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October 30, 2002

Mr. Thomas Stephens
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Office of Contract Management
American Embassy/USAID
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RE: Contract No. LAG-I-00-99-00036-00, Task Order 802
UI Project 06967-004, Indonesia Local Government Water Services
Project Year 2 and Quarterly Task Order Progress and Cost Report, July to September 2002

Dear Mr. Stephens:

Please find enclosed the *Project Year 2 and Quarterly Task Order Progress and Cost Report, July to September 2002, Indonesia Local Government Water Services* as required under Section F.12 of the above referenced contract.

Please direct any technical questions to Mr. Edward Mazuroski, UI, CoP at 011-62-21-572-7363 or E-mail at edward@lgws.or.id. Questions of a contractual nature should be addressed to me at (202) 261-5396.

Sincerely,

Maria C. Andrade-Stern

Enclosures

cc: James Woodcock (CTO, USAID Indonesia)
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Shahzia Pirani (Chemonics International)
Bennett Parton (CoP, Chemonics Indonesia)
Edward Mazuroski (UI/Indonesia)
USAID Development Clearinghouse
IAC Chron File
IAC Deliverables File (06967-004)

LOCAL GOVERNMENT WATER SERVICES PROJECT

PROJECT YEAR 2

QUARTERLY TASK ORDER AND COST REPORT No. 8

July – September 2002

Prepared for

Local Government Water Services
U.S. Agency for International Development/Indonesia
Contract No. LAG-I-00-99-00036-00, D.O. No. 802

Prepared by

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September 2002
UI Project 06967-004

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LOCAL GOVERNMENT WATER SERVICES

YEAR – 2

QUARTERLY PERFORMANCE REPORT NO. 8

Contractor(s):	The Urban Institute Chemonics International, Inc.
Contract Number:	OUT-LAG-I-802-99-00036-00
Reporting Period:	July 1 – September 30, 2002
Report Number:	Quarterly Progress Report No. 8 & Year-2 Annual Report

I. CONTRACTOR'S NARRATIVE

1.1 Introduction

The Local Government Water Services (LGWS) Project is providing direct technical assistance and training to 24 Indonesian municipal water utilities (PDAM) over a 36-month period. The aim of the Project is to help these PDAM achieve full cost recovery and expand their services.

The Project may provide remedial financial planning and technical assistance up to 12 additional PDAM per year to improve water service delivery on an as needed basis, and support the institutional capacity development of the Indonesian Association of Water Enterprise Executives (Perpamsi), and its affiliate training institute Yasasan Pendidikan Tirta Dharma (YPTD).

The LGWS Project is designed to promote USAID's Mission Strategy, which includes a specific local government strategic objective entitled, "Decentralized and Participatory Local Government".

The LGWS Project is supporting the Government of Indonesia's efforts to devolve political and fiscal responsibility to its local governments.

Technical assistance for this Project is provided by a consortium lead by the Urban Institute and Chemonics International Inc. as their subcontractor.

This is the eighth Quarterly Performance Report, and covers LGWS' activities for the period July 1 – October 1, 2002. This document also constitutes the Annual Report for Year 2 of the Project, and is submitted to USAID in compliance with the Contract's expected outputs and deliverables.

II. EXPECTED RESULTS, OUTPUTS & PERFORMANCE

Major accomplishments during this quarter are described below. Each activity is keyed to the two major tasks and specific sub-tasks identified in the contract and in LGWS' Project Work Plan for Year 2. Task A consists of 12 sub-tasks and Task B includes 8 sub-tasks. Both Task A and Task B and their corresponding 20 sub-tasks are discussed in this Report.

2.1 Administrative

Several administrative-related items worth noting for this reporting period are:

- In April 2002, the contract was modified to expand assistance from 20 PDAM to 24 PDAM. LGWS has assisted 18 PDAM through the second year. The final 6 PDAM will be chosen in the first quarter of Project Year 3.

- While activities increased for direct assistance, we have been unable to expand the training component as we would have liked because of funding limitations. USAID has stated that they would like to support increased training. To accomplish that, additional funds must be found to enhance project performance.

- Assistance from a USAEP $25,000 grant was made available to YPTD to conduct Customer Service Training. This training activity combined two volunteer trainers from the American Water Works Association's Water for People Program with the YPTD. Details of this activity are discussed in sub-tasks A4 and B8.

2.2 Task A
Assistance to 20 PDAM to Achieve Full Cost Recovery and Increased Water Connections

2.2.1 Sub-Tasks A1 – A12

A1 Establish Local Government, Community, and PDAM Commitment for Achieving Full Cost Recovery

During the second quarter, we distributed six Memorandum of Understanding (MOU) to –

PDAM Kota Pangkal Pinang	PDAM Kota Banjarmasin
PDAM Kota Samarinda	PDAM Kabupaten Kapuas
PDAM Kota Pontianak	PDAM Kota Sukabumi

A modified MOU was distributed to PDAM Kab Gunung Kidul in accordance with a request from Bappenas and Perpamsi. Prior to granting PDAM Gunung Kidul full assistance status they will focus on implementing our recommendations submitted to them in our October 2001 financial and technical assessment. While PDAM Gunung Kidul has not yet achieved full assistance status, the PDAM is participating in selected LGWS training activities. We received all signed MOU, and copies were submitted to USAID.

EXPECTED OUTPUTS:

1. Signed Memorandum of Understanding (MOU) with 6 PDAM.

STATUS:

1. **Task Completed – 18 Active MOU.**

A2. Select Twelve Additional Local Governments/PDAM for Targeted Assistance.

As we indicated in our Annual Report and Second Year Work Plan, during Year-2, we assisted 6 PDAM in addition to the initial cohort of 12 PDAM assisted in Year-1. This total could have increased to 7 had PDAM Gunung Kidul fulfilled its obligation to implement the recommendations in our technical and financial assessment.

Table A2-1 shows the six PDAM selected for the second phase of assistance by their respective Field Team. Two of these PDAM - Samarinda and Sukabumi, are located in the USAID target provinces of East Kalimanten and West Java.

Table A2-1. Phase II PDAM.

LGWS Field Team	*LGWS Assisted PDAM in Year 2*
Team A	PDAM Kota Pangkal Pinang PDAM Kota Banjarmasin
Team B	PDAM Kota Samarinda PDAM Kabupaten Kupas PDAM Kabupaten Gungun Kidul[1]
Team C	PDAM Kota Pontianak PDAM Kota Sukabumi

[1] Modified assistance as noted in sub-task A-1.

Six additional PDAM will be targeted for assistance in Year-3 of the Project. These 6 PDAM may be selected from the list of PDAM discussed in sub-task A11.

EXPECTED OUTPUTS:

1. **Select 6 new PDAM.**
2. **Draft Memorandum of Understanding.**

STATUS:

1. **Task Completed for 6 PDAM.**
2. **Task Completed – MOU prepared for final 6 PDAM.**

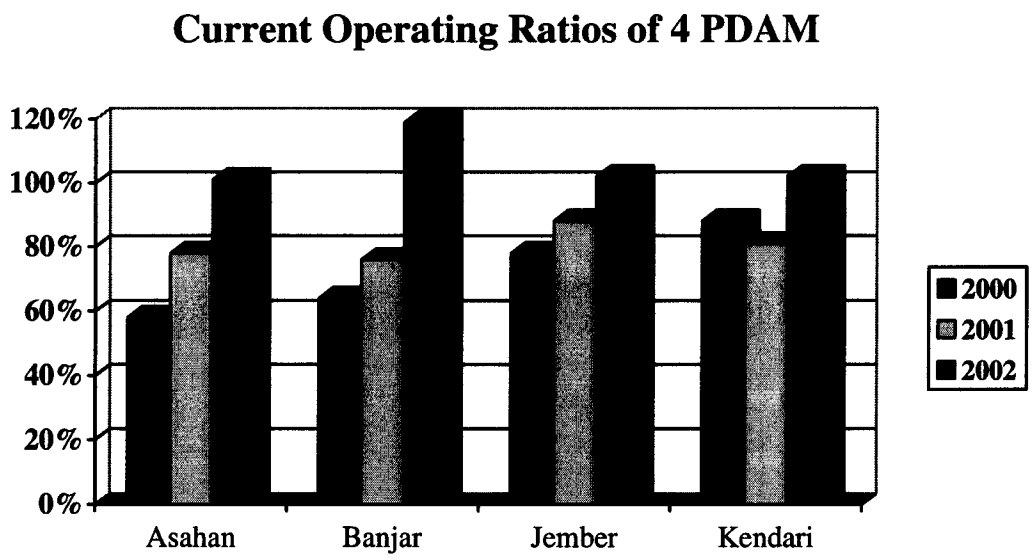
A3. Establish Baselines for the Key Indicators.

All baseline indicators have been identified and formatted for our 18 client PDAM. To establish a baseline for comparison we established a baseline year as of January 1, 2000. This start-date for monitoring purposes was chosen because it was the last year that did not include any assistance from LGWS or its predecessor WET. Similarly we used January 1,

2001 data for the Phase II PDAM. These baseline indicators are used as the basis for measuring PDAM results against LGWS' performance targets.

After 24 months of intensive financial and management assistance, and training we are very pleased to report that 4 PDAM (one third of the total assisted in the first tranche) have achieved full cost recovery (FCR). We define FCR as having an Operating Ratio[1] (OR) of 100% or greater. These 4 PDAM are shown in Graph A3-1 below.

Graph A3-1. Comparison of Operating Ratios of 4 PDAM that have achieved FCR.



As shown above, PDAM Asahan has an OR of 101% - which represents a 43% increase over their January 2000 results. PDAM Asahan joined the LGWS Project with an OR of less than 60%.

PDAM Banjar with a year-to-date OR of 118% - achieved a remarkable 124% in the last quarter. PDAM Banjar started LGWS with an OR of less than 75%, and has only been receiving assistance since January 2002. Their efforts are a reflection of PDAM management's commitment to reform and improving customer service.

PDAM Jember – the first PDAM to ever achieve FCR - with an OR of 102%. As a result of its performance, PDAM Jember received a national merit award for the Best Managed PDAM in Indonesia from President Megawati in the first quarter of Year 2.

Since January of this year, PDAM Kendari has maintained an OR of 102%.

In addition to these 4 PDAM two other PDAM have achieved positive ORs –

[1] Operating ratio is defined as Revenues from operations divided by all operating costs, depreciation and interest on outstanding debt. Not included are debt service payments, dividends and other financing payments and receipts.

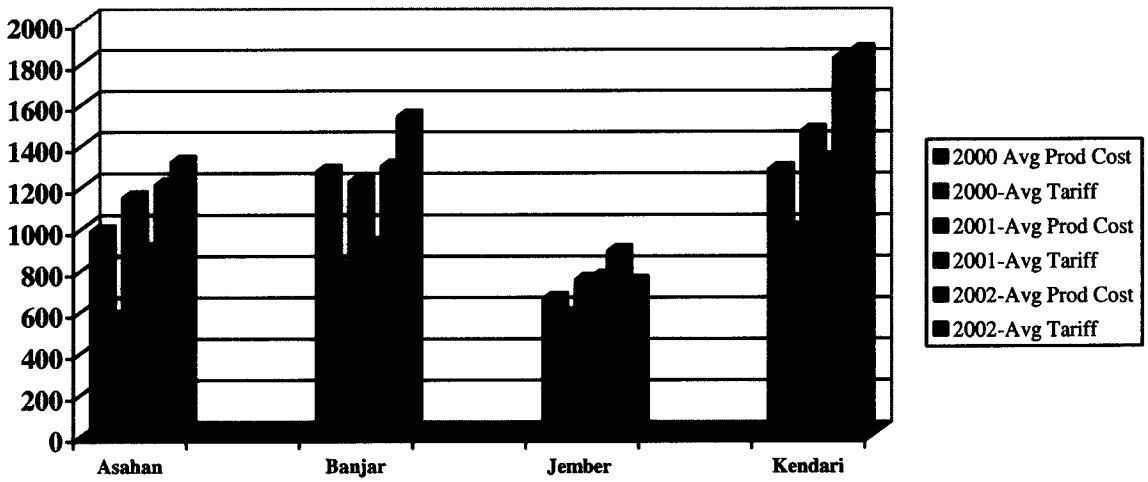
- PDAM Karangasem achieved an OR of 110% in June of this year. This represents a 65% increase from its reported March 2002 results. With its recent tariff increase – that required 13 months of negotiation – we project that PDAM Karangasem will join the "FCR Club" in December, and

- PDAM Batang attained an OR of 100% in August. We project this trend to continue and will put PDAM Batang into FCR in 2003.

A comparison of the average tariff versus the average production cost in each of the 4 PDAM that have achieved FCR is provided in Graph A3-2.

Graph A3-2. Average Tariff versus Average Cost of Production.

Comparison of Average Production Cost versus Average Tariff in Rupiah per Cubic Meter of Water Sold for 4 PDAM.



The graph demonstrates that managing costs and improving service needs to be coupled with timely tariff increases in order to keep pace with investment needs, inflation and other external cost increases that affect water supply operations. Too often PDAM requests for tariff increases are politicized resulting in lengthy delays, reduced service capabilities and a loss of customer confidence. While LGWS will continue working on this critical issue with each of its client PDAM, reduced training funds limit our capabilities.

Two PDAM are also very close to achieving positive ORs. PDAM Pontianak and PDAM Sukabumi joined the LGWS Project with an OR of approximately 83%. Currently their ORs have improved to 96% and 95% respectively.

Similarly, PDAM Kapuas joined LGWS in 2002 with an OR of 70%, and has maintained an OR of 95% for the last quarter. With the introduction of cost saving measures, a hiring freeze, and an anticipated tariff increase at year-end, we project FCR in 2003.

Higher costs, particularly for electricity, diesel fuel and spare parts are putting pressure on all PDAM, as we indicated in our status report. Projected tariff increases coupled with aggressive cost controls will subsequently push our remaining PDAM into FCR territory.

However, as reported in the media, the Government's proposed 6% per quarter increase for electricity beginning next January and similar increases for diesel fuel may dampen our projections.

Because of the time it takes each PDAM to obtain approval and introduce tariff increases, we are concerned this will be another major factor affecting the performance of our PDAM. A typical rate adjustment can take anywhere from 6-12 months, depending upon the political mood of key stakeholders. In view of the Government's cutback on subsidies next year, local governments may find it more difficult to increase tariffs – and in some cases may politicize the process as has happened in PDAM Kendari and Karangasem.

Another factor influencing PDAM performance is personnel changes, particularly in senior management positions. Over the past 12 months, we have experienced three such changes with our client PDAM. These are highlighted in Table A3-3 below.

Table A3-3. Personnel Changes at PDAM during 2002.

Asahan	Dir Um and Dir Tek terminated in July this year.	Reorganizing PDAM to comply with local autonomy regulations.
Pacitan	Dir Ut Pak Adam replaced by Pak Tirto.	Delays in implementing Corporate Plan and requesting new tariff increases.

The current drought in East and Central Java is also having a significant impact on PDAM operations. PDAM Kab Pacitan for example is dependent on spring-fed sources for roughly 90% of its raw water supplies. The recent changes in its senior management coupled with delays in introducing recommendations in its Corporate Plan, including a much needed tariff increase have delayed the PDAM's investments in new supply assets. The result is less water for its customers and significantly reduced revenue.

The drought has also impacted raw water river supplies for other PDAM. Lower river levels in PDAM Kapuas, PDAM Pontianak, and PDAM Samarinda have resulted in increased saline intrusion. With lower water quality, customers are will use less water and are less willing to pay for water supplied. Similar issues exist throughout the country.

While we have had several notable successes, the remainder of our client PDAM continue to struggle with their local governments unwillingness to increase tariffs. Details of some of these issues are discussed in sub-tasks A-6 and Table B3-2. Our Field Teams are working with each of their client PDAM to help transform this lengthy and oftentimes costly process.

A comparison of OR for all 18 PDAM is provided in sub-task B3, and full details of all performance indicators is provided in Appendix I. All indicator data will be updated at the end of March 2003 – effectively the end of the second quarter of Year-3. This timeframe permits us to obtain full year 2002 results from our 18-client PDAM for a true comparative analysis.

EXPECTED OUTPUT:

1. Baseline data established for 18 PDAM.

STATUS:

1. Task Completed for 18 PDAM.

A4. Help Conduct Customer Satisfaction Surveys and Address Identified Weaknesses.

LGWS successfully assisted its 6-client PDAM conduct their respective Customer Satisfaction Surveys (CSS). A summary report of each CSS was submitted to USAID.

Within each community, each CSS reviewed and measured the -

- Satisfaction levels of customers (households and businesses) and non- customers,
- Service improvement priorities of customers,
- Aspects of PDAM service(s) customers may be willing to pay higher fees for,
- Understanding of non-customer priorities, and
- Customer and non-customer needs and preferences.

The CSS analysis indicated that results were fairly consistent with prior year results. Each community retains a fairly positive impression of PDAM performance. However, issues of water quality and continuity continue to plague all PDAM. In addition, the poor generally tend to receive low levels of service.

Last year we discussed this concern and provided explanations for this result. LGWS is concerned that poor neighborhoods receive less service for two reasons. First, tariffs paid by poor consumers are lower than that for more affluent consumers. Without a direct subsidy by local government, it creates a reverse incentive for PDAM to provide water to the poor. Second, many poor consumers are unable to afford the up-front cost of a connection. To make the cost of a connection affordable by these consumers, PDAM and local governments must pursue alternatives.

Our Field Teams have discussed revising rate categories and tariff structures as a first step towards addressing this concern. Unfortunately considerable more time and work than LGWS can presently afford needs to be allocated to this issue.

Following our analysis of each CSS, follow-up meetings have taken place with each PDAM to review and discuss the individual results with stakeholders. We are currently assisting them to formulate strategies for addressing their specific customer responses.

Each CSS is being used to develop strategies for the PDAMs' Public Relations Campaigns (sub-task A5) and Corporate Plans (sub-tasks A6 and A8).

In support of our Customer Service activities, USAEP/USAID provided YPTD with a $25,000 grant to conduct two – 3-day workshops on customer service training. These events

were held on September 17-19, and September 23-25 in Jogya and Bandung. Two volunteers from the American Water Works Association's Water for People Program, Ms Jackie Glover and Ms Teresa Scarlett designed extensive customer service training modules that were presented to staff from our 18-client PDAM at the workshops.

The results of the workshop indicated that participating PDAM are not yet capable of constructing their own Customer Service Departments that are fully responsive to customers. For example, customer surveys at American water utilities are often conducted quarterly. These surveys are tailored to review specific individual areas defined by the utility's customer service plan. Further, water utilities test their results through customer focus groups, specified statistical analysis and other key data to gauge the attitude of consumers toward the utility. None of the LGWS PDAM have anything similar to test and track their customer service program or capacity.

LGWS firmly believes that much greater emphasis needs to be placed on improving Customer Service Departments. This emphasis should include in the field assistance accompanied by specific training in communication, listening, confrontation management and problem solving. Further assistance in developing a department, computerized tracking systems and development training for PDAM customer assistance staff.

EXPECTED OUTPUTS:

1. **Schedule and complete Customer Satisfaction Surveys in 6 PDAM.**
2. **Tabulate data and put into a reportable format.**
3. **Assist 6 PDAM to establish and/or upgrade Customer Service Departments.**
4. **Schedule remaining 6 Customer Satisfaction Surveys.**
5. **Plan to address at least one deficiency in each of the 6 PDAM.**

STATUS:

1. **Task Completed.**
2. **Task Completed.**
3. **Task Completed or on-going.**
4. **To be completed in Year 3.**
5. **Task Completed or In Progress - Reviewing CSS with each PDAM.**

A5. Help Develop and Implement a Public Relations Campaign and Develop Mechanisms for Incorporating Citizen Input into Decision-Making.

Public relations efforts are on-going at each of our client PDAM. As reported, many have initiated community education efforts, sponsored local athletic activities and press coverage of community interest regarding water supply and conservation.

Using the methodology we successfully employed in Year 1, we assisted each of the new PDAM develop a Public Relations Campaigns (PRC). Each PRC was incorporated into the Corporate Plan for each new PDAM.

Each PRC is designed to educate consumers about PDAM service, to promote and market those services. Each PRC:

- has identified and addressed consumer concerns identified by the CSS,
- was designed to build consumer confidence in PDAM services, and
- was supported by stakeholders.

Our field teams had discussions with client PDAM on conducting their PRC and soliciting and incorporating community input.

Each PRC was introduced in the last two quarters as components to our corporate plans and community awareness/input strategy.

Our field teams have also been working with the USAID sponsored IFES program. The IFES program has been assisting local Indonesian television coverage by programming local community access that LGWS can plug-into to educate consumers and the general public on PDAM activities and operations. A recent example occurred in Samarinda. LGWS assisted PDAM with a one-hour community access program on April 17, 2002 presented by TVRI Samarinda. We plan on participating in similar activities as these opportunities arise.

During the Customer Service training program it became clear that our client PDAM do not emphasize media management. While much of they're communication with customers is through the media, they often don't have the tools to develop stories of positive outputs by PDAM. It would be beneficial if future programs assist PDAM emphasize the needs of their customers and communicate stories to establish a positive impression of PDAM's efforts at customer service.

EXPECTED OUTPUTS:

1. **Public Relations Campaigns designed and completed for 6 PDAM.**
2. **Other mechanisms designed to incorporate consumer in-put developed.**
3. **Local dialogue initiated on financial sustainability and expanded services.**

STATUS:

1. **Task Completed.**
2. **Task Completed or In Progress – Working with IFES and other programs.**
3. **Task Completed or In Progress - Discussions with PEMDA on financial sustainability, local Consumer Forums, and expanded services are ongoing.**

A6. Support for More Autonomous PDAM Operations.

Throughout the last quarter and for most of the past year, our Field Teams have been actively engaged with senior PDAM staff, Badan Pengawas representatives, PEMDA and DPRD officials concerning each PDAM's financial condition (including the need for proactive cost monitoring, hiring freezes, tariff increases, and specific improvements in service levels). Our

deliberations have focused on improving customer service and recommendations for strengthening the overall condition of each PDAM.

Despite our efforts we feel a much greater effort is needed, particularly for PEMDA and DPRD officials, on understanding the need for greater PDAM autonomy, the concept of full cost recovery and the introduction of commercial principles to PDAM operations.

A number of recent locally driven actions demonstrate the need for more strenuous efforts in support of greater autonomy and educating local DPRD and provincial officials. For example, the DPRD in Karangasem had decided that tariff increases should be supported through a "Perda" rather than through a routine "SK" from the Bupati. In essence, the DPRD politicized the tariff approval process, and put the responsibility for approving tariff increases on the provincial government rather than the local administration.

The result was a ten-month delay for a long over due 98% tariff increase. The last rate increase was in early 1999. LGWS actively participated in this debate and lobbied with the PDAM and local government officials for the increase - which was subsequently approved and became effective on July 1, 2002. Subsequent meetings with the Bupati reiterated the need for a modest increase in 2003 and future years to maintain PDAM Karangasem current FCR position.

This effort underscores the need for sustained engagement and training local officials in managing assets and services their administrations provide to the public. Without such training and a proactive rapport our client PDAM risk backsliding because of their stakeholders' inability to properly manage their service providers.

In another example, newly enacted legislation in Southeastern Sulawesi increased the cost of raw water extraction fees paid by PDAM to the provincial government. The fees increased from Rp 50/m^3 to 20% of the sale price for treated water. The net result for PDAM Kendari is a raw water fee of Rp 395/m^3 – a 790% increase in its raw water extraction fees. Worse still, as the extraction fee is based upon the sales price of treated water, this fee will increase exponentially with tariff increases.

Lastly, PDAM Gunung Kidul continues to refuse to accept "new assets" handed over from the local administration. The value placed on the assets by the local government is Rp 20 billion more than the PDAM estimates. In addition, many of these new assets are in disrepair or not functioning. Similar examples exist throughout our other PDAM and the country as a whole.

Each of our PDAM has its own set of local issues that, in one way or another, affects its operating performance. In addition to these issues all PDAM have also been impacted by recent price increases for diesel fuel and electricity. Diesel, used for generators has increased roughly 20%, and electricity costs increased an averaged of 30%. While our client PDAM understand that these costs need to be passed on to consumers, local governments are slow in responding to these increases. Next year's reported 6% per quarter increase for electricity will only exacerbate these concerns.

Recognizing these and other issues we are working to assist our client PDAM educate both the public and their community leaders. Our "lobbying efforts" of PEMDA and DPRD officials will continue on a regular basis throughout Year-3 of the Project, however as mentioned a more concerted program needs to be introduced for these officials.

In support of our current and projected lobbying activities we continue to coordinate and leverage the efforts of the BIGG and Perform Projects in support of LGWS goals.

In addition, our LGTS and ALGTS are working with Perpamsi and YPTD to develop appropriate training seminars for senior government officials and PDAM management. These activities are detailed in sub-task B8. Our activities under sub-task A8 are designed and intended to promote coordinated linkages between tasks vital in achieving our goal of Full Cost Recovery.

Please also refer to sub-tasks B4-B8 for specific training related activities. Copies of each field team's Activity Reports in support of this sub-task are provided in Appendix II.

EXPECTED OUTPUTS:

1. **Schedule regular meetings with the Badan Pengawas and appropriate PEMDA officials of 18 PDAM.**
2. **Identify suitable management concepts and policies for new PDAM.**
3. **Review concepts and policies with each of the new PDAM.**
4. **Adoption or incorporation of management concepts and policies by 18 PDAM.**

STATUS:

1. **Task Completed for 18 PDAM - Regular meetings are on going.**
2. **Task Completed for 6 PDAM - Policies incorporated into their Corporate Plans.**
3. **Task Completed for 6 PDAM.**
4. **Task Completed and In Progress - Policies will be incorporated into Corporate Plans for 6 PDAM.**

A7. Support the Adoption of Open and Transparent Accounting Measures.

This sub-task is directly related to sub-task B2 and we have coordinated both to achieve optimum results. During the past year, we completed a detailed needs assessment of the 6 new PDAM accounting and billing systems. Our Field Teams also reviewed each assessment with the respective PDAM Finance Director and senior management.

In an effort to improve both compatibility and user-friendliness, LGWS requested our software provider modify his software to make it easier for PDAMs to use. Unfortunately the programming change was cost prohibitive. We decided to review other software to determine if satisfactory off-the-shelf software was available for PDAM use.

We subsequently identified user-friendly and equally responsive accounting computer software. We began procurement in July-August in accordance with USAID regulations. All computers and software were installed in late August.

During July and August, we also provided basic computer operations skills, and accounting - software-related training (sub-task B2) for the staff of new PDAM. The "User's Manual" was introduced at the training session as discussed in sub-task B2.

In early September we introduced the LGWS website. This Site provides information about LGWS activities; LGWS assisted PDAM and provide links to Perpamsi, USAEP/AID, the Urban Institute, and Chemonics International. The site provides individual web pages for our first 12-client PDAM, and will be expanded to include the all 24 PDAM.

Each PDAM may now "post" its financial statements on its individual web page. This activity will further promote open and transparent accounting procedures, and also support our activities under sub-task A6 – More Autonomous PDAM Operations.

EXPECTED OUTPUTS:

1. **Procurement of computer components and software for 6 PDAM.**
2. **Installation of computer systems in 6 PDAM.**
3. **Completion of training component for computers in 6 PDAM.**
4. **Establish functional computerized accounting systems in 18 PDAM.**

STATUS:

1. **Task Completed.**
2. **Task Completed.**
3. **Task Completed.**
4. **Task Completed or On-Going - Task Completed for 12 PDAM – 6 new PDAM converting to new operating systems.**

A8. Assist with the Development and Updating of Recovery Plans and Business Plans.

We have successfully drafted 6 Corporate Plans for our current cohort. Each Plan is predicated on the results of the CSS, the vision and mission of the PDAM and is tailored to the specific needs of each PDAM. In developing the Plans, each of the 6 PDAM established a Corporate Plan Committee to work with our Field Teams. We also scheduled numerous stakeholder and management discussions in support of each completed draft Corporate Plan. Copies of all final Plans will be forwarded to USAID in early October.

As a result of our revised Scope of work and limited training funds we were forced to re-think our training activities. Because of the funding limitations we were forced to cancel our PDAM Management Retreat. This outstanding exercise was very effective in focusing PDAM management and Pemda officials on water supply's mission in the community. First year participants universally praised this activity. While we recognize that funds in the USAID mission are tight, we hope that some funding can be found for continuing this activity. Please also refer to our activities under sub-tasks A3-A7 in support of this activity.

We are pleased to announce the following beneficiary statistical data and key results –

- 5% average increase in new connections for our 18 core PDAM,
- 51,366 new connections from the baseline for assisted PDAM – this equates to –
- 308,196 new beneficiaries,

- 4 PDAM have achieved FCR,
- 2 PDAM have achieved positive ORs, and
- 2 PDAM are projected to reach positive ORs in 2003.

Table A8-1 provides a breakdown of new connections for each assisted PDAM. We will update this data at the end of the 1st quarter of Year 3.

Table A8-1. New Connections for each assisted PDAM in Year 2.

		Total Connections		New Connections	Percent Increase	Total Number of New Beneficiaries
A	*PDAM*	Baseline	Sep-02			
1	Asahan	14,350	15,283	933	7%	5,598
2	Belitung	3,632	4,371	739	20%	4,434
3	Jember	18,999	20,884	1,885	10%	11,310
4	Banjar	9,656	14,566	4,910	51%	29,460
5	Karangasem	12,162	14,816	2,654	22%	15,924
6	Kendari	12,071	14,339	2,268	19%	13,608
7	Pacitan	5,986	6,665	679	11%	4,074
8	Sawahlunto	2,351	3,721	1,370	58%	8,220
9	Batang	8,363	12,898	4,535	54%	27,210
10	Jombang	9,172	11,222	2,050	22%	12,300
11	Hulu Sungai Tengah	4,541	5,924	1,383	30%	8,298
B						
1	Bandar Lampung	32,363	32,400	37	0%	222
2	Palangkaraya	8,387	9,903	1,516	18%	9,096
3	Banjarmarsin	48,791	63,700	14,909	31%	89,454
4	Pangkal Pinang	5,100	4,800	(300)	-6%	(1,800)
5	Jayapura	21,893	22,724	831	4%	4,986
6	Bitung	12,863	13,035	172	1%	1,032
7	Gunung Kidul	26,560	27,149	589	2%	3,534
8	Kapuas	11,983	12,400	417	3%	2,502
9	Samarinda	55,135	58,423	3,288	6%	19,728
10	Kutai	21,046	21,748	702	3%	4,212
11	Pangkajene	6,699	7,600	901	13%	5,406
12	Pontianak	54,333	57,714	3,381	6%	20,286
13	Sukabumi	19,933	21,450	1,517	8%	9,102

EXPECTED OUTPUTS:

1. Draft Business and Financial Action Plans completed for 18 PDAM.
2. An increase of 320,000 new beneficiaries from the baseline.

STATUS:

1. **Task Completed for 18 PDAM.**
2. **Task Completed for Year 1 with 113,000 new beneficiaries from LGWS assistance. In progress for Year 2.**

A9. Identify Options for Sustainable Financing.

We continue to monitor major donor water supply financing related activities.

We are working closely with PDAM Jember and PDAM Pacitan who are seeking alternative funding sources for new water supply assets. PDAM Jember is considering new treatment capacity through a Build-Lease-Transfer arrangement with the private sector. LGWS has indicated its willingness to assist PDAM Jember, provided that PDAM first obtain prior approval from PEMDA to execute this transaction.

PDAM Jember has embarked on alternate plans that include a design-build option. LGWS has assisted review of design parameters and will assist as needed during the design phase. Other PDAM have been expanding supply by the use of internally generated funds through increased cash flows and customer deposits.

The LGWS Chief of Party attended a meeting of the International Private Water Association in Singapore. This is an affiliate of the US based association. The meeting was held to discuss possible private water involvement in Indonesia. The consensus of the meeting was that due to concerns over project finance, seriousness of intent and Indonesian political issues funding for future projects was not on the immediate radar screen. It does not seem likely that international funding for projects will be available in the immediate future.

LGWS believes that in order to obtain funding for project development, internal sources are the only possibility currently. We will continue to work with PDAM to ensure that they generate sufficient funds from internal sources in order to be able to fund needed new projects.

EXPECTED OUTPUTS:

1. **Identify funding options for 18 PDAM.**

STATUS:

1. **Task Completed and On-Going for 12 PDAM and monitoring will continue. Funding options will be reviewed with execution of Corporate Plans for new PDAM.**

A10. Assist Targeted Local Governments/PDAM to Implement Quality Control Procedures.

We are including the common issues listed below in our programs for the 6 new PDAM. We are also monitoring the progress each of the 11 original PDAM are making with their new programs.

- **Testing**: PDAM water quality testing is limited to turbidity and sedimentation tests. Standard tests for bacteria and more routine parameters such as oil & grease, nitrates and selected heavy metals are typically not performed. The frequency of testing is inadequate and constrained by limited budgets. LGWS has recommended routine monthly testing at intakes and randomly at customer taps. LGWS also met again with

GTZ and Perpamsi representatives to discuss testing-related activities through Perpamsi. Please also refer to sub-task B4.

- **Water Quality**: PDAM dependent on spring and river water as a raw water source experience very high seasonal turbidity loads, resulting from uncontrolled run-off. Deforestation and land clearing activities are the most likely causes. Raw sewage is also a major concern, as well as sludge management and sludge disposal. LGWS has suggested creating "buffer zones" in water shed areas to minimize the impact of deforestation and erosion. In Tabulate Pacitan for example, the PDAM has developed a "security area" up gradient to protect the integrity of its spring sources. The PDAM is also planning to purchase additional land to expand its security area. Several PDAM operations are also effected by saline intrusion into their raw water supplies and systems - PDAM Samarinda and PDAM Kupas for example are both exploring alternative intake locations. LGWS is coordinating these activities through Perpamsi and/or directly with each PDAM. Each PDAM has also identified measures to address water quality issues in their respective Corporate Plans.

- **Energy Efficiency & Maintenance**: Energy costs represent a significant portion of PDAM operating budgets and, as a result maintenance budgets have been reduced significantly. LGWS has recommended energy and operation audits, and re-budgeting maintenance costs. LGWS has also suggested that PDAM and PEMDA officials initiate discussions with PLN to resolve a number of administrative and technical issues that impact PDAM costs. Recently PDAM Kupas successfully negotiated a change in its customer category from an "Industrial User" to a "Social User".

- **Maintenance and Non-Revenue-Water** (NRW): NRW averages approximately 50% for the 12 PDAM. PDAM prepared and are implementing programs designed to reduce NRW to 25% or lower levels. In particular, we are encouraging PDAM to implement household meter replacement and repair programs. These programs are incorporated in their Corporate Plans.

- **Conservation and Customer Outreach**: We have initiated discussions with PDAM and PEMDA concerning the need to incorporate water conservation measures in all aspects of PDAM operations. This issue is also included in the previously mentioned PRC for each PDAM. PDAM Kapuas recently completed its Conservation Literature, and distributed copies to all of their customers. Copies of these have been forwarded to USAID and Perpamsi.

We will report progress on these issues throughout the next year. In addition, our LGTS has also programmed these issues into workshops designed in conjunction with Perpamsi and YPTD training activities (please see sub-tasks B4-B5 and B8).

EXPECTED OUTPUTS:

1. **Provide Quality Control Procedures assistance to 18 PDAM.**
2. **Where appropriate, incorporate QCPs into management policies and Business Plans for 18 PDAM.**
3. **Review QCP issues with 6 additional PDAM.**

STATUS:

1. **Task completed for 18 PDAM.**
2. **Task Completed for the 6 new PDAM.**
3. **To be completed after 6 PDAM sign MOU in Year 3.**

A11. Assist up to 12 PDAM Annually.

LGWS is expected to assist up to 12 additional PDAM annually.

On August 22, 2002, we met with representatives from Perpamsi to review a preliminary list of 12 PDAM. Two PDAM, Kota Mojokerta and Kabupaten Probolinggo, were suggested by the PERFORM Project, however after review by Perpamsi, only PDAM Kota Mojokerta remains on the list.

On October 1, 2002, we met with representatives from our Tim Teknis and Bappenas to review this list. At the request of Bappenas, PDAM Kab Cirebon, PDAM Kab Sukabumi, and PDAM Kota Kendiri were added to our original list of 12 PDAM. Table A11-1 identifies these PDAM.

Twelve of the 15 PDAM are located in USAID's designated Local Government target geographical areas of East and West Java, and East Kalimantan. We will begin visiting these PDAM during the second week of October 2002.

Related to this task, we also met with representatives from the USAID funded Perform and BIGG projects to discuss LGWS assistance to PDAM associated with these projects. The Perform Project specifically requested that LGWS assist 10 PDAM develop their Corporate Plans as a function of PDPP planning.

Final determination of how to assist these PDAM and in what form will be agreed between each project and USAID. While we do not at present anticipate funding problems we remain wary that requests by other projects for assistance beyond our resource capacity may have a negative impact on performance. Final determination is expected to include resource planning as well as project needs.

On June 17, 2002 LGWS received a list of 7 PDAM from the Perform Project. Under the WET Project and LGWS, we completed financial and technical assessments for 3 of these PDAM, indicated by an *. The 7 PDAM identified by Perform include the following:

PDAM Kab Agam, West Sumatra
PDAM Kab Blora, Central Java*
PDAM Kab Pamekasan, East Java*
PDAM Kota Jayapura
PDAM Kab Garut, West Java*
PDAM Kab Lumajang, East Java
PDAM Kab Pinrang, South Sulawesi,

We have sent copies of our assessments to Perform and we will be available to meet with their representatives to answer any questions.

Table A-11-1. List of 15 PDAM for Financial & Technical Assessments.

PDAM	Province	Total Connections	Total Population
Kota Bandung	West Java	141,435	2,561,292
[illegible]	[illegible]	[illegible]	[illegible]
Kota Mojokerto	East Java	5,165	111,500
[illegible]	[illegible]	[illegible]	[illegible]
Kota Balikpapan	East Kalimantan	52,808	486,387
[illegible]	[illegible]	[illegible]	[illegible]
Kab Cirebon	West Java	16,7628	663,567
Kota Cirebon	West Java	47,448	297,397
[illegible]	[illegible]	[illegible]	[illegible]
Kab Cilacap	Central Java	17,494	216,798
[illegible]	[illegible]	[illegible]	[illegible]
Kab. Karawang	West Java	26,834	489,034
[illegible]	[illegible]	[illegible]	[illegible]

EXPECTED OUTPUTS:

1. Field Trip Reports for PDAM assessed.

STATUS:

1. Selection of Additional PDAM In Progress.

A12. Coordinate with the PERFORM (CLEAN Urban) Project and the Advisory Committee.

We continue to meet with representatives from all USAID projects, donors and associated projects. During this quarter we participated in the following discussions, meetings and seminars -

- A Bappenas and World Bank Working Group session on Water Policy for Indonesia,
- Two Semi-Annual LGWS Project Review meetings with Bappenas and Tim Teknis,
- Two COP coordination meetings, these are scheduled by LGWS,
- Five training and policy related meetings with Perpamsi representatives, and
- Two meetings with the Perform Project on providing assistance to their municipalities' PDAM.

Our next COP coordination meeting is scheduled for October 11, 2002.

We will continue these monthly exchanges and Advisory Committee meetings as a means of promoting specific activities and policies in support of GOI, USAID, and LGWS Project goals.

EXPECTED OUTPUTS:

1. **Six meetings with PERFORM and BIGG Project representatives.**
2. **Two meetings with Advisory Committee and submission of semi-annual report.**
3. **Semi-annual report to the Advisory Committee identifying strategic and global issues of concern to all PDAM.**

STATUS:

1. **Task Completed and will continue meetings as needed.**
2. **Task Completed.**
3. **Task Completed.**

2.3 Task B
Assistance to Water Service Providers to Improve Professionalism, Accountability, and Service Delivery.

2.3.1 Sub-Tasks B1 – B8

B1. Professional Skills of Managerial and Operational Staff of Water Utilities.

LGWS initiated certification efforts with Perpamsi and the Ministry of Labor were completed in Year-1 of the Project, and all activities under this particular sub-task are ongoing.

In Year 2, our LGTS had programmed 9 executive level training courses in Water Supply Management for PDAM President Directors, Director-level staff and Badan Pengawas members. However due to the lack of available funds, as previously mentioned these senior training programs were cancelled. We will reschedule these programs subject to the availability of funds in Year 3. For details of these courses and other training related activities please refer to our activities under sub-tasks B6 and B8, which are designed to support this particular sub-task.

EXPECTED OUTPUTS:

1. **Report summarizing professional certification efforts.**
2. **Work plan and training program for establishing professional standards.**

STATUS:

1. **Task Completed in Year 1 – Activities On-Going.**
2. **Task Completed.**

B2. Open and Transparent Budgeting and Accounting Practices.

The LGWS "Users Guide" on Accounting & Budgeting was developed in Year 1 and disseminated to the staff of our 6 new PDAM in a training workshop held in Jakarta on August 5-9, 2002. Please also refer to related activities under sub-task A7.

As reported, we hosted a two-week training program for Accounting and Finance staff from our 18 PDAM. In the first week (June 3-10) LGWS staff presented an Accounting Basics workshop geared as a refresher for Accounting theory and practice that would be needed for the more advanced seminar. During the second week (June 11-14) Dr. Gary Powell presented an Accounting and Financial Management Issues training program.

EXPECTED OUTPUTS:

1. **Develop a "User's Guide" on Accounting & Budgeting models.**
2. **Schedule a 1-2 day Workshop to disseminate information on User's Guide.**

STATUS:

1. **Task Completed.**
2. **Task Completed.**

B3. Support for Full Cost Recovery, Service Expansion and PDAM Reforms.

Our efforts continue to focus on educating PDAM management and staff, and their stakeholders - in particular PEMDA and DPRD officials – to improve the overall operating performance and the service capabilities at each of our client PDAM. Please also refer to sub-tasks A4-A9, and B1 and B8 for related activities supporting this sub-task.

Table 3 shows the changes in operating ratios since the baseline date of January 1, 2000. The average Operating Ratio of all 12 PDAM included in the first cohort has exceeded our target of a 30% improvement in the bottom line since the baseline date. The overall improvement in average loss reductions is 37%.

As previously mentioned, four PDAM have achieved FCR and a number are projected to reach FCR with the introduction of their respective tariff increases.

Table B3-1. Comparison of Operating Ratios for 18 PDAM for Jan 2000 – Aug 2002.

Asahan	58%	101%	57%
Banjarmasin	53%	82%	29%
Belitung	54%	99%	45%
Hulu Sungai Tengah	45%	76%	31%
Jombang	41%	56%	15%
Karangasem	67%	110%	43%
Pacitan	45%	50%	5%
Pontianak	81%	96%	15%
Sawahlunto	51%	80%	29%

[1] As reported this PDAM is receiving limited assistance.

Additional performance indicators data may be found in Appendix I.

EXPECTED OUTPUTS:

1. **Introduce full cost recovery, service expansion & reform strategies for 18 PDAM.**
2. **Average 70% Profit improvement from Baseline for 12 PDAM after Year 2 and 30% improvement for 6 PDAM after Year 2.**

STATUS:

1. **Task Completed – Full Cost Recovery policies incorporated into Corporate Plans.**
2. **Task Completed.**

B4. Technical Efficiency and Environmental Quality.

Two technical and operations management-training workshops were held this year. The first was on February 25 – March 1, 2002, and the second session was held April 8-12, 2002. Both sessions were directed by Mr. Ray Harries, and focused on Treatment Systems and Distribution Supply and Operations. These training modules have been translated into Bahasa Indonesia and are now the property of YPTD. A complete summary of LGWS training activities is provided in sub-task B8.

We had also hoped to schedule 1 or 2 additional technical workshops with private sector participation – one on pump maintenance and corrosion, and the second on reducing friction loss in pumps. However, as previously reported we exhausted our training budget for Year 2 and had to cancel these events. If sufficient funding is available in Year 3 we will reschedule these two sessions.

EXPECTED OUTPUTS:

1. One – two individual or regional ½ day – 1-day workshop(s) on a specific issue.

STATUS:

1. Task Completed.

B5. Development and Dissemination of Best Practices in the Water Sector.

In Year 1, we identified and reported on 5 best practice models. These included:

1. Invoicing and Collection – PDAM Kabupaten Jember,
2. Electronic Meter Reading - PDAM Kabupaten Bandung,
3. Third Party Meter Reading – PDAM Sawah Lunto,
4. Cisterns for households – PDAM Kabupaten Bangli, and
5. Automated Switching & Shut-Off Equipment – PDAM Kabupaten Jember.

While we completed this task, we agreed to continue identifying and disseminating Best Practices.

In Year 2 we highlighted:

- PDAM Banjar Baru's newly inaugurated "Customer Friendly Payment System", and
- PDAM Kapuas's "Conservation Initiatives".

In this last quarter we introduce three additional Best Practices:

- PDAM Kapuas's successful efforts in negotiating its customer reclassification with PLN from an Industrial User to a Social User,
- PDAM Karangasem's successful efforts in obtaining a 98% tariff increase, and
- PDAM Kendari's Non-Revenue-Water (NRW) reduction program.

PDAM Kapuas' efforts represent a milestone for all PDAM, and the benefits derived from its reclassification will be reflected in lower power costs and operating expenses. We recommend that all PDAM take the initiative and pursue a similar dialog with their local or regional PLN officials.

After 11 months of political debate, PDAM Karangasem's persistent and tenacious efforts resulted in a long overdue tariff increase. The last tariff increase was in 1999.

For a number of years, PDAM Kendari had been plagued with relatively high water losses – at one stage NRW reached 70%. After a thorough review of its production operations and the installation of bulk meters, the PDAM has seen a 35% reduction in NRW.

We congratulate these PDAM for their efforts, which demonstrate initiative and a dedication to serving their communities.

All of our Best Practices may be found on our new Web Site. These efforts will further support the role of Perpamsi, institutionalize the concept of Best Practices, and also support sub-tasks A7 and B2.

EXPECTED OUTPUT:

1. Develop and disseminate five best practices to PERPAMSI.

STATUS:

Task Completed – Activities to Continue.

B6. Institutional Support for PERPAMSI.

In our previous quarterly reports we discussed the progress our LGTS has achieved in preparing a comprehensive training program and work plan for PERPAMSI, and YPTD. These programs have been adopted by both organizations and cover the following major areas -

- Institutional Development,
- Infrastructure Development,
- Curriculum Development and Certification Training Program Development,
- Schedule and implement training in workshop/seminars,
- Coordinate donor programs, and
- Fund raising activities to support the goals and objectives of YPTD.

Mr. Purwoko Hadi, our LGST also assisted Perpamsi staff with developing their Five-Year Business Plan for both Perpamsi and YPTD. These Plans were approved by their respective boards and are now being implemented.

As a result of our LGST's efforts, Pak Purwoko was appointed the position of Secretary to the Board of Directors for YPTD.

Our LGTS' activities under this sub-task are continuing. Examples include our training in finance and customer service. All materials will be developed in Bahasa Indonesia. After the initial seminars are given the training modules will become the property of Perpamsi and YPTD.

Please also refer to activities discussed in sub-tasks A6-A12, and B1-B8, which also support this particular sub-task.

EXPECTED OUTPUTS:

1. **Review and identification of institutional training needs at YPTD.**
2. **Draft development plan for YPTD.**

STATUS:

1. Task Completed.
2. Task Completed – All activities are being implemented or are programmed.

B7. PDAM Rescue and Recovery Program (PRRP).

As previously reported, the PRRP is being implemented under the guidance of the Ministry of Finance. LGWS has had numerous discussions with consultants working on this project. While the aims of this funding appear laudable there are a number of concerns on the part of PDAM and local governments that central government involvement may cause costs to be higher than necessary. LGWS will continue to provide advice as and when requested to analyze costs and benefits.

LGWS continues to provide assistance and information to ADB and World Bank sponsored technical assistance projects. LGWS has met with representatives from the ADB Regulatory Framework for Private and Public Water Supply and Wastewater Enterprises on several occasions. LGWS also met with representatives of the Reform of Water Enterprises Project during the quarter. Finally, LGWS has had continuing discussions with Dutch Aid Sponsored programs to fund new connections and infrastructure under the Water Fund Indonesia. LGWS will continue to assist both the World Bank and ADB consultants as requested.

During discussions with Bappenas and Kimpraswil, LGWS was requested to provide assistance to consultants hired by Kimpraswil under new ADB and World Bank Programs. While these projects mirror LGWS in certain ways, they do not have funds to develop and provide direct training in areas of improving technical, financial, customer service and management skills. LGWS has agreed to allow these projects to send PDAM staff to attend training programs conducted by LGWS. LGWS will not provide assistance beyond providing training and materials to those participants from these ADB or World Bank projects.

EXPECTED OUTPUTS:

1. Meet with ADB/World Bank project proponents as required.

STATUS:

1. Task completed. Continuing meetings as required.

B8. Conduct Training Workshops/Seminars.

As previously reported under sub-tasks A7, B2, and B4-B6, our LGTS and ALGTS, and our MIS had intended to schedule 29 training activities in 2002. Appendix III provides a detailed schedule of these intended LGWS, Perpamsi and YPTD training activities. These activities included 12 on-site training programs, 8 Direct Venue workshops and 9 Management Enhancement seminars. The intended target groups were -

- PDAM Senior Management,
- PDAM Supervisory Board Members,
- PDAM Mid-level Managers, and
- Operations personnel.

On-site training was planned to be conducted at the PDAM location to transfer specific knowledge on project related execution. Direct Venue workshops are technical related training targeted at middle managers and operating staff. Management Enhancement seminars are targeted at improving management skills of PDAM Senior Management and enhanced understanding of board members and regulators.

However as reported we were forced to cancel or postpone all of these events because of a lack of training funds and focused on the following seminars –

- Two technical workshops on Water Supply Systems,
- Two Accounting Workshops,
- One Accounting and Billing Workshop, and
- Two Customer Service Workshops.

Funding for the two Customer Service Workshops was provided by USAEP/AID through YPTD.

Subject to the availability of training funds for Year 3, we plan to reschedule some of these activities and host management retreats as mentioned in A-8.

LGWS Team members also participated in a non-LGWS sponsored training seminar. At the request of Koda Perpamsi East Java, Mess Rosyid and Enjang were guest trainers at a 2-day seminar on May 4-5 for 11 PDAM in the Madiun-Bojonegoro area. Training was provided on CSS and developing corporate investment plans based on the results of a CSS. This is another example of LGWS assisting Perpamsi and non-LGWS PDAM.

EXPECTED OUTPUTS:

1. **Schedule one workshop dedicated to key environmental or technical issues.**
2. **Schedule six one-day workshops in the provinces for 25-30 participants.**
3. **Coordinate all training activities through Perpamsi and YPTD.**

STATUS:

1. **Task Completed.**
2. **Task Completed.**
3. **Task Completed – An ongoing activity. Our LGTS and ALGTS are assigned to Perpamsi and YPTD offices.**

2.4 Summary of Tasks

Table 2.4-4 provides a summary of all LGWS sub-tasks from October 2001 –September 31, 2002. As indicated, a number of sub-tasks have been completed, and where identified these activities will continue in support of LGWS goals.

Table 2.4-4. Summary of LGWS Task Progress.

A1	Task Completed for 20 PDAM with 18 Active MOU. Includes modified MOU for PDAM Gungun Kidul and two PDAM that were dropped from LGWS.
A3	Task Completed for 19 PDAM with 18 Active PDAM.
A5	Task Completed for 18 PDAM - With on-going activities to be reported.
A7	Task Completed for 18 PDAM – PDAM Gungun Kidul is not included in computer procurement program.
A9	Task Completed for 18 PDAM - With on-going activities to be reported.
A11	Task Completed - 13 Assessments Performed in Year 1, and awaiting approval of 12 New PDAM for Year 2.
Task B	
B2	Task Completed for 19 PDAM.
B4	Task Completed – Workshops/Seminars held.

Task	Status
B6	Task Completed – Support activities are on-going and will be reported.
B7	Task Completed – Monitoring on-going and any progress to be reported.
B8	Task Completed – Training activities held – other activities to be reported.

2.5 Field Visits

During this fourth quarter, our staff made a total of 28 field visits. These included 4 trips to meet with client PDAM, 20 trips to review draft Corporate Plans for the new PDAM, and 2 training and evaluation related trips. Appendix II provides the Activity Reports for each Team.

2.6 Conclusions from Annual Status Report

We felt it appropriate at this juncture to review some of the lessons learned to date. With the project now two-thirds complete certain issues have come to light. Overall, all parties from the Government of Indonesia, Local Governments, PDAM Directors and their staff have warmly received LGWS and we believe the communities that are served by these PDAM. We, who have been privileged to work for LGWS are equally pleased with the reception accorded us at each PDAM and community in which we are working.

The goal, however, is to make certain that the efforts of LGWS and USAID are truly sustainable. While many of the PDAM could and should continue to proceed along the path of financial independence, others may still need the encouragement, support and training of a follow-on effort. We are concerned that without some additional, albeit limited support, they will start backsliding thereby reversing all the efforts of our approach.

Furthermore, PDAM who have not benefited as yet from LGWS assistance are not yet ready to reform. In fact out of the total of 300 PDAM less that 10 are at full cost recovery. The lion's share of those PDAM that are at FCR are under LGWS' umbrella. We believe a targeted program to share personnel and resources can multiply the benefits of LGWS.

We suggest that USAID consider a five-stage approach.

1. **Sustaining Corporate Planning** by providing help to previously assisted PDAM to update their corporate plans. The current corporate plan should not be a one-time exercise and should be updated at least every two years. This effort should be geared at making PDAM Directors and staff truly take ownership of the report and the process. The effort should also incorporate monitoring final year clients to achieve FCR and independence.

2. **Stakeholder Education** geared at non-PDAM decision makers. This would include educating DPRD, Pemda, Baden Pengawas, local universities, NGO groups and community organizations with an interest and stake in the outcome of PDAM. This process would clear the way for a cooperative working partnership with the local community.

3. **Developing Centers of Excellence** where regional cooperation and assistance amongst PDAM could become a reality. This might include sharing labs, personnel,

training material and programs to build on each other's strengths and overcome weaknesses.

4. **Customer Service Improvement** at our assisted PDAM to help them acquire the skills to be able to better serve their customers. Each PDAM must recognize the need to better understand their customers concerns and needs. The changes could include improving complaint tracking and resolution, developing surveys, customer focus groups, developing customer newsletters, improved communications, employee focus training, conflict management and developing a strong corporate service culture.

5. **Human Resource Development** through continued education in cooperation with other funded programs. Emphasis on succession planning at PDAM and a true education program for PDAM staff. The assistance to YPTD should encompass a program to identify the timing of delivering and receiving training at all levels of each PDAM. Finally, working with YPTD to make the organization sustainable and not dependent on external resources.

APPENDIX I

LGWS BASELINE DATA FOR 12 PDAM

Financial & Technical Baseline for 12 PDAM
Team A

No.	Description	Asahan					Belitung					Jember					Banjar				
		Year Period					Year Period					Year Period					Year Period				
		1998	1999	2000	2001	2002	1998	1999	2000	2001	2002	1998	1999	2000	2001	2002	1998	1999	2000	2001	2002
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
I.	**Financial Details**	Decem.	Decem.	Decem.	Decem.	May	Decem.	Decem.	Decem.	Decem.	July	Decem.	Decem.	Decem.	Decem.	July	Decem.	Decem.	Decem.	Decem.	July
1	Cashflow (Million)	592	204	26	401	348	6	10	23	51	39	369	590	1,113	1,466	1,180	267	433	48	155	392
2	Net Profit / Loss (Million)	(831)	(1,138)	(1,285)	(633)	14	(326)	(331)	(432)	(285)	(248)	(692)	(393)	75	225	(114)	(517)	(1,297)	(767)	(700)	766
3	Operating Ratio	61%	58%	60%	78%		44%	52%	54%	77%	72%	68%	78%	88%		87%	62%	51%	64%	76%	
4	Liquiditity Ratio	718%	54%	50%	37%	36%	186%	123%	299%	305%	90%	33%	39%	44%	52%	41%	137%	74%	49%	45%	45%
5	Quick Ratio	696%	44%	48%	35%	35%	183%	93%	93%	275%	90%	31%	37%	42%	50%	37%	97%	61%	34%	32%	32%
6	Debt / Equity	105%	188%	178%	110%	110%	2%	3%	3%	21%	25%	0.85	3.32	3.52	2.94	3.02	1.31	2.15	3.72	1.67	1.67
7	Debt Service / Cashflow	0.07	1.89	28	2.49	2.49	0	0	0	0	0	6.03	4.21	1.22	2.91	4.19	0	0	28.4	7.81	7.81
8	A-R Turnover / Days	85	105	96	77	77	112	55	86	119	71	53	38	45	47	49	62	57	70	59	59
9	Average Tariff / M^3	549	567	570	893	980	531	567	642	1,279	1,328	444	504	577	764	784	801	816	808	922	1,533
10	Full Production Cost / M^3	900	984	957	1,147	972	1,203	1,087	1,196	1,667	1,835	651	646	657	748	903	1,287	1,613	1,271	1,221	1,386
11	Last Tariff Increase - Year	1995 (Rp.350)			Rp. 650		1996 (Rp.370)			Rp. 630	Rp. 1.000	1996 (Rp. 220)		Rp. 350	Rp. 450	Rp. 750	1995 (Rp. 350)			Rp. 510	
12	Precent Tariff Increase				April' 62%					Jan' 70%	Sept. 60%			May' 48%	April' 30%	Augst'67%				Oct' 46%	
13	Number of Connections	14,009	14,350	14,614	14,961	15,180	3,095	3,632	4,050	4,240	4,371	18,577	18,999	19,851	20,516	20,879	9,141	9,656	11,125	12,474	14,594
14	Usage / Connection (M^3)	20	20	21	21	23	17	17	18	16	17	19	21	22	23	22	18	19	18	19	18
15	Total Quantity Water Sold (000 M^3)	3,370	3,495	3,748	3,726	1,744	622	759	888	853	523	4,312	4,746	5,283	5,546	3,287	1,922	2,150	2,367	2,789	1,873
16	Total Personnel	130	130	131	131	131	62	62	64	61	61	128	128	131	124	124	88	88	88	84	84
17	Common Issues	Low Tariff	Low Tariff	Low Tariff	High Cost	Debt Service	Low Tariff	Low Tariff	Low Tariff	High Cost	High Cost	Low Tariff	Low Tariff	Low Tariff	Debt Service	Debt Service Electr. Cost too high	Low Tariff	Low Tariff	Low Tariff	Low Tariff Debt Service	Debt Servic Debt Servic
II	**Technical Issues**																				
1	Supply Assets	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes		Yes	Yes	Yes	No		Yes	Yes	Yes	Yes	
2	Insufficient Customer Base	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes		Yes	Yes	Yes	No		Yes	Yes	Yes	Yes	
3	Low Maintenance	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes		Yes	Yes	No	No		Yes	Yes	Yes	Yes	
4	Non - Revenue Water	No	No	No	No		Yes	Yes	Yes	Yes		No	No	No	No		Yes	Yes	Yes	Yes	
5	Broken Meters / Master Meters	Yes	Yes	Yes	No		Yes	Yes	Yes	No		Yes	Yes	Yes	No		Yes	Yes	Yes	Yes	
6	Storage Capacity	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	
7	Public Taps	No	No	No	No		No	No	No	No		No	No	No	No		No	No	No	No	
8	Balance System / Zoning	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes		Yes	Yes	Yes	No		Yes	Yes	Yes	Yes	
III	**Financial Isues**																				
1	Low Tariffs	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	No
2	Negative Cashflow	Yes	Yes	Yes	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes	Yes	Yes	Yes	No
3	High Staff / Connection Ratio	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No	Yes	Yes	No	No	No (7/1000)
4	Poor A-R Collection	Yes	Yes	Yes	No	No	Yes	No	Yes	Yes	Yes	No	No	No	No	No	Yes	Yes	Yes	Yes	No
5	Low A-R Turnover	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	No	No	No	No	No	Yes	Yes	Yes	No	No
6	Meter Reading Problems	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No	Yes	Yes	Yes	Yes	No
7	Cash Management	Yes	No	No	Yes	Yes	No	No	No	No	No	No	Yes	Yes	Yes	Yes	No	No	No	No	No

Pangkal Pinang			Banjarmasin		
Year Period			Year Period		
2000	2001	2002	2000	2001	2002
23	24	25	26	27	28
Decem.	Decem.	March	Decem.	Decem.	February
36	55		1,292	3,873	2,820
(622)	57		(10,426)	(703)	206
48%	88%		53%	76%	82%
18%	37%		38%	36%	35%
14%	32%		68%	31%	29%
0.66	0.66		3.78	2.33	3.93
21	14		14.37	7.8	10.83
142	201		86	69	70
951	1,196		1,025	2,077	2,409
1,968	1,366		2,276	2,716	2,950
1992 (Rp.475)	Rp. 1.200		Rp. 750		
	Aug '153%		Aug. 66%		5%/ 6 mth
5,136	5,027		48,856	58,914	60,068
11	15		26	21	20
671	733		15,390	15,075	2,391
52	54		316	316	316
Low Tariff	Debt Service		Debt Service	Debt Service	Debt Service
ce			Too hight cost	Too hight cost	Too hight cost
Yes	Yes		Yes	Yes	Yes
Yes	Yes		Yes	Yes	Yes
Yes	Yes		Yes	Yes	Yes
Yes	Yes		Yes	Yes	Yes
Yes	Yes		No	No	No
Yes	Yes		Yes	Yes	Yes
No	No		No	No	No
Yes	Yes		Yes	Yes	Yes
Yes	No		Yes	No	No
Yes	Yes		Yes	Yes	Yes
Yes	Yes		No	No	No
Yes	Yes		Yes	Yes	Yes
Yes	Yes		Yes	Yes	Yes
Yes	Yes		Yes	Yes	Yes
No	No		No	No	No

Financial & Technical Baseline for 12 PDAM
Team B

No.	Description	Kab. Karangasem						Kota Kendari						Kab. Pacitan						Kota Sawahlunto				
		Year						Year						Year						Year				
		1998	1999	2000	2001	2002	2000-2002	1998	1999	2000	2001	2002	2000-2002	1998	1999	2000	2001	2002	2000-2002	1998	1999	2000	2001	2002
1	2	3	4	4	5	6	Incr(Decr)	7	8	9	10	11	Incr(Decr)	12	13	14	15	16	Incr(Decr)	17	18	19	20	21
I	**Financial Details**					Jul-02						Jul-02						Feb-02						Jul-02
1	Cashflow (Million)	22	412	305	76	76	(230)	110	565	1,103	896	712	(391)	9	27	7	3	5	(2)	24	10	11	12	13
2	Net Profit / Loss (Million)	(564)	(131)	(516)	(832)	(855)	(339)	(679)	199	(529)	(555)	261	810	(290)	(197)	(118)	(502)	(86)	52	(261)	(262)	(189)	(119)	(56)
3	Operating Ratio (%)	72%	62%	69%	56%	55%	-14%	85%	88%	80%	81%	[redacted]	22%	43%	54%	61%	49%	50%	-11%	52%	59%	58%	71%	58%
4	Liquidity Ratio	2.44	0.97	0.67	67%	37%	-30%	5.12	42%	37%	37%	58%	21%	0.29	0.36	0.42	0.28	0.28	-14%	1.43	0.28	0.27	0.32	0.34
5	Quick Ratio	1.15	0.96	0.65	39%	36%	-29%	3.72	0.3	30%	31%	51%	21%	0.20	0.51	0.36	0.38	0.27	-9%	0.80	0.22	0.21	0.37	0.39
6	Debt / Equity (%)	38%	54%	35%	44%	33%	-2%	80%	98%	105%	123%	100%	-5%	27%	29%	22%	10%	10%	-12%	37%	39%	42%	51%	50%
7	Debt Service / Cashflow	6.95	0.69	0.47	9.50	8.00	8	3.46	0.83	0.38	0.43	0	(0)	0.00	0.00	0.00	0.00	0.00	-	0	0	0%	0%	0%
8	A-R Turnover / Days	72	70	43	56	67	24	102	52	33	65	72	39	100	89	71	99	86	15	30	30	30	79	58
9	Average Tariff (Rp./m^3)	382	504	593	580	658	65	781	992	1,250	1,329	1,657	607	525	590	601	672	775	174	469	631	736	986	1,054
10	Full Production Cost (Rp.)	726	811	854	916	1,192	336	900	1,251	1,564	1,465	1,818	254	1,218	1,083	986	1,367	1,336	350	894	1,246	1,261	1,379	1,831
11	Last Tariff Increase - Year		1999	1999	1999	Jul 2002			1999	1999	1999	2002		1996		2000	2,000	2,000			1999		2001	
12	Percent Tariff Increase		44%	44%	44%	114%	70%		67%	67%	67%	67%	0%			0%			0%		33%		50%	
13	Number of Connections	11,317	12,182	13,465	14,367	14,816	1,351	10,894	12,071	12,890	14,017	14,239	1,349	5,826	5,966	6,068	6,655	6,665	597	2,307	2,351	2,864	2,868	3,721
14	Usage / Connection (m^3/mo/con.)	21	19	20	19	19	(1)	23	26	26	20	20	(6)	8	10	12	11	12	-	18	20	19	19	19
15	Common Issues	Low Tariff	Low Tariff	Low Tariff	Low Tariff	Low Tariff	Improve	High Cost	High Cost	High Cost	High Cost	High Cost	Improve	System Manual	System Manual	System Manual	Low Tariff	Low Tariff	Discrete	System Manual	System Manual	System Manual	High cost	High cost
											Staff Skill	Staff Skill		Low Tariff	Low Tariff	Low Tariff	Low Skill	Low Skill				High Cost		
II	**Technical Issues**																							
1	Supply Assets	No	No	No	No	No	Stable	Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes	Improve	Yes	Yes	Yes	Yes	Yes
2	Insufficient Customer Base	Yes	Yes	Yes	Yes	Yes	Improve	Yes	Yes	Yes	Yes	Yes	Improve	Yes	Yes	Yes	Yes	Yes	Improve	Yes	Yes	Yes	Yes	Yes
3	Low Maintenance	Yes	Yes	Yes	Yes	Yes	Improve	Yes	Yes	No	No	No	Improve	Yes	No	No	No	No	Improve	Yes	Yes	Yes	Yes	Yes
4	Non - Revenue Water	Yes	Yes	Yes	Yes	Yes	Improve	Yes	Yes	Yes	Yes	Yes	Improve	Yes	No	No	No	No		Yes	Yes	Yes	Yes	Yes
5	Broken Meters / Master Meters	Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes	Improve	Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes
6	Storage Capacity	Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	No	Improve	Yes	Yes	Yes	Yes	Yes	Improve	Yes	Yes	Yes	Yes	Yes
7	Public Taps	Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes
8	Balance System / Zoning	Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes
III	**Financial Issues**																							
1	Low Tariffs	Yes	Yes	Yes	Yes	Yes		No	No	No	No	No		Yes	Yes	Yes	Yes	Yes		Yes	Yes	No	No	No
2	Negative Cashflow	No	No	No	No	No		No	No	No	No	No		Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes
3	High Staff / Connection Ratio	Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes
4	Poor A-R Collection	Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes		No	No	No	Yes	Yes
5	Low A-R Turnover	Yes	Yes	No	No	No		Yes	Yes	No	No	No		Yes	Yes	Yes	Yes	Yes		No	No	No	Yes	Yes
6	Meter Reading Problems	No	No	No	No	No		Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes
7	Cash Management	Yes	No	No	Yes	Yes		Yes	No	No	No	No		Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes

Financial & Technical Baseline for 12 PDAM
Team B

No.	Description	Kab. Karangasem						Kota Kendari						Kab. Pacitan						Kota Sawahlunto				
		Year						Year						Year						Year				
		1998	1999	2000	2001	2002	2000-2002	1998	1999	2000	2001	2002	2000-2002	1998	1999	2000	2001	2002	2000-2002	1998	1999	2000	2001	2002
1	2	3	4	4	5	6	Incr(Decr)	7	8	9	10	11	Incr(Decr)	12	13	14	15	16	Incr(Decr)	17	18	19	20	21
I	**Financial Details**					Jul-02						Jul-02						Feb-02						Jul-02
1	Cashflow (Million)	22	412	305	76	76	(230)	110	565	1,103	896	712	(391)	9	27	7	3	5	(2)	24	10	11	12	13
2	Net Profit / Loss (Million)	(564)	(131)	(516)	(832)	(855)	(339)	(679)	199	(529)	(555)	281	810	(290)	(197)	(118)	(502)	(68)	52	(261)	(282)	(189)	(119)	(56)
3	Operating Ratio (%)	72%	62%	69%	56%	55%	-14%	85%	88%	80%	81%	[redacted]	22%	43%	54%	61%	49%	50%	-11%	52%	59%	58%	71%	58%
4	Liquidity Ratio	2.44	0.97	0.67	67%	37%	-30%	5.12	42%	37%	37%	58%	21%	0.29	0.38	0.42	0.28	0.28	-14%	1.43	0.28	0.27	0.32	0.34
5	Quick Ratio	1.15	0.98	0.65	39%	36%	-29%	3.72	0.3	30%	31%	51%	21%	0.20	0.51	0.38	0.38	0.27	-9%	0.80	0.22	0.21	0.37	0.39
6	Debt / Equity (%)	38%	54%	35%	44%	33%	-2%	80%	98%	105%	123%	100%	-5%	27%	29%	22%	10%	10%	-12%	37%	39%	42%	51%	50%
7	Debt Service / Cashflow	6.95	0.69	0.47	9.50	8.00	8	3.48	0.83	0.38	0.43	0	(0)	0.00	0.00	0.00	0.00	0.00	-	0	0	0%	0%	0%
8	A-R Turnover / Days	72	70	43	56	67	24	102	52	33	65	72	39	100	89	71	99	86	15	30	30	30	79	58
9	Average Tariff (Rp./m^3)	382	504	593	580	658	65	781	992	1,250	1,329	1,857	607	525	580	601	672	775	174	469	631	736	986	1,054
10	Full Production Cost (Rp.)	726	811	854	916	1,192	336	900	1,281	1,564	1,465	1,818	254	1,216	1,083	986	1,367	1,336	350	894	1,246	1,261	1,379	1,831
11	Last Tariff Increase - Year		1999	1999	1999	Jul 2002			1999	1999	1999	2002		1996		2000	2,000	2,000			1999		2001	
12	Percent Tariff Increase		44%	44%	44%	114%	70%		67%	67%	67%	67%	0%			0%			0%		33%		50%	
13	Number of Connections	11,317	12,162	13,465	14,367	14,816	1,351	10,894	12,071	12,890	14,017	14,239	1,349	5,826	5,986	6,066	6,655	6,865	597	2,307	2,351	2,664	2,668	3,721
14	Usage / Connection (m^3/mo/con.)	21	19	20	19	19	(1)	23	26	26	20	20	(6)	8	10	12	11	12	-	18	20	19	19	19
15	Common Issues	Low Tariff	Low Tariff	Low Tariff	Low Tariff	Low Tariff	Improve	High Cost	High Cost	High Cost	High Cost	High Cost	Improve	System Manual	System Manual	System Manual	Low Tariff	Low Tariff	Dilocrate	System Manual	System Manual	System Manual	High cost	High cost
											Staff Skill	Staff Skill		Low Tariff	Low Tariff	Low Tariff	Low Skill	Low Skill				High Cost		
II	**Technical Issues**																							
1	Supply Assets	No	No	No	No	No	Stable	Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes	Improve	Yes	Yes	Yes	Yes	Yes
2	Insufficient Customer Base	Yes	Yes	Yes	Yes	Yes	Improve	Yes	Yes	Yes	Yes	Yes	Improve	Yes	Yes	Yes	Yes	Yes	Improve	Yes	Yes	Yes	Yes	Yes
3	Low Maintenance	Yes	Yes	Yes	Yes	Yes	Improve	Yes	Yes	No	No	No	Improve	Yes	No	No	No	No	Improve	Yes	Yes	Yes	Yes	Yes
4	Non - Revenue Water	Yes	Yes	Yes	Yes	Yes	Improve	Yes	Yes	Yes	Yes	Yes	Improve	Yes	No	No	No	No		Yes	Yes	Yes	Yes	Yes
5	Broken Meters / Master Meters	Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes	Improve	Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes
6	Storage Capacity	Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	No	Improve	Yes	Yes	Yes	Yes	Yes	Improve	Yes	Yes	Yes	Yes	Yes
7	Public Taps	Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes
8	Balance System / Zoning	Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes
III	**Financial Issues**																							
1	Low Tariffs	Yes	Yes	Yes	Yes	Yes		No	No	No	No	No		Yes	Yes	Yes	Yes	Yes		Yes	Yes	No	No	No
2	Negative Cashflow	No	No	No	No	No		No	No	No	No	No		Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes
3	High Staff / Connection Ratio	Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes
4	Poor A-R Collection	Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes		No	No	No	Yes	Yes
5	Low A-R Turnover	Yes	Yes	No	No	No		Yes	Yes	No	No	No		Yes	Yes	Yes	Yes	Yes		No	No	No	Yes	Yes
6	Meter Reading Problems	No	No	No	No	No		Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes
7	Cash Management	Yes	No	No	Yes	Yes		Yes	No	No	No	No		Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes

Financial & Technical Baseline
Team C

No.	DESCRIPTION	BATANG							JOMBANG				
		Year Period							Year Period				
		1998	1999	2000	2001	2002	2002	2002	1998	1999	2000	2001	2002
1	2	3	4	5	6	7	8	9	10	11	12	13	14
I.	**General Profiles**			31-Dec	31-Dec	31-Mar	31-May	31-Aug			31-Oct	31-Dec	31-Mar
1	Cash balance (Million)	118	252	624	847	95	687	851	85	68	82	31	50
2	Net Profit / Loss (Million)	(56)	(120)	173	358	184	181	347	(1,019)	(1,074)	(935)	(1,039)	(222)
3	Operating Ratio	52%	67%	67%	83%	83%	99%	100%	41%	41%	41%	48%	56%
4	Liquiditity Ratio	8.05	49.14	7.89	1.20	1.20	1.66	2.21	17	8.72	12	4.09	4.00
5	Quick Ratio	7.97	48.87	7.68	1.18	1.18	1.61	2.11	10	8.65	7	4.06	3.80
6	Debt / Equity	54%	54%	48%	47%	47%	31%	32%	60%	60%	67%	82%	82%
7	Debt Service / Cashflow	0	0	0	0.55	0.55	0.91	0.62	2.81	2.13	3.73	4.58	2.5
8	A-R Turnover / Days	58	45	56	36	36	42	29	50	58	60	59	60
9	Average Tariff / M^3	323	511	569	568	568	569	578	400	400	400	435	550
10	Full Production Cost	620	759	848	684	684	653	578	1,019	970	971	908	982
11	Last Tariff Increase - Year	1993	1999	1999	1999	1999	1999	Mar 1999	1993	1993	1993	2001	2001
12	Percent Tariff Increase	NA	66%	NA	NA	NA	75%	75%	NA	NA	NA	Oct 50%	-
13	Number of Connections	7,466	8,363	10,183	11,455	12,715	12,563	12,898	9,160	9,172	9,192	10,945	11,000
14	Number of Employees						69	69					
15	Usage / Connection (M^3)	15	17	16	17	17	17	18	17	20	21	20	20
16	Total Quantity Water Sold						217,635	1,852,305					
17	Common Issues	Exes Capa	Exes Capa	Exes Capa	Exess Cap	Limt. Cap	Limt. Cap	Limt. Cap	Low Tariff	Low Tariff	Low Tariff	Low Tariff	Low Tariff
II	**Technical Issues**												
1	Supply Assets	no	no	no	no	no	no	no	no	no	no	no	no
2	Insufficient Customer Base	yes	no	no	no	no	no	no	no	no	no	no	no
3	Low Maintenance	no	no	no	no	no	no	no	no	no	no	no	no
4	Non - Revenue Water (%)	yes	yes	yes	no	no	no	no	yes	yes	yes	yes	yes
5	Broken Meters / Master Meters	yes	yes	yes	no	no	no	no	no	no	no	no	no
6	Storage Capacity (m3)	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
7	Public Taps	no	no	no	no	no	no	no	no	no	no	no	no
8	Balance System / Zoning	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
III	**Financial Isues**												
1	Low Tariffs	yes	no	no	no	yes	yes	yes	yes	yes	yes	yes	yes
2	Negative Cashflow	yes	yes	no	no	no	no	no	yes	yes	yes	yes	yes
3	High Staff / Connection Ratio	yes	yes	yes	no	no	no	no	no	no	no	no	no
4	Poor A-R Collection	yes	yes	yes	no	no	no	no	yes	yes	no	no	no
5	Low A-R Turnover	yes	yes	yes	no	no	no	no	yes	yes	no	no	no
6	Meter Reading Problems	yes	no	no	no	no	no	no	yes	yes	no	no	no
7	Cash Management	yes	no	no	no	no	no	no	yes	yes	yes	yes	yes

	HULU SUNGAI TENGAH							LAMPUNG TENGAH					
	Year Period							Year Period					
2002	1998	1999	2000	2001	2002	2002	2002	1998	1999	2000	2001	2000	2001
15	16	17	18	19	20	21	22	23	24	25	26	27	28
31-Jul			31-Aug	31-Dec	31-Mar	31-May	31-Jul			30-Sep	31-Dec	31-Dec	31-Dec
371	9	13	15	70	75	102	119	21	30	9		3,785	3,393
(218)	(892)	(585)	(456)	(324)	(34)	(62)	(2)	(2,332)	(1,646)	(909)		149	208
70%	34%	45%	40%	67%	67%	76%	84%	28%	43%	57%		74%	85%
5.99	0.93	3.78	3.00	3.00	3.00	12.07	10.77	0.39	0.48	0.48		0.55	0.45
5.95	0.81	3.58	3.00	3.00	3.00	11.82	10.65	0.35	0.43	0.43		0.51	0.41
137%	1%	1%	1%	1%	1%	3%	2%	24%	27%	27%		90%	89%
0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0	0	0		1.77	1.35
47	60	70	60	60	60	82	65	119	83	80		114	113
558	685	640	610	912	915	952	945	669	872	1,141		842	1,240
793	2,015	1,420	1,560	1,361	1,366	1,260	1,124	1,643	1,920	2,009		1,136	1,452
Jan 2001	1994	1994	1994	2001	2001	2001	Jan 2001	1995	1999	2000		Nov 00	Nov 00:47%
-	NA	NA	Apr. 20%	May 15%	NA	15%	15%	NA	46%	23%		47%	NA
11,222	4,095	4,541	4,847	5,527	5,700	5,690	5,924	10,625	10,710	10,887	10,983	19,933	20,694
56						58	58						
18	14	14	14	16	16	17	16	12	12	12		19	17
1,409,375						472,915	662,277						
Low Tariff	Low Tariff	Low Tariff	Low Tariff	NA	Limt. Cap	Limt. Cap	Lim. Cap	Low Tariff	Exess Cap	Exess Cap		High NRW	High NRW
no	yes	yes	no	no	no	no	no	no	no	no		yes	yes
no	no	no	no	no	no	no	no	yes	yes	yes		no	no
no	yes	yes	yes	no	no	no	no	no	no	no		no	no
yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes		yes	yes
no	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes		yes	yes
yes	yes	yes	yes	yes	yes	yes	yes	no	no	no		yes	yes
no	no	no	no	no	no	no	no	no	no	no		no	no
yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes		yes	yes
yes	yes	yes	yes	no	yes	yes	yes	yes	no	no		yes	no
yes	no	no	no	no	no	no	no	yes	yes	yes		yes	yes
no	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes		no	no
no	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes		yes	yes
no	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes		yes	yes
no	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes		yes	yes
yes	yes	yes	yes	yes	no	no	no	yes	yes	yes		no	no

No data available, PDAM is split out into 3 small

SUKABUMI			PONTIANAK				
Year Period			Year Period				
2002	2002	2002	2000	2001	2002	2002	2002
29	30	31	32	33	34	35	36
31-Mar	31-May	31-Aug	31-Dec	31-Dec	31-Mar	31-Apr	31-Aug
3,350	2,940	3,352	2,282	4,441	3,500	6,339	5,477
(38)	127	497	1,391	(3,075)	(769)	(1,142)	742
81%	88%	95%	81%	81%	81%	79%	96%
0.41	0.42	0.44	1.61	1.22	1.22	1.10	1.46
0.40	0.41	0.44	1.45	1.04	1.04	0.987015977	1.27
90%	85%	84%	61%	51%	51%	66%	63%
1.50	1.09	0.75	0.81	0.92	0.92	1.11	0.85
106	392	83	35	42	42	65	36
1,240	1,303	1,299	1,571	1,463	1,463	1,452	1,857
1,452	1,473	1,364	1,823	1,810	1,810	1,829	1,926
Nov 00	Mar 02	Mar 2002	Jul 99:30%	Jul'99 :30%	Jul-99	May 2002	May 2002
NA	9%	9%	-	-	30%	50%	50%
20,990	21,206	21,450	52,849	55,552	56,284	59,643	57,714
	165	165				341	341
18	18	18	24	23	24	24	25
	1,910,771	3,057,678	15,000,061	16,146,399		5,728,432	11,387,595
High NRW	High NRW	High NRW	Limt Cap	Limt Cap	Limt Cap	Lim. Cap.	Lim. Cap.
yes	yes	yes	yes	yes	yes	yes	yes
no	no	no	no	no	no	no	no
no	no	no	no	no	no	no	no
yes	yes	yes	yes	yes	yes	yes	yes
yes	yes	yes	no	no	no	no	no
yes	yes	yes	no	no	no	no	no
no	no	no	no	no	no	no	no
yes	yes	yes	no	no	no	no	no
no	no	no	no	no	no	no	no
yes	yes	yes	yes	yes	yes	yes	yes
no	no	no	no	no	no	no	no
yes	yes	yes	no	no	no	no	no
yes	yes	yes	no	no	no	no	no
yes	yes	yes	no	no	no	no	no
no	no	no	no	no	no	no	no

APPENDIX II

FIELD VISIT ACTIVITY REPORTS

LGWS PROJECT

Local Government Water Services

United States Agency for International Development

PDAM Activity Report

PDAM Kota Banjarmasin

Date of Visit	Activities	Actions
July 18 – 20, 2002	The LGWS team (Ahmad Rosyid, Ferry Boyke and Enjang Hasanudin) met with the General Director (Pak Abdurrahman) and Technical Director (Pak Fajar). We explained SWOT analysis result of PDAM Bandarmasih and also discuss about preparation of CP. On the second day of our visit, the LGWS team met the CP Team to discuss the CP program. Results of the discussion are as follows: ▪ Rehabilitation of WTP Pramuka ▪ Installation of Flow meter for the Production and Distribution unit ▪ Modification of chlorine injection system ▪ Rehabilitation of the water meter and the bulk meter ▪ Installation of pump and improvement in power supply (Intake Pematang) ▪ Rehabilitation and replacement pipe for transmission line intake S. Bilu ▪ Additional house connection, 13,000 unit (optimalizaton of idle capacity) ▪ Installation of Distribution Pump (S. Parman System) ▪ Replacement water meter ▪ UFW program The third day, the LGWS team (Ahmad Rosyid, Ferry Boyke, and Enjang Hasanudin) met with the President Director (Pak Zaenal), General Director (Pak Abdurrahman), Technical Director (Pak Fajar) and the CP team of PDAM Kota Banjarmasin. We explained the results of	Last August, the draft of the Corporate Plan was completed.

Date of Visit	Activities	Actions
	discussions with the CP team.	
August 13 – 15, 2002	On the first day of our visit, the LGWS team (Ahmad Rosyid, Ferry Boyke and Enjang Hasanudin) met with the General Director (Pak Abdurrahman) and Technical Director (Pak Fajar). We explained Draft CP and also discussed preparation of the final CP. The second and third day, Team LGWS discussed in detail the draft of CP book I and II. with the CP team PDAM Bandarmasih. The CP PDAM, Technical Director, Financial Director agreed to all of the programs covered by the CP, but they would like to provide us with more pictures. The result of our discussion regarding the Corporate Plan program are as follows: <u>OPTIMALIZATION PROGRAM</u> ▪ Installation of Pump and improvement of power supply (Intake Pematang) ▪ Supply of Portable flow meter ▪ Rehabilitation intake S. Bilu ▪ Supply and replacement pipe for transmission line intake S. Bilu ▪ Supply and installation pipe for the transmission line of intake S. Tabuk to Intake Pematang ▪ Optimalization of WTP Pramuka and A. Yani ▪ Supply and Installation of Flow meter for the Production and Distribution unit ▪ Rehabilitation water meter and bulk meter ▪ Additional house connection, 14,002 unit (optimize idle capacity) ▪ Installation of Distribution Pump (S. Parman System) ▪ Replacement water meter ▪ UFW program <u>DEVELOPMENT PROGRAM</u> ▪ Supply and installation of Source Water Pump (Intake Pematang)	

Date of Visit	Activities	Actions
	▪ Supply and installation of Source Water Pump (Intake Sei Tabuk) ▪ Construction of WTP 300 l/s ▪ Supply and installation pipe for the transmission line 300 l/s ▪ Rehabilitation of transmission pipe ▪ Supply and Installation of Flow meter for the Production unit ▪ Rehabilitation water meter and bulk meter ▪ Construction of Reservoir ▪ Additional house connection, 22,383 unit	
September 4 – 6, 2002	The first and second day, Team LGWS & the CP team from PDAM Bandarmasih discussed in detail the draft of CP book I and II. Team CP PDAM, Technical Director, Financial Director agreed all the program of CP, but final touch we need more pictures.	PDAM Bandarmasih will send the photo and send email about position of photo.
	The third day, we had a meeting with the supplier flow meter. PDAM Bandarmasih and supplier agreed to take some of point to measure the flow.	The measurement will be sent by supplier to PDAM and LGWS.

LGWS PROJECT

Local Government Water Services

United States Agency for International Development

PDAM Activity Report

PDAM Kota Pangkalpinang

Date of Visit	Activities	Actions
July 24 – 26, 2002	The LGWS team (Bennett Parton, Ahmad Rosyid, Ferry Boyke and Enjang Hasanudin) met with the Director and staff of PDAM Kota Pangkalpinang. Issues discussed were how to reduce the NRW and other issues regarding the regulation. We also had meetings with the Badan Pengawas Daerah Pangkalpinang and Sekda. We advised and informed them about the NRW problem in the PDAM Pangkalpinang.	
	On the second day of our visit, the LGWS team met with Badan Pengawas PDAM, Director (Pak Budi) and Kabag to discuss the PDAM problem. Non Revenue Water, optimizing distribution and production system and 70% water mater damaged are main issues in PDAM Kota Pangkalpinang. On the third day of our visit, the LGWS team (Ferry Boyke, and Enjang Hasanudin) met with the Director (Pak Budi), and staff of PDAM. We prepare the NRW program (data collection).	PDAM in-cooperation with PT Sehati and LGWS will prepare study of non revenue water a soon as possible.
September 17 - 19, 2002	First day, team LGWS met Director (Pak Budi), Head of Technical (Pak Suyadi) and Head of Finance and Administration (Pak Alan). We discussed the program to reduce water leakage. The PDAM explained that first step was to investigate the Mangkol system. The Mangkol system serves approximately 400 house	Repair and change of clamp saddle and water mater.

Date of Visit	Activities	Actions
	connections. The result of the PDAM investigation was that the PDAM found leakage at the clamp saddle, broken pipe around 12 points, and water meter damage of customer. The second day, Team LGWS discussed the program for the Corporate Plan with the Director and all of the head division and head section.	 LGWS will send the draft of corporate plan first week of October.

LGWS PROJECT

Local Government Water Services

United States Agency for International Development

PDAM Activity Report

PDAM Kabupaten Asahan

Date of Visit	Activities	Actions
July 31, 2002	The LGWS team (Ahmad Rosyid, Ferry Boyke and Enjang Hasanudin) met with the Director and staff PDAM Kota Asahan. Director Pak Kaerul, explained the internal management problem. Pak Enjang taught the financial staff how to operate the billing and accounting software.	The LGWS team will explain the PDAM performance and problem to DPRD as soon as possible
September, 10 – 12, 2002	We met with Bupati Asahan, Director of the PDAM and all Kepala Dinas (Head Of Department Kabuapetn Asahan). Team LGWS explained the condition of the PDAM during 2001 and 2002.	

LGWS PROJECT

Local Government Water Services

United States Agency for International Development

PDAM Activity Report

PDAM Kabupaten Jember

Date of Visit	Activities	Actions
August 21, 2002	The LGWS team (Bennett Parton, Ahmad Rosyid, Ferry Boyke and Enjang Hasanudin) met with the Director (Pak Taufan and Hani). We discussed what Pak Taupan had proposed regarding in-house training at the PDAM during the Team LGWS visit and also after hours training. Pak Bennett explained the problem of the LGWS team. After the discussion we visited the new treatment plant capacity 20 lt/sec.	

LGWS PROJECT

Local Government Water Services

United States Agency for International Development

PDAM Activity Report

PDAM Kota SAMARINDA

Date of Visit	Activities	Actions
July 24 - 25, 2002	LGWS (Edward, Agus, Addie, & Eri) met with the PDAM's Directors (Syamsul Rachman, Dirut & Fathurrachman, Dirtek), Chiefs Sections, staff, and 2 persons from Badan Pengawas to discuss the PSP initiative. LGWS also made a presentation on PSP of BOT. - The price requested by private party seemed unfeasible for several main reasons: present NRW level, consumption, cost associated with operation of transmission & distribution. - It was agreed that cash would be allocated to rehabilitation works needed to improve mechanical equipment whose efficiency has dropped. - Vision & mission statement was drafted, including strategies that would be a vital part of the CP. - Present Dirut's tenure was ending and he decided not to run for the new Dirut election.	Badan Pengawas & PDAM to report to the mayor & PSP commission on PDAM's view on the PSP. Follow up (reject or accept) of the initiative was not in PDAM's control. In 2 weeks PDAM will be preparing programs as a means to implement goals outlined in the CP. LGWS to complete CP with materials recently obtained. Other materials would be sent to LGWS through mail and/or email.
August 28 - 29, 2002	LGWS (Agus, Addie, Eri, & Ida) along with computer software vendor (Eko and 2 persons of his staff) met new Dirut (formerly Dirtek) Dirum, Chiefs Sections. Eko made a presentation on software to be provided for free by LGWS to PDAM. LGWS moved on with the CP, also update financials and technicals. - Eko & his staff made brief presentation primarily on accounting program.	PDAM would decide soon whether or not use both billing and accounting programs. Eko would be available for consultation with PDAM, through LGWS or directly, when and if PDAM found a problem with the

Date of Visit	Activities	Actions
	PDAM had just procured billing system still under development. It was assumed that the PDAM would only use accounting program. However, the PDAM asked to take a closer look at the billing system that could be provided through LGWS, and inquired into the possibility of using it as well if the PDAM felt more comfortable with that billing program. - LGWS & PDAM moved on the CP mainly with programs. The PDAM should anticipate the national event of sport competition in 2006 (PON-Pekan Olah Raga Nasional). As a result, taking into account present condition of production capacity, a reliable and sufficient supply of water should be on the top of the list. Customer concerns reflected in CSS should also be taken into consideration. - PDAM's financial projection (FRAP) was still being reviewed by PDAM. - LGWS updated latest financial and technical information. - LGWS would hold a Customer Service training in September. PDAM staff invited to join.	software. LGWS to incorporate programs into CP and fit them in with key part of the CP. Soon as the FRAP is completed, it will be used in CP. If not, LGWS will use the existing finpro. PDAM to select its employees for training to be held soon.

LGWS PROJECT

Local Government Water Services

United States Agency for International Development

PDAM Activity Report

PDAM Kabupaten Kapuas

Date of Visit	Activities	Actions
July 2 - 3, 2002	Edward, Agus, Addie, Eri met with the Director, 7 Kabags and staff to discuss CP, technical and financial issues. - Key contents of CP were established, particularly the vision and mission statement, and the SWOT analysis. - New tariff already took effect. The increase in revenue to be used mainly for WTP & office rehabilitation. A small proportion also set aside to slightly increase employee allowance. - Some materials (brochures, pamphlets) were made to be distributed to customers containing information on water conservation and so on. - Necessity to speed up availability of particularly financial reports.	PDAM to start formulate strategies & programs to achieve vision & mission. CP's programs to accommodate results of CSS. LGWS to fit in vision & mission etc into the CP. PDAM to maintain cost level to an appropriate level, if not increases in cost are inevitable. PDAM needs to provide reports timely.

Date of Visit	Activities	Actions
August 21 - 22, 2002	LGWS met with the Director, Kabags and staff to develop strategies and programs to be included in CP. - Strategies and programs to reach goals were developed. These included the need to have a reliable year round production supply. During dry season, particularly this year, intrusion of seawater to main existing intake lasts up to 12 hrs/day. - A central government plan to build a reservoir was being developed. A sufficient supply of water distributed needed an ample capacity of storage (app. 1.000 m3 for Kapuas system). - LGWS would hold a Customer Service training in September. PDAM staff is invited to join. - PDAM was proposed as one of the best public service entities and would be promoted to a national level competition after succeeding in the provincial selection.	PDAM to provide additional information related to CP. PDAM and LGWS to look at various alternatives to get reliable raw water. LGWS to incorporate data based on latest condition of PDAM. PDAM to pick employees for training to be held soon. CP's programs to be comprehensively rearranged by LGWS and PDAM. Once completed, it will be incorporated into the CP and FRAP could be prepared accordingly.

LGWS PROJECT

Local Government Water Services

United States Agency for International Development

PDAM Activity Report

PDAM Kabupaten Pacitan

Date of Visit	Activities	Actions
July 16 - 18, 2002	LGWS (Edward, Agus, & Addie) met with Bupati, new Director, Kabags and staff. LGWS addressed the necessity of achieving full cost recovery. Present condition of PDAM, technical and financial issues, were also discussed. - New director (instead of director utama) was just installed and organizational change was underway: only 1 director & Kabags. Slim organization is expected to be more responsive to customers needs. - LGWS reiterated that organizational change was not the only solution to the problem PDAM had to deal with. Among others, PDAM needed its tariff adjusted to offset all costs incurred. Bupati agreed in principle, but challenged the PDAM to demonstrate the necessity of costs incurred. Once PDAM could prove the need, Bupati would support PDAM for tariff increase. Bupati recognized that neighboring PDAMs also had tariff higher than that of Pacitan. - LGWS assisted PDAM, to some extent, to use the software. Although the billing system was not operational, the PDAM used the computer with an Excel macro program. The accounting software needed additional input before the accounting process could be done thoroughly. - Updated financials and technical information. Financials in particular could not be presented in a timely manner.	New management of PDAM needed to show that they are capable making some improvement in PDAM. New tariff structure needed to be developed and to be proposed very soon to key stakeholders (Bupati and DPRD Komisi C). LGWS to revise data based on latest condition of PDAM. Baseline indicators need to be revised as well. PDAM to push its staff to start using billing and accounting software. Once they are in operation, faster reporting could be expected.

LGWS PROJECT

Local Government Water Services

United States Agency for International Development

PDAM Activity Report

PDAM Kota Kendari

Date of Visit	Activities	Actions
September 9 - 10, 2002	Met with Dirut, Dirtek, Dirum, Kabags and staff to discuss the present condition of the PDAM. Discussion focused on technical issues. - PDAM ordered original parts of bushing, etc. to replace broken ones for high lift pumps. With this, it is expected that the pump could operate similar to the 2 others. - Overhaul of genset was completed. Appropriate crankshaft was purchased for about Rp. 90 million. - Raw water booster pumps were not used, since they didn't match the pumping capacity of intake pumps at Pohara and due to the additional energy cost associated with operation of those booster pumps. - LGWS would invite PDAM to Customer Service training in September. - PDAM needs to reclassify its customers, since the majority of PDAM's customers fall under category Domestic A (Rumah Tangga A). - Updated financial and technical information. - Any effort that needs stakeholder (mayor) support should be tabled, since the present mayor is not a definitive one. It is expected that after the present governor of South East Sulawesi ends his tenure sometime in September 2002, the city of Kendari could have a definitive mayor. At that point it would be easier and more legitimate for PDAM to get its tariff increase approved.	PDAM to start formulating its tariff structure. It is expected that this could be brought to Walikota and DPRD sometime early next year (January or February 2003). Present structure has some inappropriate tariffs for domestic customers. LGWS to send some information related to customer reclassification. LGWS to revise baseline data. PDAM to select staff for training.

LGWS PROJECT

Local Government Water Services

United States Agency for International Development

PDAM Activity Report

PDAM Kabupaten Karangasem

Date of Visit	Activities	Actions
August 12 - 13, 2002	LGWS (Edward, Agus, Addie, & Eri) met with Bupati, Director, Kabags & staff. LGWS reiterated the condition of the PDAM and addressed the necessity of achieving FCR. - LGWS stressed that the PDAM has some problems. One lingering financial problem is that the electricity cost continues to increase over time. To meet the increasing costs, PDAM needs to adjust its tariff. Even with the tariff increase, the PDAM could not fully meet employees demands for a salary increase. Bupati recognized the problem, but also presented the issue of many customers who cannot afford a very high tariff. He expected that with the present tariff PDAM could run its operation as minimum requirement. - When developing its service, PDAM has to compete with another source of water. Some people in Amlapura and other residing along the river tend to use PDAM piped water lower. This mainly because the river water is relatively clear, and to some point it is economical reason because river water is free. - PDAM is progressing in terms of numbers of connection. - Revenue increased by more than 50% as a result of tariff adjustment. - About 200 million rups. owed to Kabupaten would be proposed to Bupati to be treated as "grant" to PDAM. It was part of payments to PLN that was paid by Kabupaten at first	PDAM to maintain cost level to an appropriate level. Several items might be increased, i.e. maintenance. LGWS, baseline indicators need to be revised to reflect latest conditions. PDAM to focus on building a relationship with the community, with the primary goal of convincing them that the new tariff is affordable. Those with no or limited access to alternate sources are to be targeted. PDAM to secure their lease on the office building for a longer period of time.

Date of Visit	Activities	Actions
	months of PDAM's inability to meet its electricity expenses. - Ownership of present PDAM office is not clear. There was a tug of war between the regency administration and the royal family of Karangasem monarchy. The PDAM could at any time be requested to vacate the office building.	

LGWS PROJECT

Local Government Water Services

United States Agency for International Development

PDAM Activity Report

PDAM KOTA PONTIANAK

Date of Visit	Activities	Actions
July 10 – 12, 2002	Day 1: LGWS met Dirut, Dirum and Dirtek to discuss the visit agenda and other issues. Dirut was concerned about the human resources issue, particularly in regards to rotation and work flow which currently do not run efficiently. They did hope LGWS could develop the human resources system to be more efficient and effective. The Tariff increase of 52% was effective as of June 2002. PDAM Pontianak has also conducted the customer reclassification to accurately charge customers. Day 2: Day-2 was consumed by the discussion of the corporate plan. The planning was attended by six people from PDAM, who composed the Corporate Planning Team. The focus of the discussion was on identifying internal and external factors influencing the work. All Directors present also gave input in identifying these existing conditions. Day 3: Discussions the last day were focused on detailed technical and financial issues and the dry season survey. In financial discussion indicated that tariff increase has increased cash significantly. This as a result of the customer reclassification and tariff increase efforts.	LGWS and PDAM to process the SWOT analysis to be used in determining the strategies of PDAM for the future. Discussion of SWOT analysis and strategies formulation to be conducted during future visits.

Date of Visit	Activities	Actions
September 4 – 6, 2002	As of this visit, the PDAM had exceeded 100% FCR. The Field visit was intended to continue the assistance provided to PDAM Pontianak. The agenda was to officially deliver the computers to PDAM Pontianak, including the server and software. Pak Eko, the computer programmer, participated in the field visit to assist the PDAM in installing the programs. This field visit was also scheduled to discuss the progress on the corporate plan. The first day of the visit saw a meeting with all directors to discuss the visit agenda and to officially deliver the computers. The directors were very happy to receive the computers, server and computer programs and promised to use them effectively. During this meeting, programs to be included in the corporate plan were also discussed. PDAM Pontianak agreed to the focus on system improvement especially during dry season. On day 2, Pak Eko delivered the computer session. This computer session was originally intended to last 5 work-days. The 3rd day of the visit was filled with continuing discussion of corporate plan.	The corporate plan was scheduled to be finished September 20, 2002. Pak Eko hoped that the September report could be prepared using the new program.

LGWS PROJECT

Local Government Water Services

United States Agency for International Development

PDAM Activity Report

PDAM KOTA SUKABUMI

Date of Visit	Activities	Actions
July 31 and August 01, 2002	LGWS Team C accompanied by COP Bennett Parton held a discussion with the President Director and his assistants in regard to the water leakage reduction program. The PDAM's director agreed to the plan proposed by LGWS to reduce the NRW through both non-technical and technical efforts. To perform this task successfully, support from either the major or DPRD is necessary. The meeting continued in the Walikota office. LGWS representatives met with Walikota to discuss the NRW reduction program. The meeting was also attended by Ketua Bappeda Kota Sukabumi. Ibu Walikota were very supportive of the efforts of LGWS and PDAM to reduce the NRW. Walikota agreed and also agreed to issue the support letter (Keputusan Walikota) to legally approve the effort being undertaken. The dissemination of the NRW program was also conducted with all the Kepala Bagian. The result of the meeting indicated that this effort was supported by them. They were ready to reduce the high NRW and assist the LGWS in conducting this task. Day 2 focused on corporate plan preparation. It was attended by all Kepala Bagian, Director Umum, Director Teknik and Kepala SPI.	PDAM to prepare the announcement of NRW program to PDAM's staff and customers. Ibu Walikota to issue the Surat Keputusan to legally approve the NRW reduction program. PDAM and LGWS to continue preparing the Corporate Plan draft. It was expected to be finished in September 2002.

LGWS PROJECT

Local Government Water Services

United States Agency for International Development

PDAM Activity Report

PDAM KAB. JOMBANG

Date of Visit	Activities	Actions
July 16, 2002	LGWS (BHP, PH, BD JB and SE) conducted a 1-day visit to PDAM Jombang. The purpose was to discuss the PDAM's progress in implementing the corporate plan, in particular the progress of tariff adjustment on PDAM Jombang. The meeting was held in DPRD office. It was attended by Bupati, Wakil Bupati and Sekwilda as well as the PDAM directors. The DPRD members who attended the meeting were the Wakil Ketua DPRD, Komisi C and D and also from all Fraksi. The aim of the presentation was understood and accepted by the attendees. DPRD, Bupati agreed to increase tariff 80%. The tariff increase would be processed within two months DPRD also requested that LGWS have a detailed discussion on the Corporate Plan so that they could understand the decision to enlarge service coverage by prioritizing some locations or IKKs (Ploso or Utara Brantas).	PDAM and Bupati would process the tariff increase immediately. LGWS to expect the response within two months. If the process could not be performed properly and quickly, then BAPPENAS to review the assistance status to PDAM Jombang.

LGWS PROJECT

Local Government Water Services

United States Agency for International Development

PDAM Activity Report

PDAM KAB. HULU SUNGAI TENGAH

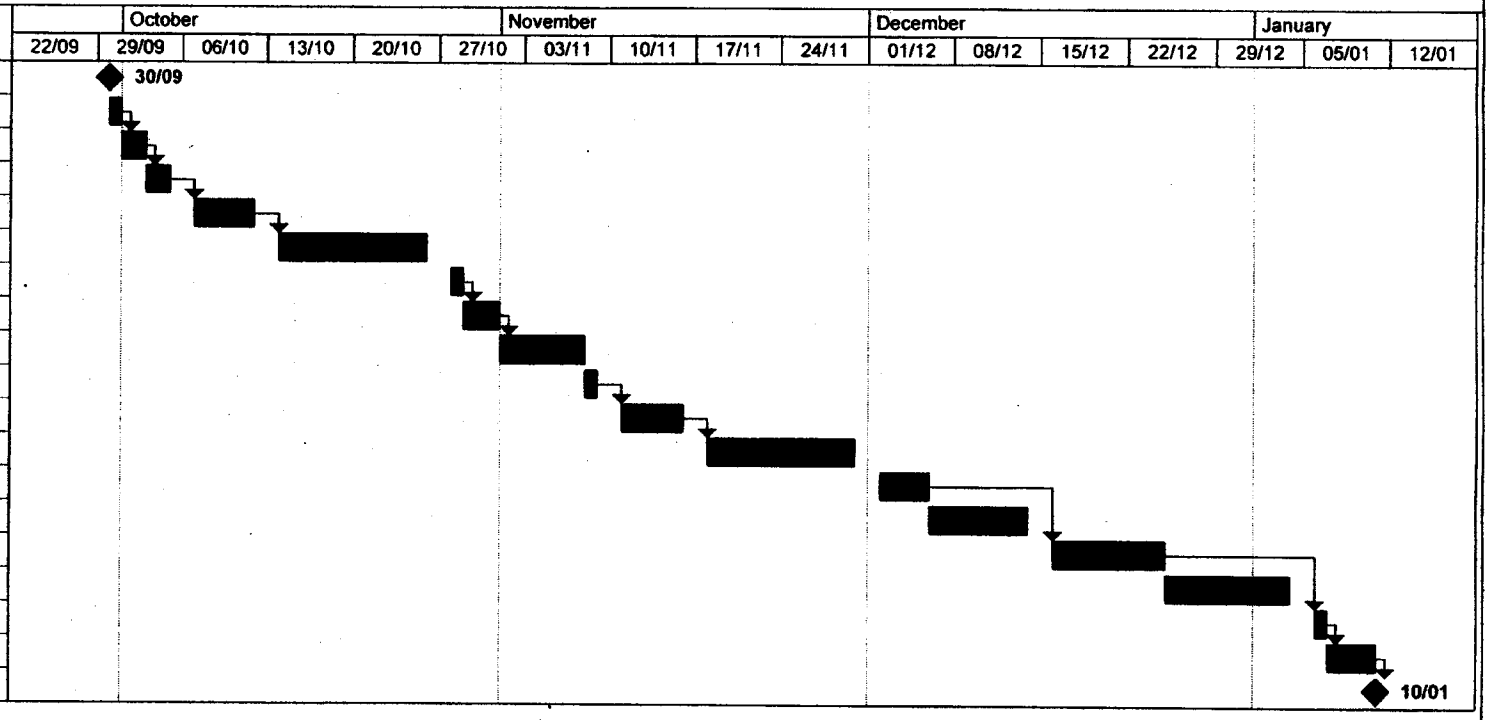
Date of Visit	Activities	Actions
August 22, 2002	The goal of the visit was to attend the PDAM meeting with the local parliament in regard to the tariff increase proposal. It was held in the local parliament (DPRD) office in Barabai. The meeting was led by Ketua DPRD (head of local parliament) and attended by several local government officials – Ketua Bappeda, Wakil Bupati, Muspida and its staff. Several Director of PDAM in South Kalimantan, such as PDAM Banjar, Hulu Sungai Selatan, Tabalong, Hulu Sungai Utara and Rantau, also attended. Director Utama presented the plan for a 75% tariff increase. It was followed by a discussion between PDAM, LGWS and the other participants. The participants' response was mostly positive. They were aware of the PDAM's situation and agreed with 75% tariff increase.	The local parliament to process the proposal and issue the "Peraturan Daerah" for the new tariff. Socialization thru the newspapers, radio and other communication medias would take place immediately. PDAM expects that the process would take not more than one month.

APPENDIX III

FIELD VISIT SCHEDULE FOR SELECTION

LGWS Project
Team A - Field Visit Schedule for Selection

ID	Task Name
1	Begin Prelim Visit
2	Planning Site Visits
3	Advise Selected PDAM
4	Planning Site Visit Madiun/Kediri
5	Execute Site Visit
6	Consolidate and Report
7	Planning Site Visit Balikpapan
8	Execute Site Visit
9	Consolidate and Report
10	Planning Surabaya/Mojokerto
11	Execute Site Visit
12	Consolidate and Report
13	Consolidate & detail assist plan
14	Idul Fitri
15	Prepare Phase III Report
16	Christmas & New Years
17	Meet Bappenas & Perpamsi
18	Inform PDAM of Asst/Prep
19	Begin Phase III

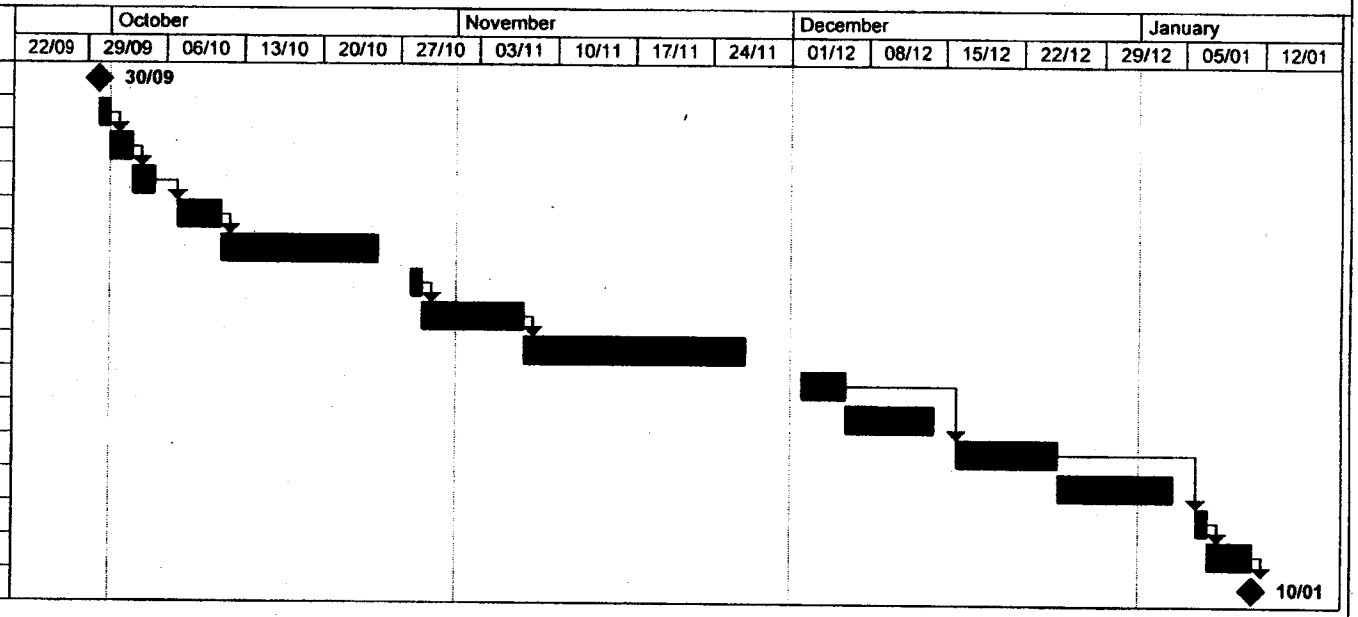


Project: TEAMA
Date: Mon 21/10/02

Task		Rolled Up Task		External Tasks	
Progress		Rolled Up Milestone	◇	Project Summary	
Milestone	◆	Rolled Up Progress		Group By Summary	
Summary		Split			

LGWS Project
Team B - Field Visit Schedule for Selection

ID	Task Name
1	Begin Prelim Visit
2	Planning Site Visits
3	Advise Selected PDAM
4	Planning Site Visit Tuban/Semarang
5	Execute Site Visit
6	Consolidate and Report
7	Planning Site Visit Bandung/Tasik/Cilacap
8	Execute Site Visit
9	Consolidate and Report
10	Consolidate & Detail Assist Plans
11	Idul Fitri
12	Prepare Phase III Report
13	Christmas & New Years
14	Meet Bappenas & Perpamsi
15	Inform PDAM of Asst/Prep
16	Begin Phase III

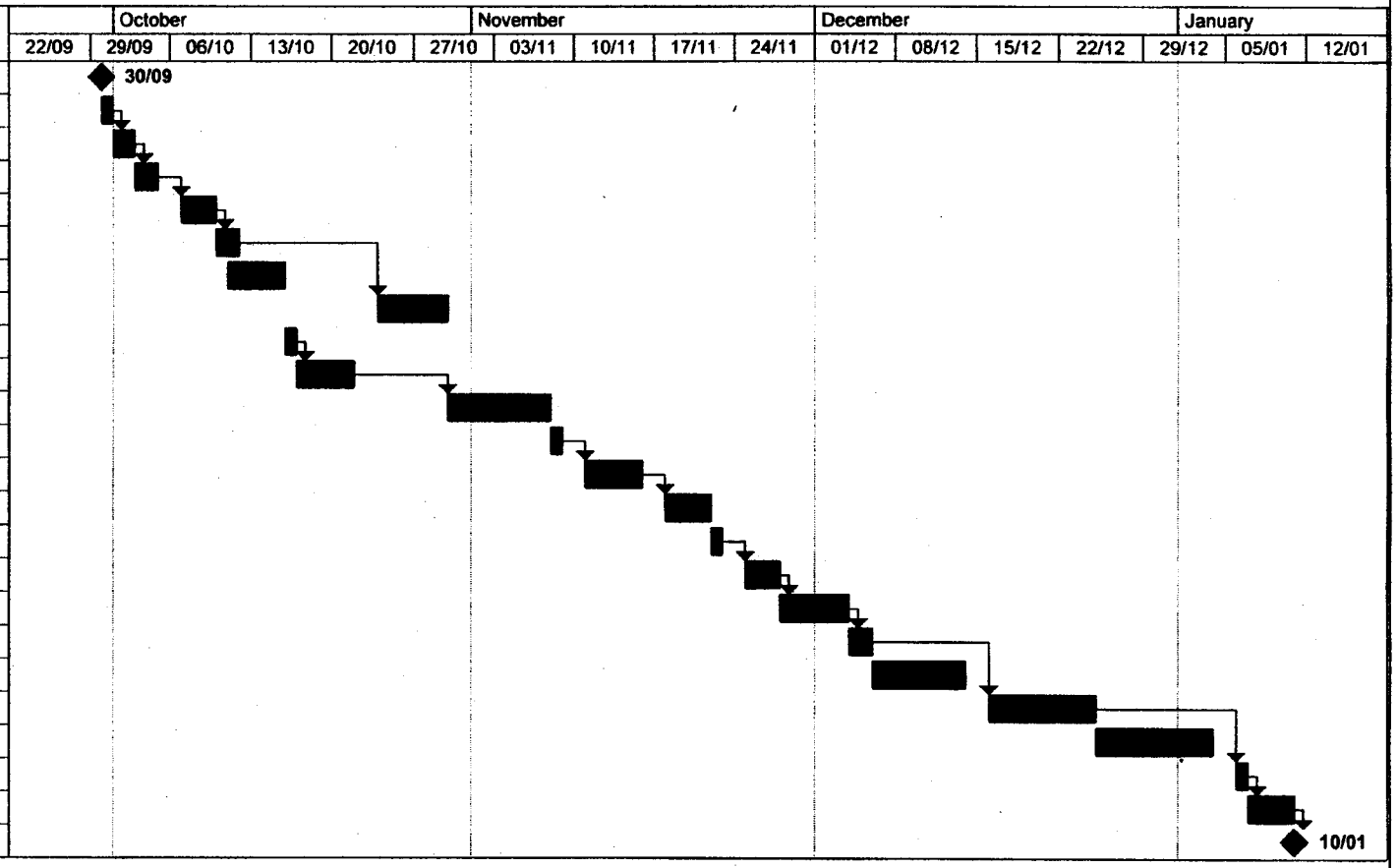


Project: TEAM B
Date: Mon 21/10/02

Task		Rolled Up Task		External Tasks	
Progress		Rolled Up Milestone		Project Summary	
Milestone		Rolled Up Progress		Group By Summary	
Summary		Split			

LGWS Project
Team C - Field Visit Schedule for Selection

ID	Task Name
1	Begin Prelim Visit
2	Planning Site Visits
3	Advise Selected PDAM
4	Planning Site Visit Bukittinggi
5	Execute Site Visit
6	Consolidate and Report
7	Corp Plan Visit Pontianak
8	Consolidate and Report
9	Planning Site Visit Sukabumi
10	Execute Site Visit
11	Consolidate and Report
12	Planning Kab/Kota Cirebon
13	Execute Site Visit
14	Consolidate and Report
15	Plan Site Visit to Karawang
16	Execute Site Visit
17	Consolidate and Report
18	Consolidate & detail assist plan
19	Idul Fitri
20	Prepare Phase III Report
21	Christmas & New Years
22	Meet Bappenas & Perpamsi
23	Inform PDAM of Asst/Prep
24	Begin Phase III



Project: TEAMC
Date: Mon 21/10/02

Task		Rolled Up Task		External Tasks	
Progress		Rolled Up Milestone		Project Summary	
Milestone		Rolled Up Progress		Group By Summary	
Summary		Split			