

## **CHAPTER 2**

### **POLICY BACKGROUND FOR BASIN WATER MANAGEMENT**

#### **2.1 National and Regional Development Plans**

The recent national development plans reflect the new government policy. Especially, General Guideline for National Development (GBHN) and PROPENAS 2000-2004 are directing the nation under the new policy. Key points of the national development plans are as follows:

##### **PJP II**

The first Twenty-Five Year Long-term Development Plan (PJP I) started from April 1969 and completed in March 1994 and during the same period, the Five-Year Development Plans (REPRITA) I to V had been completed. Indonesia had made remarkable economic growth in this period including water resources development and self-sufficient in rice.

Since April 1994, the Second Twenty-Five Year Long Term Plan (PJP II, April 1994 - March 2019) and the Sixth Five-Year Development Plan (REPELITA VI, 1994-1998) have been started simultaneously. In the PJP II, Indonesia aims to enter “the take-off stage” in the effort to become a developed, just, prosperous and self-reliant nation. Among others, special attention should be given in the present Study to: Increasing equitable development; Improving the quality of human resources; Conservation of natural resources and the environment.

With regard to water resources, the emphasis is placed on sustainable development, more effective and efficient management of water resources in an integrated manner. In addition, greater attention is placed on sustaining self-sufficiency in rice and on the O&M of water resources infrastructure. Another challenge emphasized in PJP II is to ensure the preservation of a balance between economic growth and the conservation of natural resources and the environment, by maintaining a sustainable development process.

##### **GBHN**

In 1999, the new Government moved to redraw its development strategy, articulated by the General Guideline for National Development, 1999-2004 (GBHN). The GBHN was approved by the People's Consultative Assembly (MPR) on October 19, 1999. It sets forth guidelines for conducts of Government organizations and the entire nation toward sustainable and enhanced development. Among the key issues, underlined in the present Study are: Re-organization of the Government administration system focusing on the regional autonomy and transparency of public finance; and, Globalization of the national and regional economy through introducing open market mechanism and fair competition.

## **PROPENAS**

Based on the GBHN, the medium-term development strategy, Five Year National Development Program (PROPENAS, 2000-2004), was presented in October 2000. PROPENAS is based on decentralization policy in all aspects of national development, which is quite different from the past development plans. It sets out the following five broad national objectives: Ensure national cohesion and social stability; Achieve good governance and rule of law; Accelerate economic recovery and strengthen the foundations for sustained growth; Develop the social sectors and human welfare; and Strengthen regional autonomy, rural and urban development, and structural poverty programs.

The program for development and management of water resources in PROPENAS includes various reforms, e.g.; to reform the role and responsibilities of the central government, the provincial/district/municipal governments, the private sector and society, in management and conservation of water resources; to form the agency for coordinating water resources development policies, at the national and provincial levels; and, to amend Law No.11, 1974 regarding irrigation and its regulations and institutions, with reference to Law No.22, 1999 and Government Regulation No.25, 1999.

### **Regional Development Plans**

After the change of administrative system (decentralization), regional governments also set up medium-term development plans such as strategic plan (RENSTRA), local government plan (PROPEDA), or principle framework (POLA DASAR). Almost all the regional development plans include the following targets as common understanding: namely, Development of human resources; Economic development by making good use of local resources and characteristic; Balanced development for environmental conservation and sustainable development; and, Development of basic infrastructure especially for isolated areas.

Among others, the Strategic Plan, 2001-2003 of South Sumatra Province declares the vision "To empower individual, social stratum and society group to participate actively in regional development of South Sumatra Province, which is a part of Unity Nation of the Republic of Indonesia." The mission includes: to improve quality of human resources; to open opportunity for all society members to participate for development; to control development activities for environmental conservation and sustainable development; and, to manage natural resources properly by balancing both economic growth and sustainability of environmental function.

## **2.2 Basic Laws**

New Autonomy Law (Law No.22/1999: UU22/99) and Government Regulation on Fiscal Balance (Government Regulation No.25/1999: PP25/99) are the basic laws for the achievement of the directions given in the GBHN and PROPENAS. In the water sector, New Water Resources Bill, the amendment of Law No.11/74 as stipulated in the article (3) of PROPENAS above, will soon be released as an umbrella law.

### **Autonomy Law (UU22/99)**

The points of new Autonomy Law can be summarized briefly in the following three points: (1) Authorities of the higher level of the Governments have been transferred to Districts/Municipalities. The District/Municipality manages matters related in only one District/Municipality. Matters related to more than one District/Municipality are managed by the Province; (2) Bupati (Head of District)/Mayor is directly responsible to the Regional Parliament not to the Central Government; (3) A Vice Head in a Regional Government is established under the Region's Head to reduce the burden of the Region's Head. Thus, the Region's Head is released from routine work and can devote oneself into policy matters.

### **Government Regulation on Fiscal Balance (PP25/99)**

The execution of Regional Government's tasks and the Regional Parliament shall be financed from and borne by the Regional budget. The execution of the Central Government's tasks in the Region shall be financed from and borne by the Central Government's budget. The sources of revenue in the implementation of Regional Government's tasks are: Regional original revenue; Proportion Funds; Regional loans; and other legal regional revenues.

### **New Water Resources Law**

Laws and regulations on water management can be broadly divided into two areas, namely water resource, and spatial and environmental management. The basic or umbrella law of the former is Law No.11/1974 (Water Resources), whose revision is now under discussion in the parliament. The latter has two main laws, Law No.23/1997 (Environmental Management) and Law No.24/1992 (Spatial Management).

The Water Resources Law needs to be amended with a conditionality of Water Resources Sector Adjustment Loan (WATSAL). The new law is expected to promote environmentally and socially sustainable water resources development and management by strengthening the institutional and regulatory frameworks for river basin management, pollution abatement and water quality management, and irrigation systems.

## **2.3 Water Resources Sector Adjustment Program (WATSAP) and Related Programs**

### **2.3.1 WATSAP**

Water Resources Sector Adjustment Loan (WATSAL) was approved by the World Bank in 1999 for the balance of payments assistance to support a structural adjustment program of policy, institutional, regulatory, legal, and organizational reforms in the management of the water resources and irrigation sector in Indonesia. The amount of the loan is US\$ 300 million. WATSAP has been started with WATSAL. WATSAP has the four major objectives with sub-objectives as follows:

- (1) Improve the national institutional framework for water resources development and management
  - (1.1) Establish a national water resources management coordination framework
  - (1.2) Adoption of a national policy for water resources management
  - (1.3) Involvement of private sector in development and stakeholders in basin management policy and decision-making
  - (1.4) Improve national water resources information and decision support systems
  - (1.5) Improve national hydrological and water quality data collection and management system
- (2) Improve the organizational and financial framework for river basin management
  - (2.1) Improve provincial regulatory management of river basins and aquifers
  - (2.2) Develop sustainable corporate framework for management of strategic river basins
  - (2.3) Introduce secure, equitable and efficient water allocation
- (3) Improve regional water quality management regulatory institutions and implementation
  - (3.1) Establish an effective and enforceable national regulatory framework for water pollution control
  - (3.2) Integrated water quality management implemented in six highly developed river basins (Bengawan-Solo, Brantas, Citarum, Jeneberang, Jratunseluna and Serayu-Bogowonto)
- (4) Improve irrigation management policy, institutions and regulations
  - (4.1) Improve irrigation governance, transparency, and accountability through farmer empowerment and management transfer
  - (4.2) Improve regional government irrigation services
  - (4.3) Ensure fiscal sustainability and efficiency of O&M and rehabilitation of irrigation schemes

Various programs have been already implemented through the First, Second, and Third tranches for the water resources sector adjustment in order to fulfill the conditions of the loan disbursement. They are mainly issuance of presidential instructions, presidential decrees, government regulations, ministerial letters, and ministerial decrees.

### **2.3.2 Related Programs**

There are programs for the implementation of the concrete improvement proposed in WATSAP. Java Irrigation Improvement & Water Management Project (JIWMP) is a World Bank Loan project, undertaken since 1999, to pilot the reforms raised in WATSAP. Indonesian Water Resources and Irrigation Reform Implementation Program (IWIRIP) is presently undertaken and scheduled for completion by the end of 2003. Water Resources and Irrigation Sector Management Program (WISMP) is under preparation as a program after IWIRIP for the realization of WATSAP.

#### **Indonesian Water Resources and Irrigation Reform Implementation Program (IWIRIP)**

The Government of Netherlands has provided a grant of US\$9.7 million for FY 2001-2003 piloting of water resources and irrigation sector reforms based on the WATSAL program and changing sector administration (authorities, planning, programming and budgeting) required by UU22/99 and PP25/99.

The objective of the program is to assist Indonesia in (i) improving irrigation performance by the implementation of new national and provincial policies and related regulations on irrigation, and the establishment of related institutions; and (ii) improving the organizational framework for integrated river basin management at the provincial and local levels. The program is conducted by the five parts; Part A: River Basin Water Resources Planning; Part B: River Basin Water Resources Management; Part C: Irrigation Management Reform Implementation; Part D: Quality Assurance; and, Part E: Preparation of a National Water Resources Management Program.

#### **Water Resources and Irrigation Sector Management Program (WISMP)**

The objectives of the program are: (a) Sustainable and equitable management of surface water resources and their utilization infrastructure; (b) Increased irrigation farm household incomes and improved regional food security as a result of raising the overall productivity in irrigated agriculture and reducing its vulnerability to natural and economic shocks; and (c) More cost-effective and fiscally sustainable management of sector agencies.

The program will be implemented with three phases as follows: **Phase I** (WISMP 1) will last 4 years and assist GOI and regional governments to consolidate the institution reforms in the 5 Java Provinces and their 45 Kabupatens under Java Irrigation Improvement & Water Management Project (JIWMP), and further implement the sector reform begun in 7 off-Java Provinces and in their 25 Kabupatens started under IWIRIP. In **Phase II** (WISMP 2), the design of program activities will be adjusted to incorporate the experience of the first phase with expanding the activities to 30 additional Kabupatens and three Provinces. **Phase III** (WISMP 3) will further improve program designs to the point that they can be considered robust and sufficiently flexible to respond to local conditions, expand the activities and institutionalize its innovations as a sustainable ways of operation within the country.

WISMP 1 consists of the following three components:

- A. BASIN WATER RESOURCES MANAGEMENT
  - A.1. Sector Governance & Basin Planning
  - A.2. Management Capacity of Basin Agencies
  - A.3. Fiscal and Cost Recovery Policies
  - A.4. Basin Water Management and River Infrastructure Improvement
  - A.5. National Capacity Building Networks
- B. PARTICIPATORY IRRIGATION MANAGEMENT
  - B.1. Water User Associations Capacity
  - B.2. Kabupaten Irrigation Department Capacity
  - B.3. Irrigation Infrastructure Improvement
  - B.4. Irrigated Agriculture Improvement
- C. PROJECT MANAGEMENT

The World Bank loan was approved in May 2003 (Total loan amount: US\$ 320 million). Start of the implementation of the WISMP is scheduled in the year 2004.

## **2.4 Leading Actors in Water Sector for Musi River Basin**

Among various organizations related to the comprehensive water management of the Musi River Basin, the following two will be the leading actors.

### **Water Resources Service (Dinas PU Pengairan) of South Sumatra Province**

Water Resources Service is an Implementation Element of the Provincial Government in the field of water resources management, led by a Head of Service, being subordinated to and responsible to the Governor. The functions include: Formulation of development plan and management of technical policy, provision of guidance and licensing in the field of water resources pursuant to the policy stipulated by the Governor; Supervision and technical control of water resources development, operation and maintenance of water resources infrastructure and facilities, and activities of water sources' exploitation, monitoring and control.

Planning Unit was established in July 2002 under the Head of Service with the tasks of formulating master plans of river basins, etc.

### **Water Resources Management Unit (Balai PSDA) for Musi River Basin**

Based on the Regional Regulation No. 50/2001 (Formation of *Balai PSDA* in South Sumatra Province), Water Resources Management Unit (*Balai PSDA*) for Musi River Basin has been established, which serves as a technical implementation office under Water Resources Service covering the Musi River Basin.