International cooperation between politics and practice: how Dutch Indonesian cooperation changed remarkably little after a diplomatic rupture

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One of the most perplexing aspects of Indonesia to many foreigners is the apparent coexistence of a dynamic, and in some respects rapacious, capitalism with an official rhetoric which is often critical of economic liberalism and which emphasises the virtues of cooperatives, and the role which the government should play in protecting small producers from the vicissitudes of the market economy. Such protection can in turn involve a considerable degree of coercion, especially when it involves the enforced participation in government 'development' programmes, many of which are drawn up with little or no consultation with the intended target group (Booth 1998: 332-332).

The four cases in this chapter deal with Dutch-Indonesian cooperation for Indonesia's industry development. The range of projects varies from hi-tech aerospace industry to low-tech agriculture industry. One of the explanations listed in Chapter One said that projects aimed at Indonesia's industry development were more eligible for continuation than the projects aimed at the socio-cultural development; those investigated in the former chapter. The New Order government has indeed put economic development on top of the list of priorities: the development of a national, independent industrial base was, next to unity and stability, a dominant objective of its policies. The manifold policies, stakes and actors in the political game of industry policy are described in the first section of this chapter. In the second section the Dutch political games of trade and aid, coming together in foreign aid, are discussed. The four projects studied below have been part of the Indonesian political arena of industry development, with the assistance of Dutch aid. At the same time however, Dutch trade interests have been a major drive for cooperation in the project on aerospace cooperation.

The first project analyses Dutch-Indonesian cooperation for Indonesia's aerospace industry, a pet-project of then minister of Research and Technology B.J. Habibie. The second project was geared to the development of the small and medium scale boatbuilding industry, a project that had the special attention of minister of Industry Hartarto. The third and fourth projects deal with agricultural development: through the introduction of better technology and training, small holder crop farmers were enabled to increase their production and income. The conclusions of the cases in this chapter show empirical diversity, but if observed closely, theoretical unity. The first and fourth projects are described in more detail: the interplay between the games in these projects is illustrative for the core questions of this research.
Indonesia's industry policy

Indonesia is a resource-rich country; it has an abundance of minerals (oil, natural gas, tin, copper, gold, silver), a fertile soil and an abundant labour-force. For trade-purposes it has one of the most strategic positions in the world, located in the geographical heart of the APEC and ASEAN. It has the potential to become a relatively wealthy nation and until the late 1990s, it was well on its way (World Bank 1993b). In the fifth five-year plan (Repelita V) industry development was given priority in the overall policy efforts. Developing the manufacturing sector so that more added value could be generated was one of the prime targets of Indonesia’s industry policy. At the close of the 1990s however, the successes of Indonesia’s industry policy are limited. The explanations why Indonesia is as yet not one of the wealthiest nations in Southeast Asia are manifold, varying from the colonial heritage to gross economic mismanagement, to a far-reaching compartmentalisation of the many industry policies (Booth 1998: 327-336).

Indonesia inherited from the colonial government a heavily regulated economy and a little developed industrial base. In fact, it was one of the least industrialised developing countries in the world in the mid-1960s. Manufacturing consisted of the oil refinery industry, a few estate based raw material processing factories and cottage industry (Booth & McCawly 1981). Technology was antiquated and many factories were dependent on import materials. When there was no money to buy materials, factories simply closed down (Palmer 1972). Products ‘made in Indonesia’ were of such low quality that they could only be used for domestic consumption.

Both the Old and New Order emphasised building the national economy through industrialisation. Economist Hal Hill offered two explanations for Indonesia’s focus on development through industrialisation. One, the pessimism on the terms of trade for developing countries after the Korean War commodity boom and two, the belief that the colonial government had deliberately retarded manufacturing (Hill 1988: 3-4). The aversion against the colonial government and dependency on the great powers formed thus the basis of an inward-looking economy. The distinctive features of Indonesia’s industry policy after 1958 – when Sukarno abolished constitutional democracy and nationalised all remaining Dutch companies – are state patronage, import substitution and the presence of many state-owned enterprises.

Managing the industry policy; actors, beliefs and policies

Several departments define Indonesia’s industry policy, divided to sectoral lines and scale size. Each of these departments operates with different policy principles and depending on the political-economic situation, has known its times of hegemony. Three policy theories have guided industry policy in Indonesia. The first is the theory of comparative advantage, based on natural resources and cheap labour. The second is the theory of industrial linkages, deepening and strengthening the industrial base, through cooperation within the country between large, medium and small-scale busi-
ness. The third is the theory of competitive advantage, making Indonesia's industry competitive through technology-development (Chalmers & Hadiz 1997).

The Ministries of Finance, of Trade, and the Coordinating Ministry of Economy, Finance and Development Monitoring (EKUIN) mainly pose comparative advantage arguments. These departments have until 1993 been the locus for the Technocrats. The Technocrats or so-called ‘Berkeley Mafia’ are a group of western-trained economists, who advocated liberal market principles. Deregulating the heavily regulated economy and promoting those sectors of the industry that could have a comparative advantage, were the primary targets of this group of departments. They have been responsible for getting Indonesia out of the financial malaise of the 1960s, but their influence withered during the oil-boom in the 1970s. After the fall in oil prices, when the non-oil export had to support the state budget and secure the inflow of foreign currency, the Technocrats gained some leverage for their views on how to develop Indonesia’s industry. The deregulation packages of the late 1980s are the major achievements of the Technocrats (Prawiro 1998: 150-172, 219-311).

The Ministry of Industry is responsible for the manufacturing sector. The regulations of this ministry are based on the idea that forward and backward linkages between the various sub-parts of an industry sector will enhance industry based on domestic products and resources, and at the same time will add value and create job opportunities. Via a myriad of programs the ministry gives shape to its policy objectives. For example, the program of credit provisions for small-scale industries, so-called foster parent programs in which the large scale private and public business ‘adopt’ small-scale business, and the program for the establishment of industry associations for extension services throughout the country. However, the abundance of rules and regulation are in practice more a hindrance than a help for most small- and medium scale entrepreneurs (Thee Kian Wie 1993).

The competitive advantage argument was made by the ‘de facto’ minister of industry, the Minister of Research and Technology B.J. Habibie from 1978 till 1998 (Hill: 1997: 6). His reasoning was that a high added value could be generated by the development of high technology. Ten strategic industrial enterprises have been set apart within the Agency of Strategic Industries (BPIS). The government heavily supported and subsidised these state-owned enterprises; they were untouchable for any deregulating or privatising measures, but did not offer much public service (Jomo et al 1997; Hill 1997: 314-315).

Achievements and problems; the industrial development in brief

Regarding industry policy, the first five year plan (Repelita I, 1969-1974) put priority on the agricultural sector and the infrastructure. Unlike the orthodox policies prescribed to most developing countries – the practical application of Rostow’s modernisation theory – in the 1960s, emphasising heavy industrialisation first, Indonesia chose to develop its agricultural sector first. The government acknowledged that agriculture is the soul of Indonesia, and that hungry people are not good for the stability for the
country. Rice is the major staple food for Indonesians and has a cultural significance comparable to cheese in the Netherlands. Via new technologies, better irrigation and interventionist policy, self-sufficiency in rice was targeted for 1974. In 1968 the government established BULOG, the food logistics agency. BULOG intervened in the price setting, imports and took care of the storage. Through a mass guidance program, fertilisers were sold to farmers at subsidised prices. Part of the program was also the organisation of farmers into cooperatives and irrigation works. Through the small holders credit program the rural sector of Indonesia was monetised. Indonesia’s rice policy is one of the few interventionist industry policies that did result in success: in 1984, Indonesia became self-sufficient in rice and an exporter of rice in times of good harvests (Prawiro 1998: 127-149). John Thomas and Merilee Grindle ascribe BULOG’S success to the flexibility in which the key decision-makers adapted to the changing environment (Thomas and Grindle 1990: 1167-1168).

The plans set out in Repelita II were supported by a tremendous influx of oil dollars, which were used for large investments in heavy industry, as well as in infrastructure. The number of roads, boats, planes and telephones increased tremendously, connecting the islands of the archipelago. In 1976 Indonesia launched its own satellite for telecommunications. The investments for infrastructure were originally concentrated on Java, in particular in Jakarta and its surroundings (Hill 1994: 72-87). From 1974 onwards, via so-called Inpres-programs the entire archipelago was reached with industrialisation policy. It is also in these years (1974-1979) that the state enterprises, conglomerates, and in particular state patronage of the industry flourished. The oil boom fostered an inward looking protectionist policy that overtook the prudent policies of the first years of the New Order. The state oil-company Pertamina, led by the flamboyant and flagrantly spending Ibnu Sutowo, became a significant actor in Indonesia’s industry policy. Under Ibnu Sutowo large investments, often not backed by money, were made in and outside Indonesia. Pertamina invested in the state company Krakatau steel, built hospitals and hotels, and had almost started a giant floating fertiliser plant, all outside the state budget. In effect Pertamina drained resources from the state budget, unaccounted, uncontrolled and uncovered. Pertamina had become a state within the state. In 1975 Pertamina’s success, praised by the economic nationalists, cracked. It could not pay its quarterly payments to the government, nor to its foreign contractors and foreign banks, from which it had also lent without any governmental approval. Despite the enormous influx of dollars, Indonesia was again on the verge of a financial breakdown. Action by the government was taken and the looming crisis was overcome (Robison 1986; 1988; Prawiro 1998: 100-126).

Uncontrolled spending of the windfall incomes was not allowed to happen anymore, but the course of state-led industrialisation was not altered. Although the growth was high, it was very inefficient, because the second mission of the state-owned companies was to provide employment. The ‘employment’ mission is one of the reminiscentes of the nationalist and to a certain extent, communist discourse from the revolution. The oil company Pertamina, the electricity company PLN, and Krakatau steel can all be characterised as huge, slow bureaucracies, in which less than
half of the employees are actually involved in the primary process of the company. Also, the government set the pricing of goods and services. In the case of the national state electricity company PLN, the government has kept prices for electricity very low, for political and social reasons. Depending on the value of the Rupiah to the dollar, PLN can hardly run equal, or operate at a loss, since it has to buy its oil and other supplies in dollars.

The saga of the state aeroplane factory IPTN is telling in the case of employability and profitability. Each party in the discourse on state owned enterprises, such as the IPTN, presents arguments to convince the world and opponents of the viability of either approach, although the propagators of an Indonesian aircraft industry cannot support their arguments with data. The issue of employability is exemplary of 'how to lie with statistics' and hidden nationalism: official figures say that the employability of the IPTN increased from 500 to 13,000, which seems indeed an astonishing figure. The sceptics in return answer that a lot of those employees are expatriates. Considering the growth of unemployment and of the number of engineers (very small) in Indonesia, the increase in employees is actually insignificant. From different sources I heard that whenever a foreign mission visits the IPTN factory, the expatriate workers were either sent out to the golf court or locked in their rooms. Evidently, the IPTN runs on government budget and has up till now not been able or willing to show convincing and satisfying figures of the return on investment. Especially after the fall in oil-prices in the mid-1980s, a budget-consuming enterprise such as IPTN is according to most conventional economists, an unwise object for governmental investment. During the financial crisis of 1998, IPTN was the main target for the IMF austerity program. However, since president Soeharto specifically asked Mr Habibie to set up an Indonesian aircraft industry, the support for the IPTN by the New Order government was unquestionable; Indonesia would build its own aircraft (Soeharto 1989: 292-294).

After the first fall in oil prices in 1981, the government had to diversify its industry. The Dutch disease in the Indonesian economy had to be avoided. If the country did not develop its industrial base in other sectors and the oil prices would fall, Indonesia would have to develop its industry from scratch. Due to prudent macroeconomic management and a devaluation of the Rupiah, the non-oil and gas-manufacturing sector increased its output with 22% in 1984 already. During the fourth Repelita (1984-1989) oil prices fell again, and the government responded with deregulation to promote exports and the private sector. Manufacturing grew from a 2% share in the export in 1980 to 48% in 1992 (Hill: 1997: 41). The diversification of Indonesia industries is remarkable as well. Non-oil manufacturing grew with an annual 11% per year in the period 1985-1992. The difference between the 1960s, when Indonesia was one of the least industrialised countries, with a very small industry base and the late 1980s, when a wealth of goods were produced has been recognised internationally (World Bank 1993a; UNIDO 1993). The government had overcome the Dutch disease effect and secured a steady growth of the economy, not solely based on oil and gas.

The tide of deregulated industry and trade policies turned in the sixth Repelita, ending in the economic disaster that led to Soeharto's downfall. The new cabinet of
1993 paved the way for Habibie as the factual minister of Industry. His hi-tech policies and strategic industries absorbed a major share of the national budget, without generating a significant rate of return. The main critics of Habibie’s policy have always pointed to the underdeveloped quality of manpower, the tremendous imports of know-how and technology, and the limited capacity to generate employment. Increasingly, the three devastating undercurrents of corruption, collusion and nepotism affected Indonesia’s industrial base. The children of Soeharto became greedier and greedier; obvious aberrations of healthy business principles include the protection of son Tommy’s automobile factory, the granting of the monopoly of clove production to his conglomerate and the monopoly of daughter Tutut on the Jakarta toll road. The estimates of the wealth of the Soeharto family range from $5 billion to $30 billion (Tripathi 1998; Colmey & Liebhold 1999). The debts of both the government and the private sector had increased to a soaring height. When the economic balloon collapsed in mid-1997, the effects on Indonesia’s industrial base were devastating. Many foreign owned factories closed their doors, or decimated production and many Chinese owners closed their businesses. The output of manufacturing and agriculture contracted, because of the 70% inflation of the Rupiah and imported goods could not be paid anymore. A number of agricultural and small-scale entrepreneurs, who export raw goods abroad, benefited from the devaluation. Fishers and coffee producers still get paid in dollars for their exports, making them the part of the happy few that benefit from the current economic crisis. Agriculture was and still is the backbone of Indonesia’s economy. During the crisis of 1998-1999 calls were made to invest once again in Indonesia’s agriculture, to limit food imports and create employment (McBeth 1998: 64-65).

The question is whether the growth and diversification of the early 1990s was the result of government policy or the result of a more free market and the increased levels of education and inventiveness of the Indonesian entrepreneurs. According to the World Bank report of 1993, the success of the Asian economies lay mostly in a selective industry approach. That is, government intervention in a selection of industry areas and projectionist measures. Torben Roepstorff had calculated that the export-oriented strategy for industrial development led to more employment and less imports required than the Import Substitution strategy, and Huib Poot concluded the same when studying the inter-industry linkages in the Indonesian manufacturing industry (Roepstorff 1985; 57; Poot 1991: 83). Hal Hill however argued that the key to Indonesia’s success was emphatically not government intervention. He asserts that the Indonesian protection of selected industries had little or no positive result on exports, added value and total factor productivity growth (Hill 1997: 304-321). Whatever the causes were for Indonesia’s past successes in industrialisation, in the politicised economy discourse of the New Order, scientific findings have never been merited as input for policy. The question in the political era after the New Order is which course in industry policy the new government will adopt and, whether it will be consistent. That is, if the tense socio-political situation in the country will even allow the government to work on its industrial policies.
Technical assistance or assistance to Dutch industry; the debated division between aid and trade

The principles and means of Dutch foreign aid have been described in Chapter Four, in this section the focus will be on the interplay between foreign aid and foreign economic relations. All donor countries use their budgets for foreign aid to promote their foreign trade, and the Netherlands is no exception. The difference between the Netherlands and other OECD countries is that the use of aid funds for export promotion is an issue in public and political debate. Until 1992, a relatively large share of aid and exports had Indonesia as the destination. The two General Agreements that formed the legal framework for aid and trade are discussed briefly in this first section. The second section discusses the never-ending strife between the department for international cooperation (DGIS) and the two departments representing the interests of Dutch business interests, the departments of Economic Affairs and Transport and Waterworks.

The legal framework for aid with trade

Dutch economic interests have always had a place in Dutch foreign aid policy. In the policy document of the first minister of development cooperation, T.H. Bot, bilateral aid was preferred in stead of multilateral aid (which was the main channel before 1964) since the former offers more opportunities for export promotion. The Agreement on Technical Cooperation from 1964 provided in the legal framework for bilateral aid to Indonesia. Benefit for the Dutch economy was seen as a self-evident side effect of this agreement. Subsequent ministers, with the exception of minister Pronk, and to a lesser extent minister de Koning, have used the various ways in which Dutch economic interests could be pursued in foreign aid. Tied aid – the obligation of the recipient country to obtain goods and services from the donor country for projects – is a widely applied means to enhance the export possibilities. Criticism on the cost-raising effects and dependency relation resulting from tied aid have led the OECD to set up guidelines, but these did not prevent individual donor countries to continue promoting their own interests in foreign aid. The Dutch government is no exception in using tied aid, but the extent of tied aid is smaller than that of for example the United Kingdom, France, Germany, Italy and Japan (Cassen 1993: 191-201; cf. Hoebink 1988). Other benefits of aid for the donor country are the granting of export credit schemes (see below) and employment for Dutch nationals in the bilateral and multilateral projects. Also the granting of scholarships to students of developing countries had an indirect benefit for the donor country: students who have studied in the Netherlands are believed to favour the country of their Alma Mater in their future work environments.

The Agreement on Economic Cooperation of 1968 provided in protection of (new) investments, duty free imports for trade promotions and included the intention to cooperate to enhance Dutch-Indonesian trade and investment. Each year a joint committee would convene to discuss the economic cooperation. Unlike the Technical
Cooperation agreement, there was no budget to implement projects in this agreement, and that explains why this agreement was to a lesser extent a frame of reference and action in comparison to the Technical Cooperation agreement. It merely provided legal protection for trade and investment in each other’s countries.\(^\text{10}\)

Dutch companies seeking support in their business with Indonesia can obtain information from the Economic Information Service (EVD), or the bilateral chambers of commerce in the Hague and Jakarta. For financial support in export credits or soft loans they can apply at the department of Economic Affairs, DGIS or the bank for financing in developing countries (FMO), which is a subsidiary of DGIS.\(^\text{11}\) DGIS has, compared to the department of Economic Affairs, a much larger fund at its disposal to finance activities. The larger Dutch companies, such as Philips, dairy factory Friesche Flag, brewery Heineken and British-Dutch Unilever and Shell have always operated without financial government support on the Indonesian market. To these companies, the agreement on Economic Cooperation provided the necessary legal framework. Smaller companies, or companies who unlike the former were not yet established on the Indonesian market, have had several instruments at their disposal to increase their market opportunities on the Indonesian market.

Policies, instruments and competing departments

The Department of Economic Affairs has since 1980 increased its policy efforts to promote the interests of Dutch small- and medium-scale business interests in the ASEAN countries, in particular Indonesia.\(^\text{12}\) The Department of Traffic and Waterworks traditionally represents the interests of the large Dutch companies abroad. The department assigned a special representative for the ASEAN countries, who was based at the embassy in Jakarta (in 1999 the position was abandoned). DGIS has its own industry development policy and an earmarked budget for activities in this sector, unlike the former two departments. The strife between the three aforementioned departments basically boils down to the use of DGIS-budgets for the purposes of the other two departments: the demarcation of the borders between trade and aid.

A much-used means to promote the interests of entrepreneurs in the donor country is the provision of mixed credits or concessional loans. The government of the donor country provides soft loans or assists in credits facilities to assist a company to export to the recipient developing country. Since 1979, the Dutch government has established the so-called Development-Relevant Export Transactions scheme (ORET), after Dutch companies had complained that they were lagging behind their competitors in other OECD countries.\(^\text{13}\) The ORET scheme was to be an instrument within the overall program of DGIS: the export should first of all be development relevant, meaning that the goods should benefit the recipient country in creating employment, developing its industry and that the projects should not harm the poor.\(^\text{14}\) The other criterion of the export credit scheme was that the transactions should benefit the Dutch economy. The department of Economic Affairs was responsible for controlling this criterion. The specific objective of Economic Affairs was that small and medium
scale Dutch companies would use this opportunity for expanding their business abroad.\(^\text{15}\) Since 1984 the ORET scheme became part of the sector program for industrial development of DGIS, which implied that the transactions would be incorporated in longer lasting projects for industry development in the developing countries.\(^\text{16}\)

The antagonist objectives of the ORET scheme have often been debated in the Dutch parliament; it was feared that the projects were less development relevant than they should be. In 1986 the Parliament requested an evaluation of the program, in particular the question whether the scheme was beneficial for developing countries was to be investigated. The evaluation unit of DGIS was put to work on a study on the export credit scheme; the title ‘Aid or Trade?’ is sufficiently rhetorical to imagine the conclusions (TOV 1990). According to the evaluation report the ORET program had indeed been more beneficial to the participating Dutch companies, instead of the developing countries. It also concluded that two thirds of the projects went to only three, relatively well-performing countries: India, China and Indonesia. A year prior the investigations of the evaluation committee, the minister of Finance had already closed the program, because the budget was depleted. In 1990 the ORET program was opened again, but now subject to the strict conditions of the new minister of Development Cooperation, Jan Pronk. Soon the Dutch companies complained that it was virtually impossible to obtain a soft credit, only one of the 13 requests was endorsed in 1990-1991 (Verhey & Van Weezel 1992).

When in 1992 the ORET program was closed for Indonesia, because it was an instrument of Dutch foreign aid, Dutch companies complained again that they lost their tenders in Indonesia to other OECD countries. The instrument at the disposal of Economic Affairs, the Matching Fund – which was still allowed after 1992 – was less attractive for companies than the ORET scheme had been. Indonesia is indeed considered a ‘spoiled market': without additional government funding, it is hard for foreign investors to obtain orders. Reports in the press provided different views on what the results were for Dutch business. Some journalists mentioned that the events in 1992 enhanced business between both countries, while others sketched a sombre picture (Financieel Dagblad 1992; Nierop 1993; Gersdorf 1994). The differences in the reports can be explained on the focus of attention: the large companies that were not dependent on subsidies of the Dutch government (DGIS) did indeed not notice any difference: only in the first months after March 1992 a hesitant attitude of Indonesian customers was noticed. Small companies, consultancy agencies and those delivering capital goods with the aid of export credits were directly affected by the decision the cancel Dutch foreign aid.

The tables below show the trade and investment relations between Indonesia and the Netherlands from 1992 till 1996. The events of 1992 do not seem to have caused a change in the trends for trade and investments between both countries, neither in favour, nor in disfavour of Dutch business. The ‘hard’ figures do not support the claims that the political events in 1992 disturbed trade relations in general. That claim is only applicable for those companies that were dependent on government commis-
sions and subsidies. Apparently these companies did not represent the entire Dutch business community in Indonesia.

The trade surplus from Indonesia viz. the Netherlands since 1988 is obvious. However, Rotterdam's harbour as the gateway to the rest of Europe must be taken into account for Indonesia's trade surplus: much of the export of Indonesia goes via Rotterdam, but has a final destination in another European country. Dutch investments in Indonesia have traditionally been significant; the Netherlands is the seventh investor in Indonesia. Considering the size of the Netherlands, 5.6 percent of the total value of foreign investments is a quite large share. When Indonesian Dutch trade and investment relations in absolute terms are compared to the percentages, some additional qualifications must be made. In 1998, trade from the Netherlands to Indonesia amounted to a mere 0.1% of the total foreign trade, while exports to Europe were almost 87%. The same applies for Indonesia (1997): its main trading partners are to be found in the APEC: 27% of Indonesia's export has destination Japan, 14% USA and 8% goes to Singapore. 3% of Indonesia's exports go to the Netherlands, while 2% of its total imports come from the Netherlands. In relative terms the Netherlands is more important to Indonesia than the other way around, but the reverse is true in the number of policy-documents and intentions.

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**Graph 6.1** Trade between Netherlands and Indonesia 1980-1998

Source: CBS Maandstatistieken Buitenlandse handel and EVD (see notes 16 and 17)
In 1996, a year after the visit of the Dutch Queen in the company of the core of Dutch business community, the then minister of Economic Affairs Hans Wijers established a special program for export credit to Indonesia, the EFI, also known as the two million of Wijers. The EFI was acceptable to the Indonesian government because it was a purely economic instrument without any strings to the objectives of Dutch development policies.39

Another policy measure that benefits the Dutch economy is outsourcing of implementation of aid projects to private Dutch companies. In 1985 the then minister of Development Cooperation, Mrs. E. Schoo, made outsourcing the standard for implementation. The motivations were that though outsourcing quality could be improved, the Dutch society would be more involved in foreign aid and a decrease in workload for DGIS (DGIS 1994a). In another document in that same year, the other motivation was made explicit: during the recession of the 1980s unemploymen in the Netherlands was a major domestic problem. Outsourcing would have to improve the role of foreign aid for creating employment and stimulating the economy in the Netherlands (DGIS 1994b). In the three cases of this study outsourcing has been manifest: the Dutch counterparts have from 1984 onwards been private agencies or companies: none of the projects researched have been implemented directly by DGIS staff from that year on. This organisational matter is more important than it seems at first sight: it generated the legal opportunities for actors in the implementation. Issues of policy management were to a large extent delegated to organisations that were also responsible for implementation. Thus, implementing parties were able to operate more independently then would have been the case if they were direct employees of DGIS.

Depending on the minister of Development Cooperation, the differences in objectives of on the one hand DGIS and on the other hand the departments representing Dutch business interests (Economic Affairs and Traffic and Waterworks) has led to strife or peaceful coexistence. During Jan Pronk’s terms of office the interests of the developing countries have been given priority over the interests of the Netherlands. After all, the minister of development cooperation controls a far more extensive budget then the other two departments. As such, the latter are to a certain extent depend-

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**Table 6.1** Cumulative approvals of investments in Indonesia from 1967 till 15 January 1998

<table>
<thead>
<tr>
<th>rank</th>
<th>country</th>
<th>number of projects</th>
<th>value in million US$</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Japan</td>
<td>1007</td>
<td>41.444,0</td>
<td>20,08</td>
</tr>
<tr>
<td>2</td>
<td>United Kingdom</td>
<td>242</td>
<td>33.755,9</td>
<td>16,26</td>
</tr>
<tr>
<td>3</td>
<td>Singapore</td>
<td>708</td>
<td>19.186,3</td>
<td>9,30</td>
</tr>
<tr>
<td>4</td>
<td>Hong Kong</td>
<td>369</td>
<td>18.838,1</td>
<td>9,13</td>
</tr>
<tr>
<td>5</td>
<td>USA</td>
<td>298</td>
<td>14.347,4</td>
<td>6,95</td>
</tr>
<tr>
<td>6</td>
<td>Taiwan</td>
<td>601</td>
<td>13.297,7</td>
<td>6,44</td>
</tr>
<tr>
<td>7</td>
<td>Netherlands</td>
<td>177</td>
<td>11.563,2</td>
<td>5,60</td>
</tr>
<tr>
<td>8</td>
<td>South Korea</td>
<td>481</td>
<td>10.181,8</td>
<td>4,93</td>
</tr>
<tr>
<td>9</td>
<td>Australia</td>
<td>282</td>
<td>8.546,3</td>
<td>4,14</td>
</tr>
<tr>
<td>10</td>
<td>Germany</td>
<td>116</td>
<td>7.782,6</td>
<td>3,77</td>
</tr>
</tbody>
</table>

Source: BKPM (Indonesian Board of Investments), January 1998
International Cooperation Between Politics and Practice

ent on DGIS to promote Dutch business interests. When in 1995 the reorganisation of Dutch foreign policy was initiated, one of the goals was to harmonise the often-conflicting policies of the three departments operating in developing countries. A new interdepartmental organisation has been set up, focusing on the overall theme of economic cooperation, which includes development and trade related activities abroad. Representatives of departments with tasks abroad are responsible for coordination of policies and it is hoped that by placing the representatives of the several objectives in one direction, less contradictory policies are formulated and implemented.21

Until July 1998, when the General Agreement on Technical Cooperation (foreign aid) was restored by then president Habibie, there was no conflict between foreign aid and foreign trade in Indonesia: simply because foreign aid and its conditions are not allowed. However, the lavish funds that came with the foreign aid program were gone. The new credit scheme of the department of Economic Affairs had not been able to take the place of the previous options within the aid programme available for Dutch companies. However, the figures until 1998 (when the Asian financial crisis distorted most of the trends) did not show a remarkable decline or increase in the trade relations between both countries. The 50 million US dollars new minister of Development Cooperation Herfkens pledged in autumn 1999, are not comparable to the extensive pre-1992 program of foreign aid, also because the aid is to be channelled via multilateral organisations such as the World Bank and the UN.

Indonesian-Dutch cooperation in the aerospace industry

This case is about a long standing cooperation (1979-1999) in aerospace industry between Indonesia and the Netherlands. The initial objective of the first part of the program, the TTA-79 project, was to design, construct and operate the Indonesian Low Speed Windtunnel (ILST) at the national research centre in Serpong, south-west of Jakarta. Also included in the project’s objectives were human resource development and support for the department of mechanical engineering at the Institute of Technology in Bandung (ITB).22 In the course of years the cooperation in aerospace industry underwent changes in focus and names.

In the next section the political game around the project is described. It is shown that the endorsing of the project did not take place without debates, and that perceived economic interests of parties involved were crucial for its acceptance. Despite the controversies surrounding the project, implementation and management of the first project, TTA-79, were a remarkable success. The third phase of the programme, called APERT, was to be the follow-up and capitalisation of the former investments in equipment, through joint research and education. The outcome of the APERT project differs markedly from the TTA-79 project. That difference appears to be an anomaly in view of the way in which policy management and implementation processes took place in TTA-79. When compared to the research and education projects described in the previous chapter, the contrast becomes understandable.
The effects of the decision of 1992 are described in the last section of this case by recounting the tale of the follow-up project APERT. Formally speaking, this project was continued after 1992; but what continuation really means, is the question after the description of this project.

The political game; high stakes and highly controversial

The government support for Indonesia’s aerospace industry is probably one of the most contested issues in the debate on Indonesian development. Two groups in the debate can be discerned: the supporters (engineers, nationalists) who believe leapfrogging in the development process can be done with an Indonesian aircraft industry, and those who believe that development in Indonesia should be based on natural resources and employing the vast amount of manpower available (Anwar Nasir 1987). Both groups are convinced of the need for development and of improving the quality and quantity of Indonesia’s infrastructure; the archipelago needs better transportation facilities for its general development. Transport over sea and roads takes much time and in the 1970s naval traffic routes and roads were underdeveloped. Transport via air would literally fly over the problems of underdeveloped roads and sea-routes. The issue that divides the groups when it comes to infrastructure development is whether Indonesia should have its own aircraft industry, including research and development, or should limit the aerospace industry to maintenance and licensed production of parts.

The reasoning of the ‘Indonesian aircraft industry’ coalition is as follows. Until the 1970s, Indonesia had bought its aeroplanes abroad, it would be beneficial for employment and foreign debts to produce its own aeroplanes. Policy measures to protect the infant industry are required, for example, import restrictions for foreign aircraft. Furthermore, if Indonesia is able to develop its own aircraft, according to the standards of the Federal Aviation Administration, it shows that Indonesia is able to organise and manage an industry that is at the cutting edge of science (Clark 1986). Or, in the words of minister Habibie: ‘I needed the CN-235 [Indonesia’s first home produced aeroplane – ML] as a vehicle where my people will be trained for complex technology’ (Pang Eng Fong & Hill 1988: 22).

Prof. Dr Ing. B.J. Habibie has been described as a ‘technophile’: someone who is obsessed by high technology (Te Velde 1994: 93-96; see also Hill 1988). The active involvement of Habibie is the main reason why such a project, involving a large number of participants in both countries could have started at all. He was until 1999 one of the most influential people in Indonesian politics. Habibie was minister of Research and Technological Development (MENRISTEK), Chairman of the Agency for Management of the Strategic Industries (BPIS), Chairman of the Agency for the Assessment and Application of Technology (BPPT) and president of the IPTN, next to many other political and societal functions. In 1998 he even became president for a year, replacing Soeharto and paving the way for Wahid. More than anything in the world he wanted to establish an entirely Indonesian aircraft industry (Habibie 1986).
Next to his many functions, he had three sources of support at his disposal: the blessing of the president, large sums of government money and the fact that Indonesia was donor's darling in the international community. Although from a technical point of view (infrastructure, manpower), Indonesia was far from ready to have such a high risk and high precision industry, the major donor-countries and aircraft industries were all more than willing to participate in the far-fledged plans of Minister Habibie. It was believed that cooperation with Indonesia's aircraft industry would in the long term be of tremendous benefit for the national economies of the donor countries. An article in the special issue on Indonesia's high tech industry of the magazine *Military Technology* describes the many foreign companies with which IPTN has closed contracts, among them Boeing, Aerospatiale, Bell Helicopters and General Electric. In particular in the 1980s, international competition to become involved in Indonesia's aircraft industry was high (*Military Technology* 1986: 16-22).

Critics inside and outside Indonesia argue that aircraft industry absorbs too much government budget and seen from Indonesia’s current level of technology and research and its advantage in natural resources and a large workforce, the focus on such hi tech industry is not justified (Hill 1995). This view is supported by the conventional thought on development: a gradual approach, focusing first on basic needs and basic infrastructure and agriculture development has also been the core of the Dutch foreign aid policy in Indonesia. These critical observers argue that apart from the doubtful economic benefits, Indonesia is not yet ready for such leapfrogging. To quote an engineer: ‘Hi tech is more than anything else a body of knowledge. If you have the knowledge but not the equipment, say like India, then you cannot make leaps and bounds. But if you have the equipment and not the knowledge, like Indonesia, you are in no position to leapfrog in an industry which is at the cutting edge of science’ (Anwar Nasir 1987: 114).

**Defining the project as a Dutch-Indonesian development aid**

To be able to develop an aircraft, amongst many other things, a laboratory, including a low speed windtunnel is required. Prototypes of plane models can be tested and improved in a windtunnel. Not every aerospace company has a windtunnel or a range of tunnels (high speed and low speed) at its disposal, often test simulations are done by contracting in other countries. Many tests are done in the Netherlands, at the laboratories of the Netherlands Laboratory for Air and Space-technology (NLR), because these tunnels are internationally reputed. To reduce costs and to boost the Indonesian research and development in aerospace industry it was decided to establish an Aerogas Dynamics and Vibration Laboratory (LAGG) with a low speed windtunnel at the Science Park Puspiptek. The NLR was seen as the best partner to assist in the construction of a low speed windtunnel. 25

The project would be very expensive, and required international assistance, like the other components in the Indonesian aircraft industry. 26 The structure of foreign aid – technical assistance, soft loans and mixed credits – offered the possibility to
obtain the windtunnel. In 1978 Habibie sent his close friend Oetarjo Diran to Europe to investigate with which country cooperation should be sought. Diran concluded that cooperation with the Netherlands was probably the best option, because in the Netherlands the aerospace community is much more integrated than in Germany, France or the UK. That same year Minister Habibie visited the Netherlands and the NLR. During this visit the first plans were made to come to a Dutch-Indonesian cooperation in the aerospace industry. In May 1979 Dutch Minister of Economic Affairs van Aardenne visited Indonesia and during a meeting with minister Habibie the first governmental contacts were laid for further cooperation in the aerospace industry, in particular Dutch assistance in establishing the LAGG. An active lobby by the participating parties and Minister Habibie was conducted to have the proposal endorsed as a Dutch-Indonesian development project under the General Agreement for Technical Cooperation. Dutch-Indonesian cooperation in the construction of the tunnel was likely for three reasons: first, the Dutch had the knowledge, secondly, the Dutch had money and third, the Dutch retired General A.B. Wolff was a personal advisor of minister Habibie. General Wolff's position at that time was chairman of the Netherlands Agency for Aerospace programs (NIVR). Added to that, he was close with the Dutch Royal Family and to key cabinet Ministers in the late 1970s. General Wolff could organise an active lobby of people in various sectors of the government. While Dutch Ministries of Economic Affairs and Traffic and Waterworks clearly saw the benefits, they did not have the funds to become financially involved in a future cooperation. The aerospace cooperation had to become a project under the Technical Agreement, i.e. the foreign aid agreement between Indonesia and the Netherlands, because Indonesia could not afford to 'buy' the technological expertise of NLR.

The Dutch government (except for DGIS) was also of the opinion that cooperation with the Indonesian aircraft industry would be of long term benefit for the Dutch economy. In particular the Dutch aerospace-industry would have an opportunity for improving the export-possibilities. Fokker was the national pride of the Dutch industry and the NLR saw itself as the main facilitator of Fokker's success. At the time of the project however, Fokker was seen as the most important beneficiary of the cooperation. Another implicit goal in this cooperation was the creation of a large pool of Dutch trained Indonesian engineers, who in their future career would sooner turn to the Netherlands for cooperation than other countries. The department of aeronautical research of the Technical University of Delft (TUD) clearly defined its role as supporting the Dutch aircraft industry, mostly Fokker.

For DGIS, the aerospace cooperation fitted by no means in its development policy. Benefits for the poor could not be demonstrated, the feasibility of the project was doubtful as well and the project was sooner a Dutch investment project than a development project (IOV 1990). But the lobby for the endorsement of the project was strong; DGIS was virtually the only party with objections in the Dutch political game, but since it had the money (and the other ministries not) it was the most important party to play along. The engineers encountered the criticism of DGIS by another definition of development. In the words of one of the key players in the project: 'You can-
not leave the Indonesians at the sawah (rice field) for ever'. He implied that investing and supporting this industry shows a true willingness in aiding Indonesia's development and independence of the industrialised countries, helping with its short cut out of agrarian poverty. A.B. Wolff best expressed the basic 'sovereignty in development' argument: 'Recognition of the right of Indonesia to build the country according to its own insights'.

Professor Gerlach, chairman of the NLR composed a letter for Minister Habibie, to be sent to minister Tuijnman of Traffic and Waterworks. The letter was a request for Dutch assistance to the Indonesian plans for the development of the laboratory. Copies of this letter were sent to the other Dutch ministries involved, including the Dutch Minister of Development cooperation. In 1980 and 1981, a schedule of operations was written by Mr Rob Jager, and undersigned by Minister Habibie and Ambassador van Gorkum in Jakarta, 20 August 1981. With extensions of the project and including the follow-up project, the Dutch government allocated in total 16.3 million guilders (approximately US$ 8 million) for the aerospace cooperation. Dutch companies received orders from Indonesia of about 80 million guilders in total, mainly through the export credit programme.

The close linkages of key players in the political and implementation games in both countries account for the endorsement of the project. While opponents had reasonable doubts about the necessity and feasibility of the project, the coalition for the project enjoyed strong support. Minister Habibie was backed by president Soeharto and could operate relatively independent of the ministry of Finance. In the Netherlands, General Wolff could act as a successful broker between the government parties and the Dutch aerospace industry. Minister Habibie was very interested in the way the Dutch aerospace industry was set up. Fokker, the NLR, the NIVR and the TUD cooperated closely in both research, development and policy strategy and each institute had a clear role in the totality of the Dutch aerospace community.

Managing the project: engineers bridging cultural pitfalls

Before the final approval came from the IGGI and funding arrangements were made between the Dutch ministries, the first actions were undertaken for the set up of the project. One of the implicit goals for the Indonesian counterparts was to improve its management system: organisation and management are crucial for successful implementation of a complex industry such as aircraft industry. At the request of Mr Habibie, one of the Dutch initiators, Mr Rob Jager, used his experience in the navy and in NATO, as an international organisation, to draw up a detailed Schedule of Operations (SchedOps). Furthermore, the Indonesian Netherlands Project Administration System (INPAS) was developed. This system outlined the ways of communication and reporting for both counterparts, to the smallest details such as making notes at meetings.
SchedOps and the Inpas have served as 'scripts' for joint action of the Dutch and Indonesian counterparts.\textsuperscript{42}

A project organisation for the implementation of the project was set up, involving all actors from the participating organisations and institutes. The bilateral Governing Group consisted of members from BPPT, IPTN and ITB in Indonesia and NLR, Fokker and the TUD from the Netherlands. It evaluated the project yearly and was responsible for decision-making on all matters concerning the finances, time schedules and employment matter. The Governing Group also maintained the official contacts with the respective ministries.\textsuperscript{43} Since the masterplan was already the strategic outline, the only decisions the Governing group had to make involved amendments to the time-schedule, which had to be made after the delays in the approval-procedure of DGIS. The Governing group met once a year in Indonesia, usually following the 17th of August, when all Indonesian members were home to celebrate Independence Day.

Project control officers (PCO's) were assigned in each country. Their responsibilities were to control expenditures of time and resources, overall planning, coordination and communication between the sub-projects. In the course of time four different Indonesians and three Dutch NLR employees held the position of PCO. The Project group consisted of team leaders of the five Joint Operating teams (JOT's). A Dutch engineer was posted in Indonesia as the Dutch project representative for JOT IIa, the construction and maintenance of the ILST. Each of the participating organisations played a different role in the hierarchy of the organisation. The BPPT and NLR have been the most actively involved. The figure resembles the ideal situation drawn in Chapter Two.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure6_1.png}
\caption{An almost perfect situation: TTA-79}
\end{figure}
Implementation, as smooth as can be

The Dutch approach to development projects was 'integrated'; not only technical and financial support was given, but other requirements such as manpower development and documentation support were included as well. It was realised that merely constructing a device was not sufficient to reach the ultimate objectives of the project. The TTA 79 project was divided into five sub-projects, implemented by the Joint Operating Teams - JOT's. JOT I involved the development of the masterplan for the building of the LAGG. JOT II and IIa were concerned with the design and construction of the Indonesian Low Speed windtunnel (ILST) and the manpower development for the operating of the windtunnel. Aeronautical engineering education took place within the JOT III project, while the JOT IV project was aimed at the library and documentation services in Indonesia. In each of the JOT's different counterparts cooperated. The evaluation report of 1986 concluded positively about the proceedings of the projects; although more funds had to be requested and the time schedule had to be extended, in general, this project reached its initial objectives. The windtunnel was operative in 1987, only nine months after the scheduled date.

The successful implementation of JOT I and II (advice and construction of the windtunnel) was the result of like-minded engineers working together, a detailed schedule of operations and strict monitoring of the Project Control officers. Cultural pitfalls in organisation and communication were avoided by the business-like and almost military set up of the project. The permanent posting of subsequently Ir F. Jaarsma, Ir Ross and Ir Boersen from the NLR accounted for the continuity and technical quality of the project. Their main task was advising the Indonesian engineers on the construction and maintenance of the tunnel. Twelve different engineering companies did the actual work. Even though coordination of the twelve organisations was a tremendous task, smooth cooperation between all parties was a fact. According to the interviewees, the determination of all actors to achieve the goal of the construction and the fact that they were all like-minded engineers, were the success-factors of this complex process of construction. In the words of one of the managers on the site: 'It is a technical process, not a sociological process. If a nail does not fit, it simply does not fit.' The 'script' that the SchedOps provided for JOT I and II had been a major asset for the success of the two sub-projects. Perhaps the best explanation behind the cooperation was the fact that the Indonesian engineers were enabled to learn by doing, guided by experienced Dutch engineers. One could speak of a teacher-trainee situation in the JOT I and II sub-projects.

The results of JOT III and IV were less tangible than the former sub-projects. JOT III entailed the support of the TUD to the ITB in improving their educational and laboratory equipment at the faculty. Since there was no aeronautical department at ITB, plans were made to have a department established in 1994. The evaluation reports of 1986 and 1989 mention that due to organisational difficulties in Indonesia, the proceedings in setting up the aeronautical department were delayed. To secure an inflow of Indonesian engineers for the aerospace industry, the Indonesian government estab-
lished an overseas training program for Science and technology. Most students went to Japan and the United States, but a significant number of students went to the Netherlands, mainly the TUD. In 1992, 303 Indonesian students were studying at the TUD and the Institute of Technology in Haarlem. The training of Indonesian engineers in the Netherlands encountered the same problems as for example the education components in projects described in Chapter Five. Language barriers, difficulties in adapting to a system of learning that leave the initiative to the student and difficulties to adapting to the other social climate in the Netherlands. 

Still, according to B.A. Reith, the co-ordinator at the TUD, some 80% of the Indonesian students had in 1998 obtained their MSc diploma. The four PhD students funded by TTA-79 and later APERT took much more time in finishing their studies than expected. In 1991 the Indonesian ministry of Education and Culture, decided that the focus of the Overseas Training program would be on Japanese and American universities, since the education system is more strict and the yield is much better. Since 1987 no new Indonesian students go to the Netherlands with government funding, although since 1995, the Dutch government in cooperation with 40 Dutch institutes of higher education support a scholarship-internship program for Indonesian students. In 1998 a new mission of ITB went to the TUD to discuss assistance in creating the department, but this initiative was hampered by the political turmoil in Indonesia in that same year.

JOT IV, which involved the setting up and improving the library, was according to the Dutch interviewees not a success. The librarian of NLR who visited the Indonesian library was baffled when he saw the state of affairs in the library. The materials were outdated, the collection was small and there was no system for keeping up with the latest information. Within JOT IV, the NLR shipped most of its double reports to the library and provided subscriptions for technical magazines. The Dutch interviewees doubted whether the library has ever been used adequately. As one Dutch professor said; ‘It will take a change of general attitude, the Indonesians have an oral tradition and reading; keeping up information is just not part of the culture.’ But especially in a high tech industry such as aeronautics, keeping up is essential. The difficulty of providing a ‘script’ for joint action for JOT III and IV, must be seen as a main reason why these two sub projects proceeded in a more erratic way than the construction of the windtunnel.

In 1985 plans were made to extend the project; further assistance was required to keep the tunnel operative, and manpower development for Indonesian engineers was an essential requirement for it. The follow up project was called ISARD: Integrated Support for Aeronautical Research and Development (1987-1991). The management of this project was similar to the TTA-79 project. ISARD was more limited in scope than the first phase. It served the aims of maintaining the tunnel and continuing the manpower development elements of the former project. ISARD is not discussed here, instead we focus on the aeronautical cooperation around 1992. The results of the second follow up project of TTA-79, the Aeronautical Project for Education and Research Training (APERT), stand in stark contrast with the project for the construction of the windtunnel.
Towards the end of the Isard program the need was felt to maintain the contacts between the Dutch and Indonesian aerospace communities, but more importantly, to prevent the loss of capital. Both parties recognised that the focus should now be on education, maintenance and making good use of the facilities generated in TTA-79. On the 10th of December 1991 a delegation of the NLR met with minister Habibie. It appeared that Habibie was concerned about the recent withholding of Dutch aid to Indonesia as a reaction to the Dili incident and feared consequences for the continuation of the aerospace cooperation. He even warned the delegation that if minister Pronk would continue the way he had, the entire development relation could be endangered. His warning became true, but he did not have to fear for the aerospace cooperation. Habibie himself had enough leverage to safeguard his project after 25 March 1992, and he found the receptive ear of Dutch minister Ritzen in September 1992. Immediately after the decision of the Indonesian government, minister Habibie made it clear that the four PhD fellows who were studying in the Netherlands within the Isard programme would continue their studies, financed by the Indonesian government and a World Bank programme.

Between 25 March 1992 and the visit of minister Ritzen to Indonesia in September that year, the NLR staff had informed the department of O&W extensively on the proposed project. Emphasis was put on the long-term benefits for the Dutch economy by continuing this cooperation. It is not unlikely that the fact that Mr. Ritzen is an engineer, and known for his economic approach of education matters, made him more perceptive for the arguments of the NLR. The long-term objective of APERT was defined as: ‘to reach an equal partnership collaboration, which though exchange of specific knowledge and experience, will be beneficial for both the Indonesian and the Netherlands aerospace communities’. The three elements of the programs were support of ITB by TUD (the ‘Project Bandung’); lab development, entailing support if ILST operation by NLR (the ‘Project Serpong’); and joint research (the ‘Project Joint Research’). The ultimate objective of the Project Bandung was the establishment of an independent department of Aerospace engineering at the ITB. This was an objective that had already been identified in the TTA-79 program, but as yet had never resulted in a separate department. Lab-development mainly entailed the stationing of a NLR engineer at the site in Serpong. Mr. Boersen worked from 1992 till 1996 in Serpong, paid by the IPTN, but the last four months of his stay were paid by NLR itself. Joint research was the element in which the equal partnership would materialise in full, after all, other than education and lab support, research is in principle two-way beneficial. In the MoU between ministers Ritzen and Habibie of September 1992 the project was specifically mentioned.
Management and implementation: implicit differences of meaning

The management structure of APERT was basically the same as in TTA-79. It worked well in that project, so the same structure of decision and task divisions was maintained. From 1992 till 1994 some research was done by the two implementing parties NLR and IPTN, but the activities could not be called cooperation based on equality, nor mutually beneficial. The Indonesian contribution had not been materialised, other than some lab tests, that had to be redone in the Netherlands. In that period Fokker and NLR were the funding agencies for the Dutch part of the project, a total of 2,37 million guilders. The Indonesian contribution to the research would be funded from the budget for the development of the CN-235 aeroplane. In the confidential policy document for minister Ritzen, the writers pledge for an extra contribution of the Dutch ministry of 350,00 Dutch guilders. However, until 1996, the fact that the Dutch ministry had financed a part of the program was not mentioned in the progress reports: it was considered too sensitive with regard to the new political situation after 1992.

In 1995 APERT was transferred to the KNAW program for Dutch-Indonesian scientific cooperation under the renewed Cultural Agreement. Since then the problems with implementation and differences in needs between the counterparts became more manifest. From 1995 till 1998 1,1 million guilders were contributed annually from the KNAW program. This was acceptable in the diplomatic-political sense, since it was part of the Dutch Indonesian agreement on Cultural Cooperation. In the progress reports, the Indonesian contribution was about the same as the Dutch contribution, but funds were never exhausted, because the Indonesian contribution only existed on paper.

The problem of lack of, or non-existence of Indonesian counterpart-funds is a general problem in the renewed Cultural Cooperation. What happened in APERT was similar with the conclusions of the KNAW committee reached after visiting Indonesia: Indonesian counterparts are not able to earmark the same funds as the Dutch counterpart. It was suggested that a 1 (IND) to 5 (NL) ratio of financing would be more appropriate. 'A balance may also be found in kind support from Indonesian institutes, rather than in hard currency'.

As we know from the cases of Chapter Five, the KNAW screened every proposal scrutinously on mutual benefit, which excluded the possibility of education elements, since education benefited Indonesia in one way direction. The KNAW has always been hesitant in accepting APERT in its program, because it consisted for the greater part of education, laboratory support and applied research to support the development of the CN-235 plane. The research for the CN-235 benefited IPTN, but also the NLR. When research assignment from the ailing Fokker Company ended, NLR had to find other research jobs to remain in the business. The cooperation in APERT was for the NLR a good opportunity to carry out research, funded by mainly the Dutch government. That resembles the criticism on PRIS, where bilateral funds were actually used by Dutch researchers, whom otherwise had to be funded from within the university. Because the pressure from ministers Ritzen and Habibie was so strong, and the fact that APERT was specifically mentioned in the MoU between minister Ritzen and
Habibie of 19 September 1992, the KNAW could do not much else than fund the APERT project, albeit under protest. The KNAW maintained that the core of the project should be joint research, in particular state of the art research, rather than applied research. But also after 1995 the joint research projects in APERT did not become joint: the NLR researchers did research and sent the results to Indonesia, where it subsequently got lost because of the many changes in personnel. Engineers never stay long in state-owned IPTN or Puspiptek, they can earn much more in private companies. The net result was that there were still no experienced engineers at Puspiptek, but the masters-trainee situation of TTA-79 was not allowed in the new policy agreements, not implicit, and definitely not explicit. The new Dutch PCO from 1996 till 1999, Ir L. Sombroek repeatedly questioned at the Plenary Program Meeting why the Indonesian counterparts did not perform their parts of the joint research. He received an honest answer 'behind closed doors' that the Indonesian did not have the manpower and facilities to perform their tasks. It is understandable that state of the art research is a 'luxury' that only fully industrialised countries can afford. On the other hand, research is essential since Indonesia has to keep on importing (and buying) technology abroad if it does not develop its own R&D base.

At the Plenary Programme Meeting of July 1996, the Indonesian and Dutch delegation agreed that joint research should be the core of the activities. The other two elements would merely be supportive. Despite this intention, and despite the realisation of the Indonesians that importing technology is not in accordance with the policy of developing an independent aerospace industry, the request remained for more educational activities in the annual meetings. Since so much money was not spent in the joint research activities, the Indonesians reasoned that the surplus could just as well be used for educational activities. Mr. Sombroek had to say no, after all, this was the Dutch part of the budget and should not be spent on education. He found himself between two fires. On the one hand he knew that the Indonesian needed first and foremost to set up a well-functioning system of education, and on the other hand he had his mandate of the ministry and the KNAW, to manage a project of mutual benefit, in other words, joint research. Indirectly he was told by his Indonesian counterpart that he was not 'flexible' when he did not want to shift the funds to education activities.

The side of the story of the Dutch PCO matches the explanations of the (new) Indonesian PCO (1996-1999). Rowin Mangkoesoebroto, an engineer who studied in Delft admits that Indonesia foremost needs support in education. His stake has since his start as PCO been to replace IPTN and NLR as the principal secretaries of the cooperation. Having the universities ITB and TUD take over the core of the cooperation is to him much more logical. Since the official renewal of the development cooperation in June 1998, there are no objections to making education the core of the program. He added that the interest of NLR, especially after the bankruptcy of Fokker, is to obtain as much research domestically and abroad and APERT is then one of the projects that add to the budget of NLR. The TUD has a clear interest in cooperating in APERT as well, also since the demise of Fokker TUD needs to attract students from abroad. Furthermore, TUD has always defined its position in accordance with the eco-
economic interests of the Netherlands. As B.A Reith put it: "The TUD invests in the guidance of the Indonesian students out of idealism for the Dutch economy. The university is not paid to do this, but we do it as a noble endeavour for the Dutch economy." The TUD has undertaken a mission in 1998 to assess the possibilities in assessing ITB with setting up a new department of aeronautic engineering, but the funds to do so must still be obtained.

In January 1999 the Indonesian Governing Group prepared a letter for president Habibie to write to Prime Minister Wim Kok from the Netherlands. In this letter a new request was made for technical assistance to the Indonesian-Dutch cooperation in aerospace. The Joint Aerospace Research Project Indonesia Netherlands (JARPIN) was the new name for the support of TUD to the aeronautical department at ITB. The main argument as that not assisting Indonesia would mean a loss of capital investments made in earlier decades. The 19th of March Wim Kok wrote him back, but offered no concrete help. In fact, Kok wrote that the responsibility for the future project JARPIN should be delegated to the ITB and Delft. A close colleague of president Habibie was right when he remarked that the Dutch government is not willing to support the Indonesian aerospace in the face of the current financial and political crisis.

The new minister of Foreign Affairs almost stopped the delivery of advances signalling apparatus in March 1999, arguing that Indonesia should spend its money on basic needs for its people. In June 1999 the proposal for JARPIN was rejected by the KNAW-committee. KNAW could judge without any directions from up top, according to the official standards of equal cooperation, because the new minister of OCW Loek Hermans does not support the projects favoured by his predecessor Ritzen. Such seems pretty ironic in a time where the Indonesian parties could openly confess that cooperation based on equality was not possible and assistance was dearly needed...

So much for equality and mutual benefit...
The somewhat paradoxical conclusion of the APERT project is, that despite strong support of the two responsible ministers, despite the fact that minister Habibie directly after March 1992 intervened, despite the economic stakes involved, it had never gained the momentum that the development aid project TTA-79 once had. The main cause of implementation never taking off seems to be the tremendous gap in knowledge, facilities and funds between the two counterparts. If the new conditions of scientific cooperation and economic cooperation between Indonesia and the Netherlands are strictly adhered to, then such cooperation is extremely difficult, even impossible. The PCO in the Netherlands did not want to yield to the Indonesian requests. The Indonesian counterparts could not implement their research tasks. The KNAW was determined to its task of securing equal and mutually beneficial cooperation. The net result of all this was that this project did not come of the ground, or in aerospace terms, reached the take-off stage. In sum, APERT has never been able to live up to the expectations raised in the new Cultural Agreement: cooperation, mainly through research, to mutual benefit and on an equal basis.
The irony of it all is that Minister Ritzen stressed the equality and mutual benefit on the higher level, but generously donated the High Speed Wind Tunnel to Indonesia and funded the pre-research for the establishment of the department at ITB. "When Mr Ritzen and Habibie talk, they talk about the policy, but they don't seem to have time or be interested in the implementation." Other close colleagues of Mr Habibie point out that he is so intelligent and has such a vast knowledge, that the distance between his level and the level where they are (practice) is very large. Not many people understand his directions.

Asking why APERT never reached the take-off stage, a sequence of factors can be listed, often in stark contrast with factors leading to the success of the TTA-79 windtunnel project. The answer begins with the assertion that there was a wide gap between political desires and the reality of the shopfloor. Although willing to implement the project, the people responsible for the realisation of APERT's objectives soon noted that the joint research was not possible between counterparts who had such different needs and opportunities. There seemed to be a lack in interaction about this state of affairs: messages or concerns that the political goals were not feasible never reached the two ministers, or prompted them to alter the objectives or the financial structure. APERT was to be the exemplary of the renewed cooperation to (long-term) strategic benefit and any message that this might not be a feasible option did not fit in the political blueprint. Apparently the priorities of politicians, reflected in the direct intervention of Mr Habibie and Mr Ritzen, cannot be automatically translated into successful policy implementation. The context of the project was simply too forbidding. The context in this case is that the Netherlands is an industrialised country with a well developed R&D community and Indonesia a developing country with a developing R&D community and a shortage in engineers and funds. Even though counterparts at the level of implementation were willing to cooperate and believed in the project, they were simply not able to act according to plans: the plans were not feasible. And, the real need of the Indonesian counterpart, applied research and assistance with education could not be granted under the renewed Cultural Agreement. It was not a political or financial option to change the general framework within which the project was undertaken.

The economic context has indeed been influential for the possibilities on the level of implementation: when the project was initiated in 1979, the sky was the limit in Indonesia due to the oil income. After 1986, when the oil prices sank to 10 dollars a barrel, even minister Habibie had to take some steps back. Indonesian financial input (over 80 million of guilders were spent for buying the material for the tunnel) hardly came off the ground for the projects Isard and APERT. Had the Indonesian government been able to pay for the educational activities in APERT, then the whole issue of having to be part of the Cultural Cooperation, and therefore be on equal footing, hence be research-oriented would not have been a problem. It is now too late to question the order of objectives of the total cooperation in aerospace; according to many interviewees it would indeed have been more logical to start with education, and end with windtunnel and research.
The strength of personal networks cutting thorough the games is another explanation of the results in TTA-79. The then Dutch minister of Traffic and Waterworks, Mrs Neelie Kroes (1982-1988), as well as Mr. A.B. Wolff personally befriended Mr Habibie. The engineers working together knew each other as well from their study time in the Netherlands. While the same was true for the APERT network, the contacts had become more at a distance when the Dutch were not actually present in Indonesia anymore. The only times when the participants could have intensive contact was at the annual meetings. The Dutch level of policy management, represented by KNAW communicated in a formal, written manner and was in general not positive about the proceedings of the project. Before KNAW’s involvement, that level could be skipped in the Netherlands. Interaction between the higher and lower games was in general stronger during the TTA-79 project: minister Habibie regularly visited the tunnel at PUSPIPTEK, NLR and the TUD to personally assess the proceedings.72

In the course of years and with the increase of his activities, minister Habibie got a more distant position from the shopfloor, and more tasks were delegated to his subordinates. But the latter were reluctant to act according to their own insight: a hindrance when quick and creative decision-making was required to get APERT going. The reluctance was the result of not being used to assume responsibility and the knowledge that Habibie always knew better. Also the years of support from abroad had negatively affected the independent acting of the Indonesian aerospace community. However, to be able to operate independently is precisely what is required in a stiff competition situation, which characterises the aerospace industry plus the current Asian crisis.

Figure 6.2 summarises the saga of APERT. Comparing the figure of TTA-79, it is clear that the personal networks are gone, that the policy management organisations hardly play a part in the total game and that the implementation of APERT is not as firmly grounded and supported as the windtunnel project.
At the turn of the century, the IPTN factory came to a standstill. Most of the expats left
and there was no money to continue operations. A committee to investigate the seven
major accidents in the past years with the IPTN aeroplanes is defunct: there is no inter­
est and no money to conduct the investigation. A close friend of president Habibie is
sombre about past endeavours and what it has led to in 1999. Looking back on the
decision to build an Indonesian aerospace industry, he summarised the problem:

‘In hindsight it may have been wrong. We got help from everybody … They knew
that we could not compete anyway. They said you can do it and so we did it.
Habibie thought that we had a critical mass of professional people to build up an
industry … But it was absurd, far from the Indonesian reality. We did not know at
the time. We thought we had the money, everybody said we had to do it … We
forgot the time factor and culture factor. It needs time, we cannot do it in ten years.
We are very slow, the organising knowledge and experience is very low. I am not
going to blame the Dutch, but we have never had the mandate to think.’

Laminated Wooden Boats

The Development of Laminated Wooden Boats project was an ideal development
project in several ways. The project perfectly matched the small-scale industry policies
of the Indonesian ministry of Industry (Mol) and it was supported by the United
Nations Industrial Development Organisation (UNIDO). The project was also in line
with Dutch development policy: with the use of local skills, labour and modernisation
of materials and production, targetgroups at the bottom end of Indonesia’s industry
were reached. The project would generate better incomes and more possibilities for
poor fishers and traditional boatbuilders. The project was immediately continued
after the ending of Dutch foreign aid in 1992. The then minister of Industry Hartarto
was so convinced of the benefits of this project that within two weeks after March 25
budget was allocated. The project was to continue in the same way as it had done
when it was a Dutch project of foreign aid. However, after one year of being a com­
pletely Indonesian project, it withered away. The description of this project is yet
another example of the indispensable yet delicate balance between the games and the
respective stakes. This is also a story of how a small ship could not withstand the waves
of the ever-existing undercurrent in Indonesia’s socio-economic order.

Problem definition: better boats and modern management for the
common fishermen

Boats are important means of income generation in the Indonesian archipelago. They
are used for fishing, transport of goods and of people. Traditional boats of wood are
built for the small-scale fishing industry; the boats are cheap, simple to make, made of
local material, but they are not very durable. The majority of fishers who buy the tra-
ditional boats are poor, as in most parts of the world, and do not have much opportunity to increase their incomes. These fishers often have a patron-client relation with fish-traders who provide credits. Buying better and longer lasting boats is not an option for them, they earn hardly enough to provide in the family income. The economic position of the fishers has its effects on the traditional boatbuilding industry as well: there is no demand and no incentive to develop or invest in new technology for wooden boats.

On the other side of the scale is the so-called piscibusiness, large companies, either private or public. The private companies are often international joint ventures from Indonesian and foreign entrepreneurs. These larger companies invest in fish processing factories, cold stores, canning factories and often have their own yards for repairing vessels (Lips 1993: 53-81). The vessels used by such companies are bought abroad: they are cheaper and of better quality than Indonesian produced vessels.

Two competing theories of industry-policy can be distinguished in the boatbuilding industry. The nationalism in Habibienomics resulted in the government support of PT Pal, a state owned yard under the auspices of BPPT and one of the ten strategic industries of the BPIS. PT Pal builds and develops large hi-tech vessels and tries to equal the quality and price of vessels from abroad. In general however, boat building in Indonesia remains inefficient and not competitive. The reason for that is that it is part of the domestic transport equipment industry which is heavily protected as one of the import substitution industries (UNIDO 1993: 175-177). Hartartonomics, guided by the principles of nationalising the economy through developing small-and medium scale Indonesian entrepreneurs, supports the boatbuilding industry as well. The project described here clearly fitted in Hartarto’s ideas.

In 1980 the Ministry of Industry (MoI) and the UNIDO conducted a study into the industrial possibilities of Indonesia’s economy. One of the partial reports was devoted to the boat building industry. It was suggested that the traditional boatbuilding industry could be modernised by the technique of laminating of wooden boats. This technique has three advantages: it is labour intensive, cost-efficient and local materials can be used (UNIDO 1985). Instead of using large wooden parts from tropical hardwood, the laminated wooden boat technique allows the use of cheaper and smaller wooden parts. These parts are glued together into the shape of the boat. The boat is then laminated, making it more durable and less prone to wear and tear. One of the problems with laminating wooden boats is that, contrary to constructing boats with fibreglass, not many designs for this particular type of boats are available. It also involves a totally different technique than traditional boatbuilding. Before a yard can start with laminated wooden boat building, investments in human resources, facilities and technology have to be made. Laminated wooden boats are therefore more expensive than the traditional boats made on small yards, although the former are much more durable (Lips 1993: 45-46). State owned yard PT Pal had experimented with the technique, but on a small scale. The Integrated Boat Project (IPB), which was later named Development of Laminated Wooden boats was the first inclusive project that dealt both
with the construction, design, advice, research, development and marketing of the laminated wooden boats.

Two attempts and the right hit

In the early 1980s, a yard in Banyuwangi, East Java, became interested to develop the laminated wooden boat technique further. Gerard Dijkstra, a Dutch boat-designer who had worked in the Moluccas in a project for the improvement of boats for missionaries, became involved with this yard. He and the director of the yard were of the opinion that the laminated wood concept could reach a much larger market by improving the designs. They applied for a loan at the Dutch bank for credits to developing countries (FMO). From 1982 till 1990 the FMO lent 3 million Dutch guilders and provided in a grant of half a million guilders for technical assistance. The initiative failed: the Indonesian director wanted to put all the money into the set-up and enlargement of the factory, rather than focusing the attention on developing designs and generating orders. Relations between the Dutch consultant and the Indonesian director soon withered: the differences of opinion became too large, while the yard was making huge losses. Two devaluations of the Rupiah made it even more difficult to pay back the loans (Dalmeijer 1995: 69-71). Gerard Dijkstra withdrew from the project in 1983 and in 1990 the Indonesian director left, taking with him the cash that was still left. The concept of laminated wooden boats needed an environment in which more attention was given to marketing, design and training. It was not yet ready for being brought directly into the market via an existing yard.

After Dijkstra left the yard in Banyuwangi he started working for UNIDO and assisted in the aforementioned study to the Indonesian small and medium scale boat building industry. He met with Dop Bär, who knew all the ins and outs of the Indonesian boat building industry and with Joop de Schutter, a Dutch engineer who had been working in a small yard in Lombok. Funded by UNIDO, the Integrated Boat Building project started in 1984. The first years did not result in success, mainly because the selected yards that were to apply the technique did not function as expected. Having learned from past experiences in the yard in Banyuwangi, and the first years (1984-1988), multiple objectives were defined. Using the lamination of wood technique the long-term objective was 'to contribute to the establishment of a self sustaining boat building industry in selected regions'. The short-term goals were to:

- improve the standards of boat building and the quality of boats;
- promote investment in modern boat building;
- enhance national boat building consultancy capacity;
- promote export of boats. The target groups were entrepreneurs identified in the earlier project, boat users (fisheries, transportation companies) and a network of industrial development extension agencies from the Ministry of Industry.
The 'integratedness' of the project was that it not only provided technological know-how, but assistance in the complete process from feasibility studies until the final operation process. The team provided in technical assistance to boatyards and groups of traditional boatbuilders. The services consisted of feasibility studies, boat design and assistance with construction, fleet and yard management and general support to the development of small and medium scale boat builders. Courses for boatbuilders, marketing of the new designs and construction, management courses were available for interested parties, while in the office in Jakarta designs were made, for boats, factories and production techniques. In 1993 the tangible results were that some 300 boats had been sold and were in full operation, a profit had been made of 2 million guilders. A few yards in East Indonesia still build the laminated wooden boats. However, the ultimate objective of IPB, that the project would mature into an Indonesian boat building consultancy organisation was never achieved. Nor did a widespread use of these boats by small-scale fishers come about. Why that did not happen has little to do with the objectives or feasibility of the concept or the support of the minister of Industry, but with the policy management by the Ministry of Industry.

Organisational set up

From 1984 till 1989 the IPB had been an UNIDO-MoI funded project, in 1989 DGIS took over the larger part of the funding, the project fitted into the sub-policy for industrial development. An organisational change was also made: the IPB got a formal Indonesian counterpart. This was the LKI, the Indonesian Institute for Industrial Entrepreneurship. This agency had been founded by minister Hartarto in 1984, as a follow up of a partial UNIDO report, that evaluated what happened after projects of small industry and technology transfer were ended. The conclusion of that study had been that nothing happened after initial technology support and it recommended that there should be an institute that takes care of the aftercare. LKI worked for the Mol and conducted technology-transfer training for selected small-scale industries. LKI was believed to be the best counterpart for the IPB, having the same objectives and also being a subsidiary of the Ministry of Industry. F. Sartono, the director of the LKI became the project director from the Indonesian side and the IPB project could make use of the facilities and office space in the LKI building. A project manager from the department of Directorate General of Machinery, Basic Metal and Electronics Industry (IMLDE) within MoI was assigned as well. This project manager would secure the communication lines between the project and the Mol. During the project however, not much communication between this project manager and the project could be reported. Gerard Dijkstra became backstopper in the Netherlands. Dijkstra's company, Ocean Sailing Development Holland in Amsterdam was the implementing party for DGIS. Joop de Schutter became the Dutch team leader in Jakarta. Indonesian and Dutch experts were recruited as naval architects, marine engineers, draftsmen, modelmakers and foremen. In the office, only Indonesian was spoken, all Dutch employees had to learn Indonesian.
The positioning at the LKI office was at the start the most logical choice, because LKI had links with the UNIDO and was a subsidiary of the MoI. However, that choice was not necessarily the best. LKI never got the standing and effectiveness it was planned to have. The industries that were the target groups of LKI were not willing to cooperate or pay for the services of LKI. Within the Ministry of Industry this agency did not have any standing at all, being a subsidised institution, not generating money or products by itself. Furthermore, the director of LKI did not have any knowledge or feeling with the boat building industry. He could not act as an intermediary from the project to industry. When in 1990 plans were made for the extension of the project, it was agreed that another Indonesian counterpart had to be found, within the boat building industry. In 1991, when the project had been renamed as Development of Laminated Wooden Boats (DLWB) the large state-owned yard PT Dok Perkepalan Kodja Bahari (PT DOK) in Jakarta was assigned as the new counterpart. DLWB was to be an independent unit in the engineering department of PT Dok. 

A project manager from PT Dok was assigned, but according to an interviewee, he knew the *Panca Sila* by heart, but not so much about managing a project like this. In a state owned company the criterion that someone should be qualified and experienced was still overruled by the principles of seniority and loyalty to the regime. But, as stated on the project’s objectives, one of the goals of the project was also to improve the, as yet inefficient management and organisation capacities of the Indonesian boat building sector. It was hoped that through continuing management training, the concept of laminated wooden boats would be well organised and marketable after the foreign consultants would leave in 1993. The next figure sketches the situation of the project. It was independent, marked by the thick line around the implementation game and the Ministry of Industry had factually little to do with the project.

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**Figure 6.3** An independent organisation working in a powerful policy environment
On 7 August 1990 the limited Cabinet session of the Indonesian government decided that the Integrated Boat building project deserved its full support. In particular minister Hartarto of Industry appreciated the project. He visited the yards and stayed for more than two hours on one yard. He also had the project team appear on national television, explaining the scope and objectives of the project. The IPB formally ended in January 1991, and Hartarto took care that the project was continued for a new period, until 1993.

In 1990 a Dutch naval expert and a Dutch economist had conducted an evaluation. The conclusions of the report were very positive, the project was definitely eligible for continuation. At the time of evaluation, hopes were high that the IPB could mature into a full-fledged Indonesian boat building consultancy unit. Despite the positive evaluation DGIS wanted to end the Dutch contribution to the project, having ended its industrial policy component in the overall program of development policy (DGIS 1992: p. 21). During the annual bilateral meeting between Bappenas and DGIS in 1990, the head of the Bureau for Asia and Indonesia announced that as far as the Dutch delegation was concerned, the project should be stopped, since the industrial development programme had to come to an end. The Indonesian delegation objected, saying that this was one of the few projects in the entire Dutch aid-program that had the full support of the Indonesian party. Joop de Schutter was furious when he heard this, calling it Dutch arrogance that the Dutch delegation announced that their policies changed, and therefore the joint project had to end. Hinu Sutihardjo, the representative from Bappenas at the time who led the meeting said that such events are normal: every donor country has its own policies and it is a matter of compromise and accepting the particularities and changes in the donor country’s policy. Due to intervention of the embassy DGIS did not withdraw its support and the project was extended.

When the decision to end all Dutch development aid was announced in 1992, minister Hartarto immediately took care the project was continued as an Indonesian project. Funds from the Mol and Bappenas were quickly found and the Dutch consultants could continue working as before, receiving the same salary. The change of the source of funds did have consequences for the project. From now on, the team had to frequently bring an ‘envelope’ to the Mol, for the ‘delivered services’. This is a not unusual practice with projects from the Indonesian budget: every organisation involved should have a share of the budget, even though the major share of the work is done by one organisation. The Dutch consultants were not and did not want to get used to this practice. When the project formally ended in 1993, they felt no desire to propose a continuation, even though the project had still not achieved its ultimate objective: a well organised centre for the development of laminated wooden boats. People at the Ministry who could have advocated the continuation of the project in its integrated form did not take the initiative. The project never got a follow-up or institutionalised into a centre, neither at the ministry, or at PT Dok. It was not the task of
the engineering department of PT Dok to keep the team together either: after the Dutch left, most of the Indonesians who had been working as designers, engineers and trainers left and found jobs in other yards or in other departments of PT Dok. Bär explained why the project withered away and why none of the Indonesian counterparts undertook action for the upkeep of the project. According to Bär there was a certain extent of jealousy in PT Dok and the Ministry of Industry. The project was an independent activity, 'that was a thorn in the eye for Indonesians, some kind of jealousy: being independent is not Indonesian, you have to share things.' He pointed to a phenomenon that is often heard in Indonesian business circles: a small business can succeed in a small community, but as soon as you get too big they [the bigger business, the family and friends of Soeharto, mlv] want a share of it. If you make a profit, you have to share it, voluntarily or via other means. The support of minister Hartarto apparently did not secure the continuation of the project in its entirety, i.e. management, training, marketing, assistance and designed. The team of technical experts, working together on a wonderful concept apparently did not have, nor had invested in a favourable network within the Ministry of Industry. And as technicians do, they prefer to work in an environment where they can practice their technical skills. That explains probably why they all sought and found employment elsewhere when the conducive environment of the project ceased to exist.

Presently, a few yards in the east of Indonesia still make the laminated boats with the designs that had been made within the project. For users who are able to buy these boats, they generate a high return on investment. One of the users told Joop de Schutter that it seemed as if these boats 'printed money'. However, no new designs are made, and small-scale fishers can stil not afford to buy laminated wooden boats. The director of LKI was of the opinion that the project did not reach the largest targetgroup, small-scale fishers, because there was no small credit program attached to the project. Without credit assistance, such fishermen can never assemble enough money to invest in a laminated wooden boat.

An integrated development project: shattered hopes and plans

The Pompengan Integrated Area Development Project (PIADP) evoked as many opinions as it had objectives. The project was designed to be integrated: all aspects of the socio-economic situation of the project area had to be developed in concert. But, as all policy makers know: the more you want, the more you fail. This is not to say that the project failed in all its objectives; a few years after its sudden end in 1992, some positive effects of the project could be observed in the area. Nevertheless, the interplay of the many counterparts with their own policies generated an interesting case of non-cooperation. In the last year of the project’s implementation, it became clear that nobody, from politics to implementation, saw any use in continuing this project, despite the recommendations of an evaluation in 1990 and the positive developments
in agriculture production in the area. The decision to end the project because it was a Dutch development aid project was accepted with relief.

Luwu, South Sulawesi

The Luwu district in the north east of South Sulawesi, where the Pompengan project was situated, has since the colonial times been a target area for transmigration programmes. The soil was found to be very fertile, but the infrastructure lacked, while no optimal use was made of the soil in the absence of irrigation schemes. But most of all, Luwu was sparsely populated. Between 1953 and 1965 rebellious upheavals of the separatist Darul Islam movement caused much damage to existing infrastructure and many inhabitants of the Luwu plain fled, leaving their lands behind. When in the late 1960s stability had returned to the area, government efforts to develop the region were initiated. Rice production had to be improved through the introduction of high-yielding varieties, irrigation schemes and settlement of more farmers. As a result of the transmigration programmes in the first Repelita's some 50,000 people from Java and Bali moved to South Sulawesi; in 1981 9% of the population of Luwu were transmigrants (Kristanto et al 1991; Roth 1993: 380).

The New Order government destined South Sulawesi to be a rice surplus producing region, in line with the objective of achieving self-sufficiency in rice. After Java, South Sulawesi is the largest producer of rice: 7% of the total Indonesian crop is produced here. The Luwu District is the most promising area for development in the region. Whatever the next tale may reveal about failing implementation and unfinished settlement schemes, in 1994 Luwu had a larger economic growth (9.94%) than the rest of South Sulawesi (7.79%). Rice is the main crop of Luwu, and next to that it is known for fruits (durian and oranges) and there is considerable production of cacao, coffee and tea. Having a 300-kilometre coastline, many people earn their income with fishing and brackish fisheries. It does not need further explanation that the economy of Luwu is mainly based on agriculture, which contributes 45% to its Gross Regional Domestic Product in the mid 1990s (Zakaria 1997: 46-47). In comparison, the share of agriculture to the GDP of Indonesia had declined with 57% to approximately 20% (Hill 1994: 57; Prawiro 1998: 300).

Policies and actors in an unsettling context: from irrigation to integration

In 1969, the Indonesian government commenced with irrigation and infrastructure schemes and promoted transmigration to the sparsely populated Luwu plains. The transmigrants had to face the poorly developed state of the infrastructure. Drainage of the lands had yet to be cultivated. Another problem was that the original inhabitants felt discriminated. The migrants received special treatment by the government and worse even, the original landclaims of the locals (who returned after the stabilisation of the New Order) were contested. The Indonesian irrigation and infrastructure plans did not proceed as expected and needed assistance from abroad. In 1975 an USAID pro-
gram assisted in the Luwu Area Transmigration Program, but was mainly focused on the technical aspects of migration. Also in 1975 the Dutch government started the Pompengan Irrigation Project. Pompengan is a village in Luwu where the first irrigation works had been started. After that, the project kept the name of Pompengan in the projects title.

From 1975 till 1986 the Indonesian Department of Public Works, (the directorate General of Water Resources Development) and two Dutch engineering consultancy organisations, DHV and Ilaco implemented the project. Overall coordination was given to the Directorate General of Transmigration, by a presidential decree of 29 May 1974. In that period, the project was solely focused on irrigation of the Luwu area, to increase agricultural production and to improve the living conditions of the rural population. The implementing team realised that the construction of irrigation schemes would not be sufficient. In the Masterplan it reads: 'the ultimate goal of the program can only be attained if the irrigation projects are integrated and supported by programs of infrastructure and services'.

In the same Masterplan the socio-political problems with transmigration and land registration were referred to, but no action was undertaken to find solutions for those problems. After all, the counterparts involved were there to perform technical expertise, appointing consultants or finding Indonesian counterparts for the social or legal aspects of the changes involved was not part of the plan. The concept 'integrated' did not involve social and political issues.

In the course of time, the Indonesian-Dutch team met obstacles in their plans: after construction irrigation schemes, significant delays in the scheme of operations occurred. It turned out that the new possibilities for agriculture production were not utilised to the extent that was planned. The team realised that the technical solutions offered by the irrigation schemes would not render the increased economic benefits if the human factors were neglected (cf. Schrevel 1993: 166-167). One source of the problems originated from the unresolved land- claims: much of the land was not used because it was not clear, or worse, there was strife over who owned the land. This was especially the case in area B. This area had not been fit for agricultural use until the construction works started. Now that this area was 'ready for cultivation' the question was who would live and work there. Maintenance of the irrigation schemes, as well as management capacities in case of flooding and agriculture extensions services were also deemed crucial for a successful use of the irrigation schemes. The nature of the problems justified the turn to an integrated approach.

The term 'integrated' was in the 1970s much promoted by the World Bank, meaning that development-projects had to include all aspects of the socio-economic changes that would take place. The Dutch government had also made the turn to the integrated approach in the 1980s; DGIS preferred project proposals that were integrated over singular objective projects and promoted the extension of existing projects with other activities. In 1986 the project was continued as the Pompengan Integrated Area Development Project – PIADP (Roth 1994: 381). The infrastructure activities were now seen as part and parcel of a wider set of objectives. These objectives were:
to help the farmers settle on plots that had been unsuitable for agriculture. This objective meant that a program of land reform had to be set up, since in that area it was not clear as to who owned the land. The various claims of people who had left the area during the civil unrest period had to be settled. It also meant that the new settlers in the area were to be assisted. Through a settlement program the newcomers would receive money for the first year, assistance with building houses and sanitary facilities;

to set up a system for maintenance and operation of the flood protection and irrigation works for the farmers and the regional authorities;

to support the farmers with the optimal use of their land through agricultural support services;

institutional development: all agencies involved, as well as the farmers' participation had to become coordinated and integrated.

In 1989, after a review committee had visited the project, another component was added, in line with the Dutch and Indonesian government's objectives: Women in Development. This part of the project was to safeguard the interests of women (Quarles van Ufford et al 1990: 2-3).

The reformulating of objectives meant that more counterparts from the Indonesian side had to be included: the Agency for Village Development (Bangdes), the Land reform Unit (BPN) of the ministry of Domestic Affairs, the department of Agriculture, Waterworks from the Ministry of Public Works, the Directorate General for Housing, Building, planing and Urban Development (Cipta Karya) of the Ministry of Domestic Affairs, and later a family welfare project unit for the women-in-development component (PKK). From the Dutch side the consultancy unit of the Institute of

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**Figure 6.4** Pompengan: much ado about integration

The reformulating of objectives meant that more counterparts from the Indonesian side had to be included: the Agency for Village Development (Bangdes), the Land reform Unit (BPN) of the ministry of Domestic Affairs, the department of Agriculture, Waterworks from the Ministry of Public Works, the Directorate General for Housing, Building, planing and Urban Development (Cipta Karya) of the Ministry of Domestic Affairs, and later a family welfare project unit for the women-in-development component (PKK). From the Dutch side the consultancy unit of the Institute of
Social Studies in the Hague (ISSAS) was included, to take responsibility of the social side of the project. Members of the Dutch team supported all of the Indonesian counterparts. Bappeda 11, the district development planning agency and the Dutch team leader, would coordinate the program. The district chief (Bupati) and the Governor of South Sulawesi stood on top of the hierarchical line. It will be clear that the turn to integration generated a complex organisation. The following figure shows the many actors and the assumed channels of communication of PIADP.

**Engineering cooperation and integration: like goats**

Anybody with a limited knowledge of development projects and organisation can more or less predict the outcomes of the intentions described in the above (Quarles van Ufford 1998; 1993; Porter, Allen & Thompson 1991). What happened in the Pompengan project is not so much an exception, but rather the rule when so much objectives with a certain mode of rationalist, optimist planning are set. The name of the project, the Pompengan *Integrated* Area Development project set into motion a sequence of failed planning, missed objectives and organisational strife. The words of the development discourse that stood at the basis of this program appeared to have no connection whatsoever with the reality of the implementation process.

The many counterparts and many directives of both DGIS and the Indonesian government accumulated a myriad of objectives and concomitant interests, set in an already complex environment in which the Pompengan project took place. The integration of the changes that should take place as a result of the projects' activities never came off the ground. Two causes can be distinguished. The first cause seems of technical and trivial nature: the housing of the project’s staff and the faltering interaction between the counterparts resulting from the initial choice. The second has to do with a flawed assumption on integration and the inherent difficulty of having many objectives to achieve: the incompatibility of interests.

A management choice of Dutch team leader DHV was perhaps not the wisest to give shape to the integration: rather than setting up one office, or having a bureau at Bappeda 11 or the participating Indonesian agencies, the Dutch counterparts had separate offices. The project did not have a joint administrative centre, so that physically speaking there was no integration of management. An attempt later on to change this by building a new office site where the Indonesian staff of the participating agencies together with the Dutch would reside failed. Every Indonesian agency and the Dutch team-members remained worked individually on the sub-parts of the total project (Quarles van Ufford *et al*. 1990: 12-14). For the Indonesian agencies involved, there was the problem of timing and priority. For them the Pompengan project was an addition to their daily activities, for which they received an ‘on-top’ fund from Bappenas. But the projects planned activities did not always convene with the regular activities of the counterparts. It was a ‘mission impossible’ to have all agencies work in concert on the interdependent activities of the project. The Indonesian project member from
Domestic Affairs notes afterwards that compartmentalisation in his perspective was indeed that most important cause of the failure of the integrated project.95

Lingering beyond all organisational strife and troubled cooperation was the planning myth in the policy management- and political games surrounding this project. The erroneous ways of this mode of thinking were epitomised in the attempt to integrate the results from the construction works with the settlement- and land reform activities. The settlement of farmers in area B was seen as a technical issue of planning, to reach the eventual objective of optimal use of the area. Without consulting the targetgroups the land was allocated to a selected groups of new settlers. Also, the new settlers were given all kinds of project facilities. However, the belief in the working of the law (the Basic Agrarian Law) and the unambiguous character of the claims did not fit with the reality of the project’s environment, where such black and white facts did not exist. The plans on paper resulted in the opposite of the desired socio-economic order that was to be achieved: the construction works that had been carried out had made the land of area B more valuable. That resulted in its turn in an increased the desire of original claimants. Large-scale farmers and employees of the local authorities moved to area B. The small farmers for whom the benefits of the project were originally meant were not part of the selected group of settlers: their interests were not represented in the selection teams and the local officials considered their claims ‘too small for admission’. In the end many conflicts arose on the redistribution of land. The situation got so out of hand that the issue of landreform was pushed to the background and more emphasis was put on the allocation of material project benefits. The Indonesian officials said that the increase of rice production was more important than the land reform implementation, neglecting the fact that farmers were not willing to start cultivating if there was a risk of being chased of the land (Roth 1994: 382-385).

A major source of irritation for the Indonesian counterparts was that they felt they were not treated as counterparts, but rather as sources of information by the Dutch team. This was especially the case when short-term missions arrived for specific aspects of the project. Without consulting the Indonesian counterparts, a Dutch expert would arrive, do his thing, ask information and leave. The evaluation team heard many complaints and a general discontent of the Indonesians with regard to the Dutch way of management and organisation (Quarles van Ufford et al 1990: 16-17).

Until 1989 the Dutch team was understaffed: it was difficult to find the people with the right expertise and willing to go to a remote area.96 Between the two Dutch consultancy agencies – DHV and ISSAS – differences in opinion arose as well. ISSAS was mainly responsible for the social aspects of the project, amongst other things the land reform program. Since 1989, the Land Reform Unit BPN and the Dutch team member, Dik Roth from ISSAS, had decided to put scrutiny and correctness first, rather then just allotting plots to whomever came first. Only when a claim was unambiguous – either though deliberation or extensive research – land was allotted to the claimants. That meant that the claims were settled much tardier. One might question if it was not politically sensitive that a Dutch consultant was so intimately involved with a political question such as land reform. This appeared not the case: the Indone-
sian local authorities themselves found it a wicked problem and to them, handing it over to the 'technical expert' was a better solution than burning their own fingers. Furthermore, the project official from the BPN had a good working relationship with the Dutch consultant.

The interest of DHV was to implement the project as fast and smooth as possible, but the problems that the claims on land posed were contradicting their planning schemes. DHV could not continue with the settlement schemes if the land was not inhabited. The DHV team members realised that there were contradictory stakes inherent in the project's objectives, but they on their turn were pressed by the embassy and DGIS to 'put away' money as fast as possible.\(^97\)

Integration of objectives was thus more problematic than the policy documents had assumed. That the project should work on different goals at the same time was correct, but there was no idea, nor practice on how to work towards a common goal. Every single organisation in the project had a different environment, different demands and exigencies and different interests. Or in the words of the people of Pompengan: *Terpadu tai kambing*: it is integrated as goats shit, it comes out as one, but it falls into pieces on the flour.\(^98\)

Please, call it a day

In the course of time it became clear to the Dutch embassy and DGIS that the Pompengan project did not meet its targets. Such could easily be observed since the earmarked budget was not depleted due to the delays. As a reaction the embassy increased the supervision, and the Pompengan project was frequently visited by members of the embassy. This resulted in extra work for the team members, who had to accompany the visitors and organise the trips. The three monthly progress reports that had to be written for the embassy suffered from an inherent contradiction as well. The team members wanted to write a good and conclusive report, but that took time. The embassy complained that the reports came late, and at the same time the report writers knew that their reports would never be read or used.\(^99\)

The evaluation that is referred to in this section was initiated with a specific order of the embassy: the conclusion of the evaluation had to be that the project should be terminated. The foremost reason for this 'set conclusion' was that for the new minister (Jan Pronk had come into office 1989) budget had to be freed, which meant that longer lasting projects had to be terminated, making place for projects that fitted in the new policies of the new minister (Roth & Quarles van Ufford 1998: 7-8). Despite the 'advice' for the recommendations, the evaluators did not conclude that the project had to end. There were many difficulties but also ample reasons to believe that this project could be continued toward a successful end. Successes were indeed booked: in general, the construction works had been good, the agricultural extension had improved the farming considerably, the renewed approach to land reform had resulted in solved claims, albeit slowly and it would be harmful to the farmers if the project would with-
draw in March 1991. To end the project successfully, the evaluators recommended that changes in the organisation and management had to be made.

During the extension period from 1991-1992, it became clear that none of the counterparts really wanted to commit themselves any further to the project. DHV wanted to end its participation in the project: on its in general satisfying record of implemented projects the Pompengan project was an anomaly. If this project was allowed to linger and suffer on much longer, it could distort the relationship with DHV’s main commissioner DGIS. The Indonesian counterparts wanted to end the project as well. The project’s demands, and in particular the way the Dutch staff demanded time and energy fork the Indonesian counterparts for the project contradicted the counterparts’ regular activities. More so, failing on the tasks from the Pompengan project would mean less change on promotion for the Indonesian project managers (Roth & Quarles van Ufford 1998: 8-9).

Bappenas, far away in Jakarta had a totally different view on the project. Bappenas looks at the quantitative figures, and saw that the production of rice had indeed increased, in comparison with the 'before project situation’. For Bappenas, there was no reason to continue the project any longer with much more funds. Only the dikes that were not yet ready should be finished.

Unexpected by the planners, but in hindsight logical, the project had spurred conflicts between the locals: the more facilities were offered, the more the land was developed the nastier the strife on land and means became. One of the Dutch team members said: ‘You did not see the tensions that the project caused when you walked through the rice fields, but there were many conflicts and it was just to awful to think about what might happen’. One Indonesian counterpart thought that perhaps it would have been better if the project had not interfered at all with the land reform issues and have it solved in the traditional way, by interference of local leaders, and allowing the process to take time.

The problems with the land reform seem to have been the main reason why the project did not reach its stated objectives. Schrevel notes in his dissertation that in the case of Pompengan, the human factor has been neglected. He also asserted that irrigation is but one of the interests of the targetgroups (Schrevel 1993). Looking back to the history of the Pompengan project, it must be concluded that in the planning of the total project and the definition of objectives, the perspective of the targetgroups had received too little recognition. Only afterwards it became clear that the problem of ‘who owns what land’ should have been resolved first and that without a solution to that problem, the other objectives were not likely to be achieved.

When in 1997 the DHV team leader Aart van Nes visited the Pompengan area, these conclusions were confirmed. He saw that one third of the irrigated land was used as it was supposed to be. Production levels were high, the formerly skinny Bupati had grown pleasantly chubby and welfare among the inhabitants was notable. One third of the area showed mixed results, some parts were cultivated, others remained empty. The last third of the area was not inhabited nor cultivated at all; no agreement at all had been reached as to who owned the land. In two thirds of the area the disputes on
the land had not been resolved, which had made the other project activities obsolete. Only in those areas where it was clear who owned the land, the agricultural extension program, irrigation schemes and flood protection had succeeded.

Figure 6.5 Disintegration of the Pompengan project in 1991

That the Pompengan project had not been satisfactory for the majority of the participants was the main explanation for the abrupt discontinuation in 1992. Not many people were interested in continuing the project as it was, even in a downscaled form. Whether the problems to be solved are the problems of the people involved determines most of a project’s lifeline. The counterparts in Pompengan did obviously not cooperate in a smooth manner. Stakes conflicted, the meaning of the project to the counterparts and target groups differed, interaction between the games and in the implementation game was not optimal and in the end, nobody felt the need to advocate continuation. Rather, the majority of the counterparts were happy that an end was made to the turmoil that the project had brought to the area. It must be noted that it was not ill-will of any of the counterparts: the projects objectives were simply too complex and the assumptions on planning too simple to deal with the complex reality of the Pompengan area. It is not likely that any other constellation of actors would have done better. As a summary of the sections above, an amended figure of the Pompengan project is sketched. With regard to the little ellipses of the implementation game scattered around I refer to description of ‘integrated’ given by the people from Pompengan.
Regional development in North and Central Aceh: LTA 77

From 1977 till 1992 the LTA-77 project was implemented to improve the living conditions of rural population in the province of Aceh through the development of small-scale industries. This project is different from the other projects in several aspects. The project was a successful experiment with a new form of steering for the Dutch government. It was well-known in Indonesian and Dutch political circles. Furthermore, it enjoyed the strong support of targetgroups. Yet, all possible donors declined the offer to help this project continue after 1992. By elaborating in more detail on the singularities of this project and its context, an explanation is sought for the unexpected aftermath.

Aceh, a special territory

The province of Aceh lies in the westernmost part of Indonesia, it is closer to the Malay peninsula than it is to Jakarta. Both the Dutch colonial government and the New Order government had a hard time to include the Acehnese into their sphere of control. Only in 1903, after continuous struggle the Dutch had been able to gain some extent of control. The Old Order government gave Aceh the status of special territory in 1959, granting the province more say in matters concerning education, religion and customary law. The New Order government made it even more special by declaring it a region of military operations in 1989, to curb the alleged calls for independence (Sumbogo, Effendi & Budiarti 1998).

The reasons for Aceh’s resistance against control from outside are twofold. The first is that most Acehnese are devout Muslims and they did not agree with the secular conception of the first leaders of Indonesia. They wanted to establish a state based on Islamic law. The second is its geographic setting and its natural resources; it has in its trade relations always been much more oriented towards the rest of Southeast Asia and Japan. In the late 1960s huge resources of Liquefied Natural Gas (LNG) and oil were found. The Arun LNG Plant, which is owned by Mobil oil and the national oil company Pertamina contributed to 17% of Indonesia’s US$ 11.8 billion oil and gas exports in 1997 (Tesoro 1998). Aceh is furthermore one of the few provinces that produces a surplus of rice, provided there is no civil unrest. The tastiest cabeh (chili pepper), quality Arabica Coffee, maize, soybeans, peanuts, rubber, palm oil and coconuts are also produced in large quantities for export. Aceh’s GDP is therefore on of the highest of Indonesia: the relatively small province contributes 11% to the national budget. It received 4% back from the New Order government (Dawood & Sjafrizal 1991).

The central government has a keen interest in keeping Aceh stable and part of the republic: the foreign investors who exploit the LNG and oil do not want to be bothered by unrest and the income generated from this province is significant. The military operations carried out from 1989 till 1998 were said to control the separatist movement. However, the general contention both in Aceh and Indonesia is that the
Acehnese people do not so much want independence, but an equal share of the wealth. The inequality is clearly visible: on the north coast, enclaves are built around the oil-, LNG- and fertiliser-plants, inhabited by foreigners and Javanese employees. Hardly any of the wealth finds its way to the surrounding towns and villages. The Acehnese not only suffer from the unequal division of wealth, similar to the people in East Timor and Irian Jaya, many of them are traumatised. Thousands of men were killed and many women raped, often in front of their families during the military operations.¹⁰⁴

Background of the project: the problem-definition of an Acehnese professor

Professor Ibrahim Hasan, who was rector of the Unsyah University in Banda Aceh, believed that through better planning capacities Aceh’s development could be enhanced. With a Dutch economist from the Netherlands Economic Institute, he formulated a proposal for the Institutional Development Assistance Project (IDAP). IDAP was an Acehnese answer to the general problem of development planning in Indonesia in the 1970s. After bringing stability in the country and having concentrated on ordering the financial chaos of Indonesia, the central government gave more attention to the planning and organisation of development. Bappenas is the agency for organising the nation’s development, but does not have responsibility for implementation of projects. Because there were so many donors, each with their own policy, coordination was difficult at the regional level. It was not uncommon to have five different donor-countries in the same area doing either the same, or conducting contradictory policies. In 1975 decentralisation of development activities was initiated: provincial and regional planning agencies, the so-called Bappeda’s were to co-ordinate and organise development in the region (Quarles van Ufford & Razoux Schultz 1988: 34-36).

Ibrahim Hasan’s objective, also in his capacity as chairman of Aceh’s Bappeda, was to strengthen Aceh’s position on the map of Indonesia, via improving the planning capacities of his Bappeda. The IDAP project lasted from 1977 till 1986 and resulted in many studies on Aceh’s economy and potentials (Veenstra 1989). Based from the university in Banda Aceh, the Dutch economists wrote many detailed studies of the socio-economic situation in Aceh and identified several future projects. However, nothing happened with these projects and irritation grew among the Acehnese that there was a development project, and funds, but none of it benefited them. Some Acehnese critics have called the reports produced by the IDAP staff the ‘golden reports’: they had cost nine million guilders.

In 1981 it was decided by Bappenas and DGVS that after all this meticulous planning and researching, something practical had to be done. In total 9.5 million Dutch guilders were granted, but only in 1983 someone was found who could and was willing to implement the project: Bram Heijboer had gained experience in Burkina Faso with
complex rural projects and had visited Aceh on a mission in 1983. He was then asked to become the team leader and recruit other staff-members.

The project: several, but not conflicting objectives

Based on the identification reports made in the IDAP-project, and the 'do-something' spirit of the new team, the project took off. The parties involved each had different objectives, but mutually enforcing. For DGIS, there were two objectives with this project. The first was linked to the projects identified by the IDAP-team:
- the promotion of the quantity and quality of coffee production of small holder farmers in Central Aceh and the improvement of distribution channels;
- installation and maintenance of pumplift irrigation in North Aceh;
- building roads in the coffee area;
- advice, assistance and training of small entrepreneurs and small scale industry.\(^{109}\)

The second objective of DGIS was to experiment with a new form of policy management, more at a distance and giving more leverage to the fieldworkers in decision-making.

The directorate general for regional development (Bangda) of the department of Domestic Affairs was the formal counterpart from the central government. Bangda saw the project as fitting in her regional development program. LTA-77 was to be a testcase for improving the planning capacity of the regions, to coordinate sectoral development policy and to experiment with participatory and bottom-up development. Bangda, the agency within the department of Domestic Affairs has regional offices in all provinces. The provincial government saw LTA-77 as a counterforce against the large scale but 'enclave-development' in the Northeast coast. LTA-77 was to bring balance and improve the situation for the people in the inlands of Aceh. For the Dutch team and Bappeda, the local counterpart, the project was a means to empower both the targetgroups (farmers and smallholders) and Bappeda itself, as the regional planning bureau. By having several subprojects under the umbrella of LTA-77, Bappeda could gain experience with coordination and build up effective policy structures for other development activities (Quarles van Ufford & Razoux Schultz 1988: 37-38). The most important objective for the Dutch team was empowerment of the farmers, through participation and making the Indonesian counterparts and targetgroups responsible for their own affairs.

To understand why this project was unique, a description is given of the way in which organisation and management was set up among many actors. First of all, DGIS and the embassy kept aloof regarding the control of this project. The team leader, who happened to be a keen writer, regularly provided detailed descriptions and progress reports. The embassy and DGIS only interfered upon request. Basically, decision-making was left to the implementation game (IOV 1988: 245-248). The outsourcing operation of 1984 from DGIS demanded that an independent agency rather than DGIS-employees would implement the project. In 1985 Heijboer established his own agency,
Effectively, this made Heijboer director of the implementing agency, which bore direct responsibility to DGIS. It also gave him more leverage to recruit people and manage affairs to his own insight. The general philosophy of Beplat BV is to act as an advisor, rather than assuming responsibility over the project. Heijboer became advisor to Bappeda in Banda Aceh, where he got a small office in the building. The sub-project team leaders became advisors to the respective Indonesian agencies that bore full responsibility.

The contrast with the Pompengan project is stark: the team members of LTA-77 were naturally ‘integrated’ in the counterparts’ activities. This so-called ‘multi-level’ approach resulted in a structure in which the Indonesian counterparts had a high interest in making the sub-projects successful. The intermediary role of the team leader as an advisor to Bappeda generated the coordination between all sub-projects. It was feared that because he was in Banda Aceh and the rest of the team and activities spread over North and Central Aceh that there would be not much coherence, but his fear did not come true. He travelled regularly to all sub-projects, organised meetings with all actors involved and this kept everybody informed. One could not speak of one clearly defined project, the activities LTA-77 impregnated the regional structure of Aceh. This explains why LTA-77 became a well-known concept in the province and the Acehnese regarded it as their project. Another difference was that Beplat BV, unlike the larger consultancy agency such as DHV was solely focused on LTA-77, it had no interest in obtaining other commissions, one of the consequences being that ‘window-dressing’ was not necessary.

An important aspect of the management was that the Indonesian counterparts were involved in the financial reports. An Indonesian accountant produced all financial statements, Bappeda was fully informed on the financial allotments of the project. In summary, the figure looks like this.

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**Figure 6.6** The LTA-77 project: an experiment with interaction
Rather than describing all sub-projects, the focus will be on the Coffee subproject. The other sub-projects had already ended in 1992, with mixed results. The Coffee Project was also the most comprehensive subproject and the best known, in fact, both in Jakarta and in The Hague the LTA-77 project was referred to as ‘the Coffee Project’.

The Coffee Project

The objective of the coffee subproject was to have the smallholders coffee farmers become responsible both for the production, marketing and sales of the coffee produced in Central Aceh. To this end, a farmers association, a coffee factory for the processing of the beans, a research unit for production methods and roads from and to the coffee area were to be set up. By having the farmers become shareholders in the factory it was assumed that they would have more responsibility and authority over the production and prices of their coffee. It was realised that this was a difficult and lengthy process. It was difficult because the middlemen in Medan basically determined the prices and because of the fluctuations in the world coffee market. It would be a lengthy process because there had been no experience with a coffee-producing unit and because the farmers had never been involved with more than growing and harvesting coffee.

Before the team could start working, houses, a factory and a road had to be built in the village Pondok Gajah in central Aceh. Usually, a tender is written for such construction projects. It is quite normal that such tenders are won by those who are close to the local authorities and that a ‘fee’ is paid for the person who was most conducive in the decision-making. The Dutch team did not want to follow that procedure, they wanted the local people to benefit from the construction works. Heijboer went to the village head Benni Cut, and proposed that the construction works to be done by the local villagers, using local material. This move angered the construction companies and authorities in Banda Aceh, fearing that their piece of the cake would pass to others. Also, after assessing the costs with the village head, insight was obtained in the real costs of construction, which were much lower than the tenderdocuments offered by the established construction companies. Heijboer refused to bow for the pressure, which resulted in accusations of the local agency of Domestic Affairs (Bangda). He was put on the black list of unwanted persons of Setkab, the secretariat of the Cabinet in Jakarta.

The conflict deteriorated and an intervention from the Dutch authorities was dearly needed. In a letter to the Dutch embassy, Heijboer wrote that if they would allow themselves to be blackmailed by the unfounded accusations ‘it would open the door for repetition which would be of disadvantage for the further evolution of the project because of the insufficient leverage to implement the Dutch contribution in a correct way’. Two members of the Embassy, Wim Wessels and Roelof Smit, then went to Aceh to assess the situation. They came up with a compromise with Bappeda: they proposed to give Heijboer the benefit of the doubt and that if he would not do a good
job in this way, that he should quit. This proved to be the vital move. By having the embassy support the decision, the Indonesian parties could do not much more, except dismissing the project altogether, which was not a desirable option. The hard line of the team leader right at the beginning of the project set the rules of the game: small-scale corruption was not tolerated and it was clear that by all possible means, the project would benefit the target groups.\textsuperscript{109}

Small holder coffee farmers are dependent on two forces: the international price of the coffee and the middlemen who buy their coffee to be sold to coffee-processing factories. They can earn a bit more money if the quality of their coffee is good or when they grow Arabica rather than Robusta. The Gayo Mountain area, where the coffee project was set is a cool and mountainous area where Arabica coffee can grow. The project’s first goal was to build a factory that could process the coffee berries, up till then the processing was done elsewhere. In January 1987 the \textit{Perusahaan Daerah Genap Mupakatwas} was founded, a semi-government joint venture between the local authorities and private parties, who are shareholders. \textit{Genap Mupakat} would be responsible for the production and the (international) marketing of the Gayo Mountain Coffee. The farmers were to set up their own association, though which they would own 20\% of the shares of the factory. The factory bought the wet berries directly from the farmers, guaranteeing them a higher price. Through their shareholding in the factory, they would also reap the benefits of the processing. Also, this set-up would generate more employment opportunities for the villagers and income for the farmers in between harvest periods. It was hoped that in the process, the farmers would become more knowledgeable in doing business themselves.

The problem was that the factory never had enough capital to secure the buying of the berries. A factory such as this needs sufficient capital to encounter speculation and secure buying capacity in times of affluent harvests. However, neither the projects funds, nor support from the Indonesian authorities could provide in that capital. The coffee market is highly sensitive to speculation and the world prices: if the prices are high, or when speculators disturbed the market the factory would not have enough funds buy the berries from the farmers. At times the factory could not buy berries, which caused anger and distrust by the farmers. The middlemen from Aceh did not pay as much, but they were at least secured that their berries were bought. The problem of lack of capital has not been solved until 1997 (see below). Management capabilities of the Indonesian board remained wanting as well and since the Dutch advisors had formally no authority, not much could be done to intervene.\textsuperscript{110}

A research project was added in 1990 to develop better production methods for the Arabica Coffee. Farmers were involved in nurseries for a particular breed of coffee (the \textit{catimor}). They received training via courses, slide shows and a radio-programme on how to improve the quantity and quality of their coffee production methods. To make the farmers more responsible, local Arabica-processing-units in the villages were set up 1991.\textsuperscript{111} An important element was that the farmers themselves would pay for a part of the costs of these units. Many meetings with the farmers were held on how to
save money, but with no result. The voluntary savings for their own processing unit remained marginal; the farmers feared that, as had happened many times before, their money would end up in the wrong pockets. Only after a 'threat' that the factory Genap Mupakat would not buy their unprocessed coffee anymore, the farmers decided without the project staff upon the initial proposal to put 25 Rupiah per kilo of sold coffee in a credit account. Then enough savings were accumulated to ask for additional funding from the FMO.\(^\text{112}\)

One of the successes of the project was that the coffee produced in the Gayo Mountain area was registered as a brand for high quality Arabica coffee. This particular brand of coffee became very popular in Japan. The factory even succeeded in obtaining a higher price than the world coffee price for the sales to Japan.\(^\text{113}\) In the early 1990s organic coffee was also grown, despite contradictory policies of Indonesian departments (the department of agriculture promoting pesticides and the department of environment discouraging pesticides) more and more farmers turned to organic production. The factory became fully Indonesian owned in 1991, but it was realised that before the factory and its management could completely run their own affairs an After Care phase was needed. In this phase the Dutch team would gradually withdraw, by training the respective Indonesian government and non-government organisations on how to run the business. In particular with regard to the many exigencies that the brand name and the organic coffee had generated, management skills were deemed important. It was hoped that in this after care phase, the required capital could be generated, so that the existence and functioning of the factory could be secured.

Attention but no intervention from the political game

Contrary to most projects and despite its longevity (more than ten years), the project has only twice been visited by an official evaluation team. It was visited relatively more frequent by officials from the Indonesian and Dutch government. Saleh Affif, the chairman of Bappenas from 1989 till 1993 went to the Coffee Project himself and remembered it as a very good project, because it produced high quality coffee for the exportmarket.\(^\text{114}\) Minister Piet Bukman visited the project as well and was received by Governor Ibrahim Hasan with a festive banquet, to show the appreciation of the Acehnese people for cooperation.

Some very special attention was given in 1990, around the 17th of August. Rumours spread that the celebration of national Independence Day in Aceh would cause rebellious actions in Aceh over the recently started military operations. At the time, many of the Dutch embassy personnel were on special leave, including Ambassador De Vos van Steenwijk. The third man in charge was so alarmed by the rumours that he had two helicopters sent to Aceh to evacuate the Dutch team. There was no violence reported, but the chairman of Bappeda, Syamsuddin Machmud felt passed over that neither he, nor the governor Ibrahim Hasan was informed. Secondly he was offended that the action was carried out based on such flimsy reports. Heijboer, who
was in Canada visiting family at the time was called back, because this incident had seriously disturbed relations between with the Dutch embassy and could endanger the continuation of the project. Heijboer flew back and explained the matter to the governor and chairman of BAPPEDA. When he later called the embassy and told the third secretary that he had offered excuses on behalf of the Dutch government he was told that 'the Netherlands will never offer any excuses to Indonesia'. A senior member of the embassy told him afterwards that it the way he had handled affairs had been correct. However, it was not clear who would pay for the helicopters (of which one broke down even before it took off from Jakarta) and the costs of the stay of the Dutch families in Medan. The embassy was reluctant in writing it off from its own budget, because then the mistake would become public. To save the project and keep up the relations with the Acehnese counterparts Heijboer paid 20,000 Dutch guilders for the helicopters and the hotel costs for the employees from the budget from BEPLAT. In a letter he 'thanked' the ambassador for the concern: 'Your compassion and concern will stay with us and if the situation does become critical, the memory of this event will be of great support to us'. He never received an answer nor a thank-you.

In August 1991 a parliamentary delegation from the Netherlands visited several sites in Indonesia, the project in Aceh being one of them. Much to the dismay of the Dutch diplomats in Indonesia and the Indonesian hosts, the delegation was mainly concerned with the human rights issues. The visits to the governor and the chairman of BAPPEDA in Aceh were 'diplomatically awkward'. The day of the visit to the governor, he was just celebrating his second victory in the elections. The Dutch parliamentary delegation felt insulted that they were among many other invitees at the party. The delegation's questions were mainly about the human rights violation in Aceh, a subject that was least desired on a festive day as this. Then in the next visit they grilled the chairman of BAPPEDA, Syamsuddin, on the human rights situation. After attempting to answer all the questions, at a certain point he asked jokingly: 'Did I pass my examination now?' This angered the Dutch delegation, one of them was to have said: 'We are representatives of the Dutch people, and the Dutch people are very close and concerned about the Indonesian people, so in fact we are representing the Indonesian people as well.'

The differences in reaction from the Indonesian side to on the one hand the parliamentary delegation and on the other hand the 'helicopter-incident' showed nicely how relations and interactions were valued. Because the relations were close in Indonesia itself and mainly restricted to the Indonesian games, the Dutch parliamentary delegation was not perceived as a threat to the continuation or functioning of the project. The incident with the helicopter looked like a lack of trust from the Dutch embassy, which was closer and of more importance to the Indonesian counterparts then the Dutch parliamentary delegation. The governor and BAPPEDA chairman shrugged off the visit of the delegation: as long as relations with the team were good, they could not care less what the Dutch politicians thought.
1992: the end but not quite the end of the action

With the support of the governor and Bappeda, a proposal for the last phase of the **LTA-77** project was submitted to the Indonesian and Dutch government early 1992. The After Care phase would ensure a smooth transition of the projects' activities and management to the Indonesian counterparts. In February 1992 the After Care project had been agreed upon and the budget would be transferred the first of April 1992. The decision to cancel all Dutch development aid came 6 days too early. According to one of the former employees of **LTA-77**, Heijboer and Beplat BV have been most affected by the decision: Beplat BV was solely dependent on **LTA-77** and all costs made in advance of 1 April 1992 would not be paid for.\(^8\)

Rescue attempts were made by the governor and Bram Heijboer, albeit with different zeal. The governor wrote to the chairman of Bappenas and the Department of Domestic Affairs pleading for continuation of the project via either Bappenas budget or the regular budget of Domestic Affairs.\(^9\) Saleh Affif explained that in the case of **LTA-77** Bappenas would not consider continuation, because the project should be continued as a commercial enterprise. Extra funds should come from commercial loans.\(^10\) The chairman of Bappeda announced he would defend the Dutch consultants with all his might.\(^11\) But, contrary to projects carried out in the neighbourhood of Jakarta, or by people close to the central government, the **LTA-77** project had no influential network. Heijboer asked several embassies whether their countries would be willing to take over the project. Each embassy had another reason why **LTA-77** could not be included in their development program. All hope seemed to have been in vain. The Dutch employees left, after being treated on a huge goodbye party at the governor’s residence, where the same banquet was served as a few years before to minister Bukman.\(^12\)

Bram Heijboer kept his house in Pondok Gajah and was granted a business visa by Governor Ibrahim Hasan and later by his successor Syamsuddin, the former chairman of Bappeda. Syamsuddin supported his attempts to make the **PD Genap Mupakat** a profitable business. In 1993/4 Beplat BV and Genap Mupakat established a joint venture, Beplat would act as the commercial partner in the factory.\(^13\) New hope was aroused by a suggestion of minister Pronk in 1995. After 1992 Heijboer had kept minister Pronk and **DGIS** informed about new developments with the Genap Mupakat factory through a continuous flow of reports. It appeared that in a meeting with his staff, minister Pronk had said that he did not want to let the coffee-project down, and had suggested that Beplat BV and **Genap Mupakat** would apply for funding and the International Fund for Agricultural Development (**IFAD**). 30 January 1995 Minister Pronk had a letter sent to the director of the Asia Division of **IFAD** saying: 'The Netherlands is willing to make a contribution to the project, which would be channelled through the Netherlands Consultancy Trust Fund'. Heijboer flew to Rome, despite the request of **DGIS** not to and this visit resulted in a formal request by **IFAD** to the government of Indonesia to make a proposal for the support of the coffee factory. Early in March 1995 the director of **IFAD** asked **DGIS** if it could donate 6 million guil-
ders to the trust fund at IFAD, since IFAD could only finance projects that are government to government.

However, the 24th of February, DGIS withdrew from the initiative. The message was repeated in another letter saying ‘Due to the sensitive relation between Indonesia and the Netherlands in the field of development cooperation it is not possible for the Netherlands to finance the full amount of he cost, i.e. DFL 6 million as you suggested in your letter’. Governor Syamsuddin and Heijboer did not give up, they could not believe that the initial promise by DGIS could so soon by withdrawn. Approvals from Bappenas and the Indonesian investment board were obtained in December 1995 and an IFAD mission made an assessment of the economic feasibility in February 1996. DGIS however remained refusing participation. In a last letter on the subject, governor Syamsuddin spoke out his amazement on the changed stance of DGIS. When I called the spokesman of DGIS about the IFAD matter, he repeated that DGIS was not allowed to support any development project in Indonesia, even not via this multilateral way, even though the Indonesian government had approved this way of funding. He replied on my question about the optimistic IFAD feasibility study that: ‘figures are only figures’.

All moral and oral support by the IFAD and the Indonesian authorities were in vain, since the Dutch funding did not come about. The question remains why DGIS/minister Pronk ever got engaged in the matter. Commercial funding was still out of the question, precisely the reason why IFAD was such an excellent funding agency. After all was said and done, in 1997 Governor Syamsuddin announced that the factory would be supported financially from the provincial budget. That money never reached the factory: his son in law had made a bad business deal and the money for the factory was used to bail him out. In 1997 the factory was almost bankrupt. Angry farmers and students took to the streets of Banda Aceh and demanded clarification on the financial management of the factory and what had happened with the earmarked budget. The situation became awkward for the factory director, Tarmizi and his old time ally Syamsuddin. An offer by a Dutch coffee company saved them from public disgrace. Holland Coffee bv (hc bv) offered to put 6,200,000,000 Rupiah on the provincial development bank for the factory, in return for a share in the factory and a substantial degree of rights to buy the organic and Gayo Mountain Arabica Coffee. The joint venture between Genap Mupakat and Beplat BV was continued in the deal. Heijboer would become the executive manager, a position that during the LTA-77 project he had never assumed. Towards the end of 1997 for the first time in its existence the factory operated with a profit; there was a 85% return on investment. All seemed to turn out well, the factory was now commercially viable and especially when the Rupiah devaluated against the dollar in early 1998, future prospects seemed very bright. All coffee was sold for dollars, which meant an enormous increase in income in Rupiah for the farmers and factory.

The happy ending did not last long. Behind closed doors, the management of Holland Coffee bv and the board of directors of the factory decided in May 1998 to fire Heijboer and take over 70% of the shares of the factory. Without the consulting
the farmers, who were after all shareholders, nor informing Heijboer, but with the consent of governor Syamsuddin and director Tarmizi. The people who had up till then supported the ultimate objectives of LTA-77 betrayed the farmers and Heijboer. The two owners of HCBV did not adhere to the same principles as Heijboer, as can be read one of the letters they sent to Heijboer, explaining the reasons why they wanted to fire Heijboer and take over the factory.

1: Beplat BV wants the farmers to become part of the Joint Venture and sees its own participation as temporary, i.e. until such time that the farmers, through their organisation will be capable and willing to take over its shares, in part or in full.
2: HCBV does not want the farmers to become part of a joint venture, because it wants to be fully in control without disturbance by local people who, in HCBV’s judgement, are not capable of management, have never been, and will not be in 20 or even 50 years from now.124

Holland Coffee BV postponed all payments still due to Beplat BV, arguing that a loss was made instead of a profit during Heijboer period as manager. Rustam, one of the managers at the factory had some time before accidentally mixed organic coffee with normal coffee and this mistake was used by the factories management to take him to court. He was dismissed as well. The loss was alleged to have been caused by Rupiah devaluation. This could not have been the case, since the real value of the Rupiah against the dollar had been monthly adjusted and used to calculate the price to be paid for the coffee from the farmers. The audit Heijboer had made in June 1998 was ‘adjusted’: a loss of 1,877,830,080.50 Rupiah was used to justify Heijboer’s discharge, aided by the services of the accountants of PriceWaterhouseCoopers. Heijboer then started a court case, demanding immediate payment of his salary and justification of the seven employees of the factory who had disgracefully been fired. The 18th of August 1998 farmers and students wrote a letter to the prosecutor in Jakarta protesting against the injustice in this case. They had gathered 1264 signatures.125 The outcome of the court case is still awaited. Heijboer intends to use the money that he hopes to receive in a new project, geared to the needs of the people affected by the military operations.126

Injustice, cowardice and free for all capitalism: how to evaluate the aftermath

In this case a sad tale was told, in which a project and its cause were deceived three times. First in 1992, when 6 days too early the decision came and the crucial After Care project lost its funding. Then in 1995-1996, when DGIS surprisingly let the project down. Then in 1998, when former friends and allies in the cause for the farmers sell the factory and with that, all good intentions to a commercial coffee company. What were the forces then that consequently worked against this idealistic project?

Money, or more so the lack of it seems to be the prime reason why the project was not continued. Bappenas was of the conviction that the factory could run on commercial terms, while it was evident to the factory’s management that this was not the case.
But as we saw in the other projects, it is not so much the physical lack of funds, but the accessibility to them that is crucial. The project had the warm oral support of everybody who knew about it, but it was not close to the centre of funds: Jakarta. The two governors who were sympathetic to the project had the same problem: the unequal division of government budget to Aceh. The irony is that when that the coffee factory became commercially viable, it was the beginning of the end: the hostile take-over of the Dutch coffee company in 1998. The director of the factory and the governor gave in to the pressure and in the end demonstrated not to care much about the fate of the farmers.

The support of the target groups was strong, evidently shown by the demonstrations and petition they had organised, and the increased participation in the factory. But support from the orang kecil (poor folk) does not do much in Indonesia, farmers and poor labourers were and still are people without power. That is the difference between LTA-77 and for example the projects studied in the former chapter: in those projects the direct target groups were academics, the elite of Indonesia. The other target group, the regional planning agency Bappeda could not act as a powerful actor either, it has coordinating tasks, but for funds it remains dependent on the centre: Jakarta and Bappenas.

In a way the project continued until 1998, without any support, but with the strong commitment of Heijboer and until June 1998, the governor. However, when success (an 85% return on investment) was finally achieved the success became the weakness: the profits and the promise of more made the factory a desired object for actors with a different purpose than empowerment and development of the farmers. The 'small' people of Aceh are once again cheated, reinforcing their distrust in the 'higher ups'. Apparently there are still no channels or bases from which the farmers themselves can operate to fight for their rights.

Depending on what objectives are taken as a measure of success, the LTA-77 can be evaluated as either successful or not. If the limited objectives of DGIS are taken as a measuring point, then LTA-77 has more or less achieved its objectives: the factory is built and operates, farmers did experience a rise in income, roads were built. The outsourcing and decentralisation experiment can be called a success: until its formal end in 1992, the experience with this project proved for DGIS that steering at a distance does not mean that policy objectives are not observed. Far from it, the project was the practical proof that the principles of rural development can be put into practice, even though it takes longer than planned. If we take the objectives of the Department of Domestic Affairs as a marking point, then the project has failed. Bappeda still does not have more leverage or planning capacities than before. If the objectives of Beplat are considered, then the project has failed as well. The small holders are still powerless pawns in the game of power and money: their own authorities have sold them. This project could not change the context for which such development projects are set up. Spread of wealth remains unequal, those with power will gain more money and those with money will gain more power. Those without any of the two remain where they
were, at the margins of society and economy, although the road was paved with good intentions and a good business plan.

An interlude before we continue with the last cases...

An interesting observation in these cases is that a 'yes' by politicians did not guarantee continuation-as-desired. This must sound familiar to students of policy implementation, but these cases showed in addition that looking at the stakes pursued at the other levels of the policy process, can be insightful for explaining the aftermath. The level of implementation, where professionals intimately know the possibilities and constraints was crucial in the case of APERT and the Wooden Boats project, but also in Pompengan. In the latter project, long before its end in 1992 implementers had been ready to give up, at least the integrated concept. Compared to the former case, Pompengan is similar to the PRIS project, where also some time before 1992 hopes had been shattered and other alternatives looked more attractive. APERT resembles INIS most, in the sense that there was strong political support but a reluctant policy management organisation. The difference occurred at implementation: while for INIS targetgroups and implementing counterparts became more and more enthusiastic and found new avenues to shape and expand the project, the PCO's of APERT had become convinced that the project should be something completely different. The odd one out with respect to the weight of the stakes is the Coffee Project. Targetgroups had been enthusiastic, even heading to the street to protest the way local politicians had handled the sale of the coffee factory. But that support and the oral support of the political game could not ensure its continuation. Unlike the targetgroups and implementers in the first cases, smallholder farmers do not belong to the (Jakarta) elite and their voice was up till 1999 not heard in the political-administrative centre. In the next cases the theoretical framework is repeated and the conclusions drawn from the former cases are tested again. This last set of cases takes place in an extremely sensitive arena: the legal system of Indonesia.