while marginalising rights-based participation.

With this in mind, the subsequent sections examine how neoliberal values promoted by social capital has influenced Indonesian villages where the Bank implemented its first social capital project (KDP: the Kecamatan Development Program). It is argued that, with the promotion of social capital, local governments encourage people to learn about ‘self-help’ by offering the incentive of investment funds. Participation is largely promoted in this process, but this participation has less to do with an increase in the villagers’ political power than with their involvement in development projects relevant to their economic activities. Yet, before going to the case study, the

---

4) Since the KDP model was considered successful, similar projects were created in other countries, for example Afghanistan, East Timor and the Philippines (Li 2006).
paper briefly introduces the Bank’s social capital project in Indonesia - which was later transformed into PNPM - and asks why it promotes deeper neoliberalism.

IV. The Case Study: Implementation of the PNPM in Central Java

1. National Community Empowerment Program (PNPM)

In 1998, the Bank and the government of Indonesia implemented the largest community empowerment program (KDP) in Southeast Asia with the aim of assisting grassroots participation and reducing poverty. It started with the Bank’s small-scale pilot program in the final years of Suharto’s regime, but soon expanded throughout the country as the government pushed ahead with decentralization. Since the Bank had a profound interest in designing social development programs in the late 1990s, the KDP gained full support from Wolfensohn as the Bank’s first operational project to spread social capital (Carroll 2009).

The main rationale for the Bank to launch the large-scale social capital project was that Indonesian rural communities naturally possessed a capacity for self-management based on reciprocal relationships among villagers. Preliminary research about local capacity in Indonesia conducted by the Bank revealed that a rich variety of voluntary associations existed, serving as ‘safety nets’ in
the village, for example, savings and loans groups for the provision of cash (arisani) and a labor exchange mechanism based on the principle of mutual relationships (gotong royong). According to the research, although these grassroots groups had great potential to spread Putnam’s notion of social capital, the centralized control over the village during Suharto’s authoritarian rule - the so-called New Order regime - prevented them from being autonomous groups that could use their own resources effectively (Bebbington et al. 2006; Evers 2000; Guggenheim 2004).

Against this backdrop, the KDP project aimed at nurturing horizontal cooperation networks which had been ruined by Suharto’s regime, thereby increasing self-management capacity and fostering a democratic culture at the community level. Although the KPD was introduced by the Bank, it was later transformed into the national community empowerment program (PNPM Mandiri: Program Nasional Pemberdayaan Masyarakat-Mandiri) in 2007 to provide a single framework for all community-driven development program in Indonesia. The PNPM has several sub-categories (see <Table 1>), but this paper focuses upon the PNPM-Rural given its greater coverage and many parallels with the KDP, the predecessor of them all.

5) During 1996-7, the Bank conducted ethnographic studies of villages (called the Local-Level Institution studies) to explore whether Putnam’s notion of social capital could be used to build democratic institutions at the local level (Bebbington et al. 2004).

6) The KDP, known as PKK (Program Pengembangan Kecamatan) in Indonesian, was implemented by the Ministry of Home Affairs, but funded through government budget allocations, donor grants, and loans from the Bank. Since President Yudhoyono initiated drastic reform for social welfare, the KDP was transformed into the PNPM with an aim to create a unified design for program delivery.

<Table 1> PNPM-Mandiri Program (2012)

<table>
<thead>
<tr>
<th>Coverage area</th>
<th>PNPM Rural</th>
<th>PNPM Urban</th>
<th>PNPM Rural Infrastructure</th>
<th>PNPM Regional Infrastructure for Social and Economic Development</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-districts</td>
<td>5,100</td>
<td>1,157</td>
<td>187</td>
<td>237</td>
<td>6,681</td>
</tr>
<tr>
<td>Districts/area</td>
<td>393</td>
<td>268</td>
<td>33</td>
<td>34</td>
<td>728</td>
</tr>
<tr>
<td>Province</td>
<td>32</td>
<td>33</td>
<td>4</td>
<td>9</td>
<td>33</td>
</tr>
<tr>
<td>State budget ceiling (billion rupiah)</td>
<td>7,246,740</td>
<td>1,331,205</td>
<td>150,000</td>
<td>355,500</td>
<td>9,083,445</td>
</tr>
<tr>
<td>National budget and expenditure</td>
<td>773,360</td>
<td>83,748</td>
<td>-</td>
<td>-</td>
<td>857,108</td>
</tr>
</tbody>
</table>


Basically, the operation of the PNPM goes through the following phases: discussion (*musyawarah*), proposing programs, selecting proposals based on priority-ranking and then implementing the proposed programs (see <Figure 1> below).

<Figure 1> Participatory Mechanism of the PNPM-Rural

Source: Organized by author
First, villages have community forums to identify the needs of their communities and determine what should take priority. Within the PNPM framework, villagers can propose programs in three main categories: infrastructure development, health and education, and micro-loans (SPP - Simpan Pinjam Program: savings and loans) programs. Based on the village’s long-term development plans, villagers form a consensus on what they consider to be their highest priorities. When the programs are decided, representatives of the village write proposals and submit them to the sub-district government. Having received all such proposals, the sub-district government holds an inter-village forum where representatives from each village discuss and decide which proposals can be funded. Basically, the PNPM funds are disbursed on the basis of the priority ranking agreed by the village representatives. Therefore, villages have to compete with each other to raise the priority ranking of their own proposal. After the priority ranking is finished, the village representatives reach agreement on which projects will be funded for the following year.

If their proposals secure funds, the villages implement the proposed projects under an accountability mechanism. The implementation team (TPK: Tim Pengelola Kegiatan) elected for each village is obliged to present at least two progress/accountability reports in an open village forum so that the whole community can verify how the funds have been used. Since the representative team directly manages the funds and shares information about the way in which the money was spent, the villagers come to learn principles of transparency and accountability. Further, since the funds go directly to the sub-district
level (via collective community bank accounts) bypassing the local government, the PNPM is considered less subject to corruption than other programs (interview with Bito Wikantosa, the PNPM-Rural Secretariat in Jakarta, September 6, 2010).

All in all, the PNPM not only seeks to reduce poverty by providing block grants, but also encourages villagers to learn about democratic decision-making and accountability procedures. However, the PNPM is not a simple poverty alleviation program. Critics (Carroll 2009; Li 2006) point out that the PNPM is a distinct ‘delivery device’ for a new form of neoliberalism that turns the key constituting concepts of the PWC (poverty reduction, participation and empowerment) into a social development program. To be precise, the PNPM is an explicit neoliberal project in the sense that by this means ‘communities of poor people were encouraged to take responsibility for their own improvement by engaging with markets, learning how to conduct themselves in competitive arena, and making appropriate choices’ (Li 2006: 5-6).

First, by providing incentive funds, the PNPM attempts to increase self-management capacities by teaching people how to identify the needs of the village and find solutions by themselves in the process of implementing development programs. The PNPM also encourages marginalized groups – in particular the poor and women who had been sidelined in development management – to actively engage in community development in the hope that their participation in the PNPM would link to their being incorporated into markets.

Second, and more importantly, the PNPM has the potential to change the mechanism of the government subsidy from unconditional provision
targeted at the general public to conditional provision for those who are willing to help themselves. Now that submitting proposals has become a pre-condition for receiving block grants, people cannot merely wait for aid from the government. To secure funds, in other words, they have to show the maximum amount of effort in their proposals. Indeed, the competitive mechanism for the selection of proposals represents a neoliberal strategy that aims to discipline people in such a way that they conform to a market-oriented society where competition is pervasive. In short, the objective of the PNPM rests on fostering ‘Homo-economicus’ who effectively uses the market for his well-being, and is capable of managing risks by himself. On this basis, the following case study of six villages explores how this neoliberal project has been accepted by recipients on the ground.7)

7) The case study builds upon participant observation and in-depth interviews conducted in six villages in three local districts (Kebumen and Magelang in Central Java and Bantul in Yogyakarta) from December 2010 to April 2011. At that time, the three districts implemented the Bank’s pilot project for local governance reform - Initiative for Local Governance Reform (ILGP) - which suggests that the degree of reform was higher than other districts. In fact, among 14 districts participating in ILGR, Kebumen and Bantul were recognized as successful cases of regional autonomy. Magelang was also one of the good performers of the ILGR project, and its proximity to the other areas led to its selection as the third site for case study. All three districts are rural areas where majority of the residents are involved in agriculture while some engaged in local tourism. Being located in Central Java, the residents in these districts are inclined to attach great importance to religious and traditional values, particularly in Bantul where Sultan in Yogyakarta exerted a deep influence. In each district, two villages were selected based on the recommendation of the PNPM facilitators. In each village, around 20 households chosen by random sampling were interviewed with consideration of their socio-economic status. Interviewees are quoted anonymously at their request.
2. Social Capital in an Indonesian Context: Gotong Royong Revisited

As noted above, the PNPM was the Bank’s first operational project built around mobilizing social capital. With the assumption that Indonesian villages had innate assets that could be considered social capital, the main rationale for the project was to scale up the social capital inherent in the local culture, thereby laying the cornerstone for a vigorous civil society (Guggenheim 2004). In operating the PNPM, gotong royong received particular attention as exemplary reciprocal practices conducive to project implementation, and played a pivotal role in nurturing grassroots participation in village development projects.

Gotong royong in Indonesia refers simply to ‘collective social activities’, but it also represents ‘a philosophy of life that takes the collective life as the most important’ (Harapan, cited in Bowen 1986: 546). According to Bowen (1986: 546), gotong royong ‘calls up images of social relations in a traditional, smoothly working, harmonious, self-enclosed village on Java, where labor is accomplished through reciprocal exchange, and villagers are motivated by a general ethos of selflessness and concern for the common good’. Signifying mutual relationships or assistance, gotong royong was often regarded as a crucial part of social capital which facilitates collective activities. Indeed, the term gotong royong was widely referred to by government officials and PNPM facilitators as a measure of participation rates, formulating the presupposition that a high level of gotong royong generates more participation.
Yet notably, it was not the PNPM that first made use of *gotong royong* as a means of encouraging participation for community development. In fact, it was the New Order regime that effectively used *gotong royong* to involve the population in national rural development projects. In carrying out a large-scale rural development program called *Inpres Desa* (*Instruksi Presiden Desa*: President’s Instruction about Villages), the government allocated a block grant to each village, and, in return for this subsidy, villagers were required to provide labor, building materials or the money needed to build infrastructure and manage social welfare. Here, along with a new term *swadaya* (self-sufficiency), the spirit of *gotong royong* functioned as an ideological slogan to justify the input of such resources (Bowen 1986: 553).

An analysis of the official language of the program [*Inpres Desa*] reveals a subtle shift in the images of contact between state and rural society. *Gotong royong* has remained as a central term, but it has been surrounded and supplemented by new phrases. The purpose of the initial grant, awarded in 1969, was to “assist *gotong royong* efforts in the village,” implying that the village was already engaged in collective labor activities that would be supplemented by the program. In 1972, two new terms were introduced; the goal of the grant was now “to help and to mobilize (*menggerakkan*) village efforts at *gotong royong* and *swadaya.*” The program was placed in a more initiating role as mobilizer, and, in fact, efforts were made in certain provinces to direct the type of projects chosen by the village in a more uniform way. The 1972 language supplements *gotong royong* with the term *swadaya,* one of many words of Sanskrit derivation or inspiration that have been used to indicate various forms of “self help” (Bowen 1986: 553-4).
Given Bowen’s analysis of the historical usage of *gotong royong* and *swadaya* above, a parallel can be drawn between Suharto’s rural development program (*Inpres Desa*) and the Bank’s social capital project in its attempt to use *gotong royong* to encourage the participation of villagers. Both tried to convert already-existing mutual relationships into commitment to the village development program, obligating people to engage in community development projects. The difference is that while the former treated *gotong royong* as a means of enforcing free labor, the latter understood it as the potential to encourage a vigorous associational life that would increase self-reliance capacities at the community level.

In fact, in concert with the emphasis on ‘self-reliance’ that has been fully embraced by the Bank, the mobilization of *gotong royong* emerged again as the target of the social investment fund in Indonesia. The rationale for this mobilization is quite similar to that of the New Order era – ‘show your contribution in return for a subsidy from the government’ – but with two different aspects. First, while people in the past were forced to contribute to development programs, villagers nowadays are encouraged to do it voluntarily. Second, people now have to compete for the government subsidy, since development funds are distributed on a competitive basis. To secure funds amid the inter-village competition, the portion of *swadaya* (the village’s own contribution) is important because it is often regarded as representing the rate of participation by the community members.

For example, in Bantul district where *gotong royong* culture was strong, when asked about what determined the level of participation,
most government officials pointed to the existence of *swadaya*:

In the proposals, it says what they have already got. For example, do they have funds to pay for labor? Or do volunteer laborers provide their workforce? If they want to build a street, have they already got sand or pebbles? Such details about participation are written in the proposal, and if there’s not much contribution from the village, the project cannot be funded (interview with Pulung Haryati, the head of Economic division of Regional Development Planning Agency (BAPPEDA), February 18, 2011).

The last sentence of Mr Haryati’s comment implies that people can no longer expect a government subsidy without showing some effort to help themselves, represented by *swadaya*.8) This suggests that the government subsidy has been transformed into a means to assist ‘those who are willing to help themselves’. This corresponds well to neoliberal objectives in terms of fostering ‘Homo-economicus’ who pursues his benefits in the market instead of relying entirely on the government. In addition, the promotion of social capital and the formation of safety nets at the community level have enabled the government to shift the burden of public spending onto grassroots organizations. Here, as a major local asset of social capital, the *gotong royong* discourse played a key role in generating self-sufficiency (*swadaya*) and collective social activities for community development.

---

8) Apart from the PNPM, it is observed that the district government also implemented programs that promote *swadaya* in village development.
3. Participation around the PNPM

The PNPM provided a platform for public participation, but people's understanding of participation in the PNPM had little to do with increasing their decision-making power. Most residents participated in planning (e.g. attending the meeting and discussing of details of the program) and contributed to the implementation of the projects, but their participation was limited to providing labor or building materials. Although decisions about how to distribute swadaya were made on the basis of consensus, most people tended to follow the opinion of the elite. For them, village meetings for development (musyawarah pembangunan) were not a place to express aspirations, but to ‘receive notification’ about development programs decided by their leaders. One villager in Bantul said:

> With development planning, leaders discuss things first and the head of our neighbour delivers the results to us. The discussion we are actually involved in is about how we can contribute to the project. For example, the head says that ‘there is a program funded by the government (bantuan), and the portion of our swadaya should be blah blah blah…’ Then, we discuss how to distribute swadaya (interview, February 10, 2011).

Meanwhile, village elites stated that ordinary people did not know how to propose competitive proposals. Regarding people's dissatisfaction, one of the village leaders said:

> We know better than them [villagers]. To win the fund from the competition against other villages, we have to propose a better
program. The government doesn't give money to every project. The proposed program should be what the community really needs. But people [ordinary people] just say 'what they want', not 'what we need' (interview, February 13, 2011).

As seen above, most village leaders believed that they have better understanding of how to run development programs. Since key decision-making processes were dominated by a few elite figures, the participatory methodology embedded in the PNPM did little to increase the political voices of ordinary and marginalized people.9) Interestingly, although the poor are supposed to be the main beneficiaries of the PNPM, their participation was very low.10) In all six villages, extremely poor people were virtually excluded from village meetings and community activities unless they had special relationships with village elites. As well as not being active in village meetings, the people in this group were less informed about development programs and so had a limited chance to get involved in the implementation of projects. Though some were temporarily hired as construction workers, the participation rates for this group were generally lower than among the village elites or ordinary people. Many of them did not even know about the PNPM program and ensuring the participation of the poor was considered an extremely difficult task for PNPM facilitators.

Ironically, the most active participants of the PNPM were the members of the village elites - mostly village officials and village

9) A similar observation is made by earlier empirical studies on PNPM (see Akatiga 2010; McCarthy et al. 2014).
10) For the summary of the level of participation in six villages, see Appendix.
council members – who controlled the whole process from agenda-setting, facilitating discussion and deciding plans. The PNPM also creates new empowered groups which closely assist village elites. These groups, the so-called activists, were deeply involved in the program, taking charge of actual duties such as delivering information to most households and mobilizing participation in the work of project. Many of them joined the implementation team of the PNPM, such as TPK and the UPK (Unit Pengelolaan Kegiatan) where the practical work was done. Yet their active participation did not entail sufficient decision-making power to contest or challenge decisions made by the village elites. In spite of being in a position to bridge the gap between the elites and ordinary people, they were usually on the side of the elites, often persuading villagers to follow decisions from above.

Interestingly, the PNPM was understood by most, not as a procedure for enhancing their political power against the village elites, but as a way of maximizing economic opportunities. Except for extremely poor people, who were unaware of the PNPM program, most villagers appreciated the PNPM in the sense that they gained financial assistance for village development programs. In most cases, it was widely accepted that they all benefited from infrastructure projects such as roads, bridges and public health centers. Evaluating the extent to which the project reduced poverty is beyond the scope of the present study, but there were some signs that physical programs contributed to the economy and job creation in the villages. For example, having bridges or paved roads provided easier access to markets and some people could supplement their income by working
as construction workers, albeit temporarily.

Most importantly, job training programs for women increased their opportunities to engage in economic activities. Funded by the PNPM, Women’s groups (PKK: Pemberdayaan Kesejahteraan Keluarga) organized a variety of vocational training programs (e.g. learning sewing skills and producing handicrafts, batik or bamboo hats) for unskilled housewives in villages. In concert with the SPP (micro-loan program of the PNPM), some groups succeeded in developing a sustainable business model.

For example, one village in Kebumen implemented a vocational training program funded by the PNPM. This taught many women in the village how to produce saleable household products made from coconut shell (e.g. coconut mats, rugs, fruit and ash trays and all-purpose baskets). On completion of the course, participants could earn a license to manufacture coconut products. To transform their skills into a business, a few social groups borrowed capital from the SPP and set up a small-scale cottage industry. Since coconut manufacturing proved to be profitable, the village government established a corporation in order to develop a sustainable business model with the help of one village elite. Finished products are brought to the corporation which is located near the village office, and these are delivered at government cost to an intermediary in Yogyakarta. The price of the products is decided by agreement between the producers, the village government and the intermediary. The manager of the corporation gives money to the producers based directly on the number and quality of their products.

The participants were very satisfied with the corporation because
there had hitherto been no suitable profit-making activities for them. Now they managed to earn money from coconut manufacturing from two or three hours of work a day. Depending on the number of products, participants could make 50,000-150,000 rupiah, which was no small amount of money for them. The best part of their involvement in this corporation was that housewives could gain extra income while staying at home taking care of their family. One participant said:

Before getting the training and making money with this [coconut manufacturing], I’d never thought I could make money by myself because of the three kids I have to take care of. But this allows me to work at home, so I don’t need to worry about my children... Since I know the skills and how to run the business now, I hope to set up my own business in the future when my children grow up and if I manage to find enough capital (interview, December 18, 2010).

Although not all women’s vocational programs developed into business models such as the example above, the PNPM did provide platforms for women’s empowerment in the sense of enhancing economic capacity. However, with regard to increasing the political power of ordinary women, the PNPM has failed to tackle existing power structures because the decision-making process of the women’s program was also dominated by female elites. Specifically, the organizing of the SPP usually centered on a few female members of the elite whose husbands were village officials or leaders of the TPK. They shared information about the SPP with familiar figures in the neighbourhood and encouraged their own groups to apply for the
Q: How did you take charge of this program?
A: My husband (the secretary of the village government) told me about the programme, and asked me to organize groups for it.

Q: How do you normally organize the groups?
A: Through arisan. We share information when we have arisan meetings.

Q: What about other arisan groups which you don’t belong to?
A: I also deliver the information to other groups, but in most cases, it naturally spreads to the village.

Q: Can anyone apply for the program?
A: There are some criteria for deciding which member can join the SPP. The most important one is whether she is able to repay the loans.

Q: But how do you judge their capability?
A: We’ve lived together for a long time. We know how they run the business or whether they are diligent or not.

The interview above indicates that the majority of people could not help being excluded from the SPP program. In five of the six villages observed, information about the SPP was mostly circulated among female leaders and their close neighbours, without being channelled down to the marginalized.

In short, for most ordinary people, the PNPM was little more than a channel to secure development funds which brought them better infrastructure and opportunities to make money. Except for a small minority of people joining the implementation team of the PNPM,11)

11) For those who engaged in the TPK or UPK, the PNPM provides new platforms
Villagers rarely accepted participation in the PNPM as a chance to raise their political leverage. Even among those who actively took part in the program, participating in the PNPM had little to do with increasing their decision-making power. This is exemplified in the interview with the warung (stall) owner in one village in Magelang who saw himself as an active participant.

Q: If they disagree with leaders' ideas [in the village forum], do they contest them?
A: No. We don't want to cause conflict.

Q: Haven't people been annoyed with the unequal decision-making power, and attempted to challenge it?
A: Participation [in discussion] shouldn't be for contention (berjuang), but for development (pembangunan), about improving infrastructure or increasing our living quality. It is not appropriate to trigger conflicts. We mostly accept leaders' opinions because they know better than us about how to develop our village (interview, March 15, 2011).

As shown above, ordinary people tended to have a limited understanding of what participation in the PNPM involved. Although the PNPM created space for the less advantaged to get their voices heard, what participation meant for them was to engage in village development programs instead of increasing their voices in the decision-making over village affairs. Contrary to the social capital thesis, the PNPM had little impact on the restructuring of

to increase their influence in village governance. Although they often acted as lackeys of village officials, those people could enhance their political leverage by serving as intermediaries between the village leaders and other villagers.
already-established power relations. Rather, with the provision of investment funds on a competitive basis, it contributed to legitimizing the elites’ dominance in decision-making by creating the assumption that they know better about how to win the PNPM funds. As Harriss (2002) rightly points out, the Bank’s social capital project downplayed class struggles resulting from asymmetric power relations, and this worked towards the maintenance of existing power relations instead of undermining them.

V. Conclusion

Taking the view that the PWC aims not so much to dismantle neoliberal hegemony as to entrench it, this paper has discussed how this new form of neoliberalism has unfolded in Indonesia. A considerable body of literature on post-Suharto Indonesia suggests that neoliberalism has had minimal influence, given that the building of a regulatory framework has largely failed due to elite capture (Choi 2011; Crouch 2010; Fukuoka 2012; Hadiz 2004, 2010; Hadiz and Robison 2005; Nordholt 2004; Robison and Hadiz 2004). Yet, what is often missed out in this kind of analysis is the recognition that neoliberalism has a wider dimensions, in view in particular of the Bank’s new approach under the PWC.

Against the backdrop, the paper has explored how the Bank’s social capital project, as a means to promote market citizenship, has influenced Indonesian villages. The in-depth observation of the six selected villages shows signs that neoliberal values have permeated
Indonesian villages in the sense of encouraging the capacity of villagers to be self-reliant. The allocation of block grants on a competitive basis changed the notion of ‘welfare’ from unconditional subsidies to conditional ones, which require people to make an effort to solve their own problems instead of being entirely dependent on the government. The emphasis on self-reliance has also affected the provision of other government subsidies, since villagers have to identify their own contribution (swadaya) in order to obtain enough investment funds to carry out community development projects. Without sufficient voluntary donations from villagers, the possibility of securing government subsidies is low.

Furthermore, it was observed that the idea of ‘participation’ and ‘empowerment’ took on neoliberal connotations among villagers. For villagers, these concepts were understood as ‘involvement in economic development’ and ‘being economically better-off’, respectively. For these people, participation in the PNPM meant ‘enjoying economic benefits from being involved in village development projects’. Empowerment was also translated into ‘economic advancement’ rather than strengthening their political voices against the ruling elites who control village governance. Meanwhile, participation in the PNPM did little to enhance the political power of most groups, but left deep-rooted unequal power relations intact.12)

While acknowledging the limit of generalization based on a

12) Although this paper focuses upon depoliticized participation around the PNPM, it acknowledges that democratic reforms in Indonesia have created spaces for political participation and rights-based movement. This single case study cannot be generalized to explain how political participation pans out in Indonesia.
small-scale case study, the findings above suggest that neoliberal understanding of social safety nets, participation and empowerment is promoted in Indonesian villages in Central Java, with the implementation of the PNPM. This highlights the need to extend the analysis of the application of neoliberalism in Indonesia from being preoccupied with building a regulatory framework to examining how the PWC’s deeper neoliberalism unfolds.

〈References〉


Buzzword in the Neo-Liberal Era.” Development in Practice 17(4-5): 539-548.


### Appendix

<table>
<thead>
<tr>
<th>Village 1 (Kebumen)</th>
<th>Level of Participation</th>
<th>Planning</th>
<th>Implementation</th>
<th>Decision-making power</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elites</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Very High</td>
</tr>
<tr>
<td>Activists</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Low</td>
</tr>
<tr>
<td>Majority group</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Very Low</td>
</tr>
<tr>
<td>Marginalized group</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Very Low</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Village 2 (Kebumen)</th>
<th>Level of Participation</th>
<th>Planning</th>
<th>Implementation</th>
<th>Decision-making power</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elites</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Very High</td>
</tr>
<tr>
<td>Activists</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Middle</td>
</tr>
<tr>
<td>Majority group</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Low</td>
</tr>
<tr>
<td>Marginalized group</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Very Low</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Village 3 (Bantul)</th>
<th>Level of Participation</th>
<th>Planning</th>
<th>Implementation</th>
<th>Decision-making power</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elites</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Very High</td>
</tr>
<tr>
<td>Activists</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Middle</td>
</tr>
<tr>
<td>Majority group</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Low</td>
</tr>
<tr>
<td>Marginalized group</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Very Low</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Village 4 (Bantul)</th>
<th>Level of Participation</th>
<th>Planning</th>
<th>Implementation</th>
<th>Decision-making power</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elites</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Very High</td>
</tr>
<tr>
<td>Activists</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Middle</td>
</tr>
<tr>
<td>Majority group</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Low</td>
</tr>
<tr>
<td>Marginalized group</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Very Low</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Village 5 (Magelang)</th>
<th>Level of Participation</th>
<th>Planning</th>
<th>Implementation</th>
<th>Decision-making power</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elites</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Very High</td>
</tr>
<tr>
<td>Activists</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Middle</td>
</tr>
<tr>
<td>Majority group</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Middle</td>
</tr>
<tr>
<td>Marginalized group</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Very Low</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Village 6 (Magelang)</th>
<th>Level of Participation</th>
<th>Planning</th>
<th>Implementation</th>
<th>Decision-making power</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elites</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Very High</td>
</tr>
<tr>
<td>Activists</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Middle</td>
</tr>
<tr>
<td>Majority group</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Low</td>
</tr>
<tr>
<td>Marginalized group</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Very Low</td>
</tr>
</tbody>
</table>

* A: active participation  
** P: passive participation  
*** N: none-participation

(2016.01.31. 투고, 2016.02.10. 심사, 2016.02.15. 게재확정)
신자유주의의 사회화: 중부 자바 지역의 커뮤니티 개발 프로그램(PNPM) 사례 연구

최 인 아

본 논고는 인도네시아 커뮤니티 역량 개발 프로그램(PNPM: Program Nasional Pemberdayaan Masyarakat-Mandiri)의 신자유주의적 요소가 인도네시아 농촌에 미친 영향을 고찰하고자 한다. 세계은행은 1990년대 후반부터 포스트워싱턴컨센서스(Post-Washington Consensus) 프레임워크 하에 빈곤 계층의 사회적 참여, 사회적 안전망 구축, 역량 강화(empowerment)를 중요 개발의제로 제시하고, 이를 실현하기 위한 방안으로 사회적 자본(social capital)의 역할을 강조하였다. 그러나 세계은행의 새로운 개발의제는 기존 신자유주의로 대변되는 워싱턴 컨센서스(Washington Consensus)를 벗어나기보다는, 빈곤층의 시장경제 참여와 자립을 독려한다는 측면에서 신자유주의의 사회화를 촉진한다는 비판도 받고 있다.

이러한 배경에서 본 논고는 세계은행이 인도네시아의 사회적 자본 강화를 위해 실시한 PNPM 프로그램이 어떻게 신자유주의적 참여와 자립을 장려하는지를 살펴본다. 6개 농촌 마을에서 실시한 PNPM 사례 연구 결과, 마을 주민들은 PNPM 참여를 통해 자립 역량을 높여가는 모습을 보였으나, 이러한 참여는 경제적 기회 창출에 국한될 뿐 이들의 정치적 권리와 힘을 강화하는 데에는 큰 영향을
주지 못했다. 본 논고는 PNPM을 둘러싼 신자유주의의 사회화를 살펴봄으로써 인도네시아의 신자유주의 연구를 다른 측면에서 고찰하고자 한다.

주제어: 포스트워싱턴컨센서스, 세계은행, 신자유주의, 사회적 자본, 참여, 인도네시아, PNPM
<Abstract>

Socializing Neoliberalism:
A Case Study of the National Community Empowerment Program (PNPM) in Central Java

CHOI In A
(Embassy of the Republic of Korea to Singapore)

Drawing upon a theoretical framework that sees the Post-Washington Consensus (PWC) as ‘deeper neoliberalism’, this paper explores how the World Bank’s neoliberal project assisted by social capital – the National Community Empowerment Program (PNPM) – has influenced state-society relations and village politics in Indonesia. An in-depth case study of six villages in three rural districts highlights that, with the promotion of the PNPM, villagers are increasingly encouraged to strengthen their capacity for self-reliance. Meanwhile, they understand their participation in the PNPM as a means of maximizing economic opportunities rather than as a procedure to enhance their political power, suggesting that a neoliberal understanding of ‘participation’ and ‘empowerment’ is taking root among these villagers.

Key Words: Post-Washington Consensus, World Bank, Neoliberalism, Social Capital, Participation, Indonesia, PNPM