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ENVIRONMENTAL ESP SERVICES PROGRAM

QUARTERLY REPORT NO. 1

JANUARY – JUNE 2005

JULY 2005

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Photo credit: ESP Nanggroe Aceh Darussalam

It shows two trucks belong to the Department of Resettlement and Regional Infrastructure distributing water in Aceh.

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SECTION 1

INTRODUCTION AND SUMMARY

INTRODUCTION

USAID's Environmental Services Program (ESP) promotes better health through improved water resources management and expanded access to clean water and sanitation services.

This document serves as the project's *first Quarterly Progress Report* covering the period from initial program start-up, *November 26, 2004, through June 30, 2005*. This first report provides information regarding early stages of project mobilization as well as the initiation of program activities in the various regions covered by ESP. The remainder of this chapter and the following sections will provide the reader with an executive-style summary of the program, its achievements, and upcoming significant events, as well as a more detailed description of accomplishments in each component of the program, and the status of Program Monitoring and Evaluation.

BAGIAN 1

PENGANTAR DAN RINGKASAN

PENGANTAR

Program Jasa Lingkungan atau Environmental Services Program (ESP) mendukung kesehatan masyarakat melalui perbaikan pengelolaan sumber daya air dan perluasan jangkauan layanan air bersih dan sanitasi.

Dokumen ini merupakan Laporan Kemajuan Triwulan Pertama yang mencakup periode November 26, 2004 hingga Juni 30, 2005. Laporan pertama ini memberi informasi tentang tahap awal mobilisasi proyek hingga pelaksanaan kegiatan program di berbagai daerah yang tercakup dalam program ESP. Bagian akhir bab ini dan bab berikutnya merupakan ringkasan dari program, keberhasilan program yang telah dicapai, serta kegiatan-kegiatan yang akan dilakukan di masa mendatang, dan juga keterangan rinci mengenai keberhasilan yang dicapai oleh masing-masing komponen program serta status dari Program Monitoring dan Evaluasi.

SECTION 1.1

ESP OVERVIEW

THE ESP PROGRAM

This Quarterly Progress Report for ESP is submitted by Development Alternatives, Inc. to the United States Agency for International Development in accordance with Article II, Section G, Reports (as modified) of Contract No. 497-M-00-05-00005-00 executed January 11, 2005. Copies of this report are also being provided to Government of Indonesia steering committee members, other relevant programs of USAID, as well as subcontractors and partners of the ESP Program per the distribution list attached to the transmittal letter.

ESP works with government, private sector, NGOs, community groups and other stakeholders to improve the management of water resources and broaden the distribution of safe water to urban dwellers by strengthening watershed management and delivery of key environmental services, including clean water supply, wastewater collection and treatment and solid waste management in Indonesia. The period of the project is from December 2004 through September 2009 including an initial transition from previous programs.

The Environmental Services Program is a five-year project which was developed by USAID/Indonesia to improve sustainable management of water resources. ESP activities are focused on six High Priority Integrated Provinces: Aceh, North Sumatra, West Sumatra, East Java, and West Java and DKI Jakarta. ESP also supports a limited set of activities in four Special Imperative Areas: Balikpapan, Manado, Manokwari and Jayapura. This initiative supports activities in the following three key areas:

BAGIAN 1.1

GARIS BESAR ESP

PROGRAM ESP

Laporan Kemajuan Triwulan Pertama ini diajukan oleh Development Alternatives, Inc. kepada United States Agency for International Development sesuai dengan Pasal II, Bab G, Laporan Kontrak No. No. 497-M-00-05-00005-00 yang diimplementasikan pada tanggal 11 January 2005. Laporan ini juga dibagikan kepada para anggota komite pengarah pemerintah Indonesia, program USAID lain yang terkait, sub-kontraktor dan mitra Program ESP seperti yang terlampir dalam surat pengantar.

ESP membina kerja sama dengan badan-badan pemerintah, sektor swasta, LSM, kelompok masyarakat serta para pihak lain guna meningkatkan pengelolaan sumber daya air dan memperluas pendistribusian air bersih ke penduduk di kota melalui perbaikan pengelolaan daerah aliran sungai (DAS) dan penyediaan jasa lingkungan, termasuk pasokan air bersih, penampungan dan pengelolaan air limbah, serta pengelolaan limbah padat di Indonesia. Masa berlakunya proyek ini adalah dari Desember 2004 hingga September 2009, termasuk masa transisi dari program sebelumnya.

Program Jasa Lingkungan atau The Environmental Services Program (ESP), merupakan program lima tahun yang diprogramkan oleh USAID/Indonesia untuk meningkatkan pengelolaan sumber daya air yang berkelanjutan. Kegiatan Program Jasa Lingkungan ini difokuskan pada enam provinsi prioritas: Aceh, Sumatra Utara, Sumatra Barat, Jawa Timur, Jawa Barat dan DKI Jakarta. ESP juga memberi dukungan kegiatan di empat kawasan khusus: Balikpapan, Manado, Manokwari dan Jayapura. Prakarsa ini mendukung berbagai kegiatan di tiga bidang berikut:

- Improving health by increasing access to clean water and sanitation services
- Improved watershed management
- Increasing the productivity of water

The ESP program provides technical assistance and related services to impact **Strategic Objective No. 2**, **Higher Quality Basic Human Services Utilized (BHS)**. BHS focuses on the interdependence of health and the environment and their impact on health outcomes. To achieve this, USAID will increase access and utilization of key health and environmental services, particularly to users currently underserved or not served at all.

OBJECTIVES OF THE ESP PROGRAM

In accordance with Section C of the Contract, ESP will work with the Government of Indonesia, the private sector, NGOs, community groups and other stakeholders to strengthen watershed management and the key environmental services through four interrelated project objectives:

1) Strengthen the capacity of communities, governments, the private sector, local institutions, and NGOs to advocate for expanded delivery of key environmental services through improved water resources and protected areas management;
2) To expand opportunities for communities, NGOs, private sector and universities to participate more effectively in local management of water resources and delivery of key environmental services;
3) To strengthen biodiversity conservation through improving understanding and appreciation for the linkage between protected and forested areas and the delivery of key environmental services; and

- *Peningkatan kesehatan dengan memperluas jangkauan terhadap layanan air bersih dan sanitasi;*
- *Peningkatan pengelolaan daerah aliran sungai (DAS); dan*
- *Peningkatan produktivitas air*

Program ESP memberi bantuan teknis dan layanan terkait guna memenuhi, ***Tujuan Strategis No. 2 Pelayanan Kebutuhan Dasar Manusia dengan Kualitas yang Lebih Tinggi (BHS).*** *BHS memusatkan perhatiannya pada adanya saling keterkaitan antara kesehatan masyarakat dengan lingkungan serta dampak yang terjadi akibatnya. Guna mencapai hal ini, USAID akan meningkatkan akses dan pemanfaatan layanan kesehatan dan lingkungan, khususnya bagi pengguna yang kini kurang terlayani atau tidak pernah memperoleh layanan sama sekali.*

TUJUAN PROGRAM ESP

Sesuai dengan Bab C pada kontrak, ESP akan membina kerja sama dengan pemerintah Indonesia, Sektor Swasta, LSM, kelompok masyarakat dan para multi-pihak lainnya guna meningkatkan pengelolaan daerah aliran sungai serta layanan jasa lingkungan melalui empat tujuan proyek yang saling berkaitan:

1) *Meningkatkan kapasitas masyarakat, pemerintah, sektor swasta, lembaga serta LSM setempat, guna mendukung perluasan layanan jasa lingkungan melalui peningkatan sumber daya air dan pengelolaan kawasan lindung;*
2) *Memperluas kesempatan bagi masyarakat, LSM, sektor swasta dan universitas untuk berpartisipasi secara efektif dalam pengelolaan sumber daya air dan pemberian layanan jasa lingkungan;*
3) *Meningkatkan konservasi keanekaragaman hayati melalui perbaikan pemahaman serta pengetahuan terhadap keterkaitan antara kawasan lindung dengan kawasan hutan serta pemenuhan layanan jasa lingkungan; dan*

4) To improve health and livelihoods of Indonesians through improved and expanded access to key environmental services (water, sanitation, solid waste) through the use of appropriate technologies, innovative financing, environmentally sustainable best practices, and sustainable market oriented activities.

Central to the above-described program will be a coordinated, collaborative and integrated approach involving all of the programs of the Basic Human Services Offices of USAID. In order to more effectively impact the success rate of BHS programs, strong efforts are being made to assure as much synergy within the program as possible. The ESP project is committed to work closely with and in parallel to other relevant BHS programs such as, but not limited to:

- The Health Services Project (Maternal, Neo-natal and Child Health)
- The Development Assistance Programs (food assistance)
- The Safe Water Systems (SWS) Project

In addition, the ESP program intends to collaborate very closely with other relevant programs of related USAID Strategic Objectives, such as the Local Government Support Program (LGSP) under SO 3 above.

4) Meningkatkan kesehatan serta mata pencaharian penduduk Indonesia melalui perbaikan serta perluasan akses terhadap layanan jasa lingkungan (air, sanitasi, limbah padat) melalui pemakaian teknologi yang tepat guna, pendanaan yang inovatif, praktik-praktik yang berwawasan lingkungan dan pelaksanaan kegiatan yang berorientasi pasar yang berkelanjutan.

Yang paling utama dari program ini adalah pendekatannya yang terkoordinasi, kolaboratif dan terpadu dengan melibatkan semua program yang termasuk dalam program Pelayanan Kebutuhan Dasar Manusia (BHS) dari USAID. Agar dapat memberi dampak yang lebih efektif atas keberhasilan program BHS, maka banyak usaha yang dilakukan untuk bisa mencapai sebanyak-banyaknya sinergi di dalam program ini. Proyek ESP memiliki komitmen untuk bekerja sama dengan program BHS lain yang terkait, tidak terbatas pada program tersebut dibawah ini:

- *Proyek Layanan Jasa Kesehatan (Maternal, Neo-natal dan Kesehatan Anak)*
- *Proyek Bantuan Pembangunan (Bantuan Pangan)*
- *Proyek Sistem Air yang Aman (SWS)*

Di samping itu, ESP juga bermaksud untuk membina kerja sama yang lebih erat dengan program-program terkait lainnya yang dibiayai USAID, seperti Program Dukungan Pemerintah Daerah (LGSP) yang berada di bawah "Strategic Objective 3".

SECTION 1.2

SUMMARY OF QUARTERLY ACHIEVEMENTS

INTRODUCTION

During the first two quarters of activity, the Environmental Services Program put into place the foundation for a successful long-term program implementation. Key elements included:

- Recruitment and hiring of a qualified team of **people**.
- Established a presence in the **places** in which ESP will be working.

The building of **partnerships** with other USAID initiatives, government counterparts, international organizations, and local NGO's.

In initiating field activities, the **Watershed Management Team**, for example, started identifying target watersheds and building support for the formation of watershed management forums. The **Service Delivery Team** carried out an extensive assessment of the needs of PDAMS, held a multi-city sanitation workshop, and commenced actual training programs in select locations (including Aceh). Finally, the **Environmental Finance Team** began assisting PDAMS in their corporate planning process and initiated discussion on alternative financing opportunities.

BAGIAN 1.2

RINGKASAN LAPORAN KEBERHASILAN TRIWULAN

PENGANTAR

Dalam dua triwulan pertama kegiatan, program ESP berhasil menempatkan dasar guna meraih keberhasilan dalam pelaksanaan program jangka panjangnya. Elemen-elemen utamanya mencakup:

- *Merekrut serta mempekerjakan **tim** yang berkualifikasi tinggi.*
- *Mulai memperkenalkan keberadaan ESP di **daerah** di mana ESP akan bekerja.*

*Membina **kemitraan** dengan pelaksana program2 USAID lainnya, mitra pemerintah, organisasi internasional, serta LSM setempat.*

*Sebagai contoh, saat mengawali kegiatan di lapangan, tim Pengelola Kawasan Daerah Aliran Sungai (**Watershed Management Team**), mulai mengidentifikasikan beberapa daerah aliran sungai dan membina hubungan untuk mengawali pembentukan forum pengelolaan daerah aliran sungai. Sedangkan Tim Penyedia Jasa Lingkungan (**Service Delivery Team**) melakukan penilaian terhadap kebutuhan PDAM, melaksanakan lokakarya konsep sanitasi perkotaan, dan mulai melaksanakan program pelatihan di beberapa daerah tertentu (termasuk Aceh). Akhirnya, Tim Pembiayaan Jasa Lingkungan (**Environmental Service Finance Team**) mulai membantu PDAM dalam proses pembenahan "corporate plan" dan memprakasai diskusi mengenai kemungkinan pembiayaan alternatif.*

This section briefly highlights the main activities and achievements of ESP during its first two quarters. Section 2 of this report contains a more detailed description of these and other accomplishments during this reporting period.

Bagian ini secara singkat memaparkan berbagai kegiatan serta keberhasilan yang dicapai ESP dalam dua triwulan pertama. Bagian 2 laporan ini memberi penjelasan yang lebih rinci mengenai keberhasilan yang telah dicapai selama periode laporan ini.

PROGRAM MANAGEMENT

ESP was able to "hit the ground running" by immediately mobilizing staff, put systems and procedures in place, and establish regional offices while at the same time initiating activities and dialogue with local governments and partners in the field.

Over the first two quarters ESP hired more than **70 Indonesian** staff, mobilized **7 expatriates**, and opened **5 regional offices** in the High Priority Provinces. In addition, ESP installed it IT equipment and the program management system TAMIS (Technical and Administrative Management and Information System).

Regional Start-Up Workshops with local provincial and municipal governments and NGOs in West Sumatra, North Sumatra, East Java, West Java, and Aceh Provinces were conducted during the period.

Important initial program deliverables included the **ESP First Annual Work Plan**, a draft **Performance Monitoring Plan**, and a procurement plan. Concerning public outreach, ESP conducted a **Ten-Day Outreach and Public Awareness Workshop** as well as developing the **ESP Style Guide** for all publications.

PENGELOLAAN PROGRAM

ESP dapat mengawali kegiatannya dengan segera karena dengan serta-merta berhasil memobilisasi para staf, menetapkan system dan prosedur, serta membuka kantor di daerah dan pada saat yang bersamaan juga memprakarsai kegiatan serta dialog dengan pemerintah dan mitra setempat.

*Dalam periode dua triwulan pertama ESP berhasil merekrut lebih dari **70 staf Indonesia**, memobilisasi **7 staf asing**, dan membuka **5 kantor di daerah** di provinsi dengan prioritas tinggi. Di samping itu ESP juga memasang system Teknologi Informasinya dan program TAMIS (Technical and Administrative Management and Information System).*

***Lokakarya awal** dengan pemerintah daerah kabupaten dan kota serta LSM di Sumatera Barat, Sumatra Utara, Jawa Timur, Jawa Barat, dan Provinsi Aceh telah dilaksanakan dalam periode ini.*

*Hasil penting yang berhasil dicapai pada saat ini, antara lain Rencana Kerja Tahunan ESP yang pertama (**ESP First Annual Work Plan**), draft mengenai Rencana Monitoring Kinerja (**Performance Monitoring Plan**), serta Rencana Pengadaan. Mengenai penjangkauan masyarakat umum, ESP telah melaksanakan lokakarya sepuluh hari sehubungan dengan Penjangkauan dan Penyadaran Masyarakat dan menyusun standar ESP untuk semua bentuk publikasi.*

WATERSHED MANAGEMENT AND BIODIVERSITY CONSERVATION

The Watershed Management and Biodiversity Conservation component team identified **initial sites** and partners, initiated pilot **activities down to the community level**, and built a **solid foundation** for long-term field initiatives in all High Priority Provinces.

Activity during the first and second quarters of 2005 focused on the **identification of watershed sites,** commencing the collaborative planning and mapping process with communities. The WSM technical team has begun facilitating the establishment of **Watershed Management Forums**, the decision-making bodies that will guide the planning process.

The Watershed Team also commenced **conservation awareness trainings** as well as community-based conservation activities. ESP facilitated a five-day **Pride in Conservation Workshop** in Gunung Gede Pangranggo National Park. Twenty-four government and non-government partners from West Java and East Java, as well as ESP Public Outreach and Health and Communications staff were trained in social marketing for conservation. Also, ESP established 4 **tree nurseries** containing more than 2,600 seedlings of 16 tree species in the HPPs. In June, the Program also inaugurated the first ESP supported **Farmer Field School** on ecological, water saving, non-polluting rice production.

ESP even began to **achieve national impact** by collaborating with the Ministry of Forestry, The Nature Conservancy, WWF, WCS, Birdlife Indonesia, Wetlands International, Conservation International, and Flora and Fauna International

PENGELOLAAN DAERAH ALIRAN SUNGAI (DAS) DAN KONSERVASI KEANEKARAGAMAN HAYATI

*Tim komponen Pengelola Daerah Aliran Sungai dan Konservasi Keanekaragaman Hayati berhasil mengidentifikasikan lokasi **awal** kegiatan dan para mitra, memprakarsai **kegiatan percontohan hingga tingkat masyarakat setempat**, serta membangun **dasar yang kuat** bagi kegiatan jangka panjang di provinsi prioritas .*

*Kegiatan selama triwulan pertama dan kedua tahun 2005 difokuskan pada **pengidentifikasian lokasi daerah aliran sungai**, yang dimulai dengan perencanaan kolaboratif serta proses pemetaan dengan anggota masyarakat. Tim teknis WSM juga sudah mulai memfasilitasi pembentukan **Forum Pengelolaan Daerah Aliran Sungai**, badan pembuat keputusan yang akan mengarahkan proses perencanaan.*

*Tim WSM juga sudah memulai pelatihan mengenai cara **meningkatkan kepedulian terhadap konservasi** serta mulai melakukan berbagai kegiatan konservasi berbasis masyarakat. ESP memfasilitasi lokakarya lima hari mengenai 'Pride in Conservation" (**Rasa Bangga terhadap Konservasi)** yang dilaksanakan di Taman Nasional Gunung Gede Pangrango. 24 mitra pemerintah dan non-pemerintah dari Jawa Barat dan Jawa Timur, juga staf Public Outreach and Health and Communications ESP mendapat pelatihan dalam pemasaran sosial sehubungan dengan kegiatan konservasi. ESP juga berhasil membuka empat tempat **pembibitan** yang memiliki 2,600 bibit dari 16 spesies pohon. Pada bulan Juni program ESP juga telah membuka **Sekolah Lapangan** tanaman padi yang difokuskan pada pengelolaan air yang yang efisien dan berwawasan lingkungan.*

*ESP bahkan telah memberi **dampak ketingkat nasional** melalui kerja samanya dengan Departemen Kehutanan, The Nature Conservancy, WWF, WCS, Birdlife Indonesia, Wetlands International, Conservation International dan Flora Fauna International*

on the policy development and publication of a ministerial decree in support of collaborative management of protected areas (No. P. 19/Menhut-II/2004).

ENVIRONMENTAL SERVICE DELIVERY

The Service Delivery (SD) Team initiated field activity by preparing and implementing a quantitative and qualitative **PDAM Assessment** for **20 locations** across the High Priority Provinces. As a result of the assessment, it is anticipated that ESP will sign **Memorandums of Understanding** (MoU's) with all 20 participating PDAMs.

As an immediate response to USAID's request, ESP commenced activities in Aceh with a **Water and Sanitation Needs Assessment**, evaluating the hardware needs, staffing needs, and management capacity of PDAMs. Following the assessment, the SD Team began providing direct support to PDAMs in Aceh. For example, in Banda Aceh, ESP strategically coupled **computer procurement with technical assistance for PDAM Tirta Daroy**.

In June 2005, ESP held a **Multicity Sanitation Workshop** in Surabaya that was attended by public officials from seven ESP locations in HPPs. ESP is working with the **Municipality of Bandung** and the Province of West Java to develop a comprehensive sanitation program. The program will include sanitation mapping, improvement of sewerage systems, benchmarking, and community-based sanitation and sludge collection/treatment systems.

In addition, ESP supported the implementation of the **"Environmentally Sound Design" Workshop** in Aceh, intended for NGOs and infrastructure developers in Aceh.

dalam mengembangkan kebijakan dan penerbitan Surat Keputusan Menteri yang mendukung pengelolaan bersama kawasan yang dilindungi (No. P. 19/Menhut-II/2004).

PENYEDIAAN JASA LINGKUNGAN

*Tim Service Delivery (SD) memprakarsai kegiatan lapangan yang menyiapkan serta melaksanakan penilaian secara **kualitatif dan kuantitatif PDAM** di **20 lokasi** di seluruh Provinsi Prioritas. Dari hasil penilaian ini besar kemungkinannya ESP akan menandatangani **MOU** dengan ke-20 PDAM yang terlibat dalam penilaian tersebut.*

*Sebagai jawaban langsung atas permintaan USAID, ESP mengawali kegiatan di Aceh dengan melakukan penilaian mengenai **kebutuhan air bersih dan sanitasi** , antara lain dengan mengevaluasi kebutuhan perangkat keras, staf, serta kapasitas pengelolaan PDAM. Sebagai tindak lanjut dari penilaian tersebut, Tim SD memberi dukungan langsung kepada PDAM di Aceh. Sebagai contoh, di Banda Aceh, ESP secara strategis menggabungkan kegiatan **pengadaan komputer dengan pemberian bantuan teknis kepada PDAM Tirta Daroy.***

*Pada bulan Juni 2005, ESP melaksanakan Lokakarya Sanitasi Multicity di Surabaya yang dihadiri pejabat pemerintah daerah dari tujuh lokasi ESP di provinsi dengan prioritas tinggi. ESP bekerja sama dengan **pemerintahan kota Bandung** dan Provinsi Jawa Barat dalam mengembangkan suatu program sanitasi yang komprehensif. Program ini mencakup pemetaan sanitasi, perbaikan system saluran air limbah, penetapan standar, sanitasi berbasis masyarakat serta system pengumpulan/pengendapan air limbah.*

*Di samping itu ESP juga memberi dukungan terhadap penyelenggaraan "**Lokakarya Rancangan Berwawasan Lingkungan"** di Aceh yang ditujukan kepada para LSM serta para pengembang sarana di Aceh.*

ENVIRONMENTAL SERVICES FINANCE

In the early going, the Finance Team (FN) established a collaborative relationship with World Bank's extensive water and sanitation sector efforts. The Finance Team researched and examined major issues in the Indonesian water sector – including PDAM debt, the politicization of tariffs, and the absence of regulatory boards – to obtain a greater understanding of the current context.

Early on, the FN Team focused on the identification of initial PDAMS with which to work, the establishment of formal working relationships, and individual PDAM feasibility studies. ESP then supported PERPAMSI, the Indonesian association of water utilities, in **updating PERPAMSI's financial performance indices for PDAMs**. This will identify PDAMs with the potential to become credit-worthy.

To date, ESP has engaged in MOUs with five PDAMs, for **feasibility studies** and **corporate plans.**

PEMBIAYAAN JASA LINGKUNGAN

Pada awal program, Tim Pembiayaan Jasa Lingkungan membina kerja sama dengan Bank Dunia sehubungan dengan upaya mereka di sektor air dan sanitasi. Tim ini melakukan penelitian serta pengkajian ulang terhadap masalah-masalah pokok sektor air Indonesia – termasuk utang PDAM, politisasi tarif, serta tidak adanya dewan penanggung jawab – dengan maksud untuk lebih memahami konteks yang berlaku saat ini.

Sebelumnya, fokus Tim Pembiayaan Jasa Lingkungan adalah untuk mengidentifikasikan PDAM yang akan diajak bekerja sama, membina hubungan kerja resmi, serta melakukan studi kelayakan PDAM. ESP kemudian memberi dukungan kepada PERPAMSI, asosiasi perusahaan air minum Indonesia, yaitu dengan ***memperbaharui indeks keuangan PERPAMSI yang berkaitan dengan PDAM****. Cara ini adalah untuk mengidentifikasi PDAM yang mana yang berpotensi dan layak mendapatkan kredit.*

Hingga saat ini ESP telah menandatangani MOU dengan lima PDAM untuk melakukan ***studi kelayakan*** *dan menyusun* ***"corporate plans"****.*

SECTION 1.3

UPCOMING EVENTS CALENDAR

Anticipated events during the coming quarter comprising July – September 2005 include:

PROGRAM MANAGEMENT

- ✓ Design and launching of ESP Project Website.
- ✓ Rollout of Small Grants and Subcontracts Program, beginning in Medan.
- ✓ PMP health/hygiene baseline survey with HSP and SWS.
- ✓ Gender Needs Assessment in August 2005.

WATERSHED MANAGEMENT AND BIODIVERSITY CONSERVATION

- ✓ Agroforestry and Community Development Assessment Training, North Sumatra, July 2005.
- ✓ Geographic Positioning system training for Watershed Management And Agroforestry Specialists, August 2005.
- ✓ Appreciative Inquiry Training, September 2005.
- ✓ Malaysian Industrial Pollution Specialists visit to Deli River, July 2005.
- ✓ Workshop for Environmental Journalists week of August 17, Independence Day.

BAGIAN 1.3

KALENDER KEGIATAN KEDEPAN

Diperkirakan agenda dalam triwulan berikut, July – September 2005 ini akan mencakup:

PENGELOLAAN PROGRAM

- ✓ *Mendesain serta meluncurkan ESP Project Website.*
- ✓ *Pemberian Dana Hibah Kecil dan Sub-kontrak, berawal di Medan .*
- ✓ *Bekerja sama dengan HSP dan SWS menyelenggarakan Survai Tolok Ukur Tentang Kesehatan/Kehigienisan Masyarakat.*
- ✓ *Menyelenggarakan Penilaian Tentang Kebutuhan Gender pada bulan Agustus 2005.*

PENGELOLAAN DAERAH ALIRAN SUNGAI DAN KONSERVASI KEANEKARAGAMAN HAYATI

- ✓ *Program pelatihan Agro-forestry berbasis masyarakat pada bulan Juli 2005 di Sumatera Utara .*
- ✓ *Program pelatihan Geographic Positioning System (GPS) khusus untuk para ahli pengelolaan daerah aliran sungai dan agroforestry, pada bulan Agustus 2005.*
- ✓ *Pelatihan "Appreciative Inquiry", September 2005.*
- ✓ *Kunjungan seorang ahli polusi industri dari Malaysia ke sungai Deli, Juli 2005.*
- ✓ *Lokakarya bagi jurnalis lingkungan, pada hari Kemerdekaan Indonesia, Minggu 17 Agustus 2005.*

ENVIRONMENTAL SERVICE DELIVERY

- ✓ Five PDAM Strategic Management Trainings, August-September 2005.
- ✓ Presentation for Second Southeast Asia Water Forum, Bali, August 2005.
- ✓ Sanitation Seminar by PDAM Kota Bandung, July 2005.
- ✓ IWK assessment of sewerage systems in Bandung, Jakarta and Medan, July 2005.

ENVIRONMENTAL SERVICES FINANCE

- ✓ Hiring of Financial Specialist, Benny Djumhana to round-out Finance Team, July 2005.

PENYEDIAAN JASA LINGKUNGAN

- ✓ *Pelatihan Pengelolaan Strategis untuk lima PDAM, Agustus – September 2005.*
- ✓ *Presentasi dalam Forum Air Asia Tenggara Kedua yang diselenggarakan di Bali pada bulan Agustus 2005.*
- ✓ *Seminar tentang sanitasi oleh PDAM Kota Bandung, Juli 2005.*
- ✓ *Penilaian IWK mengenai sistem saluran air limbah di Bandung, Jakarta dan Medan, Juli 2005.*

PEMBIAYAAN JASA LINGKUNGAN

- ✓ *Merekrut, Benny Djumhana sebagai ahli keuangan untuk melengkapi Tim Pembiayaan Jasa Lingkungan, Juli 2005.*

SECTION 2

PROGRAM COMPONENT UPDATES

INTRODUCTION

Section 2 of the Quarterly Report provides a **more detailed** consideration of the Program's activities and achievements over the first two quarters. This section is organized into four subsections, with the first subsection devoted to program management and the following three subsections dedicated to the Program's technical components as delineated in the ESP Workplan (Watershed & Biodiversity, Service Delivery, and Environmental Finance). The variety of geographic locations in which ESP operates are discussed within the context of each component.

SECTION 2.1

PROGRAM MANAGEMENT

INTRODUCTION

Over the first six months of implementation, ESP made significant gains in developing critical program management elements, hiring a talented team of specialist and support staff, opening 5 program offices (and inheriting 4 Special Imperative Area offices), creating personnel and operating policies, and putting into place the necessary information technology to support the Program's important work.

MOBILIZATION (Task PM-1)

With ESP formally commencing in January 2005, the most significant management task by far over the initial reporting period was that of "mobilization and start-up." Always a challenging period, the start-up of ESP was particularly complex given the geographic span of its offices accompanied by the late addition of Aceh as a High Priority Province. Significant achievements regarding mobilization – which is designated **Task PM-1** in the ESP Work Plan – are as follows:

- **Human Resources**. Over the first two quarters ESP recruited and employed approximately 70 Indonesian technical and support staff. Additionally, all 7 expatriate staff were in Jakarta for an initial kick-off meeting with USAID in mid-January. Since that time, as a result of including Aceh as an HPP, ESP has added two more expatriate staff: a Regional Advisor in Aceh Province to

BHS Program Collaboration – At present two other USAID projects share the ESP Office Building in Medan, and plans have been made for the Health Services Program to be based in the same office in Surabaya. ESP also maintains office space for BHS Partners in Banda Aceh and Padang.

oversee Program activities and an Operations Manager in Jakarta to better handle the burgeoning operations needs of ESP and allow the COP and DCOP to perform more technical direction in the field.

- **Office Infrastructure**. To date ESP has established and outfitted a total of 9 program offices nationwide, opening 5 larger offices in the High Priority Provinces and "inheriting" 4 satellite offices in the Special Imperative Areas from the former NRM Program. Additionally, in order to encourage program collaboration and integration, ESP has welcomed the use of its meeting facilities and encouraged co-location with key partners (see text box).
- **Procurement**. In January ESP submitted a procurement plan to USAID, including the purchase of both information technology equipment and vehicles. This procurement was subsequently approved by USAID, with all computer equipment purchased and shipped from the United States in accordance with USAID source/origin regulations. Importantly, a source/origin waiver was obtained for the vehicles, allowing ESP to expedite the purchase of seven vehicles from an Indonesian vendor.
- **Information Technology**. In April and May ESP mobilized Ms. Cecile Hippos, a computer network specialist, to establish computer networks in the major Program offices. To date land area networks have been completed in four of its larger offices – Jakarta, Surabaya, Padang, and Medan – allowing the staff to more efficiently share, store, and access information. Ms. Hippos also provided training to two Indonesian technology specialists, who will provide IT and network support for the life of the Program.
- **TAMIS**. In April ESP mobilized Ms. Tami Fries from DAI's Home Office to customize the ESP Technical and Administrative Management Information System (TAMIS). Organized around the elements of the Work Plan, the TAMIS is a DAI-proprietary database system that facilitates the tracking of outputs, deliverables, and technical assistance. Jakarta, Surabaya, Padang, and Medan presently have access to the TAMIS database, with Banda Aceh office coming online next quarter.
- **Program Operations Policies**. ESP prepared clear internal operating procedures in accordance with USAID and DAI policies and regulations. Targeted short-term assignments by Mr. Allen Hollenbach, Ms. Erin Goodnough, and Mr. Donald Bason led to the drafting and adoptions of three key documents: the ESP Operations Manual, the ESP Personnel Policies Manual, and the ESP Style Manual.
- **Regional Start-Up Workshops.** ESP held start-up workshops/meetings in the High Priority Provinces to formally inaugurate the commencement of activities (see text box above).
- **Work Plan.** Prepared and submitted in May, this document will cover the first 21 months of the project

Inaugurating Regional Activities – The North Sumatra ESP was officially launched by the Governor of North Sumatra and USAID on March 8 in Medan. In Padang, ESP and USAID held a "meet and greet" event with the Governor, BAPPEDA, and Walikota Padang to launch Program activities in West Sumatra.

PROGRAM IMPLEMENTATION (Task PM-2)

Task PM-2 consists of regular management and reporting activities that will take place for the duration of the Program. Prominent examples are as follows:

- **Biweekly Electronic Updates**. Initiated in May 2005 these internal newsletters will help keep all regional staff and partners informed of program activities.

- **ESP Management Meetings**. Three coordinating management meetings held to date for all senior management staff.
- **Program Partner Meetings**. Meeting held with USAID, other USAID-funded initiatives, the Government of Indonesia, and NGO's at both the national and local level. ESP pays close attention to coordination with other USAID Basic Human Services initiatives.
- **Monthly Financial Reporting**. ESP has submitted a monthly invoice and financial report to the financial office of USAID since January 2005.

ESP SMALL GRANTS & SUBCONTRACTS PROGRAM (TASK PM-3)

During the first Quarter, ESP completed its **Grants Manual** and submitted it to USAID where it received a positive review. Additionally, the ESP Grants Manager began to build awareness of the Program both internally and externally. Thus far presentations have been given to ESP staff in Jakarta and Medan, as well as a group of NGO's and universities in North Sumatra.

Model Grants Manual – The ESP Grants Manual was given high marks by the USAID/Indonesia Contracts Office. It has since been shared with other USAID programs as an example.

PUBLIC OUTREACH & COMMUNICATIONS (Task PM-4)

ESP is increasingly focusing on building awareness of the Program at all levels. Recent communications activities are as follows:

- **Ten Day Outreach Workshop.** ESP conducted a ten-day public outreach and communications capacity building and strategic planning workshop series for Public Outreach & Communication and Health & Hygiene Communication Specialists, as well as a broad range of USAID partners (HSP, SWS and DAP) and government and NGO partners. This included a **three-day health behavior change technical training** in Jakarta, followed by a **five-day social marketing for conservation training** workshop in Gunung Gede Pangrango National Park, West Java. The event culminated with a **two-day ESP communications strategic planning workshop**, which laid a foundation for future public outreach activities, including conservation awareness campaigns, health and hygiene campaigns, and regular multimedia campaigns.
- **ESP Logo.** ESP developed and distributed a logo and style guide that complies with USAID branding regulations and ensures a professional and uniform presentation of ESP publications and materials.
- **Outreach Materials.** ESP began developing of a range of program fact sheets in both Bahasa Indonesia and English that describe ESP, the technical components, and specific initiatives in the HPPs.

GENDER (Task PM-5)

During the reporting period ESP collaborated with program partners (Social Impact) to develop a scope of work for a gender specialist to conduct a **Gender Needs Assessment** in the next quarter. As indicated in the upcoming events section below, international expert Nancy Diamond is currently scheduled to carryout this assessment in August 2005.

GEOGRAPHIC INFORMATION SYSTEMS (Task PM-6)

The utilization of geographic information systems (GIS) to analyze data and display the work of ESP represents an important part of the overall approach. During the first two quarters of 2005 ESP concentrated on **building the capacity** of the Program to support the growing GIS needs of the technical teams. ESP recruited and hired qualified GIS specialists, procured the requisite computer equipment, and began **acquiring and organizing data**. GIS support services are presently available in most High Priority Province offices. Additionally, GIS Specialists commenced work with the Watershed Management Team and local PDAMs to map water intake/potential water resource conservation sites in Cianjur and Subang districts, West Java.

Mapping Fresh Water Springs – In East Java considerable progress has been made in collecting digitized base maps and in developing GIS thematic data layers. The locations of major spring water sources have been identified as well as the locations of some 800 springs throughout the Malang Raya region. These springs are being ranked according to their strategic importance as a water source and their susceptibility to damage through land use change.

MONITORING & EVALUATION (Task PM-7)

The Performance Monitoring Plan (PMP) was developed and submitted in May 2005. The development of the ESP PMP was guided by the strategic objective of the USAID/Indonesia's Basic Human Services, the outcomes set forth in the ESP scope of work, the completed ESP work plan, and the Special Objective of Maintaining Healthy Ecosystems.

Regarding the PMP development process, ESP first conducted an extensive document review. Importantly, ESP then joined with USAID/BHS and other BHS programs to coordinate the development of performance measures. In April 2005, for example, ESP hosted a 2-day meeting with USAID/BHS and its partner programs to discuss an integrated approach to program performance evaluation. Finally, ESP staff – assisted by Dr. Eckhard Kleineu of John Snow Institute – developed a series of indicators in close consultation with the respective ESP technical teams.

UPCOMING EVENTS & ACTIVITIES IN PROGRAM MANAGEMENT

The major events and tasks anticipated in the third quarter of 2005 are enumerated below. Dates are provided where available.

- ESP Website Design
- Rollout of Small Grants and Subcontracts Program in the High Priority Provinces (beginning in Medan)
- Outfitting of ESP Aceh Office with computer network
- Additional TAMIS customization to incorporate the requirements of the Performance Monitoring Plan (August 2005)
- PMP Baseline Survey (in coordination with other BHS partners)
- Gender Needs Assessment (August 2005)

SECTION 2.2

WATERSHED MANAGEMENT & BIODIVERSITY CONSERVATION

INTRODUCTION

Over the course of this initial reporting period, Watershed Management and Biodiversity component activities focused on building a foundation for long-term field initiatives in all High Priority Provinces, identifying initial sites and partners, and starting pilot initiatives down to the community level. ESP also initiated relationships with relevant central government agencies to address policy issues that support improved land stewardship, collaborative protected areas management, and critical land rehabilitation.

DEVELOPMENT OF WATERSHED PLANS (Task WS-1)

The development of watershed management plans represents the fundamental first step in Component 1. As such, the majority of activity during the first and second quarters of 2005 focused on the identification of watershed sites and beginning the collaborative planning process. Specific accomplishments in this regard are as follows:

- **Site Selection and Watershed Mapping.** During the first reporting period ESP identified and started mapping initial watershed target areas in each High Priority Province. These include: Krueng Aceh and Krueng Meurebo Watersheds in Aceh; Wampu and Deli Watersheds in North Sumatra; Batang Kuantan, Batang Arau and Batang Hari Watersheds in West Sumatra;Gede Pangrango and Burangrang Tangkubanperahu Lower Watersheds in West Java; and Upper Brantas Watershed in East Java. ESP is also supporting limited work in Sungai Wain Watershed in Balikpapan, East Kalimantan; Tondano Watershed, North Sulawesi; Cyclops Watershed in Jayapura, Papua; and Gunung Meja Watershed in Manokwari, Papua.
- **Increasing Awareness and Building Relationships.** The Watershed Management Team strived to increase awareness and support for the watershed management planning process as well as build relationships with communities and program partners. During the first reporting period ESP fostered awareness and support in targeted areas through 26 meetings and presentations at the provincial and district levels.
- **Watershed Management Forums.** With many site selections now complete, the WSM technical team has begun facilitating the establishment of Watershed Management Forums, the decision-making bodies that will guide the planning process. To date Watershed Management Forums have been established in Subang and Cianjur.

WSM Forum launched in Subang – In June, the Subang district government, its PDAM, and a number of NGOs launched the Subang District Watershed Management Forum. This multi-stakeholder forum is addressing key aspects of environmental services, from the conservation of Burangrang Tangkupbanperahu Protected Area and raw water resource conservation to clean water delivery and sanitation services. Subang could serve as a model for WSM planning and implementation across West Java and Indonesia.

- **Conservation Workshops and Trainings.** ESP partner, Rare, facilitated a five-day **Pride in Conservation workshop i**n Gunung Gede Pangranggo National Park this May. Twenty-four government and non-government partners from West Java and East Java, as well as ESP Public Outreach and Health and Communications staff were trained in social marketing for conservation. Efforts are being made to evolve this into a university degree program, and ESP looks forward to facilitating the first of at least twelve Pride in Conservation Awareness campaigns by late 2005.
- **Watershed Financing.** In close collaboration with the Finance Team, the WSM Technical Team initiated discussions on alternative financing options for watershed management plan implementation, including but not limited to carbon offsets and debt-for-nature swaps.

IMPLEMENTATION OF WATERSHED MANAGEMENT ACTIVITIES & IMPROVING ENVIRONMENTAL POLICIES (Task WS-2 and Task WS-3)

While the majority of activities under Component 1 focused on engendering support for the watershed planning process and establishing watershed forums, the WSM Team also began implementing activities to improve watershed management and protect invaluable water sources.

- **Pilot Activities.** ESP developed relationships with farmer groups and other local community networks, and initiated a series of community-based pilot activities in West Java and North Sumatra to stimulate development of watershed management plans (see text box).
- **Community Nurseries and Seed Distribution.** ESP established 4 nurseries containing more than 2,600 seedlings of 16 tree species in the HPPs. At a number of ESP events, including World Water Day and Earth Day in Jakarta, ESP initiated the distribution of tree seedlings as a gift to stimulate awareness of land stewardship in environmental services delivery. ESP also distributed more than 300 seedlings in Karo and Sibolangit districts in North Sumatra.
- **Achieving National Impact through Protected Areas Policy Discourse.** ESP collaborated with the Ministry of Forestry, The Nature Conservancy, WWF, WCS, Birdlife Indonesia, Wetlands International, Conservation International, and Flora and Fauna International on the policy development and publication of a ministerial decree in support of collaborative management of protected areas (No. P. 19/Menhut-II/2004). This provides a solid policy foundation for the facilitation of protected areas management and biodiversity conservation work across Indonesia.

Farmer Field Schools Begin – 30 Farmers from Deli Serdang and Karo District (North Sumatra) transplanted rice seedlings on June 15th to inaugurate the first ESP supported Farmer Field School on Ecological, water saving, non-polluting rice production. Farmers from several sub-districts are participating in this pilot activity.

As a final note, ESP also took advantage of Indonesia's 'Environment Day' to increase awareness regarding water supplies and the importance of watershed management. More specifically, ESP supported local organization awareness efforts including a 'Deli River day' with 200 school children from Medan and Deli Serdang organized by local NGO's, and an Ecological Farming exhibit by Deli Serdang IPM farmers at the provincial environmental exposition.

UPCOMING EVENTS & ACTIVITIES IN WATERSHED MANAGEMENT

- **ESP Agroforestry and Community Development Assessment Training**, in North Sumatra, in July 2005. ESP Agroforestry Development, Watershed Management and GIS Specialists will work with the Participatory Monitoring Specialist and additional STTA, as well as government, NGO and community partners to develop a protocol for ESP community assessment and monitoring. This will be followed by ESP community assessments and monitoring in al HPPs by the end of August.
- GIS Specialists will conduct **GPS training for Watershed Management and Agroforestry Specialists** by the end of August 2005.
- **Appreciative Inquiry training** will be conducted for Watershed Management and Agroforestry Specialists as well as relevant ESP partners, facilitated by STTA, in September 2005.
- Malaysian Industrial Pollution Specialists to visit Medan and work the the Environmental Protection Agency on possible **solutions to industrial pollution** in the Deli River in early July.
- **Independence and Water! Activities** around 17th of August, including a workshop for environmental journalists and community-based reforestation with university based organizations. (Week of 17th of August)

SECTION 2.3

SERVICE DELIVERY

INTRODUCTION

The Service Delivery (SD) Team made significant progress in the past six months as it seeks to improve water supply, sanitation, solid waste, and hygiene in the ESP High Priority Provinces. The staff recruitment for the SD Team is now nearly complete, with 18 local experts (40% women) in fields of municipal water and sanitation (WATSAN), community based WATSAN, and Health & Hygiene Communication specialists. Following the completion of the workplan, the team started with a general assessment of PDAMs in order to identify current PDAM needs and prioritize activities. The cooperation with the Watershed Management and Financial Teams was superb during this reporting period, with regular joint visits to project locations. Regarding sanitation activities, the ESP sanitation component was introduced during a very successful **multi-city seminar for 7 of our project locations**, together with other partner organizations, donor agencies and other stakeholders. To date the team has identified at least four community-based solid waste managed systems, which will be highlighted and described in ESP case studies. Regarding hygiene behavior activities, the SD team conducted the basic introduction and training for our staff and has begun identifying suitable field locations and potential local cooperation partners.

WATER SUPPLY (Tasks SD-1, SD-2, and SD-3)

The major activities of the Service Delivery Team regarding improved water supply during the opening two quarters were as follows:

- **PDAM Assessment.** ESP commenced work with PDAMs by preparing and implementing a quantitative and qualitative assessment for 20 locations to better understand the condition of PDAMs and identify priorities for cooperation with ESP. As part of the assessment, ESP worked with PERPAMSI to analyze data for each location in accordance with the PDAM Benchmarking program. The final report will be complete by the end of July. As a result of the PDAM Assessment it is anticipated that ESP will sign Memorandums of Understanding (MoU's) with all 20 participating PDAMs. Six MoU's are already under discussion and close to being finalized.
- **Aceh Needs Assessment.** In light of the recent tsunami disaster in Aceh, USAID requested that ESP expand its geographical scope to the Aceh Province. The SD Team commenced activities in Aceh with a Needs Assessment focusing on Water and Sanitation, including hardware needs, staffing needs, and management capacity. The assessment greatly aided the formation of ESP's technical assistance strategy in Aceh, and led to the development of targeted trainings and improved coordination with other donors in the field of urban water supply (with a special focus on strengthening the capacity of PDAM Banda Aceh).
- **PDAM Trainings.** One of the Service Delivery Team's most important mandates is to improve the technical, operational, and financial management of PDAMs. A key element of ESP's approach to accomplishing this goal is to conduct and/or support trainings. Examples of training activities during the reporting period are as follows:
    - Trained 10 operators from water treatment plants in Banda Aceh and Aceh Besar in dosing and testing water quality.
    - Started with on-the-job training support for PDAM accounting system (with expertise borrowed from PDAM Medan) and water quality programs (utilizing STTA).
    - Five PDAM Strategic Management trainings (each for two weeks) are under development with YPTD (Training Foundation under PERPAMSI) and Provincial PERPAMSI offices; to be implemented during August – September 2005 for 120 participants; agreement with all parties on substantial cost-sharing of training costs by participants.
    - Initiated improvement of PDAM staff motivation/integrity training programs through identification of suitable resource institutions.

- **In-Kind Procurement**. ESP made several strategic purchases on behalf of PDAMs to meet immediate needs for improved water delivery. For example, in Aceh, ESP purchased three computers to be used by the billing and accounting departments of PDAM Tirta Daroy in Banda Aceh. As noted above, the purchase of these computers was supplemented by technical assistance to improve accounting practices. Also, in Nias, ESP contributed to new pumps to assist the PDAM in becoming operational after an earthquake disabled its systems.
- **Source Water Protection**. In close collaboration with Provincial Watershed team, raw water production and protection issues were identified for Subang, Cianjur, Malang, and Karo.
- **Formation of Partnerships with Donors and NGOs.** The SD team devoted significant effort during the project start-up phase to networking and forming partnerships with other organizations involved in water supply in Indonesia. Such relationships and coordination help ESP to leverage external support, build off of ongoing initiatives, and avoid duplication of effort. Examples of this networking and partnerships are as follows:

- Initiated discussions with donors and other institutions on collaboration/coordination in the water and sanitation sector, including the World Bank, World Bank Institute, GTZ, USAEP, ICMA and WASPOLA.
- Developed links with US suppliers, like ABB Kent, PT Metito and Capital Controls.
- Formed relationships with two NGO's working in Jakarta in urban poor and slum areas (one is USAID DAP partner). ESP anticipates that formal cooperation agreements will be developed between July and August 2005.
- MoU with WMD to be finalized by/before mid July, consisting on cooperation for DPAM support in Eastern Indonesia in raw water protection, alternative financing, capacity building and awareness programs.

Improved Water Supply for Temporary Living Center Residents in Aceh – PDAM *Tirta Montala* in Aceh Besar owns a water treatment plant (WTP) that was built in 2004, but was never brought into operation. One reason is that the intake for the plant in the *Krueng Aceh* (Aceh River) required rebuilding. UNICEF, who pays for the delivery of over 200 daily tanker shipments of water to the Temporary Living Centers (TLCs) in and around Banda Aceh, asked ESP to conduct a feasibility to determine: (1) what would be needed to bring the treatment plant on line; (2) the associated costs of bringing the plant on line; and (3) a cost comparison of operating the new plant with the present mobile water system.

The study found that the cost of a cubic meter of water produced by the WTP would be from one-fifth to one-tenth of the cost associated with the present system. Based on ESP's assessment, UNICEF invested in bringing the plant on line plus laying pipes to deliver water directly to several TLCs. This means that, for the first time since December of 2004, the over 5000 residents of these TLCs will have a water supply that would not be limited to a mere few buckets per day. Additionally, TLC's throughout the area will now have a cheaper source of water.

SANITATION & SOLID WASTE (Task SD-4 and Task SD-5)

The major activities of the Service Delivery Team regarding sanitation during the first and second quarters were as follows:

- **Multi-City Sanitation Workshop.** In June 2005 ESP held a Multicity Sanitation Workshop in Surabaya that was attended by public officials from seven ESP locations (Municipalities of Malang, Surabaya, Medan, Padang, Bukittinggi and Districts of Malang and Karo). Following an introduction to the Environmental Services Program, the workshop focused on the integration of municipal sanitation services. Many officials in attendance were exposed for the first time to the notion of adopting a city-wide sanitation strategy for their respective municipalities, including the concept of integrating conventional centralized treatment with individual/household level treatment. The key principles communicated include: (1) the prioritization of sanitation within the local government agenda, (2) improved coordination across municipal departments regarding sanitation activities, and (3) cost sharing for sanitation infrastructure across political boundaries. The workshop generated significant interest in ESP, with many in attendance demonstrating a desire to work with ESP to improve their sanitation systems. To formalize relations with

ESP, the delegations were issued "letters of interest" (which outlined the principles of the workshop) to take back to their communities for review and eventual signature. Once the signed letters are received, ESP will commence activities in the municipality.

- **Municipal Sanitation Program in Bandung**. In May and June of 2005 ESP entered into discussions with the Municipality of Bandung and the Province of West Java to develop a comprehensive sanitation program. The program will include sanitation mapping, optimalization of sewerage systems, benchmarking, community based sanitation and sludge collection/treatment systems. A final MoU between ESP and Bandung is expected to be finalized in July. In anticipation of the full program rollout, ESP facilitated an initial assessment by Indah Water Konsortium (Malaysian National Sewerage Company) of the efficiency of existing sewerage system in Bandung. IWK has agreed to provide expertise on a cost basis only, meaning that ESP is only required to pay travel costs.
- **Environmentally Sound Design Workshop.** In Aceh ESP organized a workshop entitled "Environmentally Sound Design" for 50 government and NGO staff. Importantly, the workshop covered sanitation and housing construction issues just as the reconstruction program in Aceh was beginning. Among the participants were Oxfam, Concern, IOM, Mercy, and Habitat for Humanity, NGOs that are collectively planning to build some 50,000 houses. This is a major portion of the houses to be built as part of the reconstruction effort.
- **Partnership Formation.** The SD team also sought to network with and formalize relationships with other organizations active in the sanitation sector. For example, ESP signed a memorandum of understanding with BORDA and IWK on cooperation for ESP sanitation activities. Second, ESP developed a strong working relationship with PD PAL, the sewerage company for DKI Jakarta, in support of a comprehensive sanitation strategy. Finally, ESP also fostered relationships with Bappenas, the Worldbank/WSP, WASPOLA, and IDRC.
- **Case Studies in Solid Waste Management.** The SD team has identified four locations for ESP case studies on successful community based solid waste managed systems (Balikpapan, Bandung, Surabaya, Jakarta). The collection of information has already begun, and it is anticipated that they will be completed in August. ESP will then distribute the cases to partners to facilitate the sharing of best practices.
- **Medan Solid Waste Mangement**. ESP participated in the development of an MoU between USAID and JBIC on collaboration for a solid waste management program for the Municipality of Medan. The MoU is under the auspices of the JBIC flood control program.

Strengthening Existing Sanitation Initiatives – ESP began discussions in April with the Province of West Java regarding ways in which the Program can partner with the Province to support its community-based sanitation initiatives. Specifically, West Java is currently planning to construct two community-based systems and ESP has agreed to support community involvement and understanding of the system (including how to use the system, the benefits to the community, and how to maintain and finance the system) through a well-established local community group. West Java has communicated that if the partnership

BEHAVIORAL CHANGE (Task SD-6)

The major activities of the Service Delivery Team regarding behavioral change during the first and second quarters were as follows:

- **Literature Review and Data Collection.** ESP completed a literature review of existing health research findings. The collection of existing materials on environmental health monitoring and health data was also completed for the national and provincial level and was used to assist in the development of the PMP.
- **Handwashing Working Group**. ESP participated in the Handwashing Working Group coordinated by USAID and listed in the information circulation of Water & Sanitation (WATSAN) organized by UNICEF.
- **BHS Partnerships**. ESP formed strong relationships with other BHS partners. Examples include the 'situation analysis task force' which produced a generic template for situation analysis tool that was then used by MNCH to conduct their analysis in Aceh; discussions on the joint baseline survey with MNCH and SWS; and the provision of inputs to the LGSP baseline.
- **Donor and NGO Collaboration**. The sharing of information is taking place with several UN institution (WHO, UNICEF and UNESCO), World Bank, CARE, Helen Keller Indonesia, Save the Children, Project Concern International (PCI), and World Vision.

UPCOMING EVENTS & ACTIVITIES IN SERVICE DELIVERY

- Five PDAM strategic management trainings (August - September)
- MoU completed and signed with 20 PDAMs
- Support & make presentation in Second South East Asia Water Forum in Bali (August)
- Sanitation seminar by PDAM Kota Bandung (July)
- IWK trip to assess sewerage systems in Bandung, Jakarta, Medan (July).
- Completion of Community Based Solid Waste case studies (August)
- Health Behavior Situation analysis for four Provinces (August)

SECTION 2.4

ENVIRONMENTAL SERVICES FINANCE

INTRODUCTION

The Finance Team has currently recruited 3 of 4 required Indonesian finance specialists and good progress has been realized on several fronts. First, the **scope and content** of environmental services finance component was clarified with the assistance and collaboration of watershed management (WS) and service delivery (SD) component leaders and teams. Second, **regular dialogue** with the World Bank offices (WSP and WASPOLA) and the ADB involved in the water and sanitation sectors was initiated in order to improve collaboration, coordination and synchronize approaches to technical assistance amongst donors. ESP endeavors to find ways to **cooperate in specific projects and eliminate the duplication** of efforts. Third, the Finance Team has made good progress in the

identification of PDAMs with which to work, the establishment of formal relationships, and the commencement of technical assistance activities with these PDAMs. The following subsections provide greater detail on the work performed during the initial reporting period.

COMMUNITY WILLINGNESS TO PAY FULL RECOVERY TARIFFS (Task FN-1)

The issue of community willingness to pay full recovery tariffs requires a broad knowledge of:

1. What standardized approaches, or definitions, are being used to arrive at full recovery tariffs;
2. What laws directly and indirectly impact on tariff petitions / determinations;
3. How tariffs are set in the regional government setting;
4. Which utilities have, or are closest to having, full recovery tariffs;
5. Impediments preventing utilities from petitioning, or being awarded, full recovery tariffs; and
6. Effectiveness of the assistance being provided by participating donors in this particular issue.

In an attempt to understand the setting in which ESP will operate, all of these issues have received attention during this initial period - particularly, the identification of those utilities in ESP target areas that possess full, or near full, recovery tariffs. This matter is of special importance to the FN Team as it tends to define the utility clients that would be most eligible for assistance in mobilizing finance. Contact, to date, has been more limited with those utilities that are not operating at full recovery tariffs, although this is bound to change over time.

RESOLUTION OF KEY POLICY ISSUES CURRENTLY OVERHANGING WATER SECTOR

Key policy issues affecting the water sector currently are (a) debt owed to the Ministry of Finance (Departemen Keuangan) that is not being serviced on schedule by borrowing utilities and requires rescheduling or restructuring; and (b) continued politicization of tariff setting through local parliaments (and as a corollary to this, the absence of 'independent' regulatory commissions). Through its activities over the last 6 months, ESP:

- Understands that the issue is nearing an in-principal resolution, as PP 14, *Procedures for State or Regional Credit Write-Off,* has been released by the MOF - although it is unclear how long it will take to implement the law in its entirety; and

- Has become involved in the issue - as part of its technical assistance in the drafting of corporate plans for two utilities – and will be approaching MOF for the purpose of providing relief through a rescheduling or restructuring of the past due obligations.

The subject of independent regulatory commissions has not been addressed yet, although it is understood that ADB is very much involved in its resolution.

IMPROVED ACCESS OF WATER UTILITIES TO COMMERCIAL FINANCE

To date ESP has engaged five PDAMs, with relationships documented in the form of a Memorandums of Understanding or a mutually agreed upon scope of work. Regarding the selection process, the Finance Team (in cooperation with the Service Delivery Team) collected current financial information for the PDAMs in the High Priority Provinces. ESP then supported the analysis of the data by PERPAMSI, the Indonesian association of water utilities, and the results were used to update PERPAMSI's financial performance indices. Using the updated financial indicators as well as its own preliminary discussions, the Finance Team developed a short list of potential PDAMs with which to work. Key selection criteria included the proximity of the utilities to full cost recovery tariffs as well as the PDAMs stated interest in working with ESP.

Alternative Financing Opportunities. In East Java ESP commenced discussions with the Sidoarjo PDAM regarding opportunities for public-private partnership funding for its development plans

The PDAMs which the Finance Team has engaged thus far are: Kota Medan, Bogor, Malang, Subang and Kabupaten Bandung (the latter on behalf of PDAM Kota Lembang). Presently the Finance Team is undertaking feasibility studies and preliminary technical assistance with each PDAM based upon the PDAMs unique situation and development objectives. In Bogor, for example, the Finance Team commenced a feasibility study regarding a potential 35 billion Rupiah investment in the utility's distribution network, reservoir capacity, and water treatment expansion. In Medan, ESP started assistance in the development of the utility's corporate plan for the next 5 years.

Importantly, ESP emphasizes an integrated approach to financing when providing assistance to PDAMs, including options in corporate finance, alternative finance, and micro finance to fund consumer water connections. Additionally, at least some, if not all, of the financings are likely to involve the use of Development Credit Authority Guarantee tools.

SECTION 3

PROJECT MONITORING & EVALUATION

INTRODUCTION

This section contains a chart listing the major components of the Environmental Services Program, along with progress to date against the indicators and first year targets for those indicators, as per the ESP *Program Monitoring Plan* submitted to USAID for review and approval during this reporting period. It is recognized that related BHS programs are still evolving and that there may be some movement or revision of these indicators at a later date.

The following pages contain charts describing the major tasks, indicators, first year targets, and progress to June 30, 2005 for each of the major components of the project, namely:

- **Program Management (PM)**
- **Watershed Management and Biodiversity Conservation (WS)**
- **Environmental Service Delivery (SD) and**
- **Environmental Services Finance (FN).**

ESP Progress based on the PMP
Period: January – June 2005

Component: Project Management (PM)

Task	Indicator	First Year Target	Progress
1. Leveraging other financial support for Environmental Services Program	Level of funding to support ESP activities	N/A	In coming years, ESP plans to leverage financial resources of other donors, public and private. To date, ESP has leveraged in-kind value, such as: • Office in provided fre of charge in Ministry of Forestry. • Venues in Gov't. facilities to hold ESP events (e.g. World Food Day and Subang Multi-Stakeholder Workshop). • Pro bono services by Indah Water Konsortium (Malaysia). • Construction costs for two Community Based Sanitation systems by West Java Province (and 3 more in 2006).
2. Collaborative program to support the Strategic Objective (SO) of Basic Human Service (BHS)	# of integrated activities between ESP and other USAID Programs	Two (2) joint activities conducted jointly by ESP and other USAID partners	**Target for FY2005 met**: • Established Task force on BHS situation analysis focusing on health/hygiene baseline study, together with **HSP** and **SWS**. • Conducted joint health/hygiene communications training and created Task force on Behavior Change and Communication (BCC)with **HSP**.
3. Public Outreach and Communication	• # of campaigns supported by ESP • # of campaign supported by partners or stakeholders • # of communities covered by campaigns	• Eight (8) campaigns supported • Four (4) campaigns supported by partners/stakeholders • Twenty four (24) communities exposed to ESP campaigns	Work has been initiated for at least three public outreach campaigns: • Environmental Focus Group Discussion with journalists; • Data gathering related to issues of ESP and campaign activities; and • Mapping of potential media and partners ESP has achieved at least 7 program communications that have been published in printed and electronic medias in West Java and East Java.

Component: Project Management (PM)			
Task	**Indicator**	**First Year Target**	**Progress**
4. People participation in the ESP trainings and workshops	# of people participate in ESP training and workshop	One thousand (1,000) people trained	To date, **302 people have been participated** in the ESP trainings and workshops. The people participate in the ESP trainings and workshops are divided into 2 categories such as exclusive training and workshop for ESP staff and training and workshop for ESP partners and stakeholders. Below is the details of people trained that is disaggregated by the gender: • 63 ESP staff (39 men and 24 women) • 239 partners and stakeholders (199 men and 40 women) From the figure above, the percentage of **women participation** in the ESP workshop and training is **21%.**

Component: Watershed Management and Biodiversity Conservation (WS)			
Task	**Indicator**	**First Year Target**	**Progress**
WS1 – Development of Watershed Management Plans	# of WSM plans actually having funds for implementation	Eight (8) WSM plans developed and functioning	**8 WSM** identified and mapped **in targeted HPPs**. Work in **4 watershed areas in SIA**s continues. Numerous meetings and workshops conducted to establish the multi-stakeholder forums. WSM plan financing is currently under discussion.
WS2 – Implementation of WSM Plans	# of WSM plans implemented by stakeholders	Eight (8) WSM plans are implemented by stakeholders	The WSM plans are still being prepared, with implementation **expected to start next quarter**.
WS3 – Scale up and Achieve National Impact	# of policies for integrated WSM	0 (5 over project life)	Background work underway to develop local and national policies supporting WSM.

Component: Service Delivery (SD)			
Task	**Indicator**	**First Year Target**	**Progress**
SD1 – Improve PDAM technical and operational management.	# of PDAMs with improved technical and operational management	0 (30 over project life)	Assessment of current conditions of 20 PDAMs in HPPs Collaboration with one NGO (PERPAMSI) on PDAM benchmarking and training activities for PDAM staff. MoU's between PDAM and ESP are currently being negotiated/finalized with 10 PDAMs
SD2 – Increase PDAM financial position.	# of PDAMs with improved financial position	0 (30 over project life)	To date, assessing **3 PDAMs financial positions**. Made agreement with Water Maatschappij Drenthe (**WMD**) to support PDAMs in SIAs. **In discussion with other donors** to support PDAM partners.
SD3 – Increase access to Clean Water	% of household/population that practice clean water management, which includes improved water source, quantity, treatment and safe storage	The target for the life project will be determined after situation analysis and baseline survey is conducted, with HSP & SWS.	Collaborating with two NGOs in Jakarta (Mercy Corps and YE Water Systems) working in urban poor and slum areas have been initiated to assess households water management.
SD4 – Increase access to improved Sanitation Systems	# of improved sanitation systems developed and implemented	0 (20 over project life)	Discussions are ongoing with **8 locations**. Established collaboration with other donor agencies, NGOs, private companies, government agencies to improve sanitation system. Multi-city Sanitation Work Shop conducted in June 2005.
SD5 – Develop Community-based solid waste system	# of improved community-based solid waste systems in place.	0 (10 over project life)	First year program is preparing foundation for this work. **4 case studies** underway. **MoU developed** in North Sumatra between **USAID** and **JBIC** for solid waste management program for Medan.
SD6 – Behavioral change intervention	Proportion of households adopting improved health and hygiene practices.	The target for the life project will be determined after situation analysis and baseline survey is conducted, with HSP & SWS.	Baseline activity will be started in next quarter. Two joint task forces with other USAID BHS partners have been established for "situation analysis" and "Behavior Change and Communication."

Component: Environmental Services Finance (FN)			
Task	**Indicator**	**First Year Target**	**Progress**
FN1 – Assess Community Willingness to Pay Full Cost Recovery Tariffs	# of PDAMs with a strategy to improve community willingness to pay full cost recovery tariffs	0 PDAM's to operate on full recovery basis first year. (30 over project life) 1 project that will rely on DCA for mobilizing commercial finance (10 over project life)	**5 PDAMs** currently engaged in corporate plan or feasibility work. Most PDAM financings will require DCA.
FN2 – Broaden and develop support for resolution of key issues	# of PDAMs undertake initiatives to improve credit-worthiness	0 (5 over project life)	Assisting in restructuring PDAM debt to Ministry of Finance.
FN3 – Ensure improved access of water utilities to commercial finance	# of PDAMs that have secured access to finance.	0 (5 over project life)	Investigating potential for micro-credit, loans, alternative finance, GO bond.

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