

Review of Water Supply and Sanitation Sector in Indonesia



Ahmad Lanti, EAPIRF's Advisor on
WSS regulatory framework.
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The East Asia and Pacific Infrastructure Regulatory Forum (EAPIRF)

Established in 2003 with support of the World Bank and the PPIAF.

Currently supported by the AUSAID and the World Bank.

Objective:

1. promoting exchange of experience and information;
2. facilitating the development of training opportunities for infrastructure regulators.

Sectors covered by EAPIRF:
Energy, Telecommunication, Water and
Sanitation, Transport.

25 countries involved:

East Asia: Cambodia, China, Indonesia,
Republic of Korea, Hong Kong, Japan, Lao
PDR, Malaysia, The Philippines, Singapore,
Thailand and Vietnam

Pacific: Australia, Fiji, Kiribati, Micronesia,
New Zealand, Papua New Guinea, Samoa,
Solomon Islands, Tonga, Timor-Leste,
Vanuatu and American Samoa.

TOPIC & OUTLINE

To Attract Foreign & Local Investment

TOPIC

- **Water Supply & Sanitation Sector**



- OUTLINE
- Policy Framework
- Existing Laws & Regulations
- Institutional Framework
- Regulatory Framework
- PPP Framework
- Local Government Involvement
- SOE Monopoly
- End User Tariff Principles
- End User Tariff Setting
- Public Service Obligation



THE POLICY FRAMEWORK

Indonesia's Medium = Term Development Plan (RPJM 2005 – 2009), Three Main Agenda :

1. Creation of a safe & peaceful Indonesia
2. The establishment of a just & democratic society, and
3. Improving the welfare of all citizens

Priority Areas for Actions in third Agenda :

1. Macro – economic stability
2. Increase investment & exports
3. Increase human capital investment
4. Protect the environment & improve natural resource management, and
5. Infrastructure development

NATIONAL & INTERNATIONAL CHALLENGES

- **National : Increase the level of public health (preventive) and to support economic development (Public infrastructure)**
- **International : Millennium development goals and world summit on sustainable development – Johannesburg, September 2002.**

..... Reduce by half the proportion of people without sustainable access to safe drinking water.....



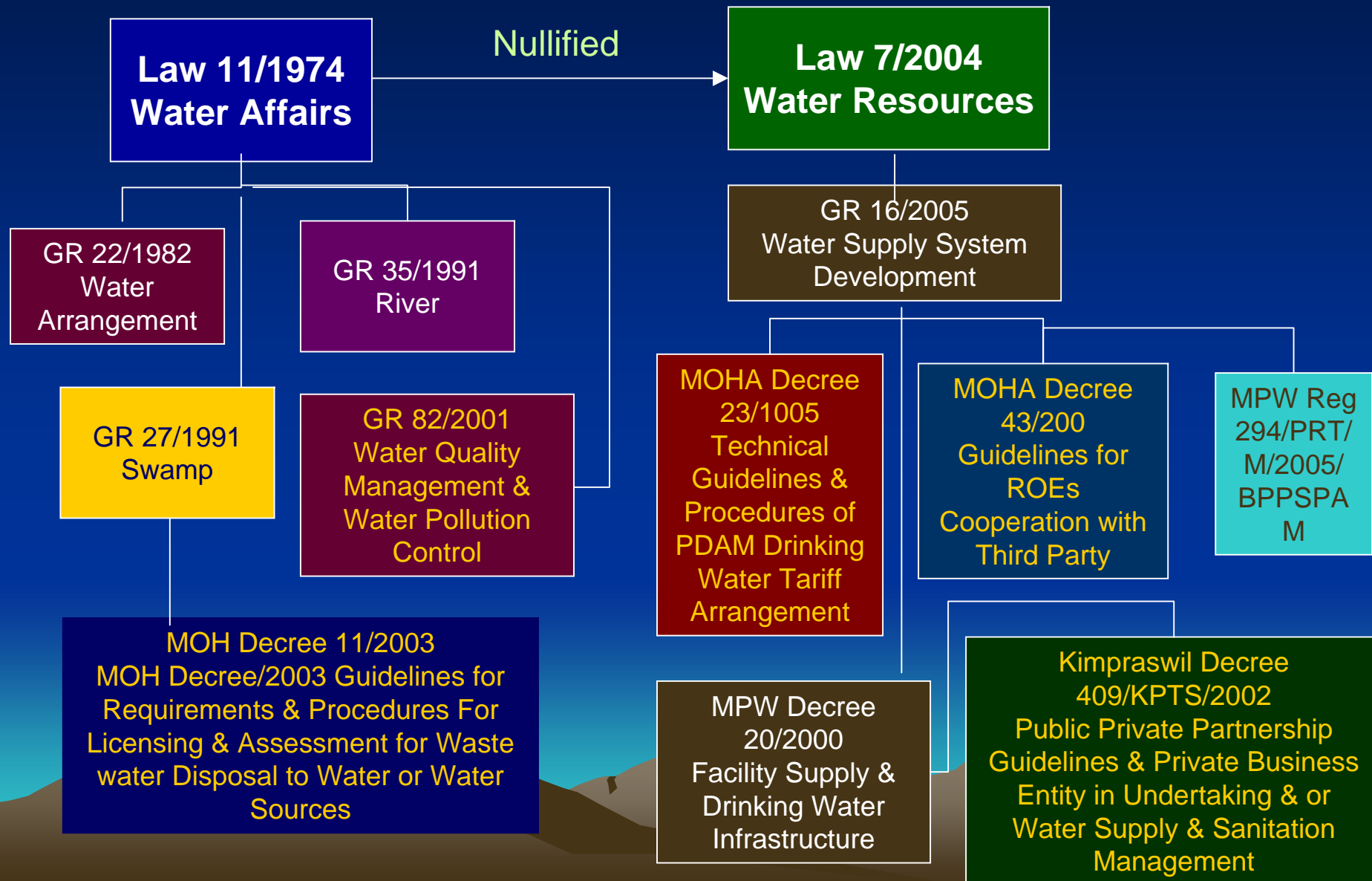
- **Drinking Water Standard for distributed water to public by 2008 (Government Regulation No. 16/2005)**
- **Increase access to safe drinking water by 2015**

MILLENIUM DEVELOPMENT GOALS TARGET WATER SUPPLY SUBSECTOR

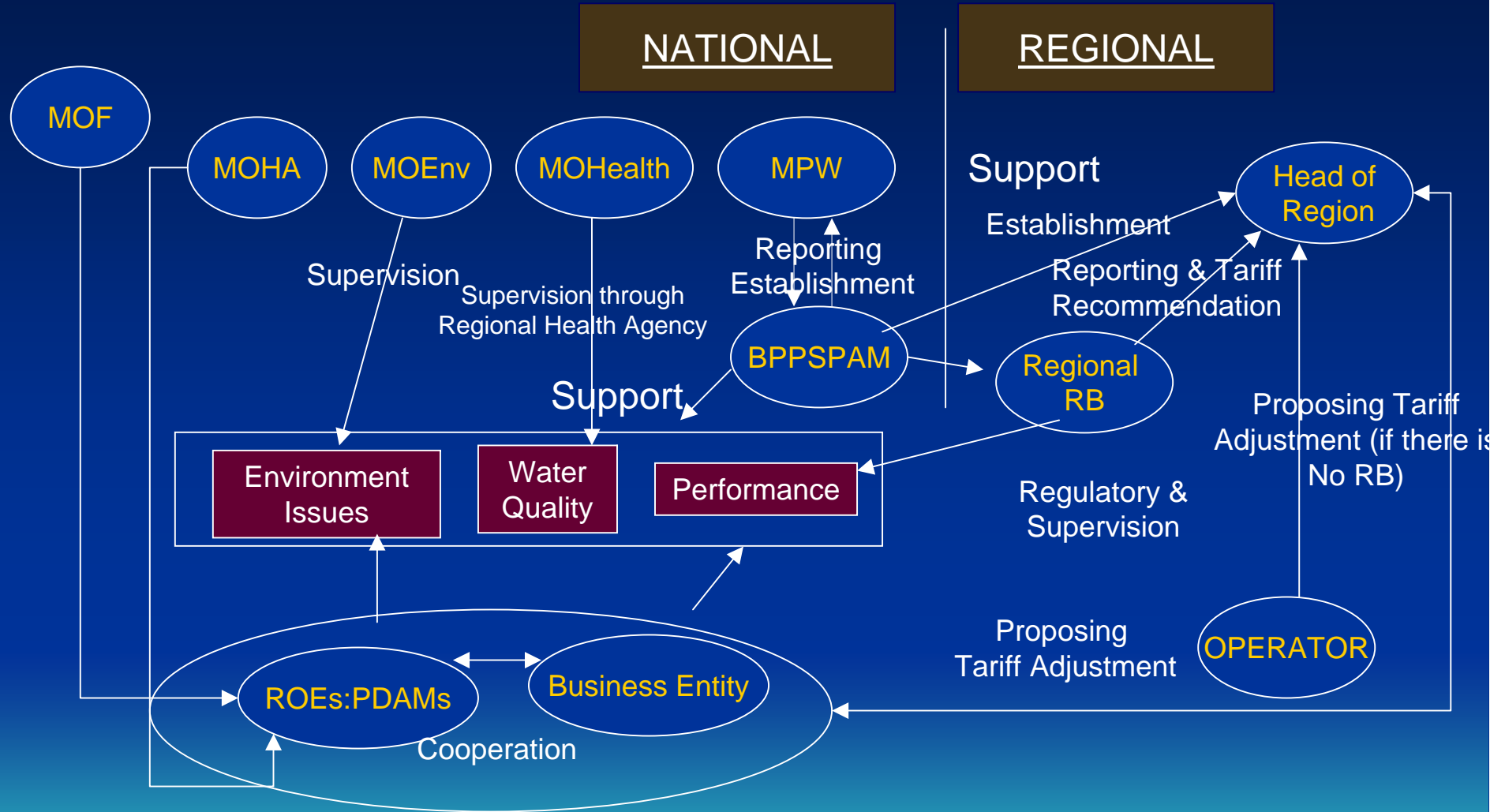
Parameter	2000	2015	GAP
Service Coverage	39 %	69 %	30 %
Population Served	33 Mil	90 Mil	57 Mil
Connections	5.2 Mill	15 Mil	9.8 Mil
Production Capacity	94 m ³ /sec	155 m ³ /sec	61 m ³ /sec
Investment	IDR 500 bill/year (USD 55 Mil/year)	23 IDR Trill (USD2.4 Bill)	± IDR 17 Trill (USD 1.8 Bill)

Source : National Action Plan Water Sub-Sector, 2003
National Agency for Development Planning

EXISTING LAW & REGULATIONS : WATER SUPPLY & SANITATION (WSS)



WATER SUPPLY & SANITATION : INSTITUTIONAL ARRANGEMENT



HOW TO IMPROVE THE SERVICE

High Demand,
Need Huge Investment but
Lack of Fund



How to resolve The Gap ?

- Self Financing and equity ?
- New Loan?
- Community Fund?
- Private Sector Involvement ?
- Etc

To Obtain other
Source of Fund

WHY PUBLIC PRIVATE PARTNERSHIP (PPP) REQUIRED

- ➡ Accelerating the fulfillment of the increased community water demand;
- ➡ Reducing the public financing burden with private investment;
- ➡ Clarity of function between “owner” and the “Operator” with clear assignment written on specific contract;
- ➡ More professional and responsive service;
- ➡ Introducing new technology to maintain efficiency;
- ➡ Asset maintenance and updating guaranteed;

EXISTING WATER SUPPLY PERFORMANCE

Key Indicator	2007
Installed Capacity (L/sec)	141,5518
Water Produced (m3/year)	3,186,352,818
Water Distributed (m3/year)	3,095,638,815
Water Sold (m3/year)	1,948,574,895
Non Revenue Water (%)	37.15
Total Connection (unit)	6,669,694
Average Consumption (m3/conn/month)	24
Average Tariff (IDR/m3/USD/m3)	1,705/0.18
Service Coverage (%)	45

WATER UTILITIES (PDAM'S) PERFORMANCE

PDAM CATEGORY	2002	2005	2006	2007
<u>HEALTHY</u> (WELL DEVELOPED, WELL LOAN'S MANAGEMENT, BE ABLE TO ASSET REPLACEMENT, EFICIENTLY OPERATION, REASONABLE PROFIT)	9 %	17 %	18 %	25 %
<u>LESS HEALTHY</u> (LOW DEVELOPMENT, COST COVERED BY REVENUE,HIGH RISK TO PAY DEBT).	31 %	44 %	40 %	38 %
<u>UN HEALTHY</u> (NO DEVELOPMENT, CASH DEFICIT, NO ASSET REPLACEMENT, FAIL TO PAY DEBT)	60 %	39 %	42 %	37 %

➔ **THERE IS SOME IMPROVEMENT ON WATER UTILITIES PERFORMANCE**

National campaign on
International Year of
Sanitation (YoS 2008) is
aimed to achieve the active
involvements of the
community at large and the
government.

Community at large:

1. enhancement of community awareness on sanitation;
2. enhancement of community understanding on the importance of conservation of water sources;
3. enabling the community to provide their own reasonable sanitation following health and environmental standard.

Government:

1. realization of sanitation aspect as a priority on work program;
2. urging the government to undertake the concrete steps towards the improvement of sanitation problems;
3. urging the government to establish national and regional targets for all level of governments, ministries and related agencies.

SECTOR WATER SUPPLY & SANITATION

NO	TOPICS	REMARKS
1	REGULATORY FRAMEWORK	a) Regulatory Org → local authority b) The legislation assigns regulatory functions to local authority
2	PPP FRAMEWORK	For Private—ROE;MOHA & Local rules; For private –government MPW rules & General rules
3	LOCAL GOVERNMENT INVOLVEMENT	Water supply & sanitation falls under local government authority
4	SOE MONOPOLY	ROEs & Business Entities → Private sector shall cooperate with local government
5	END USER TARIFF PRINCIPLES	Cost recovery & Affordability
6	END USER TARIFF SETTING	Determined by head of region based on the analysis of ROEs or by the IRB
7	PUBLIC SERVICE OBLIGATION	No PSO, being studied by BAPPENAS (ADB Financing)

CLOSING

- 1) WSS Provision increases the level of public health and supports economic growth;
- 2) IEP is needed, among others on benchmarks of key performance measurement, regulatory governance, periodic review & contractual adaptations, tariff-demand-subsidies, regulatory accounting, PPP framework and water resources management;
- 3) Utility regulation should be designed to sustain delivery of basic services with expected standards at affordable price;
- 4) Local capacity at regional/local level should be strengthened.