

Project Summary Information (PSI)

Project No: 000060

Project Name	Strategic Irrigation Modernization and Urgent Rehabilitation Project
Country	Republic of Indonesia
Sector	Water/Irrigation
Project No	000060
Borrower	Republic of Indonesia
Implementation Agencies	Ministry of Public Works, Directorate General of Water Resources
Environmental and Social Category	Category B
Date of PSI prepared or updated	May 3, 2018
Estimated Date of Board Consideration	June 24, 2018
Concept Decision	Approved on December 4, 2017
Appraisal Decision	Approved on May 1, 2018

I. Introduction

Indonesia, a member of G20 group, is the largest economy in Southeast Asia. Its economy has been growing steadily for the last two decades which has helped in lowering the poverty levels, accelerating infrastructure development and improving the performance of social sectors. The gains from economic growth, however, have not been distributed evenly with a large percentage of population still living very close to poverty line. Additionally, there are marked geographic disparities in the urban and rural income levels of the country.

Poverty in Indonesia remains a predominantly rural phenomenon where agriculture continues to be the main source of employment for more than 33 percent of the labor force. Despite its decline as a share of Gross Domestic Product (GDP) over the past 50 years, presently accounting for approximately 14 percent of GDP, the agricultural sector continues to play a vital role in the Indonesian economy. Irrigated agriculture is the main driver for food production. However, yields have stagnated due to deteriorating infrastructure, lack of innovation and low levels of technology uptake.

The Government's long term and medium term sectoral plans for irrigation and water resources reflects its strategy to modernize the infrastructure and develop the institutions for sustained economic growth. These strategies focus on the themes of poverty eradication, improved prosperity and food security through sustainable agriculture. The level of irrigation development in Indonesia varies from traditional systems to modern irrigation schemes. It is estimated that nearly half of the total irrigated area in Indonesia require some form of rehabilitation. Most of the irrigation schemes are run of river systems, with only about 11 percent of the total command area served by reservoirs. This 11 percent, which includes the strategic Jatiluhur Irrigation System in West Java, are classified by the Government as premium schemes that have been prioritized for rehabilitation and modernization.

New irrigation management approaches are needed to re-orientate towards delivering a well-defined, reliable and responsive service to mitigate farmers' increasing risks. The challenge is to ensure rehabilitation of existing infrastructure and provide a platform for modernization that can develop resilient, reliable and sustainable irrigation management institutions and infrastructure; enhance productivity of land, water and human resource base; improve farmers' livelihoods and minimize risks related to climate variability and price volatility. Some of the specific measures include assessing the current level of spending; increasing the coverage of water systems; reversing the deterioration of the water network; and setting incentives to invest in service delivery.

II. Project Objective and Expected Results

The Project Objective is to improve irrigation services and strengthen accountability of irrigation schemes management in selected areas. This objective will be achieved through rehabilitation, revitalization and

modernization of water resources and irrigation systems; institutional strengthening and improved management; and operation and maintenance of these systems.

III. Project Description

The Project provides a platform for rehabilitation and modernization of the irrigation sector in Indonesia by increasing participatory development, improved levels of service, infrastructure upgrade and sustainable management. The Project is designed around the Directorate General of Water Resources' (DGWR) five pillars of irrigation management modernization which are intended to support Government's efforts to address the infrastructure, institutions, information and technical issues for enhanced irrigation efficiency. The five pillars include: (i) improving water security and availability; (ii) rehabilitation and upgrade of infrastructure; (iii) improvement of management system; (iv) strengthening of institutions; and (v) strengthening of human resources.

(i) Urgent Rehabilitation of Irrigation and Drainage System

This component will support institutional strengthening and rehabilitation of about 100,000 hectares of irrigated command area to overcome the ongoing deterioration of irrigation schemes in accordance with Government's five pillars of modernization. From an initial list of identified schemes, 14 irrigation schemes spread across 8 balais (river basins) have been prioritized through objective criteria. Besides physical rehabilitation and rehabilitation of prioritized irrigation schemes, this component also include the modernization of irrigation management systems and strengthening of irrigation management institutions in Project area.

(ii) Strategic Modernization of Irrigation and Drainage System

This component will increase serviceability of premium irrigation systems through modernization of existing management and infrastructures by introducing a higher level of technology to support the national food water security program. The focus will be on 176,000 hectares within Jatiluhur Irrigation Scheme in West Java. Activities will include water resource performance assessment; technical studies; engineering analyses and upgrade of irrigation infrastructure with modernization principles in the context of participatory irrigation. This component will also support introduction of service agreements between different tiers of management; asset management systems, monitoring and evaluation of irrigation service delivery performance; and installation of advanced information and control system.

(iii) Project Management

This component will support the overall project management and implementation through the Central Project Management Unit and the Project Implementation Units to provide the necessary support services for timely and effective project implementation including monitoring & evaluation, procurement, financial management and safeguard compliance. Technical Assistance will also be provided through this component to the implementing entities to ensure timely and effective implementation.

IV. Environmental and Social Category

The WB's Environmental and Social Safeguard Policies (Safeguard Policies) will be applied to the Project since (i) they are consistent with the Bank's Articles of Agreement and materially consistent with the provisions of the Bank's Environmental and Social Policy and relevant Environmental and Social Standards; and (ii) the monitoring procedures that the WB has in place to ascertain compliance with its Safeguard Policies are appropriate for the Project. Under the WB's Safeguard Policies, the Project has been assigned Category B.

An Environmental and Social Management Framework (ESMF) has been prepared which provides guidance related to the screening of environmental and social safeguards. The ESM has been disclosed on the WB website:

<http://projects.worldbank.org/P157585/?lang=en&tab=documents&subTab=projectDocuments>

V. Project Cost and Financing Source

The Project is estimated to cost USD 578 million. The financing sources are as follows (in USD millions):

Loans/Credits/Others	Amount
Borrower	78.00
AiIB	250.00
World Bank	250.00
Total	578.00

VI. Implementation

The Project will be co-financed with the World Bank (WB). The WB will be the lead financier of the Project and will administer the Bank's loan on behalf of the Bank, including procurement, disbursements, environmental and social compliance, and project monitoring and reporting. Procurement for the Project will be carried out in accordance with WB's Procurement Guidelines dated January 2011 (revised July 2014).

Project Implementation Period: July 2018 – December 2023

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