

CHAPTER 2

POLICY BACKGROUND FOR BASIN WATER MANAGEMENT

Indonesia is conducting a drastic reform in the policy for the water sector. The national policy for the river basin water management is a prerequisite condition for the present Study. In this Chapter, the policy context for water management in the river basin is summarized under the articles of; National and Regional Development Plans, Basic Laws, WATSAL and related Programs, and Leading Actors.

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 the following activities:

- (1) 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;
- (2) To form the agency for coordinating water resources development policies, at the national and provincial levels;
- (3) To amend Law No.11 of 1974 regarding irrigation and its regulations and institutions, with reference to Law No.22 of 1999 and Government Regulation No.25 of 1999;
- (4) To form the network and institutions for collecting and managing hydrological data at the national and provincial levels and for preparing and operating the decision support system (DSS) that can facilitate the effective and efficient management of water resources;
- (5) To revise government regulations and other regulations regarding the management of river basin areas, especially those in critical condition;
- (6) To prepare and facilitate the formation of a corporate entity for the integrated management of the river basin area, from the upstream to the downstream areas;
- (7) To implement the integrated conservation of groundwater and surface water;
- (8) To control surface water pollution through regulation and law enforcement, specifically in water catchment, industrial and urban areas;
- (9) To manage and conserve the intake capacity of dams, lakes, natural water sites, ponds, man-made ponds and other water intake constructions that function as

sources of water for irrigation, housing settlements, urban areas, industries and various other activities; and,

- (10) To conserve river basin functions so that there can be conserved and its utilization increased.

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 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. A draft of the amendment is waiting for approval by the national assembly as of August 2003. Key points of the draft (September 26, 2002 Version) are as follows:

- (1) Management of water resources has the objectives to realize overall water resources benefits, integrated, sustainable and with environmental protection for the utmost welfare of the people (Article 3);
- (2) The National Government manages a river basin that crosses Province or country border, and national strategic river basins with the coordination by the National Water Resources Council (Article 13 & 86); and the same rule is applied to the Province Government and the District/Municipality Government;
- (3) The National Government and Regional Governments conduct empowerment of executors and institutions of water resources with involvement of communities so that performance of water resources management can be improved (Article 70);
- (4) Communities have the same opportunities to participate in the process of planning, implementation, and supervision of water resources management (Article 83);

- (5) Water Resources Council has main tasks to prepare and formulate policy, as well as strategy for water resources management (Article 85);
- (6) Water Resources Council has members which consists of government elements and non-government elements in balanced number based on the principles of representatives (Article 85); and
- (7) Criminal provisions are stipulated in detail in the text of Article 93.

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

Followings are programs already implemented for the water resources sector adjustment in order to fulfill the conditions of the loan disbursement.

Program Implemented by May 1999 in the First Tranche Agenda

- Presidential Instruction Number 3/1999 on Irrigation Management Policy Reform
- Presidential Decree Number 9/1999 on River Basin Management and Utilization Policy Coordination Team

Program Implemented by December 2001 in the Second Tranche Agenda

- Government Regulation Number 77/2001 on Irrigation
- Government Regulation Number 82/2001 on Water Quality Management and Water Contamination Control
- Presidential Decree Number 123/2001 on Water Resources Management Coordination Team (including policy principles of national water resources management)
- Ministerial Letter of the Coordinating Minister for Economic, Finance and Industry Number 34/M. EKUIN/07/2000 on Establishment of Task Force Team for Irrigation Management Policy Reform
- Ministerial Letter of the Coordinating Minister for Economic Number 14/M.EKON/12/2001 on National Policy Direction of Water Resources
- Ministerial Letter of the Coordinating Minister for Economic Number 15/M.EKON/12/2001 on the Establishment of Secretariat for Water Resources Management Coordinating Team (as the changing of the Ministerial Letter of the Coordinating Minister for Economic Number 34/M. EKUIN/07/2000)
- The Agreement of related departments on Water Resources Data and Information System and Networking
- Ministerial Letter of the Minister of Settlement and Regional Infrastructures Number 509/KPTS/M/2001 on Hydrology Management

- Ministerial Letter of the Minister of Settlement and Regional Infrastructures Number 427/KPTS/M/2001 on Technical Guidelines for the establishment of regional regulation on Hydrology Management
- Ministerial Letter of the Minister of Home Affairs Number 50/2001 on the Guideline for the Establishment and Empowerment of Water Users Associations
- Ministerial Letter of the Minister of Settlement and Regional Infrastructures Number 529/KPTS/M/2001 on the Guideline for the irrigation management turnover to the WUAs
- Letter of the Director General of Water Resources of the Ministry of Settlement and Regional Infrastructures Number 90/KPTS/D/2001 on the establishment of Water Resources Data and Information Unit under the Directorate General of Water Resources
- Provincial Regulation/Governor Letter on the establishment of financial arrangement and Hydrology Unit and the establishment of provincial hydrology unit in 8 provinces

Program Implemented as of December 2002 in the Third Tranche Agenda

- Ministerial Decree of the Coordinating Minister of Economics Number 13/M.EKON/3/2002 on Structural and Membership Change of the Secretariat of Water Resources Management Coordination Team
- Ministerial Decree of the Coordinating Minister of Economics Number 39/M.EKON/09/2002 on Second Change of the Ministerial Decree of the Coordinating Minister of Economics Number KEP-15/M.EKON/12/2001 on Establishment of Secretariat of Water Resources Management Coordination Team
- Governor Decree on the Guideline of Establishment of the Water Resources Management Coordination Team at Provincial, River Basin, and District/City level (in 8 Provinces)
- Establishment of WUA Federations in 8 provinces. The establishment of WUA Federations at secondary blocks has been completed in all over Indonesia, particularly in West Java, Banten, Central Java, East Java, Yogyakarta, North Sumatra, West Sumatra and South Sumatra.

The first tranche of US\$ 50 million was released on June 21, 1999, when the loan agreement was signed. It was planned that the second tranche of US\$ 100 million be released in December 1999 on the fulfillment of all agenda items as the conditionality of second tranche, that were listed in the Government of Indonesia's Letter of Sector Policy and Policy Matrix. Those items, however, were not completed and the second tranche release was considerably delayed to be released in December 2001. As a result, the closing date for WATSAL (originally third quarter of 2000) was postponed first to December 31, 2001 and again postponed to June 30, 2003, and finally to November 30, 2003, when the final third tranche of US\$ 150 million will be released by the World Bank.

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. Participatory Irrigation Sector Program (PISP) is an ADB loan program scheduled for implementation in seven years from 2004 for eight provinces with a total of one million hectare area.

Outline of IWIRIP and WISMP is presented below:

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 the 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 activities related to the present Study are referred from the Program:

(1) Part A: River Basin Water Resources Planning

- Strengthening ... the Planning Unit of the DGWR, KIMPRASWIL, through the provision of goods and technical assistance.
- Provision of training in river basin planning and management to provincial staff in the provinces of ... South Sumatra....

(2) Part B: River Basin Water Resources Management

- Establishment of Balai PSDAs, PTPAs and PPTPAs in the provinces of ... South Sumatra ..., through the provision of technical assistance.
- Strengthening of Balai PSDAs, PTPAs and PPTPAs, and Hydrological Units of the Provincial Water Resources Departments in the provinces of ... South Sumatra ..., through the provision of goods and technical assistance.

- Carrying out of repairs and minor rehabilitation works of rivers and river infrastructure by the Balai PSDA in the provinces of ... South Sumatra
- Carrying out of studies relating to basin water resources management.

(3) Part C: Irrigation Management Reform Implementation

- Empowerment of Water User Associations (WUA) through the establishment of WUAFs in the provinces of ... South Sumatra ..., and the provision of technical assistance by Community Organizers and the provision of training.
- Establishment of demand-based matching grant funds at the Kabupaten level (Kabupaten Irrigation Improvement Fund), including financing procedures, for purposes of irrigation investments by WUAFs ...
- Carrying out of repairs and minor rehabilitation works of irrigation systems by WUAFs, with the support of the relevant Kabupaten Dinas PUP ...
- Strengthening WUAFs ..., Strengthening the Dinas PUP ..., Strengthening the provincial and Kabupaten BAPPEDAs ...

(4) Part D: Quality Assurance

Strengthening technical implementation quality assurance of Kabupaten Dinas PUPs ..., through the provision of training to the WUA members, staff of the provincial and Kabupaten Dinas PUPs and the relevant staff of KIMPRASWIL, and the provision of technical assistance to WUAFs, and provincial and Kabupaten Dinas PUPs.

(5) Part E: Preparation of a National Water Resources Management Program

Carrying out of studies and preparation of project designs for the Indonesia's proposed National Water Resources Management Program, in accordance with the Indonesia's national water resources sector reform program under the Indonesia's Water Sector Adjustment Loan.

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 a lot of 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 with the following functions:

- (1) 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;
- (2) Implementation of development in the field of water resources;
- (3) 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;

- (4) Guidance toward Water Resources Section in the Districts/Municipalities in the field of water resources having technical and functional characteristics based on the policy stipulated by the Minister of Settlement and Regional Infrastructure;
- (5) Management of Service administration; and,
- (6) Management of the Water Resources Management Office (*Balai PSDA*).

Planning Unit was established in July 2002 under the Head of Service with the tasks of:

- (1) To formulate master plans of river basins;
- (2) To evaluate and monitor flood and drought;
- (3) To analyze data for water resources planing; and,
- (4) To coordinate public consultation on water resource development.

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 Office (*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. The tasks of Balai PSDA are:

- (1) Irrigation beyond one Regency/Municipality;
- (2) Raw water supply for multipurpose purposes (industry, harbor, clean water, hydro-electric power, water traffic, ponds, etc.);
- (3) River management;
- (4) Reservoir, lake, natural pond (*situ*) and small reservoir (*embung*) management;
- (5) Flood control and drought prevention;
- (6) Swamp management;
- (7) Water pollution control;
- (8) Coastal protection; and,
- (9) Estuary and delta management.

To implement the above-mentioned tasks, *Balai PSDA* has the following functions:

- (1) Operation of the service provision to the public in the field of water resources;
- (2) Operation, maintenance, repairs and constructions of water resources infra-structures;
- (3) Operation of water sources conservation;
- (4) Maintenance of surface water sources and water resources facilities; and,
- (5) Implementation of administrative technical services.