

Bureaucracy and Development

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Bureaucracy and Development

*Reflections from the
Indonesian Water Sector*

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CONTENTS

<i>List of Figures</i>	vii
<i>List of Tables</i>	ix
<i>Glossary</i>	xi
1. Introduction	1
2. The Indonesian State in Transition	9
3. The Irrigation Agency's Contested Bureaucratic Identity	47
4. IMT in Indonesia: A Changing Policy Game	78
5. The Struggle on the Principles of IMT under the WATSAL Programme	121
6. Regional Governments and IMT Policies	173
7. IMT and Water Distribution Practices in the Kulon Progo District	205
8. Conclusions	243
<i>References</i>	257
<i>Index</i>	269
<i>About the Author</i>	280

LIST OF FIGURES

2.1	Government Fund Disbursement Before and After Regional Autonomy	19
2.2	Incorporation of Project Management Unit into the Structure of the Provincial Water Resources Services (PWRS)	21
2.3	Structural and Functional Lines within the Government Organization	31
2.4	Overview of the Provincial Level Project Management Unit under the Indonesia Water Resources and Irrigation Reform Program (IWIRIP)	32
2.5	Formal Procedure in Fund Proposal and Allocation (Before and After the Adoption of the Project Approach)	34
3.1	Organizational Chart of the Ministry of Public Works' Directorate General of Irrigation, 1969–84	52
3.2	Organizational Chart of the Sub-Directorate of Programme Guidance	54
3.3	Overview of the Distribution of Project Benefits at the Ministry of Public Works	60
3.4	Organizational Structure of the Ministry of Public Works, 1984–89	65
3.5	Organizational Structure of the Ministry of Settlement and Regional Development (Kimbangwil), 1999–2001	66
3.6	Organizational Structure of the Ministry of Settlement and Regional Infrastructure or Kimpraswil, 2001–present	69
4.1	Timeline of IMT in Indonesia	88
4.2	WATSAL Organizational Structure	100
4.3	Legal Hierarchy of the IMT Legal Framework under WATSAL	102

5.1	The Legal Procedure of Water Act Promulgation	128
5.2	Formal Policy Network for the Promulgation of the Water Act in Parliament	129
5.3	The Timeline of the IMT Policy Struggles	134
5.4	Parliamentary Policy network at the Working Committee Level	145
5.5	Parliamentary Policy Network at the First Commission IV Meeting	148
5.6	Parliamentary Policy Network at the Second Commission IV Meeting	156
5.7	Parliamentary Policy Network at the Plenary Meeting	159
6.1	Overview of Provincial Government Structure (before Regional Autonomy)	175
6.2	Overview of Provincial Government Structure (after Regional Autonomy)	175
6.3	Districts in Yogyakarta	180
6.4	The Kulon Progo Irrigation Agency District-Level Structure before Regional Autonomy	182
6.5	The Kulon Progo Restructured Irrigation Agency after Regional Autonomy	183
6.6	Irrigation Systems in the Kulon Progo District	187
7.1	Operational Boundaries of the Seven Technical Irrigation Systems in Kulon Progo	207
7.2	Hydrological/Technical Inter-System Connection in Irrigation Systems Management	209
7.3	Overview of the Golongan System in Kulon Progo District	212
7.4	The Official Division of the Golongan System for Technical Irrigation Systems in Kulon Progo District	213
7.5	Water Channelling Path from Sermo Reservoir to East Pekik Jamal	219
7.6	Overview of the Water Distribution between West and East Pengasih	222
7.7	Overview of FWUA West Pekik Jamal's Strategy to Channel Water to the Suka Maju Tertiary Unit	226
7.8	Data Overview with regard to Field Farmers' Knowledge about WUA/FWUA and IMT	229

LIST OF TABLES

2.1	Changes by the Regional Autonomy and the Fiscal Decentralization Acts of 1999	17
2.2	BPK Audit Findings	25
3.1	Total Irrigation Development Expenditure by Type of Development, Repelita I-IV	51
4.1	Evolution of IMT Policy in Indonesia	86
4.2	Comparison of Policy Elements of IMT under the IOMP 1987 Statement and WATSAL of 1999	87
4.3	WATSAL Agreement	98
4.4	WATSAL Policy Products	101
5.1	Policy Actors' Perceptions of IMT	123
5.2	Revised Clauses of the Draft Water Act	130
5.3	WUA Proposed Changes to the Draft Water Act	141
5.4	Proposed Changes to Clause 29, Section 3 by Political Parties	155
5.5	Proposed Changes to Clause 40, Section 3 by Political Parties	155
5.6	GOI's Position on IMT in 2004 after Kimpraswil's Withdrawal from WATSAL	162
6.1	Overview of the Irrigation System in the Kulon Progo District	186
7.1	Overview of Technical Irrigation Systems in Kulon Progo District	208
7.2	Overview of the Water Distribution Schedule at the Inter-system Level	211

7.3	Types of Elite Leadership in the Seven Technical Irrigation Systems in Kulon Progo District	231
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GLOSSARY

APBN	the state's income
APBD	regional governments' income
ASAL	Agricultural Sector Adjustment Loan
BPK	Supreme Audit Agency
BPKP	State Audit Agency
CO	community organizer
DAU	general purpose grants
DAK	special purpose grants
DDPA	District Development Planning Agency
DGRD	Directorate General of Regional Development
DGWRD	Directorate General of Water Resources Development
DIWR	Directorate of Irrigation and Water Resources
DPIS	Division of Provincial Irrigation Services
DWRS	District Water Resources Services
FWUA	Federation of Water Users Association
GOI	Government of Indonesia
IDTO	Irrigation Development Turnover
IIMI	International Irrigation Management Institute
IMT	Irrigation Management Transfer
INFOG	Indonesian Forum on Globalization
IOMP	Irrigation Operation and Maintenance Project
ISF	irrigation service fee
ISSP (I and II)	Irrigation Sub-Sector Project
IWIRIP	Indonesia Water Resources and Irrigation Reform Program
JIWMP	Java Irrigation Improvement and Water Resources Management Project

JKII	Irrigation Communication Network of Indonesia
KIIF	Kabupaten Irrigation Improvement Fund
LoSP	Letter of Sector Policy
Meneg PU	State Ministry of Public Works
MoA	Ministry of Agriculture
MoF	Ministry of Finance
MoHA	Ministry of Home Affairs
MPW	Ministry of Public Works
NDPA	National Development Planning Agency / Bappenas
NU	Nahdlatul Ulama
O&M	operation and maintenance
PDI	Partai Demokrasi Indonesia
PDPA	Provincial Development Planning Agency
PGTA	On-Farm Water Management Project
PIA	Provincial Irrigation Agency
PIP	Provincial Irrigation Project
PROSIDA	Irrigation Project Funded by the International Development Agency
PWRS	Provincial Water Resources Services
SDI	Sub-Division of Irrigation
SDWR	Sub-Directorate of Water Resources
SWUA	System-level Water Users Associations
WATSAL	Water Sector Adjustment Loan
WISMP	Water Resources and Irrigation Sector Management Project
WTF	WATSAL Task Force
WUA	Water Users Associations

NOTE:

The irrigation agency was under the:

Ministry of Public Works: pre-1988

Ministry of Settlement and Regional Development, also known as
Kimbangwil: 1999–2001

Ministry of Settlement and Regional Infrastructure, also known as
Kimpraswil: 2001–present

1

INTRODUCTION

In the last three decades, international donors have promoted Irrigation Management Transfer (IMT) in many developing countries as a remedy for solving management problems in government-run irrigation systems. The main argument of this book is twofold. First, IMT's potential to address these problems cannot be achieved if the overseeing irrigation agency does not embrace the need for management transfer. Second, IMT's success cannot be measured without linking local outcomes to the agency's willingness to relinquish its power with the transfer and how it formulates and implements IMT policy.¹

This book brings to light the close linkage between IMT and the issue of bureaucratic reform. New challenges in water resources management require not only well-formulated reform programmes, but also bureaucracies that value these programmes and are committed to their implementation. Most reform efforts neglect to account for the interests and needs of the bureaucracies that, in essence, are being asked to reform themselves. Taking Indonesia as my main case, I highlight that, if proposed reform is to be meaningful in practice, current authorities must believe in its need; or at least be willing to move forward with the reform. This book analyses the political processes that shape IMT policy formulation and implementation in Indonesia from August 2003 to July 2005, and illustrates how the

irrigation agency contested the idea of management transfer vis-à-vis its prominent interests and role in the sector's development.

IMT embodies the aspiration of the international epistemic community² to transfer the management of government irrigation systems to farmer organizations — in Indonesia, the Federation of Water User Associations (FWUAs) and the Water Users Associations (WUAs) — as such transfers are regarded as crucial in addressing the problem of poor system performance.³ International donors and policy-makers viewed the irrigation agency as inefficient in conducting the overall system management⁴ and conceded that farmer participation might contribute to increased project effectiveness; therefore, they urged the need for management transfer. This idea of farmer participation is derived from successful experiences in farmer-managed irrigation systems (FMIS).⁵ The inclusion of this idea in the policy agenda of the international donors was based on the common perception that government irrigation systems had grown faster than the institutions that had to regulate them⁶ and was generated by mounting criticisms concerned about the deterioration of “common property resources” and the impoverishment of the rural community due to government policy interventions.⁷

IMT became the new international policy trend⁸ in irrigation development⁹ in the early 1990s. It was adopted by the World Bank as one of the cornerstones of its water management policy,¹⁰ and it became the reform model promoted worldwide.¹¹ At that time, it was believed that IMT could solve many of the problems in government-managed irrigation systems in developing countries.¹² Among the problems to be solved were the following: the high operational costs of government irrigation systems, rapid deterioration of irrigation infrastructure, attitude towards maintenance, inefficient water use, and unequal water distribution.

Current discourse on IMT questions the policy's effectiveness in addressing these problems.¹³ This book attempts to address this question by bringing to light a pertinent gap in the IMT research: how an irrigation agency's perceptions and opinions on management transfer is missing from IMT analyses. With a recent focus on good governance, more emphasis has been given to the political aspect of IMT.¹⁴ However, with the exception of earlier works by Korten and Siy¹⁵ on the National Irrigation Administration in the Philippines, and Rap et al.'s work¹⁶ on the reconstitution of the hydraulic bureaucracy in Mexico, the research does not link the political dimension of IMT with the governing agency's opinion on bureaucratic

reform. My hypothesis is that unless the interests and concerns of current holders of authority and their control over associated resources are specifically addressed, reform programmes are likely to be compromised by efforts to protect their power.

Viewing policy as a process,¹⁷ I focus on how the irrigation agency, in all its different iterations,¹⁸ perceived the idea of management transfer. As stated by Griffin:

Rather than assume that governments attempt to maximize social or national welfare but fail to do so, it might be more suitable to assume that governments have quite different objectives and generally succeed in achieving them. Rather than criticizing governments for failing to attain or offering advice on how to attain a non-goal, it would be instructive if more time were devoted to analyzing what governments actually do and why. (1975, p. 2)¹⁹

My line of analysis in this book is derived from the IMT policy renewal that took place in Indonesia in 1999 and the subsequent power struggles over the principles of management transfer. Referring to the politics of policy theoretical perspective,²⁰ I highlight how both the IMT policy and the promulgation process of the new Water Act (from September 2003 to February 2004) were established out of political brokering and contestations.²¹ The actual management transfer, when there was any, was shaped through negotiations and alliances among the different government ministries, parliamentary representatives, academics, and civil society organizations.

This book specifically describes how the irrigation agency perceived and continues to perceive the idea of management transfer as a threat to its overall bureaucratic existence and sectoral importance. It highlights the irrigation agency's prominent role and ability to reshape or halt the IMT policy process in accordance with its interests in preserving its bureaucratic power. On the basis of these findings, I argue that IMT's potential to address the many problems in the government irrigation system could have materialized only if the concept of management transfer had been fine-tuned with the irrigation agency's actual interests. These findings bring to light the controversy in IMT conceptualization and challenge the current assumption in IMT: irrigation agencies cannot be forced to transfer its management responsibilities and control to local governments or farmer organizations.

Chapter 2 starts with a review of the literature on the “changing” characteristics of the Indonesian state. This chapter untangles the forces that shaped the process of political reform in the country following the fall of Suharto’s New Order government in 1998 and the widespread application of regional autonomy. It describes the origin of the adoption of the project approach in the late 1960s, and how this approach still shapes the present bureaucratic mechanisms of the Indonesian ministries. In the irrigation sector, in particular, the project approach continues to focus on merging project management units into regional government structures, which sustain the rent-seeking practices rooted in project procedures and mechanisms.

Chapter 3 analyses the changing bureaucratic identity of the irrigation agency as a consequence of the 1999 organizational restructuring of the Ministry of Public Works (MPW) into the Ministry of Settlement and Regional Development (Kimbangwil). The agency’s approach to reform was directly related to who controlled the agency (which in turn was directly related to who controlled the presidency).

Chapter 4 gives a detailed overview of the IMT policy formulation and implementation in Indonesia. The overview begins with a discussion of the formulation of the 1987 Irrigation Operation and Maintenance Project (IOMP) Statement and continues with the extended implementation of IMT under the 1996 Java Irrigation Improvement and Water Resources Management Project–Irrigation Development Turnover and the 1999 reformulation of IMT under the Water Sector Adjustment Loan (WATSAL). A central element in this chapter is the policy analysis of the IMT legal framework under WATSAL as compared to the IOMP 1987 Statement. This chapter clarifies how the ongoing vague formulation of the IMT legal framework is rooted in the fact that international funders and policy-makers neglected to consider the irrigation agency’s decisive role in directing actual policy formulation.

Chapter 5 unravels the multiple perceptions, interests, and strategies of the policy actors in relation to battles in 2003 over the IMT policy, when the agency regained its bureaucratic power under now the Ministry of Settlement and Regional Infrastructure (Kimpraswil). It highlights how Kimpraswil policy actors attempted to redirect the policy path back towards recentralization, and how mid-level officials from the Ministry of Home Affairs and the National Development Planning Agency²² challenged this attempt. The new Water Act of 2004 became the central battlefield over this issue. In this chapter, the Water Act and the 2001

Government Regulation on Irrigation is compared, and light is shed on the mechanisms that shape the decision-making process at both the parliamentary and the bureaucratic levels. To bring the Water Act discussion to a close, Chapter 5 maps the evolution of policy network alliances during its promulgation process.

Chapter 6 details the role played by provincial and district governments in ignoring Kimpraswil's demand to halt IMT implementation, highlighting in particular the seven technical irrigation systems located in the Kulon Progo district. It focuses on district governments' decisions to continue with IMT implementation and the regional governments' financial strategies to cope with the agency's stoppage of much-needed IMT funding. It also highlights how the district-level irrigation agency, and FWUAs and WUAs cooperated with each other to ensure the continuation of IMT.

Chapter 7 deciphers the actual water distribution practices in the seven technical irrigation systems in Kulon Progo district, and how these practices were linked to the overall process of management transfer. The dominant water distribution patterns and alliances are identified, as are the relationships formed between the farmers, and the FWUAs and WUAs at each hydraulic level of the irrigation systems. These relationships allowed the creation of an intersystem decision-making platform, consisting of system-level WUAs (SWUAs) and the district-level irrigation agency.

The book concludes with Chapter 8, in which the IMT policy conceptual paradoxes that led to the need for policy reconceptualization are laid out. It makes clear that the IMT policy reformulation cannot be based solely on the wishes of international funders and policy-makers, but must include how the farmers and the irrigation agency view the concept of IMT, and how the agency relates to the shifts in power.

Notes

1. M. Latif and J.A. Tariq, "Performance Assessment of Irrigation Management Transfer from Government-managed to Farmer-managed Irrigation System: A Case Study", *Irrigation and Drainage* 58, no. 3 (2009): 275–86; I. Theesfeld, "Irrigation sector in Bulgaria: Impact of post-socialist policy reforms", *Water Policy* 10, no. 4 (2008): 375–89; D.L. Vermillion et al., "An Assessment of the Small Scale Irrigation Management Turnover Program in Indonesia", IWMI Research Report 38 (Colombo: IWMI, 2000).

2. Epistemic communities in this context include international policy-makers, donor agencies, and international research institutes. They exert influence on policymaking through diffusion of ideas, acquiring bureaucratic positions, and developing niches in advisory and regulatory bodies (Yee 1996). A. Yee, "The Causal Effects of Ideas on Policies", *International Organization* 50, no. 1 (1996): 69–108.
3. L.E. Small and I. Carruthers, *Farmer-Financed Irrigation: The Economics of Reform* (Cambridge, UK: Cambridge University Press, 1991); M. Svendsen, "The Impact of Financial Autonomy on Irrigation System Performance in the Philippines", *World Development* 21, no. 6 (1993): 989–1005.
4. M. Moore, "The Fruits and Fallacies of Neo-Liberalism: The Case of Irrigation Policy", *World Development* 11, no. 7 (1989): 1733–50; R. Repetto, "Skimming the Water: Rent-seeking and the Performance of Public Irrigation Systems", Research Report 4 (Washington, DC: World Resource Institute, 1986).
5. Though see Hunt (1989) on the difficulties in promoting farmer participation under FMIS into WUAs in government irrigation systems. (Robert C. Hunt, "Appropriate Social Organization? Water User Associations in Bureaucratic Canal Irrigation Systems", *Human Organization*, no. 48 (November 1989): 79–90; E. Ostrom, *Governing the Commons: The Evolution of Institutions for Collective Action* (Cambridge: Cambridge University Press, 1990)).
6. David M. Freeman, *Local Organizations for Social Development: Concepts and Cases in Local Irrigation Organization* (Colorado, CO: Westview Press, 1989).
7. J. Ambler, *Irigasi di Indonesia: Dinamika Kelembagaan Petani* [Irrigation in Indonesia: Dynamics of Farmer Institutions] (Jakarta: LP3ES, 1991); J.W. Eggink and J. Ubels, *Irrigation, Peasants and Development* (Wageningen: Wageningen University Press, 1984).
8. Mollinga and Bolding (2003) identify three driving forces behind the emphasis on management transfer: development and learning within the sector; external and international pressure; and domestic fiscal, economic, and political concerns. (Peter P. Mollinga and Alex Bolding, eds., *The Politics of Irrigation Reform: Contested Policy Formulation and Implementation in Asia, Africa and Latin America* (Ashgate: Global Environmental Governance Series, 2003).)
9. Douglas L. Vermillion, "Irrigation Management Transfer: Towards an Integrated Management Revolution", address presented at the International Conference on Irrigation Management Transfer in Wuhan, People's Republic of China, 20–24 September 1994.
10. D. Groenfeldt and M. Svendsen, eds., *Case Studies in Participatory Irrigation Management* (Washington, DC: World Bank Institute Learning Resource Series, 2000).
11. Scholars in irrigation development have questioned the validity of promoting reform through policy models and argue that policy models in general "do not

- turn out to be so wonderful when practice is studied more closely" (Mollinga and Bolding 2003: 4). Rap (2006) highlights the fact that policy reform cannot be "engineered" externally because cultural context and how policy is shaped by socio-economic and political factors must be taken into account. (Mollinga and Bolding, *The Politics of Irrigation Reform*); E. Rap, "The Success of A Policy Model: Irrigation Management Transfer in Mexico" (Ph.D. thesis, Wageningen University, 2004).
12. H.M. Malano and P.L.M. Hofwegen, "Management of Irrigation and Drainage Systems: A Service Approach", IHE Monograph no. 3 (Rotterdam: A.A. Balkema, 1999); H. Turral, *Recent Trends in Irrigation Management: Changing Directions for the Public Sector* (London: Natural Resource Perspective, ODI Series, 1995).
 13. Food and Agriculture Organization, *Irrigation Management Transfer: Worldwide Efforts and Results*, FAO Water Reports No. 32 (Rome and Colombo: FAO and IWMI, 2007); A. Mukherji et al., *Irrigation Reform in Asia: A Review of 198 Cases of IMT*, Final report submitted to the ADB (Colombo: IWMI, 2009).
 14. Mollinga and Bolding, *The Politics of Irrigation Reform*; Mick Moore, "Political Underdevelopment: What Causes Bad Governance?" *Public Management Review* 3 no. 3 (2001): 385–418; Mick Moore, "Revenues, State Formation and the Quality of Governance in Developing Countries", *International Political Science Review* 25, no. 3 (2004): 297–319.
 15. F. Korten and R.Y. Siy Jr., eds., *Transforming a Bureaucracy: The Experience of the Philippine National Irrigation Administration* (West Hartford, CT: Kumarian Press, 1989).
 16. Rap E., P. Wester, and L.N. Perez-Prado, "The Politics of Creating Commitment: Irrigation Reforms and the Reconstitution of the Hydraulic Bureaucracy in Mexico", in *The Politics of Irrigation Reform: Contested Policy Formulation and Implementation in Asia, Africa and Latin America*, edited by Peter P. Mollinga and Alex Bolding (England: Ashgate, 2004), pp. 57–94.
 17. E. Clay and B. Schaffer, eds., *Room for Manoeuvre: An Exploration of Public Policy in Agriculture and Rural Development* (London: Heinemann, 1984).
 18. The irrigation agency changed management, and therefore its stress on reform, three times since 1998. The irrigation agency was incorporated in the MPW prior to 1998 and later it became part of the Ministry of Settlement and Regional Development, also known as Kimbangwil, 1999–2001, and for the third time, into the Ministry of Settlement and Regional Infrastructure, also known as Kimpraswil, 2001–present.
 19. K. Griffin, *Political Economy of Agrarian Change* (London: Macmillan, 1975).
 20. M.S. Grindle, "After the Decision: Implementing Policy Reforms in Developing Countries", *World Development* 18, no. 8 (1990): 1163–81.

21. S. Hilgartner and C.L. Bosk, "The Rise and Fall of Social Problems: A Public Arenas Model", *American Journal of Sociology* 94, no. 1 (1988): 53–78; A.D. Rochefort and W.R. Cobb, "Problem Definition, Agenda Access and Policy Choice", *Policy Studies Journal* 21, no. 1 (1993): 56–71.
22. The minister of Kimbangwil attempted unsuccessfully to turn power over to the WUAs and FWUAs; the minister of Kimpraswil has no such intentions.

2

THE INDONESIAN STATE IN TRANSITION

INTRODUCTION

The Indonesian state continues to function as a rentier state,¹ even after the fall of Suharto's New Order government in 1998. A rentier state² is defined as one in which rents are paid by foreign actors directly to the state and its leaders, and where society is only involved in the utilization of the profits.³ The characteristic of Indonesia as a rentier state is evident from both the massive use of the project approach (which originated in the late 1960s) in Indonesia's sectoral development and the government's dependency on foreign loans. The political reform following the fall of Suharto's dictatorship did not eliminate rent-seeking practices. Instead, these practices remain rooted in the political relationship between the president in power and the country's ministers, and continue to govern the process of state (re)formation. This dependency on foreign funding remains apparent in the present Indonesian government.

This chapter discusses the characteristics of the Indonesian state as a rentier state (Section I) and illuminates the current political relationship between the president and the ministers (Section II). It also analyses how the concept of regional autonomy failed to change the central

government–regional government relationship: at the national level, the central government has resisted the application of regional autonomy and at the regional level, regional autonomy has been hampered by widespread corruption practices inside and outside the government (Section III). The chapter then explains the formal changes incorporated in the emergence of regional autonomy and its effect on the organizational restructuring of the irrigation agency at the regional level in 2001 (Section IV). This chapter also details Indonesia's sectoral development, shaped by that project approach of the late 1960s, and how the adaptation of government organizational structures and financial regulations since the 1960s have had a profound and lasting effect on the development of the state irrigation agency (Section V).

SECTION I: INDONESIA AS A RENTIER STATE

The present discourse on the characteristics of the Indonesian state after the fall of the New Order government is shaped by two dominant propositions. Following the political reform of 1998, some of Indonesia's political observers consider that the state has entered a transitional phase — from authoritarian rule to a new democratic system of government — in which civil society will play a more prominent role.⁴ Others who are less optimistic think that the Indonesian state is transforming from a bureaucratic interventionist developmental state into a messy (in which I also mean criminal and crony) state.⁵ The word messy implies increased high-level and petty criminality, the spread of political violence and corruption, and short-term opportunism.⁶

In this book, I use the rentier state concept to highlight the unchanged characteristics of the Indonesian state.⁷ According to Dr Susetiwana from Gadjah Mada University, the political reform in 1998 was stalled during the state of political euphoria. Reacting to the fall of the New Order government, political actors from the reformist front (groups of activists from civil society movements, independent university experts, moderate government officials, and unco-opted religious leaders) were constantly engaged in endless sociopolitical discussion. Little or no attention was given to the formulation of real strategies to counteract the existing bureaucratic mechanisms inherited from the New Order. Hence, in my opinion, the fall of the New Order government did not necessarily mean that the Indonesian state transformed from an authoritarian state towards either

a democratic state or a messy criminal and crony state (see Kaviraj)⁸ on what happened, or rather did not happen, to the British Raj bureaucracy after Indian independence). Rather, I emphasize the still-dominant presence of New Order mechanisms in shaping the overall application of regional autonomy and how efforts to reform the government are hampered by the institutionalization of these mechanisms both inside and outside the government structure (see, for instance, Batley, Cohen, and Peters⁹ on the tenacity of bureaucratic procedure and culture).

Before and after the political reform of 1998, foreign loans remained the central government's basic resource to direct the country's development. Under Suharto's government, while loans were used to finance the country's sectoral development (to reach self-sufficiency in rice production), they were also one of the New Order's financial resources to generate legitimacy for the regime's political power.¹⁰ In the post-New Order era, the state-citizen relationship continues to be shaped by the government's decision-making authority in the disbursement of development funds. By relying on funding support from foreign donors, the government can direct the country's development independently from the people's popular demands. Put differently, the Government of Indonesia lacks the incentive and motivation to improve its bureaucratic responsibility to respond to local development needs because it does not have to raise revenues within the national economy as long as donors are willing to continue their funding support.¹¹ This lack of incentive and motivation is often referred to as the moral hazard effect¹² of loan dependence.¹³ In Indonesia, foreign loans sustain bureaucratic patrimonialism and allow the continuation of corrupt practices within the government bureaucracy in the post-New Order era (see Eisenstadt¹⁴ on how this patrimonialism resulted in the formation of an "empire" state). Directed primarily by the government's ability to distribute its resources (usually in a trickle-down manner) to the local population, the state-citizen relationship remains characterized by patron-client networks,¹⁵ just as it was before Suharto's fall.¹⁶ Despite the abolition of the New Order government, its rules and main mechanisms continue to govern the present government bureaucracy.¹⁷ Composition of the bureaucratic elites changed — from military to civilian or from actors with a strong government background to those with a non-governmental background — yet the same bureaucratic mechanisms are applied. For example, even in present-day Indonesia, strong political connections remain indispensable to one's access to government contracts as well as

to one's ability to obtain preferential regulatory treatment, such as early or decisive information on certain tendering procedures.¹⁸

In the irrigation sector, the characteristic of Indonesia as a rentier state is also evidenced from the way the central government remains in charge of directing regional development through its foreign-funded projects. Irrigation sector development continues to be directed through projects, despite the overall application of regional autonomy starting in 2001. The Irrigation Management Transfer (IMT) programme under the Water Sector Adjustment Loan (WATSAL) was implemented by the irrigation agency under the Ministry of Settlement and Regional Development (also known as Kimbangwil) from 1999 to 2001, and then under the Ministry of Settlement and Regional Infrastructure (also known as Kimpraswil)¹⁹ from 2001 onwards under the auspices of World Bank-funded projects.²⁰ In 2004, the IMT programme continued to be funded by the World Bank through its Water Resources and Irrigation Sector Management Project (WISMP).

Irrigation sector development continues to be directed by project fund disbursement from the central ministry, regardless of any regional government's actual development needs, and the regional governments accept whatever projects are given to them. As was previously the case, project funds continue to be managed exclusively by the project leader and the supervisor at the central ministries. Project activities are defined and evaluated by following rigid, step-by-step project planning or the so-called development blueprint.²¹ Even when project activities are not in line with the local population's development needs, the central government insists that project activities be conducted according to predefined plans, primarily to ensure the appearance of consistency between budget proposal and budget allocation, no matter how the money is actually spent.

SECTION II: THE PRESIDENT'S INNER CIRCLE OF POWER AND THE INDONESIAN STATE (RE)FORMATION

Despite the fall of Suharto's government in 1998, the characteristic of Indonesia as a rentier state remains unchanged because the basic structure of power, which is centred on the president's inner circle of power (the head of state enterprises, the regional governors, and, most importantly, the ministers), remains the same.²² In 1999, President Abdurrahman Wahid's government attempted to reactivate the role of parliament in directing

the country's development by shifting the decision-making authority for development fund allocation from the National Development Planning Agency (NDPA) to parliament. In practice, this shift not only failed to eliminate corruption practices within the government ministries but also failed to reshape the relationship between the president and the cabinet ministers from a political to a bureaucratic one.

The (re)formation process of the post-Suharto Indonesian state continues to be governed by corrupt practices because the political relationship between the president and the ministers remains shaped by the political party partisanship system.²³ Kothari and Roy²⁴ described this relationship between politicians and bureaucrats as a power nexus.²⁵ According to Transparency International,²⁶ Indonesia was ranked number 80 out of the 85 countries on its Corruption Perceptions Index. Indonesia was also ignobly ranked as the most corrupt country in Asia by the Political and Economic Risk Consultancy, Ltd.²⁷

Under the political party partisanship system (as established by Suharto), ministerial positions function primarily as the president's political resource, that is, to sustain and reproduce presidential political power. This function is linked primarily with the ministers' illegal access to development funds or foreign loans, which can be channelled to finance the president's political campaigns during national elections. As a general rule, a minister's access to sectoral development funds is the president's crucial weapon in directing the overall outcome of the election, as elections are primarily steered by the practice of money politics, both legally and illegally.²⁸ This political party partisanship system is also described to a certain extent in Wade's²⁹ study on the market for public office in India, in which he correlates higher-ranking officials' and politicians' strategies to sustain corrupt practices at the ministries to their interest in using the illegally acquired funds for electoral support.

In this book, I combine Bayley's public-office-centred and van Klaveren's market-centred³⁰ definitions of corruption. Corruption is defined as "the misuse of authority as a result of considerations of personal gain, which need not be monetary". In this context, public office is viewed as a business and is reduced to the so-called maximizing unit, in which a corrupt civil servant can maximize personal income.³¹ In the Indonesian context, this definition includes the three elements of corruption, as widely described in the acronym KKN (*korupsi, kollusi, nepotisme*, translated as corruption, collusion, nepotism).³²

Within the political party partisanship system, both the president and the ministers have a direct interest in sustaining the corruption within the ministries. Put differently, ministers have no reason to fear that the president will report corruption within their respective ministry to the parliament or to the Supreme Audit Agency (BPK), knowing that the president receives direct benefits from the corruption. Similarly, the president has no reason to eliminate rent-seeking practices within the ministries because the president relies on the delivery of a certain amount of rents from the ministers to sustain political power. As argued by McLeod:

Under Suharto, corruption was not an unintended consequence of a highly interventionist state. Rather, a system of government intervention was consciously put in place for the purpose of generating the rents that Suharto presumably wanted for their own sake, but also needed in order to first attain and then maintain a position of virtually unchallenged authority. (2004, p. 6)³³

Consequently, the way sectoral development funds are managed by both the president and the ministers necessitates the continuation of development fund disbursement from foreign loans because these loans have become their source of political power.

Suharto used his close relationship with his ministers to channel sectoral development funds to feed GOLKAR (the ruling political party during the New Order government), which primarily functioned as the political machinery in sustaining political power from one election to another. This regular, but illegal, fund channelling was possible because both the State Audit Agency (BPKP) and the BPK lacked the authority to counteract the president's power,³⁴ and thus corruption became rooted in the relationship between the president and the ministers.

After the fall of the Suharto's New Order government, the new ruling political party used sectoral development funds to finance its own extensive political campaigns. In 2004, these same funds were disbursed directly from the ministerial level to each presidential candidate, following the introduction of direct presidential elections.³⁵ At the grass-roots level, these political campaigns included the realization of different types of development activities (such as rebuilding road infrastructure and schools or delivering harvest machinery and pumps to farmers). In addition, political parties distributed cash to local residents during their campaigns.

Within the political party partisanship system, the president selects the ministerial staff based on party loyalty rather than work performance. The president gives political allies strategic positions in the cabinet, while at the same time replacing those who belonged to the political opposition group. For instance, under Suharto, key bureaucratic positions often went to the military officers loyal to him. In the 1990s, the domination of Suharto's inner circle of power in government top positions was so obvious that other government officials cynically referred to them as graduates of Cendana University.^{36,37} In addition, Suharto gave his most loyal ministers huge development budgets. To paraphrase various officials I interviewed in 2003 and 2004 from the NDPA, from the Ministry of Agriculture (MoA), and from Ministry of Home Affairs (MoHA) during the country's national election, the Ministry of Public Works (MPW) became one of the ministries informally referred to as the president's "milk cows".³⁸

In the irrigation sector, the political relationship between the president and the ministers, post Suharto, remains evident because both President Abdurrahman Wahid and President Megawati Soekarnoputri appointed members of their political alliance,³⁹ respectively, as the head of Kimbangwil in 1999 and as the head of Kimpraswil in 2001.

Similarly, at the ministerial level, each minister assigns staff based on political partisanship. This nested political partisanship is important, especially if the minister has to cover up any financial misconduct in supporting the president's political campaign. In this context, the minister's power is defined by the ability to build personal and political alliances within the formal organizational structure of the ministry. For example, when the MPW was abolished and replaced by Kimbangwil in 1999, the new minister introduced into the Kimbangwil organizational structure new policy actors belonging to her alliance. Similarly, when Kimbangwil and the State Ministry of Public Works (also known as Meneg PU) were combined into Kimpraswil in 2001, the new Kimpraswil minister replaced all the ministerial staff with officials belonging to his alliance. In 2004, when a new minister of Kimpraswil was appointed (after the presidency had changed again), higher officials were reshuffled, including replacing the Director General of Water Resources Development (whom the new minister viewed as a loyal follower of the former minister) with a person who had been in conflict with the former minister.

In summary, both the preserved political relationship between the president and the ministers and the continuation of fund disbursement from

foreign loans allowed for the transfer of Suharto's New Order government's bureaucratic mechanisms into the present-day government ministries.

SECTION III: REGIONAL AUTONOMY AND THE FALL OF THE NEW ORDER GOVERNMENT

After the fall of Suharto in 1998, the Indonesian state was "reformed". The people's distrust of the central government and their demand to abolish the New Order government gave birth to the concept of regional autonomy. Only five months after the downfall propelled by mounting political pressure from student movements, the concept of regional autonomy was legally promoted in the decree of People General Assembly. Through this decree, the power concentration at the central government was dissolved in support of regional self-government. Less than a year later, the decree was succeeded by the Regional Autonomy Act Number 22 of 1999. With this act, the country's political reform was again directed towards decentralization⁴⁰ of government structure and decision-making authority. Here, a distinction should be made between *decentralization*, which involves the transfer of decision-making authority from the central government to the regional governments, and *deconcentration*, which involves only the transfer of government functions to the lower administrative level.⁴¹ Below, I summarize the formal changes incorporated within this regional autonomy, and then I discuss the irrigation agency's organizational restructuring at the regional level, as a consequence of regional autonomy.

Regional Autonomy: A Concept

Theoretically, regional autonomy should have empowered the regional governments and reduced the power of the central government at the regional level. As mentioned above, authority to direct regional development transferred from the central government to the regional governments with the Regional Autonomy Act. Also in 1999, the Fiscal Decentralization Act Number 25 of 1999 was enacted to accompany the Regional Autonomy Act. With the creation of these acts, regional governments were not only authorized to formulate and define their own regional development plans but also put in charge of managing their own development funds. An overview of the formal changes brought by regional autonomy is presented in Table 2.1.

TABLE 2.1
Changes by the Regional Autonomy and the
Fiscal Decentralization Acts of 1999*

Issues	Before regional autonomy	After regional autonomy
Decision-making authority in regional development	Provincial, district, subdistrict, and village governments act as central government's representatives	District governments have autonomy over district development
Relationship between executive (government) and legislative (parliament) organs at the regional level	Regional development dominated by executive organs (direct representatives of the central government)	Legislative organ's role in regional development is reactivated
Revenue collection	Central government receives 90 per cent of tax revenue; regional governments 10 per cent	District governments receive 90 per cent from total tax collection; central government 10 per cent
Development fund disbursement	Centralized fund disbursement by MoHA (administrative expenditures) and sectoral ministries (sectoral development activities) to provincial down to village governments	Fund disbursement through DAU and DAK grant systems: expenditures for administrative and sectoral development activities
Personnel and administrative	Central ministries represented by regional offices (within sectoral ministries) located at the provincial level	Regional offices abolished

Notes: *Regional Autonomy Act Number 22 of 1999 and Fiscal Decentralization Act Number 25 of 1999. DAU = general purpose grants, DAK= special purpose grants.

District governments now had complete autonomy and were fully authorized to direct their development with regional autonomy.⁴² First, with this autonomy, the central government was not allowed to interfere in district matters, except for monetary, foreign relations, judiciary, defence, religious, or other national issues.⁴³ Unlike district governments, provincial governments remained the central government's formal representative at the regional level, though the provincial government's role shifted towards inter-district development facilitator and coordinator. Prior

to the Regional Autonomy Act, discussion on regional autonomy was focused on whether to transfer the authority to the provincial or district governments. According to interviews with MoHA officials in 2003 and 2004, authority to transfer power to the provincial governments was first proposed because government officials at the national level thought that provincial governments were better able to direct regional development than their counterparts at the district level. However, in the end, the central government transferred its decision-making authority directly to the district governments⁴⁴ because it feared that the provincial governments' power would replace the central government's important role in directing the country's overall development.⁴⁵ The central government also feared that transferring decision-making authority to the provinces would eventually strengthen secessionist movements, whereas individual district governments' territory and scope of power were considered to be too small to be able to secede.⁴⁶ This decision reflects the fragmented opinions and positions of the central government bureaucracy towards regional autonomy, which later had serious implications on the overall application of regional autonomy.⁴⁷

Second, local parliaments' decision-making role in regional development was reactivated. Previously, local parliament members were no more than the central government's political representatives,⁴⁸ playing hardly any role in regional development. In the new era, local parliament members are in charge of defining the regional development plan and budget, together with the executive organ (the provincial government under the governors). They are also in charge of monitoring the regional government's performance and electing⁴⁹ both district heads and governors.

Third, the district governments became authorized to define their revenue needs, taking a total of 90 per cent from the total tax collection (see Figure 2.1). Prior to regional autonomy, district governments received only 10 per cent of the total tax revenue, with the central government keeping the rest. Furthermore, after regional autonomy, district governments became entitled to add new forms of local taxes to increase their revenues.

Fourth, general purpose grants (DAUs) and special purpose grants (DAKs) were introduced with regional autonomy. With these grants, the central government remains the financial contributor to regional development, but its influence in directing the set-up of regional development is reduced. Theoretically, both DAUs and DAKs enable regional governments to conduct sectoral development, independent from the central ministries' interference, because they are authorized to