

Report highlights from

Social justice at bay

The Dutch role in Jakarta's coastal defence and land reclamation

April 2017

The full report can be found online at:

- www.bothends.org/ncicd
- www.somo.nl/ncicd
- www.tni.org/ncicd

RESEARCH SUMMARY

A multi-billion infrastructure project is underway in Indonesia that is meant to protect the city of Jakarta against future flooding. The Master Plan for the National Capital Integrated Coastal Development programme (NCICD) was drawn up by a consortium of Dutch engineering and consultancy companies. The Dutch government, through its development aid budget, has supported the design phase and is likely to remain closely involved with this prestigious project. It is a prime example of the shift in Dutch development policies as laid down in the New Agenda for Aid, Trade and Investment.

However, research by SOMO, Both ENDS and TNI shows that the NCICD and related projects in Jakarta Bay are likely to damage the environment and could threaten the livelihoods of tens of thousands of people who rely on the local fishing industry. Local civil society organisations are deeply concerned that they have not been involved in the planning and design of this large-scale infrastructure and real estate project. In 2014, they joined forces with other affected groups and formed the 'Save the Jakarta Bay Coalition'.

No one questions that protecting Jakarta against floods is becoming increasingly urgent and that action is needed. This research report, however, raises serious questions as to whether the Dutch government, in its support of the NCICD, sufficiently balances its interest in supporting Dutch companies with its stated policies of sustainable and inclusive development. Implementation of the current NCICD Master Plan will not offer the people of Jakarta a solution that is socially, environmentally and financially sustainable in the long term.

THE CHALLENGE: JAKARTA'S WATER MANAGEMENT

Jakarta, the capital of Indonesia, is a city of around ten million people located on the island of Java. The city and its surroundings enjoy rapid economic development. However, nowhere in Indonesia is inequality between the poor and the wealthy so pronounced. The city also faces massive challenges in terms of water management.

In early 2007, following heavy rains, 30 to 70 per cent of Jakarta was submerged and floods continue to occur yearly during the rainy season. The flood threat is increased by the gradual sinking of the city below sea level. The latter is largely due to the extraction of large volumes of groundwater to provide drinking water to the city's fast-growing population. Piped water supply is hugely inadequate. The environmental damage done to Jakarta and Jakarta Bay, caused by upstream water pollution, is another formidable water management challenge. The 13 rivers that converge in Jakarta city and discharge into the sea pollute the bay with human waste, heavy metals and chemicals, which are destroying the aquaculture and mangrove forests.

THE NCICD: AN INADEQUATE ANSWER

After the destructive floods of 2007, the government of Indonesia asked the Netherlands to develop a strategic plan to tackle Jakarta's flood threat. The Dutch government accepted the invitation. A consortium of Dutch companies designed an off-shore flood protection plan for Jakarta, which was for a large part funded through the Dutch government's international development cooperation budget (see box).

In 2014, the NCICD Master Plan was presented in Jakarta. The NCICD combines large-scale coastal defence infrastructure, that is, the construction of a giant sea wall in Jakarta Bay, with real estate development in the form of an artificial island, Great Garuda, that will become a new city district. The total investment costs for the project, to be implemented in three phases, could rise to US\$ 40 billion. Phase A, the strengthening of the existing onshore embankment of Jakarta Bay, has started. Phase B, the construction of the sea wall as well as Great Garuda island, should be realised by 2025. Phase C, the closure of the eastern part of Jakarta Bay, should be realised by 2040.

Meanwhile, Dutch companies are also involved as subcontractors in other projects in Jakarta Bay, which involve the creation of 17 artificial islands meant to provide housing for Jakarta's growing middle and upper income citizens. These projects, highly contested by local groups, will be integrated into the design of the NCICD project.

BOX 1

Dutch ODA funds for the NCICD

While there is no comprehensive overview available of the Dutch government support for the NCICD, the research shows that the government financed the development of the NCICD Master Plan through its Official Development Assistance (ODA) budget with two grants of €3.9 and €7.5 million. Another €500,000 was granted from 'Partners for Water', a funding programme of several ministries. Two sources (unconfirmed by the Ministry) indicate that the Ministry of Infrastructure and the Environment has contributed around €1.5 million annually to the NCICD project. Finally, the Dutch dredging company Boskalis received an export credit insurance from Atradius Dutch State Business for a maximum amount of nearly €210 million for its involvement in one of the land reclamation projects in Jakarta Bay.



WHAT IS WRONG WITH THE NCICD

1. The NCICD project provides no answer to Jakarta's main water problem: the sinking of the city. The NCICD acknowledges that the ongoing subsidence of Jakarta below sea level is the key cause of the flood threats from both the sea and the rivers inland. Halting the process of land subsidence is identified as an important precondition for 'any scenario' to protect the city. However, the urgent challenge of how to provide safe drinking water for the fast-growing population of Jakarta, other than through excessive groundwater extraction that causes land subsidence, has no part in the NCICD's financing plan. The solution offered is the stand-alone construction of the giant sea wall inside Jakarta Bay to protect the city against floods from the sea only. The NCICD also fails to tackle the treatment of highly polluted waste water (96 per cent of wastewater is discharged into rivers upstream without being treated), which causes major concerns for the water quality in the city and the bay.

2. It is estimated that the NCICD project threatens the livelihoods of tens of thousands of people and will further increase economic inequality. Local fishers claim that ongoing land reclamation in Jakarta Bay has already caused the disappearance of local fishing grounds. The construction of artificial islands moreover obstructs free access to the open sea by local fishers, which further threatens their livelihoods. These negative social impacts will only increase with the implementation of the NCICD. This means that the people who rely on the fishing industry in Jakarta Bay are further marginalised while at the same time prestigious real estate projects are realised in the same bay.

3. The NCICD project will damage the environment. The construction of the giant sea wall and the Great Garuda new waterfront city will reduce the natural flushing capacity of Jakarta Bay, where 13 heavily polluted rivers discharge. This will cause further deterioration of the water quality – some fear the bay will turn into a 'toxic lake'. The enormous amount of sand needed for the sea wall and the new waterfront city may moreover encourage illegal sand mining in Indonesia, with negative environmental impacts on ecosystems.

4. The lack of public participation and consultation conflicts with the Dutch government's stated commitment to the guiding principles of Integrated Water Resources Management (IWRM). A key principle in IWRM is that water management is based on a participatory approach at all levels, with full public consultation and involvement of local water users in scenario design and selection, planning and implementation of water projects. In the case of the NCICD, local communities in Jakarta have not been granted any meaningful participation or consultation in the design of a project that will threaten their livelihoods and environment. Another key principle of IWRM is that social and economic development must be linked with the protection of natural ecosystems. However, in the case of the NCICD, no full-scale strategic environmental assessment has been conducted. The Dutch government, which has already invested millions of euros from the development aid budget into the NCICD, has thus failed to adhere to its own water management principles.

5. The NCICD project does not meet the objectives of the Dutch development policy and yet the government has already spent €11.4 million in ODA funds on the design and development of the project. The NCICD threatens the livelihoods of the fishermen in Jakarta Bay and those working in spin-off industries. This means that the project will contribute to the already rising inequality in Jakarta, which goes against the objective of Dutch development policy to support inclusive growth and development. The environmental risks involved in the project defy the Dutch objective of sustainable development. The NCICD does not only run counter to Dutch policy objectives, it also violates several principles enshrined in international law, such as the International Covenant on Economic, Social and Cultural Rights, which includes people's right to work and to adequate food. The failure to conduct a full environmental and social impact assessment before designing the NCICD means that the Dutch government has failed to put its commitment to international agreements into practice.

6. The NCICD project offloads considerable financial risk onto the Indonesian state and could attract controversial investors. The NCICD is meant to be a public-private partnership. Guarantees provided by the state, which are necessary to attract private finance, implicate that the Indonesian government faces high financial risks if the implementation of the NCICD – over a period of more than 20 years - does not go according to plan. Key financial risks and hidden costs, such as for the relocation and compensation of the fishing industry, for improving water quality or providing piped water supply, are not integrated in the NCICD business plan. All this does not bode well for the financial sustainability of the project. The NCICD project might, moreover, attract controversial investors. This risk was already illustrated by the fact that, during the design phase of the NCICD, two Indonesian companies were consulted whose leadership is closely connected to the Indonesian military and accused in a corruption case. Another company, linked to forest fires and the eviction of local communities, was also contacted.



WHAT NEEDS TO BE DONE

The authors of the report and their partners in Indonesia are deeply concerned about the livelihood loss and infringement of social and economic rights as well as irreparable environmental damage that will be caused by the NCICD project. Local water users, fishers and women and men working in small-scale fishery enterprises along Jakarta Bay want and need to be certain that their interests are considered and addressed. The Dutch government will continue to have a stake in the NCICD project in the years to come. The authors therefore call on the government to urgently correct the flaws of the Dutch engagement in Jakarta Bay, addressing both its own role and that of the Dutch companies involved, thus being truthful to the objectives of its Aid and Trade policy.

1. The Dutch government should commit to making sure that local interest groups in Jakarta, including women's groups, are involved in planning and decision-making about the NCICD according to formal procedures, and that their participation is part of a transparent process. Local communities in Jakarta Bay have clearly expressed their wish to think along with the planners about alternative solutions so that proper comparisons can be made between the social, economic and environmental costs and benefits of the NCICD in the long term, and to make sure that their rights are not violated.

2. The Dutch government should put its commitment to international frameworks for economic and social rights and its own Integrated Water Resource Management principles into practice. The fact that land reclamation projects in Indonesia are highly contested, challenged in court, and clouded with accusations of corruption, is an extra reason for the Dutch government to step up its commitment and to only engage with (Dutch) companies that publicly commit to and act in compliance with the OECD Guidelines and the UN Guiding Principles on Business and Human Rights.

3. Any further Dutch involvement with the NCICD should be based on a full-scale Strategic Environmental Assessment (SEA). This assessment should inform a critical revision of the NCICD, and

consider different scenarios in which land subsidence is halted and water quality improved, thus comparing different approaches to guaranteeing flood security for Jakarta, with and without large reclamation and real estate projects and a giant sea wall. The SEA should involve local groups that are currently excluded in project design and decision-making processes and assess the impact of the NCICD on the livelihood of local communities.

4. Top priority should be given in the NCICD to addressing the primary cause of Jakarta's sinking, that is, excessive groundwater extraction. A stronger commitment from the Netherlands to help achieve the goal of stopping subsidence is needed. The Dutch government and the water sector should integrate the two preconditions for the success of the NCICD project – ending groundwater extraction and improving wastewater treatment – in the design and implementation of the NCICD. If Jakarta is to replace groundwater as the main source of drinking water by surface water, this means that drinking water providers have to increase their production capacity, new water treatment plants have to be constructed, and the problem of upstream pollution of river water has to be addressed. This requires political commitment and long-term planning on the part of the Indonesian government.

5. The Dutch government should use funds from the development cooperation budget to support projects that truly fit the objectives of the Aid and Trade agenda - on paper and in practice. If not, the Dutch government will thwart instead of advance the goals of sustainable and inclusive development for all. The Dutch government should do its utmost to ensure that the NCICD project is transformed into a process that includes local dialogue, invites feasible alternatives and is guided by the ambition to find a solution that is both socially and environmentally sustainable.

BOX 2

Research methodology

Research for this project and report was conducted by SOMO, Both ENDS and TNI, in cooperation with two Indonesian partners, the Indonesian Traditional Fisherfolk Union (KNTI) and the Amrta Institute for Water Literacy. The research included desk reviews of the NCICD Master Plan and tender; background documents, including by Danish consultancy firm DHI Water & Environment and the Bandung Institute of Technology; decisions about ongoing land reclamation by the court in Jakarta and the Indonesian Ministry of Forestry and Environment. Interviews were conducted with water experts from the Dutch research institute Deltares and the UNESCO-IHE Institute for Water Education; with fishers in Jakarta; and with representatives of the Royal Embassy of the Netherlands in Jakarta, the Dutch Ministry of Infrastructure and the Environment and the Dutch Ministry of Foreign Affairs. All stakeholders involved were given the opportunity to comment on a draft version of the report.



